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# Crowdfunding as an Innovative Financial Policy Tool for SMEs: An Overview of the European Market

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## ABSTRACT

**Objective:** The research is focused on an overview and evaluation of the potential of crowdfunding in the financial policy of small and medium enterprises (SMEs), paying particular attention to the European market, including varying forms and types which depend on the funding method, rewards in return, and how it is taxed and reported.

**Research Design & Methods:** The study contains a review of crowdfunding based on investigations conducted by international organisations, as well as the analysis of the legal framework of crowdfunding platforms in EU regulations. A comparative analysis was conducted to highlight an overview of 663 crowdfunding platforms across 41 states, taking into account type, industry, rewards in return, and taxation and reporting processes. Based on data from selected crowdfunding platforms the authors present the most successful crowdfunding campaigns in 2022.

**Findings:** Online alternative finance is gaining ground in finance policies of SMEs. There is a consensus among European legislative bodies that crowdfunding should be encouraged as

a modern form of financing for the SME sector. However, in comparison to other developed economies, the EU crowdfunding market is underdeveloped. The authors highlighted the key features of the best crowdfunding campaigns in 2022. The Polish market strongly reflects the success of the various crowdfunding models.

**Implications/Recommendations:** The obtained results seem to become a benchmark for reducing risks as well as ensuring diversification and stability in the financial policy of SMEs.

**Contribution:** The issues discussed in the paper fill a research and methodological gap in research on crowdfunding as a way of financing SMEs.

**Article type:** original article.

**Keywords:** alternative finance, crowdfunding, financial policy, sharing economy, SME.

**JEL Classification:** G23, G32, G40, M13, O16.

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## 1. Introduction

Companies in the small and medium enterprises (SMEs) sector are typically of a smaller scale and have fewer resources than big corporations. SMEs are known for their flexibility and ability to adjust to changing situations. Due to their size, SMEs can be quick to react to market fluctuations and adapt to new circumstances. Business development can be difficult, especially in the beginning when an entrepreneur is taking his/her first steps, thus one may face a variety of struggles and tribulations. Besides, obtaining financial resources (for instance buying new machinery, developing infrastructure or employing new personnel) is usually a priority in financial policy. This can be a challenge, particularly for fledgling businesses.

SMEs finance themselves from a range of sources, taking into consideration the particular needs and situation of the enterprise. These include equity finance (like selling the company, using financial tools like shares, bonds, etc., or funds coming from family and friends, investors, venture capital, and crowdfunding) or debt finance (where companies leverage their fixed assets to raise capital, i.e., bank loans, asset finance, trade finance, lines of credit). Additionally, forms of alternative finance such as factoring, leasing, and online financing have grown steadily in recent years, typically enabled by advancements in FinTech. Online alternative finance activity is being more widely included in SME finance policy initiatives. FinTech presents an opportunity for increasing SME access to finance, offering more convenient and accessible services, more precise credit risk assessments, and lower transaction costs. Considering current trends in the global crowdfunding market which is projected to grow from \$1.41 billion in 2023 to \$3.62 billion by 2030 at a compound annual growth rate (CAGR) of 14.5% in the forecast period (Fortune Business Insights, 2023), the article aims to examine and evaluate the potential of crowdfunding for financial policy of SMEs. In light of the research

problem, we attempted to highlight the main challenges currently experienced by SMEs with a focus on crowdfunding as a significant way of obtaining funds.

Prior studies have examined various aspects of crowdfunding, highlighting its role in addressing financing challenges. For instance, Golić (2014) discusses crowdfunding as an alternative means of financing SMEs, outlining its advantages and mechanisms, while Arena *et al.* (2018) highlight crowdfunding as a democratised form of financing that enables individuals from diverse backgrounds to launch businesses. Further, Eldridge, Nisar and Torchia (2021) assess equity crowdfunding's impact on SME innovation and growth, using data from small firms in the UK to determine its effectiveness as a catalyst for post-campaign financing. Camilleri and Bresciani (2024) contribute to the discourse by conducting a systematic review to evaluate the theoretical foundations and practical implications of crowdfunding platforms for small businesses and startups, providing a nuanced perspective on the benefits and limitations of these disruptive technologies. Recent research by Marina *et al.* (2023) examines the success of crowdfunding in financing SMEs and startups during and after the COVID-19 pandemic in Indonesia and Malaysia, highlighting its potential resilience as a funding mechanism during economic disruptions.

Despite this growing body of knowledge, there remain significant gaps in understanding how crowdfunding can be strategically integrated into SMEs' financial policies to enhance diversification, stability, and risk management. While prior research, including studies by Cumming, Vanacker and Zahra (2021) and Stefanelli, Ferilli and Boscia (2022), highlights governance and decision-making aspects, there is a need for more data-driven insights into platform performance, commission structures, and campaign success factors to effectively inform SME strategies.

Existing studies tend to focus on either the general benefits of crowdfunding or specific outcomes such as post-campaign financing (Eldridge, Nisar & Torchia, 2021) or pandemic-era applications (Marina *et al.*, 2023). However, a comprehensive understanding of the operational landscape of crowdfunding platforms – particularly within the context of divergent regulatory frameworks and taxation mechanisms in the European Union – remains underexplored.

