How is the long-term growth of crowdfunding experienced by relevant stakeholders?

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ABSTRACT

This bachelor thesis discusses the long-term growth of crowdfunding as experienced by relevant stakeholders. Crowdfunding's updated definition, proposed in this paper being: "an open call without standard financial intermediaries, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for monetary or non-monetary rewards to support mutually valued initiatives, by drawing on relatively small contributions from a relatively large number of individuals". By evaluating the evolution of crowdfunding, its purpose, different types, actors, wider stakeholders and models, an updated definition was developed, in order to catch up to the rapidly-evolving industry. Having identified a knowledge gap in existing literature, an exploratory qualitative research approach was implemented in attempts to bridge this gap, with particular emphasis in the interactions within this dynamic ecosystem. By interviewing experts (n=11) with diverse perspectives, novel insights into the long-term sustainability and societal impacts of crowdfunding were uncovered, culminating into real-world advice relevant to initiators, funders, and platforms. This holistic perspective analyses the benefits, drawbacks, and opportunity costs associated with crowdfunding, avoiding biased recommendations by considering contextual factors and environmental influences that generally outweigh more broadly applicable advice.

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1. INTRODUCTION

The need start-ups and SMEs have for finance isn't a new phenomenon, what is novel are ways, such as crowdfunding, in which entrepreneurs can seek this capital. Crowdfunding being defined by Belleflamme et al. (2010, p. 5) as: "*an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights*"; subsequently being expanded by Mollick (2014, p. 2) as "*the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries*". The latter definition being deemed as more thorough considering its inclusion of characteristics such as internet-based peer-to-peer lending and fundraising initiatives (Mollick, 2014). Due to its dynamic and nascent nature, these now decade-old definitions can be seen as incomplete, but the broadness of Mollick's one encompasses any near-future change. For example, this definition couldn't predict the distinct types of crowdfunding that would eventually exist, but it's general enough that it doesn't exclude them from the definition itself. It also doesn't describe why the large number of individuals fund in the first place; therefore, these topics will be discussed in the Literature Review of this thesis.

Crowdfunding as a means to raise capital is surprisingly old, with one of its first known instances occurring in the late 19th century to raise money for the installation costs of the Statue of Liberty (Calic, 2018). Whereas online crowdfunding is obviously a more recent development which was born out of necessity during the aftermath of the 2008 financial crisis and its subsequent lending restrictions, implemented to prevent similar recessions from occurring (Zhao et al., 2019). This need for crowdfunding surfaced because traditional sources of finance restricted access to some entrepreneurs, particularly those in early-stage businesses like start-ups, who thus couldn't fund their activities (Crosetto & Regner, 2014). The issue arises because small businesses and entrepreneurs in general are acknowledged to be driving forces of innovation and economic prosperity, particularly in developed economies; while they are simultaneously less likely to have access to traditional forms of finance (Beck & Demirguc-Kunt, 2006), due to their higher-risk nature. The democratization of sourcing capital circumvents traditional finance's regulations, bureaucracy and focus on solely financial objectives. This by-the-people-for-the-people approach can thus bring positive externalities, benefiting society, since crowdfunding actors also focus on social welfare as opposed to mainly prioritizing return on investment (Calic, 2018).

As the growth of crowdfunding continues (Baeck et al., 2014), its peer-reviewed literature trails the industry's development and is therefore not up to date on the matter (Mollick, 2014); which can also be seen in the citations referring to dated literature. This is particularly pertinent in such a dynamic and evolving industry which went from a niche-market to a more mainstream one in recent years. In fact, more recent studies such as Dinh et al. (2024, p. 1) state that "research is limited concerning the institutional level, *long-term* outcomes, and the context of different crowdfunding forms", while mostly focusing on quantitative analyses according to Mora-Cruz & Palos-Sanchez (2023) systematic literature review.

