

## EQUITY CROWDFUNDING IN THE CONTEXT OF INCLUSIVE ECONOMIC GROWTH

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**Abstract:** *Equity crowdfunding is a modern tool for raising capital which increases access to finance for small and medium-sized enterprises while making investment opportunities more accessible. This paper analyses the role of equity crowdfunding in the context of inclusive economic growth, examining its theoretical basis, the relevant institutions and the socio-economic implications. The methodology is based on comparative institutional analysis and the synthesis of secondary data. The results demonstrate that, when accompanied by effective regulation and digital transparency, this mechanism can contribute to financial inclusion, regional development, and support for innovative SMEs. However, risks of information asymmetry and regulatory fragmentation have also been identified. It is concluded that there is a need to harmonise the regulatory framework and develop digital financial literacy.*

**Keywords:** *Equity Crowdfunding; Inclusive economic growth; Financial inclusion; SME financing; Digital platforms.*

**Classification JEL:** *G23, L26, O16.*

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### 1. Introduction

In an era of global economic transformation, equity crowdfunding has emerged as an innovative mechanism that can radically change the way capital is raised and stimulate inclusive economic growth. As Ahlers et al. (2015) have noted, this instrument enables small and medium-sized enterprises (SMEs) to bypass the rigid barriers of traditional financing, opening up investment opportunities for a wide range of participants and thereby democratizing the capital market. Current scientific knowledge emphasizes that traditional sources of financing, such as bank lending and venture capital, are often characterized by high selectivity and limited accessibility, particularly in developing economies (Demirgüç-Kunt et al., 2022). This creates a structural financial gap that hampers entrepreneurial activity and exacerbates social inequality, contradicting the fundamental principle of inclusive growth: economic development should be geared towards equal opportunities and the involvement of all sections of society (Stieglitz, 2012).

This study aims to assess the potential of equity crowdfunding as a catalyst for inclusive economic growth. Despite the dynamic growth of platforms such as Crowdcube and Seedrs, questions remain regarding the risks of information asymmetry and regulatory fragmentation, as well as the extent to which they contribute to social inclusion (Schwienbacher, 2019). This study aims to conduct a comprehensive theoretical analysis of the instrument to reveal its role in expanding access to capital and fostering sustainable economic models. To achieve this, the following objectives are addressed: 1) examining the theoretical foundations of inclusive economic growth and financial inclusion; 2) examining the economic nature and operating mechanisms of equity crowdfunding; 3) assessing its potential to support SMEs; and 4) identifying institutional constraints, risks, and regulatory aspects.

The research hypothesis posits that effective regulation and digital transparency have the potential to significantly enhance the financial inclusion of equity crowdfunding, promote regional development, and foster innovation in the SME sector. However, the effectiveness of these factors depends directly on the harmonization of the regulatory framework and the improvement of financial literacy among market participants.

The methodological approach is based on comparative institutional analysis and synthesizing secondary data from academic literature, reports by international organizations such as the OECD and the World Bank, and regulatory documents. Qualitative methods are employed to ensure depth of interpretation without the need for empirical experiments. This study's significance lies in its contribution to management and economic policy theory: in the context of digitalization, equity crowdfunding can be a vital component of sustainable development strategies, helping small businesses overcome growth barriers. Preliminary analysis suggests that this mechanism lowers barriers to entry into the capital market and stimulates the formation of an investment culture. However, a careful balance must be struck between innovation and investor protection.

## 2. Literature Review

Contemporary economic literature views inclusive economic growth as development that not only increases output, but also expands economic opportunities for various social groups. Unlike traditional models, which focus primarily on gross domestic product dynamics, this approach emphasizes distributing the benefits of economic growth and ensuring equal access to resources and opportunities (Stiglitz, 2012; World Bank, 2013).

As Stiglitz (2012) notes, economic growth accompanied by high income and capital concentration can exacerbate socioeconomic inequality and undermine the long-term sustainability of economic development. In this context, inclusiveness is considered a social objective and a means of enhancing the efficiency of economic systems.