Furthermore, despite the evident potential of crowdfunding to democratise access to capital, its limitations, such as high campaign failure rates, risks of intellectual property theft, and legal ambiguities, have not been analysed in relation to the practical implementation challenges faced by SMEs.

In addition, there is limited research on the comparative effectiveness of various crowdfunding models and platforms across different regions, as well as on the key characteristics of successful crowdfunding campaigns. The underdeveloped nature of the EU crowdfunding market compared to other developed economies, largely due to inconsistent licensing requirements and high compliance costs, underscores

the need for a more detailed exploration of how regulatory harmonisation could enhance the scalability and efficiency of crowdfunding platforms.

By building on and extending the findings of prior research, this study aims to provide a comprehensive understanding of the potential of crowdfunding to address SMEs' financing challenges. It seeks to inform policy and practice by highlighting strategies that mitigate risks while fostering innovation and growth.

The study employs a multifaceted approach to explore the role of crowdfunding in the financial policies of SMEs. It integrates a comprehensive review of crowdfunding platforms and practices, leveraging research conducted by international organisations and analysing the legal frameworks governing crowdfunding platforms within the context of European Union regulations.

A comparative analysis was conducted on the selected crowdfunding platforms (among 663 available) across 41 states to identify trends and key characteristics, including platform type, industries served, rewards offered, and taxation and reporting mechanisms. This analysis provides a broad perspective on the operational landscape of crowdfunding. Additionally, the research draws on data from selected crowdfunding platforms to present the most successful crowdfunding campaigns of 2022, offering practical insights into effective crowdfunding strategies.

The study also examines commission costs associated with Polish crowdfunding portals to contextualise national practices within the broader European framework. Finally, the outcomes of a SWOT analysis are synthesised to highlight the potential of crowdfunding as a viable financial tool for SMEs, with recommendations aimed at mitigating risks and fostering diversification and stability in SME financial policies.

This methodology underpins the research's objective of evaluating crowdfunding's role in addressing SMEs' financial challenges and contributes to the development of actionable insights for policy and practice.

## **2. Developments in Crowdfunding**

The 2008 financial crisis can be seen as a catalyst for the rise of crowdfunding as a form of financing for SMEs; since companies were unable to gain access to bank credit, particularly in Europe, crowdfunding became a sensible and reliable way to raise funds (Kirby & Worner, 2014, pp. 12–13). Moreover, this type of financing has been identified as a model fit for companies of all sizes, industries, and at all stages of advancement (Bouaïss, Maque & Meric, 2015). The reasons for the popularity of crowdfunding, according to Leoński (2022), is its simplicity – it allows crowdfunding organisers to collect funds, while in exchange for their support, the contributors receive an innovative product as well as a sense of participating in something unique.

Crowdfunding is a form of raising small amounts of money from a large number of people for a new project or venture via the Internet or a crowdfunding site, also known as a crowdfunding platform (Ziobrowska, 2016, p. 286). This is a digital solution made available online to an open audience by a crowdfunding service provider for crowdfunding collections (Liebert & Trzeciak, 2017, pp. 257–259). The activity of platforms varies in terms of finalising the transaction itself. Crowdfunding is used for a variety of reasons by individuals, creative professionals, non-profits, charities, and social enterprises looking for funds for a project with a social mission, as well as startups looking to launch an innovative new product or service and small businesses that are looking to expand.

According to the Fortune Business Insights (2023), North America and Asia dominate the global crowdfunding market with shares of 47.9% and 29.2%, respectively. Meanwhile, the European crowdfunding market accounts for 18% of the global market. Today, it has been affected by high inflation, regulatory changes, the war in Ukraine, and the deteriorating economic situation in many countries. These caused a reduction in the number of organisers and the overall number of collections, as well as periodic declines in the value of donations. The latter were most evident in April–June last year, just after the peak of the increase in collections caused by the outbreak of war in Ukraine, and in August–October 2022. Nevertheless, some collections broke records, despite the unfavourable economic conditions. Contrary to popular belief, 2022 was a challenging, though good, period for the crowdfunding industry in Poland, not including the equity crowdfunding sub-market.

Despite the fact that it is a noteworthy research area, there is still very limited academic research in this area (Bouaïss, Maque & Meric, 2015, pp. 23–39). Such studies are primarily conducted by international organisations. Thus, the OECD considers crowdfunding as filling a financing gap in the process of business development. Crowdfunding should be used by existing companies which, due to their early stage of development, could not obtain financing on the financial market (OECD, 2015, pp. 83–87; OECD, 2017, pp. 83–87). Meanwhile, the Association for Financial Markets in Europe (AFME) considers crowdfunding as a means to bridge the funding shortfall for SMEs, especially in the sphere of new and innovative undertakings and startups, for which it is essential to standardise the law in Europe (AFME, 2017, pp. 32–35). It is worth pointing out that the European Commission has already undertaken steps to establish a practical legal framework to promote crowdfunding and highlights its potential to finance SMEs (European Commission, 2014, 2015, 2016). The European Parliament in its resolutions also stressed the importance of crowdfunding and the need to spread this form of financing for SMEs, as well as the need for a dialogue with national regulatory institutions (European Parliament Resolution of 9 July 2015; European Parliament Resolution