In an attempt to bridge this knowledge gap, the ensuing research question has been formulated: "*How is the long-term growth of crowdfunding experienced by relevant stakeholders?*". The focus of this question being stakeholders and the impact crowdfunding has on society in general, with a long-term outlook evaluating the future of this industry; specifically, whether this phenomenon is here to stay, or if it's an immediate byproduct of the 2008 recession and is thus merely temporary. This qualitative approach will differ from existing literature, as the need for a paper which includes a wide range of experts' experience is apparent when researching this topic. By including the viewpoint of specialists in crowdfunding, traditional finance, alternative finance, crowdfunding platform users, professors, and scholars in general, a more holistic understanding can be developed.

The goal in conducting this investigation is informing entrepreneurs and crowdfunding initiators, in determining the extent to which crowdfunding is a viable and sustainable financial option in terms of society and the economy. By reviewing existing literature as a theoretical background and applying its insights to the qualitative methodology of interviewing a panel of experts, aspects which are difficult to numerically quantify can be determined.

In order to eventually answer the research question, it must be thoroughly explained prior to executing the methodology, to avoid post hoc bias in the analysis section. In the research question: "*How is the long-term growth of crowdfunding experienced by relevant stakeholders?*", "how" shows that this research is exploratory and will seek to explain processes, perceptions, and assumptions of crowdfunding. "Long-term" implies that crowdfunding's growth has occurred gradually and consistently since its inception and introduces the assumption, based on the secondary research findings, that this industry is here to stay. By looking at trends, changes and predictions, the "growth" of this alternative source of finance can be evaluated. The term "experience" is subjective in nature, making it particularly appropriate for a qualitative methodology as perceptions are not necessarily identical for everyone. Finally, for sake of concentrating findings, only "relevant stakeholders", or those most directly affected by crowdfunding based on the literature discussed, will be selected, as most crowdfunding studies tend to focus only on the (3) main actors directly involved in crowdfunding campaigns. Specifically, *competitors*, *governments* and *society* are included as "wider stakeholders" in the analysis, based on Fernando et al. (2024) "stakeholder" definition that is discussed in section 2.4.

2. LITERATURE REVIEW

This section evaluates existing literature and research related to crowdfunding to uncover its purpose, different types, main actors, wider stakeholders, platform models, so that its impact on individuals and organizations can be determined. The conclusion of this section will take the form of a revisited definition that encapsulates all relevant crowdfunding concepts as of the writing of this paper.

2.1 Crowdfunding Purpose

Crowdfunding platforms serve as an intermediary between those who create a crowdfunding campaign (hereon "initiators") and those who fund it (hereon "funders") (Zhao et al., 2019), with the intention of enabling the transaction procedure, evaluation of different projects, alongside the back-and-forth communication facilitated by Web 2.0. These online discussions can include campaign features and promises in video, image, and text form, from the initiator to the funders, as well as potential funders' questions to remove doubts and help evaluate the campaign in question. Updates from the initiators are also frequently shared to show commitment in the pursuit of achieving the campaign's goals. This intermediation isn't necessarily required for some traditional sources of finance (Belleflamme et al., 2010) like bank loans or angel investing because the supply of capital doesn't arise from "small contributions from a relatively large number of individuals" (Mollick, 2014) like in crowdfunding. Once *campaign success* is achieved, initiators shift their focus on *operational success* (i.e. achieving their project's goals) (Mollick, 2014), which is the reason why the campaign was created in the first place (Belleflamme et al., 2010).

2.2 Types of Crowdfunding

The purpose of crowdfunding focuses on the perspective of the initiator, whose main objective is to raise money to allocate in their organization (Belleflamme et al., 2010), whereas funders have different reasons to back projects, giving rise to four individual types of crowdfunding: debt-based, equity-based, reward-based, and donation-based (Mollick, 2014).