One of the key mechanisms for achieving inclusive growth is financial inclusion, ensuring that households and businesses have access to basic financial services. According to World Bank research (Demirgüç-Kunt et al., 2022), expanding access to financial instruments contributes to entrepreneurship development, increased economic activity, and reduced inequality.

Data from the Global Findex Database (2025) show that the proportion of the adult population holding a financial account has risen to 79%, while around 1.3 billion people remain formally excluded from the financial system to a greater or lesser extent. Despite this positive trend, access to finance for small and medium-sized enterprises (SMEs) remains limited due to banks' requirements regarding collateral and credit history. This creates the so-called 'financial gap' (OECD, 2020). In this context, alternative forms of financing based on digital technologies and platform mechanisms are becoming increasingly important.

Crowdfunding is a mechanism for raising capital via digital platforms, enabling funds from a large number of investors to be pooled to finance entrepreneurial projects. One of the earliest theoretical explanations of how crowdfunding works comes from a group of authors (Belleflamme et al., 2014), who demonstrate that digital platforms can significantly reduce transaction costs and expand the pool of potential investors.

Among the various forms of crowdfunding, equity crowdfunding plays a special role, involving the provision of equity stakes in a company to investors. A study by Ahlers et al. (2015) views this mechanism as a hybrid form of financing, combining elements of venture capital investment and collective investor participation. The authors demonstrate that the success of crowdfunding campaigns is largely determined by informational signals such as project transparency, ownership structure and the level of the founders' equity stake in the company.

Further research confirms that alternative financial instruments can stimulate entrepreneurial development and support the launch of new companies, particularly in the early stages of business development (Bruton et al., 2015). This is particularly relevant for SMEs, which often face restrictions on access to bank lending and venture capital.

From an institutional perspective, the development of crowdfunding is linked to a broader transformation of financial markets in the context of digitalization. Zetsche et al. (2018) note that digital financial technologies create new forms of intermediation and an alternative infrastructure for capital allocation, contributing to the expansion of investment opportunities for private investors.

Despite the significant potential of crowdfunding, the academic literature also highlights the risks and institutional constraints of this mechanism. One of the key problems is the information asymmetry between entrepreneurs and investors, which can lead to inefficient capital allocation and increased investment risk (Schwienbacher, 2019).

Empirical studies confirm that the structure of crowdfunding campaigns significantly impacts their likelihood of success. In particular, Cumming et al.'s (2020) analysis shows that 'all-or-nothing' funding models are more effective than 'keep-it-all' models because they reduce investor risk and increase project trustworthiness.

Analytical reports by the OECD (2020; 2022; 2025) also emphasize the sensitivity of alternative financial instruments to macroeconomic conditions and changes in financial regulation. Amid inflationary pressures and rising interest rates, the alternative finance market remains volatile, underscoring the importance of an effective institutional environment.

At the same time, the global crowdfunding market is demonstrating steady growth. According to estimates by international analytical agencies, its volume reached approximately \$1.83 billion in 2025 and is forecast to increase to \$5.91 billion by 2034, at an average annual growth rate of around 13.7% (Market Data Forecast, 2025); Research and Markets, 2025). The equity crowdfunding segment is also showing positive growth, determining its growing role in the system of alternative sources of financing (Market Reports World, 2026; Spherical Insights, 2025).

An analysis of the academic literature shows that crowdfunding has significant potential to expand financial inclusion and support entrepreneurship. However, its effectiveness depends on various factors, including the institutional environment, the level of regulation, and the development of digital infrastructure.

Despite a significant body of research in the fields of financial inclusion and alternative financing, the relationship between equity crowdfunding and inclusive economic growth remains understudied. This study aims to address this gap in the research literature by taking an integrated approach that considers institutional, financial, and socio-economic factors in the analysis of digital capital mobilization mechanisms.