of 19 January 2016). In December 2014, the European Securities and Markets Authority (ESMA, 2014) published an opinion on the regulation of investment crowdfunding, in which it emphasised the need to spread this form of financing for SMEs and the lack of threats to the stability of the financial sector. In February 2015, the European Banking Authority (EBA, 2015) also published its opinion on crowdfunding as a loan agreement, where it points out the need to unify the law within the Eurozone and the EU, thus reducing credit risk, which determines the required development of crowdfunding (ESMA, 2014). Accordingly, these legislative undertakings demonstrate a consensus among European institutions in favour of developing crowdfunding as a modern form of financing for the SMEs sector. Crowdfunding, in essence, boosts the accessibility of companies to capital markets, cuts down the expenses of searching for investors and borrowers, and, through the implementation of common regulations at the EU level, can lead to a surge in cross-border transfers within the EU. Meanwhile, technology holds a pivotal role for financial institutions that depend on the crowdfunding model or incorporate it into existing financial offerings.

### **3. Regulation of European Crowdfunding Service Providers**

The EU crowdfunding market is poorly developed compared to other developed economies, mainly because of disparate licensing requirements and the lack of common regulations across the European Union. This resulted in high compliance and operational costs, which prevented crowdfunding platforms from effectively scaling the provision of their services. As a result, small businesses had fewer available funding options, while investors faced more uncertainty when investing across borders.

The Regulation (EU) 2020/1503 on European Crowdfunding Service Providers (ECSP) for business was adopted on 20 October 2020. From 10 November 2021 the rules set by the regulation on ECSP for business entered into force directly across the EU. Existing crowdfunding platforms with prior authorisation under national rules had to receive authorisation under the new regulatory framework by 10 November 2022. In order to accommodate a smooth transition into the new regime and ensure continuity of services, this transitional period was extended to 10 November 2023 through the adoption of a Commission Delegated Act. The regulation lays down uniform rules across the EU for the provision of investment-based and lending-based crowdfunding services related to business financing (Regulation (EU) 2020/1503). It allows platforms to apply a single set of rules, which makes it easier for them to offer their services across the EU with a single authorisation. The regulation is a part of the technology-enabled innovation in financial services (FinTech) action plan that the Commission presented in March 2018 (European Commission, 2018).

According to the regulation, “crowdfunding is a form of financing directly connecting people who can give, lend or invest money with those who need funding for a specific project” (European Commission, 2018). The new rules are expected “to make it easier for crowdfunding platforms to develop and offer their services across national borders under a single regime,” thus increasing the availability of this innovative form of finance, which will help companies seeking alternatives to bank financing. Investors on crowdfunding platforms, meanwhile, will benefit from an aligned and enhanced investor protection framework, based on clear rules on information disclosures for project owners and crowdfunding platforms; rules on governance and risk management for crowdfunding platforms; strong and harmonised supervisory powers for national authorities overseeing the functioning of crowdfunding platforms.

The regulations concerning loan (debt) and investment (equity) crowdfunding models have been enforced in the European Union since 10 November 2021 (Regulation (EU) 2020/1503). The above regulation significantly reduced the earlier freedom of crowdfunding platforms, regulated their scope and introduced a framework for their activity. It should be noted that the Regulation (EU) 2020/1503 does not cover charitable collections or collections for activities like the release of records, the financing of a concert tour or a book. The new regulations require operators of a crowdfunding platform to hold a permit (licence) in order to operate legally. In addition, they need to prepare for new charges. The cost of a licence can reach up to €4,500.

#### **4. Overview of Crowdfunding Platforms with Particular Attention to the European Market**

Crowdfunding has made access to capital easier, faster – and in some cases, even possible at all. The United Kingdom saw the highest registration of platforms that took part in the Crowdspace survey of 2022 – 15% of the surveyed platforms had their origins there. 24% of crowdfunding platforms have a business presence in multiple countries, such as France, Italy, Greece, Estonia, Germany and Spain. As the second most preferred location, 11% of crowdfunding platforms have registered in Estonia (Crowdspace, 2022). In this country, the majority of platforms are peer-to-peer (P2P) lending marketplaces, and this also appeals to companies from the UK that want to penetrate the European crowdfunding market quickly. Estonia does not have any laws governing crowdfunding activities, although there is a good practices guide created by the FinanceEstonia crowdfunding task force. Platforms related to loans should be in possession of a professional licence and follow the Creditors and Credit Intermediaries Act. Peer-to-peer lending is also not included in the European crowdfunding regulations. Of all companies regis-



tered outside the EU (predominantly in the UK), 38% are intending to incorporate a company in the EU (Crowdspace, 2022). Those who are attempting to join the EU are aiming to operate in almost all European nations, which will likely conform to ECSP certification. Most platforms enable investors and benefactors from all across the European Economic Area to invest or donate through their portals, with certain platforms limiting their offerings to particular countries.