2.2.1 Debt-Based Crowdfunding

Debt-based crowdfunding, also known as lending-based or loan-based crowdfunding, is a way for entrepreneurial initiators to finance their organizations via the small contributions of many funders. In return for their capital, funders receive periodic interest payments on top of the eventual repayment of the principal amount (Zhao et al., 2019). This type of crowdfunding is encompassed by peer-to-peer lending, with the main difference being the number of funders (Baeck et al., 2014). It can also be compared to bonds that larger corporations issue, with an obvious increase in risk considering small to medium sized businesses are more likely to default on their debt due to their greater volatility in revenue and thus higher chance of bankruptcy (Paschen, 2017). Initiators might be forced to choose debt-base crowdfunding as opposed to a more traditional loan from a creditor institution as small businesses lack the collateral and cashflows to receive bank loans for instance (Gopal, 2021). This type can be seen as more of an investment, as funders supply their expendable income because of the *expectation* of a return higher than the one provided to the initiators (Mollick, 2014).

2.2.2 Equity-Based Crowdfunding

In the equity-based crowdfunding (EBC) type, funders are also seen as investors, because similarly to an initial public offering, they agree to a fixed price for a predetermined proportion of the business behind the campaign, making them legal part-owners. In this type, legal protection is paramount because of the extrinsic monetary reasons which persuaded funders, such as a proportion of future profits, being the motivating factor for them to stake their money (Dinh et al., 2024). In the US for example, the Jumpstart Our Business Startups (JOBS) Act, signed in 2012 by Barack Obama, regulated this niche industry so that non-accredited investors would be legally able to invest in the equity of companies, which were previously considered too high-risk for retail investors (Zhao et al., 2019). The reason why this crowdfunding type works is that start-ups are often too small in terms of revenue and size to be listed on a stock exchange, while other forms of acquisitions like venture capital investors often deem many start-ups as excessively risky. The equity-based type gives more of an economic incentive for investors to allocate their capital in this manner compared to reward-based and donation-based, possibly attracting funders with financial objectives.

2.2.3 Reward-Based Crowdfunding

The remaining two types of crowdfunding are not focused on financial returns from the perspective of funders. In terms of reward-based crowdfunding (RBC), a non-financial tangible or intangible compensation acts as a reward for the funders' contributions (Bouncken et al., 2015), where different rewards are tiered based on the amount of capital a funder decides to give (Van Teunenbroek et al, 2023). One of the most common rewards is creating a pre-order of the product the business is receiving funding for, meaning funders get early access, typically at a discounted price (i.e., the amount of their contribution) (Dai and Zhang, 2019). This is particularly convenient for businesses, as they retain full ownership without incurring any debt, by simply supplying products or services which would otherwise be sold at a profit (Junge et al., 2021). This means that they reward funders while only incurring the expenses of manufacturing the product, in addition to crowdfunding costs in terms of platform fees and campaign development. For instance, if a business usually sells a gadget for 120€ and rewards funders with a discounted price of 100€, it could still cost the business <100€ (the reward's perceived price for funders), so not only are they receiving early finance to invest in their business, but they could also be profiting while still rewarding their funders. This could flip the cost of finance which is usually positive for businesses into a negative value, allowing them to afford incurring costs of the first production batch, while simultaneously achieving financing.