### 3. Methodology

The study's methodological framework is based on an analytical and theoretical approach combining principles from institutional economics and management. This enables equity crowdfunding to be considered both an institutional mechanism for raising capital and a management tool that increases small and medium-sized enterprises' access to financial resources.

The research methodology is determined by the study's objectives. As the primary objective of this article is to provide a theoretical understanding of the institutional mechanisms that underlie crowdfunding platforms' operation, the focus is on a conceptual analysis of their role in ensuring financial inclusion and stimulating inclusive economic growth rather than on statistical hypothesis testing (Zetzsche et al., 2018).

The research information base was formed through a systematic analysis of secondary sources. Data sources include scientific publications from international academic journals and analytical reports from international organizations such as the World Bank and OECD, as well as regulatory documents governing alternative forms of financing. A literature search was conducted in the Scopus and Google Scholar databases using the keywords 'equity crowdfunding', 'inclusive economic growth', 'financial inclusion' and 'SME financing'.

Sources were selected based on scientific significance, relevance, and topicality. The main focus was on publications released after 2012 due to the active development of digital financial technologies during this period. Over 50 scientific and analytical sources were reviewed as a result of the analysis, and the most significant of these are included in the study's bibliography. To keep the analysis up to date, data from the Global Findex Database 2025 and the OECD *Financing SMEs and Entrepreneurs Scoreboard 2025* were also used.

The analytical part of the study is based on a combination of comparative institutional analysis and conceptual synthesis. The comparative analysis enabled the comparison of traditional and alternative financing mechanisms and the identification of the specific institutional conditions under which they operate in various economic systems (OECD, 2020; 2022; 2025, 9, 10, 16). Meanwhile, the conceptual synthesis integrated theoretical propositions on inclusive economic growth (Stieglitz, 2012; World Bank, 2013) with empirical data on the development of financial inclusion and digital financial instruments (Demirgüç-Kunt et al., 2022; Global Findex, 2025).

It should be noted that one limitation of the study is its reliance on secondary sources, with no original empirical data. Nevertheless, this approach allows for a broad analytical scope and enables the formation of a theoretically grounded understanding of the role of equity crowdfunding in the modern financial ecosystem.

The following section uses the presented methodological framework to examine the research findings. This enables us to refine the theoretical conclusions and identify the institutional and managerial aspects of equity crowdfunding in the context of inclusive economic growth.

### 4. Results and Discussion

The findings of this study, based on a comparative institutional analysis and a synthesis of secondary data, confirm the significant potential of equity crowdfunding as a tool for expanding financial inclusion and supporting inclusive economic growth. The analysis shows that this

mechanism can lower barriers to accessing capital for SMEs while fostering new forms of interaction between entrepreneurs and investors in the digital economy. Table 1 presents the differences between traditional and alternative forms of financing for clarity.

**Table 1. A comparative analysis of traditional and alternative financing in the context of inclusive growth**

Criterion	Traditional financing	Alternative financing (including equity crowdfunding)
<b>Main source of capital</b>	Banks, venture funds, institutional investors	Private investors through digital platforms
<b>Minimum participation threshold</b>	High	Relatively low
<b>Requirements for collateral</b>	Strict (collateral, credit history)	More flexible, based on project potential
<b>Accessibility for SMEs</b>	Limited	Higher
<b>Investor involvement</b>	Indirect	Direct, through participation in capital
<b>Impact on financial inclusion</b>	Limited	Promotes broader participation

*Source: compiled by the author based on OECD (2020; 2022; 2025).*

The data presented indicate that, in addition to diversifying sources of funding, equity crowdfunding helps to create a broader investor base comprising private investors making relatively small investments. These findings are consistent with those of Bruton et al. (2015), who argue that alternative financial instruments can stimulate entrepreneurial activity and support the development of SMEs, particularly in conditions of limited access to bank lending.