Generally, crowdfunding is carried out in two forms. Such platforms as Indiegogo.com (established in the USA) enable businesses to launch a project and raise any amount for a given goal (i.e., “keep it all,” “take what you get”). This is a type of flexible financing, the upside of which is that the originator will receive some help. The downside of this funding approach is the high risk that comes with the possibility of not achieving the main goal (due to underfunding). The second type represents platforms that implement ventures only on the condition of achieving the goal that was specified by the project (i.e., “all or nothing”) (Dziuba, 2012, pp. 88–89). Examples of this type of platform are Kickstarter.com (established in the USA) and PolakPotrafi.pl (established in Poland). Meanwhile, there are also alternative solutions, such as “all & more,” in which the financiers and sponsors can retain the funds they raised if the project fails.

The other classification relates to the reward given in exchange for a contribution and is divided into four types: donation-based, rewards-based, investment-based and debt-based crowdfunding. Crowdfunding types depending on rewards in return and the way they are taxed and reported, with examples across Europe, are presented in Table 1. Moreover, Figure 1 highlights the number of particular crowdfunding platforms and cumulative share percentage according to type among 663 existing platforms across 41 states.<sup>1</sup> It is worth noting that a platform can simultaneously serve several kinds of crowdfunding, like donation and reward-based or equity and debt-based.

Considering the type of activity, we can indicate that most of them are concentrated around SMEs with a particular emphasis on real estate, green energy and startups (Fig. 2). It is worth noting that based on the results from Crowdspace (2022), sustainability and green energy offerings were hosted by 12% in 2021, 22% in 2022, thus the growing global trend for sustainable investment and green energy projects, in particular, is evident. Besides, according to the data of 41 states, the majority of these platforms are debt- and equity-based crowdfunding, thus providing financing to SMEs.

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<sup>1</sup> Andorra, Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Turkey, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, Ukraine.



Table 1. Crowdfunding Types Depending on Rewards in Return and How They Are Taxed and Reported

Type	Reward in Return	Method of Taxing and Reporting	Examples
Donation-based crowdfunding	A donation without anything in return	Funds do not need to be reported, as they are considered a gift	Kickstarter, Indiegogo, CrowdFunder, and RocketHub; WhyDonate (Netherlands); fairplaid (Germany); rzrutka.pl (Poland); Bona Fides Invest (Croatia); Zaar (Malta); DALEND0 (Luxemburg); Coop Crowdfunding (Denmark); FINTELUM (Latvia); Crowdbound (United Kingdom); 4fund.com (Poland); JustGiving (United Kingdom); OZÉ (France); Make-A-Wish (Liechtenstein – Switzerland); Geef (Netherlands); Produzioni Dal Basso (Italy); Energy4impact (United Kingdom); Betterplace (Germany); 1%Club (Netherlands); Babyloan (France); CrowdAboutNow (Netherlands); Startnext (Germany)
Rewards-based crowdfunding	A reward in return, often related to the project	Funds are typically considered to be business income. Therefore, the fundraiser can claim deductions for any expenses that were incurred to earn that business income	Crowd2Fund (United Kingdom); Booomerang.dk (Denmark); Karolina Fund (Iceland); Bona Fides Invest (Croatia); Zaar (Malta); Coop Crowdfunding (Denmark); FINTELUM (Latvia); Yes We Farm (Switzerland); Produzioni Dal Basso (Italy); Fund it (Ireland); Crowdfunder (United Kingdom); Zeste (France); Solar Green Point (Netherlands); Ginger (Italy); Crowd. Science (United Kingdom); Growfunding (Belgium); EcoCrowd (Austria; Germany); MiiMOSA (France); CroInvest (Croatia); Kocoriko (France); Dartagnans (France); Sponsor.me (Norway)
Investment-based crowdfunding (equity crowdfunding)	The investor receives a share in the company	Capital contributions are generally considered to be non-deductible	Recrowd (Italy); Funderbeam (United Kingdom); Folkeinvest (Norway); Bricksave (United Kingdom); Crowdway (Poland); Crowdberry (Slovakia); CapitalRise (United Kingdom); Find Funds (Poland); Fellow Funders (Spain); Walliance (Italy); Danube Angels (Austria); Dealflo (Norway); Spark Crowdfunding (Ireland); occollo (Czech Republic); finto (Germany); CrowdedHero (Latvia); OOMNIUM (Switzerland); Vitofund (Latvia); LandEx (Estonia); SIPA immobilier (Switzerland)

Table 1 cnt'd

Type	Reward in Return	Method of Taxing and Reporting	Examples
Debt-based crowdfunding	Lending money to individuals or businesses via a platform in exchange for a set interest rate	The interest an investor collects would be classified as investment income and taxed accordingly. For the borrower, the interest payments would be deductible if the loan was used to earn business income	Ener2Crowd (Italy); Letsinvest (Lithuania); Maclear (Switzerland); ROCKETS Green (Austria – Germany); Crowdestate (Estonia); Raizers (Belgium – France); Fiduciam (Netherlands – United Kingdom); MICROWD (Spain); Goparity (Portugal); ecoligo (Germany); Winwinner (Belgium); Invest in Slovakia (Slovakia); Crowdbase (Cyprus); Rentujemy (Poland); Isicrowd (Italy); WiSEED (France); Kapitaal Op Maat (Netherlands)

Source: the authors, based on <https://thecrowdspace.com/directory/reward-crowdfunding-platforms/> (accessed: 15.08.2023).