Sometimes pre-ordering and crowdfunding is mistakenly conflated, this is seen in Hodko's (2016) article on Tesla, Inc. The difference between pre-ordering and RBC is that the latter is usually adopted by start-ups and SMEs who only have an idea or a very basic prototype and need funding to scale their entire business, improve the prototype and achieve a minimum viable product. Whereas Tesla often makes pre-orders available after unveiling a new product, such as the "Model 3" discussed in Hodko's (2016) article, or the "Cybertruck", months if not years before actual shipments are fulfilled. Tesla is a multinational corporation that received many rounds of funding including IPOs and incurring debt from traditional financial institutions (StoneX, 2021), without ever needing crowdfunding. Although the automaker perceives an initial cash inflow which is used to scale manufacturing and subsequently rewards the customers with early access to the new model, just like in RBC, it's not exactly crowdfunding because of Tesla's size and stage of R&D regarding the proposed product. RBC and pre-ordering can overlap but using them interchangeably implies that the only possible reward in RBC is early shipment (Crosetto & Regner, 2014). Instead, there are many more tangible rewards offered in this type of crowdfunding, for instance, branded merchandise like t-shirts, tickets for a certain event (Cox et al., 2018), or a limited-edition product which is exclusively available to funders. Moreover, intangible rewards are also common due to their lower costs for businesses, this might include a simple "thank-you note", a behind the scenes documentary (Mollick, 2014), an exclusive experience like a private dinner with initiators, being credited with helping the business, having creative input in R&D, or even a visit to the initiator's laboratory/headquarters (Van Teunenbroek et al., 2023). Although RBC is the most widely used type of crowdfunding, it has yet to be regulated in big markets like the US and UK (Zhao et al., 2019).

2.2.4 Donation-Based Crowdfunding

Finally, donation-based crowdfunding (DBC) derives its name because there is no expectation of any sort of monetary or non-monetary compensation by initiators. Users only donate their money because of intrinsic motivators as opposed to extrinsic ones (Cox et al., 2018) like equity, rewards, or a rate of return on their contribution. Moreover, initiators aren't solely entrepreneurial individuals but any type of person who needs funding to cover an emergency, unforeseen circumstance, raise awareness to a charity, or any necessity compelling enough to convince altruistic funders to contribute. One of the main platforms for this type is GoFundMe, which specializes in donation-based crowdfunding. As of 2019, both the UK and the US, which represent some of the biggest crowdfunding markets, had yet to legislatively regulate DBC (Zhao et al., 2019). This means that the sense of community fostered on these types of platforms largely relies on trust (Vismara, 2019), making fraud not necessarily punishable like other regulated financial products. With this being said, Mollick (2014) found a fraud rate of less than of less than 5% in a large sample of campaigns dating up to 2012, albeit, for reward-based crowdfunding. The only criticism of this study's methodology being that fraud was defined as initiators having stopped responding to backers, whereas an initiator intending to commit fraud could demand a higher-than-necessary funding amount, essentially resulting in overpromising and intentionally underdelivering to keep the difference for themselves. This now decade-old study remains one of the most robust papers quantifying fraud in crowdfunding, making our knowledge on crowdfunding fraud still insufficient (Cumming et al., 2023). Unfortunately, until government intervention regulates this type of crowdfunding, this potential behavior from initiators remains merely unethical and not illegal. Although DBC accounts for a small percentage of all crowdfunding in the UK (Zhao et al., 2019), and thus the majority of crowdfunding is entrepreneurial in nature, the existence of DBC is the reason why throughout this thesis, funding isn't used synonymously with investing, as the latter implies a tangible or intangible return.

2.3 Main Actors

To comprehend the main actors involved in the typical crowdfunding campaign, the purpose from the initiator's and funder's perspectives had to be acknowledged in sections 2.1 & 2.2.

The ability to reach complementary individuals and begin mutually beneficial relationships allows the three main actors concerning crowdfunding, namely initiators, funders, and the platforms themselves, to achieve their goals. Given a successful crowdfunding campaign, initiators are better off because they're obtaining an early round of funding for their start-up (Schwienbacher and Larralde, 2010), or in the case of DBC, regardless of their necessity, they receive funding for their situation. Debt-based and equity-based funders are better off because they accomplish their extrinsic goal of receiving monetary compensation either because they become creditors of debt or because they're legally entitled to a portion of future profits, respectively. For RBC, funders receive their tangible or intangible reward(s), while supporting businesses they believe in, whereas for DBC funders achieve their philanthropic motives (Palmer, 2014). Finally, for-profit platforms themselves are better off by charging a commission for their intermediation service in the form of a percentage or fixed amount, to funders and/or initiators (Christensen, 2023). In fact, platforms are benefitting from this industry to such an extent that every year there's an increased number of these websites (Mollick, 2014). Some of these platforms are for-profit companies, whereas non-profit ones often still charge a smaller fee to cover their expenses. The platforms provide value by facilitating the communication of initiators and funders, which would have otherwise found it difficult to reach their counterparts.