However, the analysis also identifies several limitations to this mechanism. Research shows that a significant proportion of crowdfunding campaigns fail to meet their targets, while investors face the risk of losing their investment and the low liquidity of shares (Cumming et al., 2020). Furthermore, the participation of unqualified investors exacerbates the problem of information asymmetry, necessitating effective regulatory mechanisms (Schwienbacher, 2019).

The key factors influencing the impact of equity crowdfunding on inclusive economic growth are presented in Table 2.

**Table 2. Factors Influencing the Impact of Equity Crowdfunding on Inclusive Economic Growth**

Group of factors	Positive influence	Limitations and risks
<b>Financial</b>	Expansion of SMEs' access to capital; diversification of financing sources	Risk of investment loss; low liquidity of shares
<b>Social</b>	Democratisation of investment; formation of investment culture	Insufficient level of financial literacy
<b>Institutional</b>	Development of alternative financial infrastructure	Insufficient regulatory certainty
<b>Digital</b>	Reduction of transaction costs; expansion of investor geography	Dependence on digital platforms

*Source: compiled by the author based on Ahlers et al. (2015) Cumming et al. (2020).*

Overall, the findings of this study are consistent with the conclusions of Belleflamme et al. (2014), who emphasized the role of digital platforms in reducing transaction costs and increasing access to capital. At the same time, the findings corroborate Stiglitz's (2012) assertion that more inclusive economic mechanisms are needed to reduce structural inequality in access to financial resources.

From a practical perspective, the study's findings have significant implications for management and institutions. For entrepreneurs, the key to successful crowdfunding campaigns lies in transparent information disclosure and building trust among investors. For government regulators, a key area of focus should be the development of a regulatory framework that balances supporting innovative financial instruments with protecting investors.

Thus, the findings confirm the hypothesis of the study that equity crowdfunding can serve as an effective tool for expanding financial inclusion and supporting inclusive economic growth. However, its long-term effectiveness depends on the quality of the institutional environment, the level of digital transparency and the development of regulatory mechanisms.

## 5. Conclusions

The study confirms that equity crowdfunding is a significant tool for promoting inclusive economic growth by enhancing financial inclusion and creating additional opportunities for small and medium-sized enterprises to develop. The analysis revealed that this mechanism lowers barriers to accessing capital for entrepreneurs and investors, stimulates innovation, and supports regional economic development (OECD, 2025; Global Findex, 2025). However, the effectiveness of equity crowdfunding depends on the extent of institutional and regulatory harmonization required to minimize the risks of information asymmetry and protect investors (Schwienbacher, 2019; Cumming et al., 2020).

From a theoretical perspective, the study's findings contribute to institutional economic theory by integrating the concept of economic equality of opportunity (Stieglitz, 2012) with modern digital financial models and platform-based capital mobilization mechanisms (Zetzsche et al., 2018). Thus, equity crowdfunding is not only viewed as an alternative source of financing, but also as an element in the transformation of the financial ecosystem in the context of the digitalization of the economy.

The practical significance of the study lies in formulating recommendations for managerial and regulatory practice. For the management of crowdfunding platforms and entrepreneurial projects, it is particularly important to increase the transparency of investment campaigns, improve disclosure mechanisms and strengthen investor confidence. In terms of public policy, it is crucial to further harmonize the regulatory framework and establish uniform regulatory standards, similar to the approaches implemented in the European Union, where the volume of funds raised through crowdfunding platforms exceeded €1 billion in 2023.

Based on the analysis conducted, particular attention should be paid to developing financial literacy programmes for investors and entrepreneurs, and to implementing technological solutions, including digital registers and platform-based mechanisms for secondary share trading, to enhance investment liquidity.

This study is primarily theoretical and analytical in nature, determining the direction of future research. Promising avenues for future work include empirical verification of the

proposed conceptual model and a comparative analysis of national models for the regulation and operation of equity crowdfunding in various institutional environments.

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