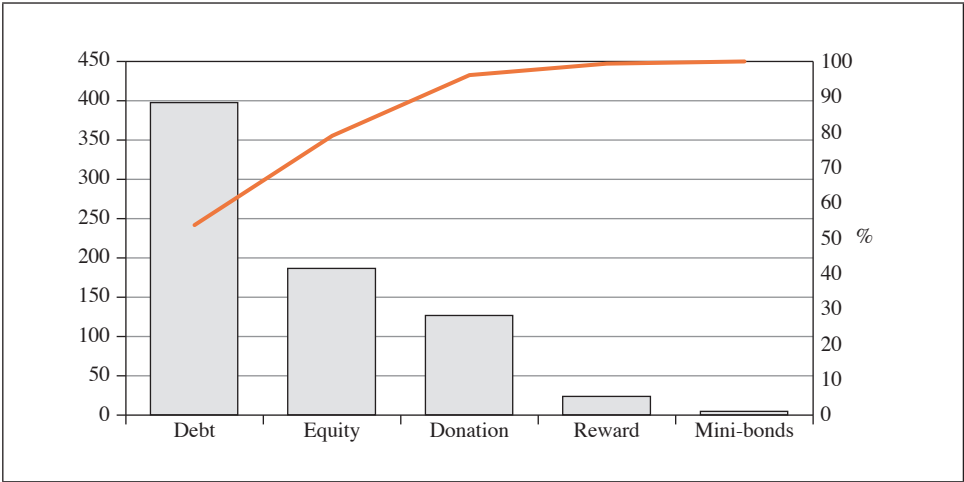


Fig. 1. Types of Crowdfunding Platforms among 663 Existing Platforms in Particular States  
Source: the authors, based on data from <https://thecrowdspace.com/platforms> (last updated: 14.11.2023).

Crowdfunding platforms usually operate on a commission basis, whose value is currently around 5% of the capital raised, as shown in Figure 3. Among 16 platforms presented in Figure 3, the commission on Findfunds and Wspieram.to is the highest, compared to the other ones, especially, Zrzutka.pl and GoFundMe which

are either free or very low. Besides, one should also take into account a payment system commission of around 3%.

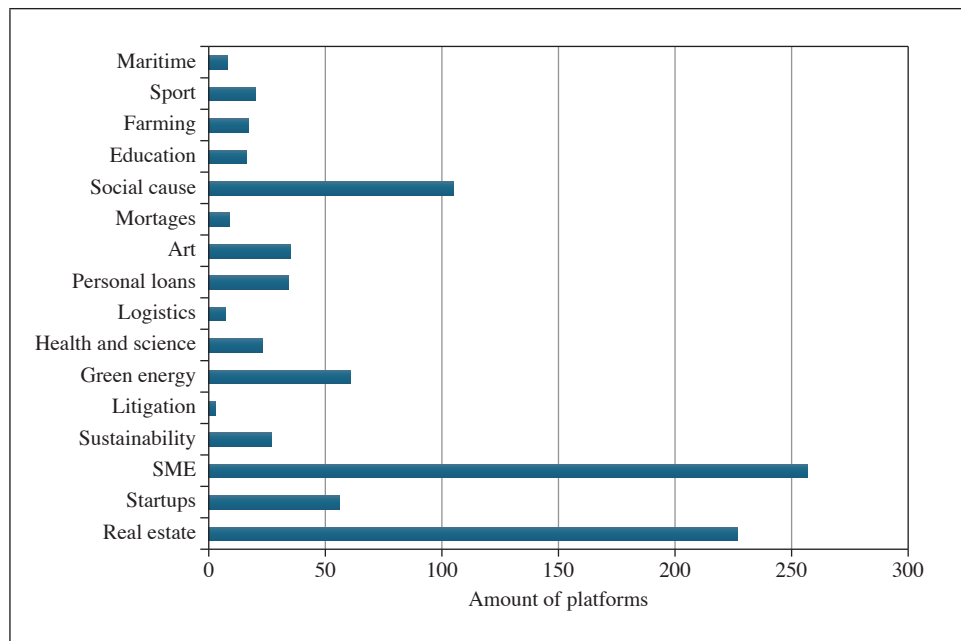


Fig. 2. Crowdfunding Types Depending on Industry across 41 States

Source: the authors, based on data from <https://thecrowdspace.com/platforms> (last updated: 14.11.2023).

The success of a crowdfunding campaign depends on a number of factors that can affect its results. These include the financial goal, the quality of the project, marketing communications at each stage of the campaign, the credibility of the project, and the trust of the community. A lack of information can lead to a disproportionate number of low-quality or high-risk projects being funded, as backers may not have sufficient information to distinguish between promising and less promising ventures. As Cumming, Vanacker and Zahra (2021) suggest, problems such as adverse selection could be significantly reduced if companies providing information on crowdfunding platforms present the facts. SMEs could potentially benefit more by adopting such an approach, as this will increase investor confidence in them and consequently pave the way for a more successful post-campaign entrepreneur-investor relationship (Eldridge, Nisar & Torchia, 2021). This could prove very significant, as companies that survive equity crowdfunding (ECF) could end up turning into empty shells or zombie companies, as pointed out by Signori and Vismara (2018).

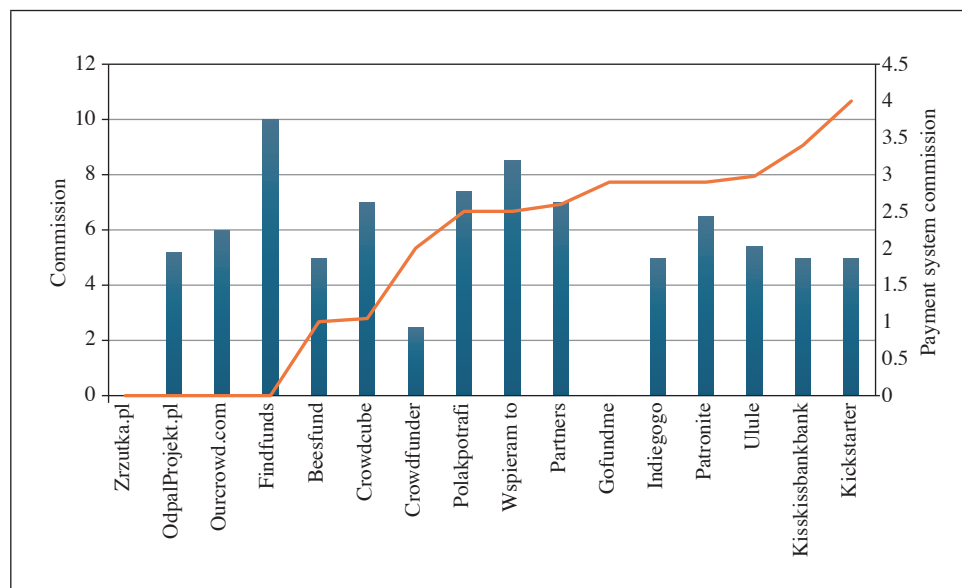


Fig. 3. Commission Expenses – in the Case of Selected Crowdfunding Platforms (Average Value, %)

Notes: Primary axis – bar chart, secondary axis – line chart.

Source: the authors, based on data from the listed crowdfunding platforms (accessed: 9.06.2023).

Table 2 shows the three crowdfunding campaigns that were most successful in 2022. They were conducted by the SPOKE company, the BLUETTI company and the writer Brandon Sanderson.

Table 2. The Most Successful Campaigns in 2022

Entity	Platform	Model and Type of Crowdfunding	Description	The Amount Collected
SPOKE company	Seedrs	Model: “all or nothing”	The goal: to raise £1.5 million to open a new distribution centre in Europe, introduce its own golf collection and hire a dedicated team of employees for the US market.	1,579 investors bought shares in the company, worth a total of more than £4.7 million.
		Type of crowdfunding: equity crowdfunding		

Table 2 cont'd

Entity	Platform	Model and Type of Crowdfunding	Description	The Amount Collected
Bluetti company	Indiegogo	Model: “keep it all, take what you get”	The goal: to raise \$10,000. BLUETTI AC500 and B300S kit, a response to the growing demand for clean energy and energy storage solutions.	During the first 24 hours, the campaign managed to raise \$2.8 million. In the end, a total of \$12.06 million was raised with the help of 5,072 contributors.
		Type of crowdfunding: product crowdfunding		
Brandon Sanderson	Kickstarter	Model: “all-or-nothing”	The goal: \$1 million. Release in 2023 of four novels secretly written during the COVID-19 pandemic.	This goal was met after just 35 minutes. Little by little, as much as \$41.75 million was eventually raised.
		Type of crowdfunding: reward-based crowdfunding and pre-sale-based crowdfunding		

Source: the authors, based on data from the listed crowdfunding platforms (accessed: 18.05.2023).

The first campaign, conducted by the SPOKE company, ended the same day. As many as 1,579 investors purchased shares in the company, with a total value of more than £4.7 million. The original goal was thus exceeded three times. The funds were raised to open a new distribution centre in Europe, introduce a proprietary golf collection and hire a dedicated team of employees for the US market. This was the highest amount raised on the Seedrs platform in 2022 (Seedrs.com, 2023).

Another example is the campaign of the American company BLUETTI, which was conducted on the Indiegogo platform. Its goal was to raise \$10,000. In order to receive the basic version of the AC500 and B300S kit, a minimum of \$2,999 had to be contributed. Nonetheless, within the first 24 hours of the campaign, an astonishing \$2.8 million was raised. However, the campaign ended on 30 October. By that time, as much as \$12.06 million had been raised, and this was done with the help of 5,072 contributors. What is more, the BLUETTI AC500 and B300S kit went on sale in December (Indiegogo.com, 2023).

However, the biggest and the most successful campaign in the history was carried out in 2022 – on the Kickstarter. B. Sanderson, the writer, asked the crowdfunding community to finance his plan to release four books written secretly during the COVID-19 pandemic in 2023. In order for the novels to be published, Sanderson had to raise as much as \$1 million. To get the book, contributors were required to donate \$40 (e-book), \$60 (audiobook), and \$160 (physical, hardcover edition).

However, the scale of the undertaking was probably a surprise even to the author himself, since the goal was met within 35 minutes. Eventually, as much as \$41.75 million was raised. The writer succeeded in breaking the Pebble record. The collection was launched on 1 March, and as early as 4 March, an amount higher than that raised by Pebble Time was received. It should be noted that the writer achieved this unprecedented result without even revealing what each novel would be about. The author only displayed the covers and declared that the stories in the four books would take place in the Cosmere universe. However, such a successful campaign would not be possible without Sanderson’s pre-existing popularity. At the time of publishing the promotional video, his YouTube channel was not anonymous. It was followed by more than 300,000 subscribers, and the writer has been posting there for many years (Kickstarter.com, 2023).

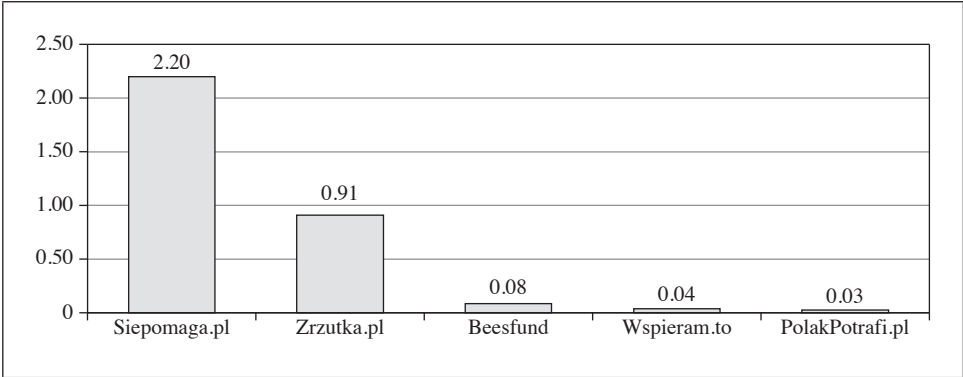


Fig. 4. Total Funds Raised on Selected Polish Platforms up to 2022 (Billion PLN)  
Source: the authors, based on data from the listed crowdfunding platforms (accessed: 9.06.2023).

Considering the Polish experience in crowdfunding, we can state that it is a thriving market in the area of various crowdfunding models. For instance, Figure 4 presents the total money raised on selected Polish platforms up to 2022. Siepomaga.pl is the largest community of donors in the Polish online space. Over 11 years, more than PLN 2 billion has been raised from donors (Statista, 2021). Zrzutka.pl, a donation-based platform, is one of the most substantial and rapidly expanding crowdfunding platforms. During the 927,101 organised collections, a total of PLN 909,324,638 was contributed by 699,113 contributors (data as of 9 January 2023) (Zrzutka.pl, 2023). In comparison, PolakPotrafi.pl with around 4,374 projects raised PLN 26,924,841 from 265,171 contributors (data as of 9 January 2023) (PolakPotrafi.pl, 2023). The site, which is also of a donation-based nature, was established in 2011. It is widely regarded as a pioneering crowdfunding platform. Due to its

numerous successes, rapid development and the amount of funds raised, it has been dubbed the Polish “Kickstarter” (Kalinowski, 2015, p. 39). Investment portals have also been developed on the Polish market. The most popular and successful among equity crowdfunding is Beesfund.pl. During 136 issues, a total of PLN 83,505,186 was raised from 79,379 registered investors (data as of 9 January 2023). The platform is prospering and has announced 22 new investment crowdfunding campaigns (Beesfund.pl, 2023).

In 2022, the companies, in collaboration with crowdfunding platforms raised PLN 25 million. 11 platforms carried out a total of 47 issues. Economic weakness, high levels of inflation, and high interest rates were the main factors hindering the development of the market in 2022. The value of the equity crowdfunding market from 2012 to the end of 2022 amounted to at least PLN 340 million, of which capital of PLN 300 million was raised with the support of platforms (in the period 2012–2022).

In 2022, there were a great number of Polish crowdfunding projects, whose campaigns met 100% or more of the target. It is worth mentioning that the Stock Exchange also includes in its new strategy the creation of new markets, including crowdfunding platforms. The creators of this solution are aiming for it to be applied under a licence from the Financial Supervision Commission. Moreover, such an application has already been submitted. The structure of the Polish economy is dominated by small businesses that do not qualify for a regulated market. Thanks to the crowdfunding platforms it will be possible to give them a leg up (Supernak, 2023).

## 5. Outcomes and Final Remarks

Consequently, there are a range of reasons why crowdfunding may or may not be a good idea for some small businesses and startups. Table 3 presents the results of SWOT analysis concerning crowdfunding as a form of SME financing based on literature review and own outcomes.

Crowdfunding ensures the development of new technologies making capital transfer easier. For businesses unable to access a bank loan or bring on an investor, crowdfunding may be a viable option as opposed to the months-long process of applying for a loan or obtaining investment from an angel investor. However, there is no guarantee of achieving the desired goal (i.e., if the contribution target is not achieved, for example in the case of new, complicated technology used in back-end data processing, that is unlikely to gain attraction, so the business goes away empty handed and the contributor gets his/her money back). Besides, businesses should have both the time and money to create a buzz and to generate a strong crowdfunding campaign. So, one may invest time and resources with no positive outcome.



Table 3. SWOT Analysis – Crowdfunding in SMEs Financial Policy

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>– easier access to money – crowdfunding is an option for businesses that are unable to secure a bank loan or attract an investor</li> <li>– time advantage – a bank loan application or securing investment from an angel investor could take months</li> <li>– marketing – a strong social media presence or an active community will help spread awareness and generate buzz much more easily</li> <li>– less due diligence – no obligation to write a business plan</li> <li>– global audience – traditional financing options limit you to the region you are in; with crowdfunding you can tap into funds and potential customers from all over the world</li> <li>– less pressure on the management – power is not concentrated around a particular group of shareholders because of an increased number of shares and the involvement of a large number of investors</li> </ul>	<ul style="list-style-type: none"> <li>– businesses should have the time and funds to build up their reach and put together a strong crowdfunding campaign</li> <li>– no guarantee of reaching the target – if the contribution goal is not met, businesses go away empty-handed and contributors get their funds back</li> <li>– global audience – a strong network or community is essential for visibility</li> <li>– no tough questions which can prevent you from identifying (and fixing) the weak areas in your business</li> <li>– low liquidity – crowdfunding investors may have to wait several years for their investment to pay off</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>– access to a crowd – a loyal customer base for the future</li> <li>– proof of concept and market validation</li> <li>– help with other forms of financing – if you are able to prove market demand through a crowdfunding campaign, it will be easier to attract investors such as venture capitalists and angel investors later on</li> <li>– the development of new technologies making capital transfer easier</li> </ul>	<ul style="list-style-type: none"> <li>– underestimating the costs (i.e., time and resources)</li> <li>– intellectual property – making the idea public makes it more easily copied or stolen by other companies with strong capital</li> <li>– a new, complicated piece of technology used in back-end data processing is unlikely to gain attraction</li> <li>– reputation damage – failure can damage a company's reputation and disappoint the hundreds (if not thousands) of people who supported it</li> <li>– law-breaking – evolving legislation and requirements (EU and national laws)</li> <li>– risk of bogus platforms</li> <li>– certain rights and responsibilities are offered to investors</li> <li>– the investors might want to sell their share</li> <li>– risk of potential fraudulent schemes in the equity crowdfunding process</li> </ul>

Source: the authors, based on European Commission (2017), CFI Team (2022), Chojnacki (2021), Statista (2023), OECD (2022), Mordor Intelligence (2023), Stefanelli, Ferilli & Boscia (2022).

A good thing is that there is less due diligence and less pressure on the management, but there are no tough questions that can stop you from finding (and fixing) the weaknesses in your project. Moreover, crowdfunding investors could be waiting quite a while before their investment yields any profit. Crowdfunding also puts certain rights and responsibilities in the hands of investors, which can be sold on.

It allows one to access a wide international audience, which has its pros and cons. Leverage capital and prospective customers from around the world (i.e., one has an access to a crowd, that is, a loyal customer base for the future; proof of concept and market validation; a lively community promoting knowledge and stimulating interest much easier), but a strong network or community is essential for visibility. Conversely, making the concept open to the public makes it easier to be copied or hijacked by other companies with more robust resources. Furthermore, a failure can have a negative effect on a company's reputation and disappoint the hundreds (if not thousands) of people who supported it.

There is also a risk of bogus platforms, law-breaking and potentially fraudulent schemes in the equity crowdfunding process. Meanwhile, if you can show evidence of market demand through a crowdfunding campaign, it will be easier to bring in investors such as venture capitalists and angel investors later on.

Summing up, the inclusion of online alternative finance in SME finance policies is becoming more widespread. FinTech offers an opportunity to increase the access to financing for small and medium-sized enterprises, providing more convenient access to services, better credit risk assessment, and lowering the transaction cost. Bearing in mind the research problem, we endeavoured to underline key difficulties currently faced by SMEs, with the emphasis on crowdfunding as a principal approach of acquiring funds. The study provides an overview of crowdfunding, its forms and types depending on funding method, rewards in return and the way it is taxed and reported. Legislative undertakings display a consensus among European bodies to foster crowdfunding as a modern form of financing for the SME sector.

In comparison to other developed economies, the EU crowdfunding market is under-developed because of its divergent licensing requirements and the lack of consistent regulations across the European Union. This resulted in high compliance and operational costs, which prevented crowdfunding platforms from effectively scaling the provision of their services. Subsequently, small businesses had fewer accessible financing choices, while investors experienced more insecurity when investing abroad.

Based on data from selected crowdfunding platforms, the authors highlighted the key features of the best crowdfunding campaigns in 2022, which were conducted by the SPOKE company, the BLUETTI company and the Brandon Sanderson's campaign. Taking into account the Polish market, it is clear that the various crowdfunding models are flourishing. In 2022, there were a great number

of crowdfunding projects, whose campaigns met 100% or more of the target. The greatest sum of money was gathered on Siepomaga.pl and Zrzutka.pl. Besides, the Stock Exchange also includes in its new strategy the creation of new markets, including crowdfunding platforms.

In essence, crowdfunding makes capital markets more accessible to companies, cuts the cost of looking for investors and borrowers, and, with the implementation of common regulations in the EU, may lead to an upsurge in cross-border investment.

### Authors' Contribution

The authors' individual contribution is as follows: Each contributed 50%.

### Conflict of Interest

The authors declare no conflict of interest.

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