2.4 Wider Stakeholders

In addition to the three main actors identified, other stakeholders in the wider environment of the crowdfunding industry are affected and interested. A "Stakeholder" referring to "a party that has an interest in a company and can either affect or be affected by the business" (Fernando et al., 2024, para. 1). Based on this, the main stakeholders not included previously are *competitors*, *governments* and *society*.

Competitors of crowdfunding include traditional and other non-traditional sources of finance, including banks, venture capitalists, credit unions, angel investors, and other online lenders are worse off because more competition benefits entrepreneurs as they have a greater selection of finance options. This often leads to smaller profit margins for competitors, as these conventional finance sources have one more source to compete with.

Governments are relevant because they are the source of the regulatory interventions, which affects crowdfunding in ways that could benefit it or hinder it. For example, in the JOBS act, that legislation standardizes equity-based crowdfunding and protects investors and businesses from bad actors, but if a government introduces a bill banning certain practices like debt-based crowdfunding, entrepreneurs are worse off as they have fewer financial options. In terms of how the governments themselves are affected, they are better off because entrepreneurship leads to innovation that increases a country's competitive advantage and leads to growth, while also creating jobs (Botelho et al., 2021), all of which contribute to higher tax revenues.

Society in general is also better off because unlike more traditional sources of finance that mainly focus on rate of return and risk, while often neglecting moral and environmental considerations, crowdfunding democratizes funding so that social and sustainable entrepreneurs are more prevalent, due to goals of initiators and funders aligning to a greater extent (Calic & Mosakowski, 2016). It's as if the crowd votes on projects that they believe in by funding them, meaning initiators need to please a greater number of people compared to traditional finance sources, where few individuals make significant investment decisions. A practical benefit for society at large would be the contribution that crowdfunding introduces in terms of achieving sustainable development goals (Dinh et al., 2024).

There's a vast amount of less-relevant stakeholders like payment processors, legal advisors, other members in the supply chain including suppliers and manufacturers, logistics providers, etc. These play such a minor role in crowdfunding and are affected by greater forces than those relating to this industry that they are acknowledged but not necessarily included in the interviews as participants. Regardless, these would all be better off considering entrepreneurship again leads to positive economic consequences for complementary organizations working business-to-business.

2.5 Platform Models

In terms of allocation of funds, the biggest distinction that can be made between crowdfunding platforms, is whether they implement an All Or Nothing (AON) or Keep It All (KIA) model, regardless of the crowdfunding type in question.

2.5.1 All Or Nothing Model

All Or Nothing, also known as threshold pledge model, as the names suggest, works by platforms sending the money to initiators only if the campaign is deemed a success, i.e., the funding goal is reached within the predetermined campaign duration (Dai and Zhang, 2019). The campaign can exceed the initial goal and the entirety of the funds are given to the initiator, minus platform fees, within the timeframe of the fundraiser. If <100% of the goal is achieved before the deadline, all funders will be reimbursed, and the campaign is regarded as a failure, with initiators not being compensated. One of the most dominant players in crowdfunding, Kickstarter (Mollick, 2014), is also the most known platform which utilizes this model, resulting in considerable competition for a finite amount of capital.

2.5.2 Keep It All Model

On the other hand, Keep It All, also called Flexible Funding, compensates initiators with the campaign funds regardless of whether the projects receives more or less than 100% funding, i.e., both “successful” and “unsuccessful” campaigns (Cumming et al., 2019). The best example for a platform exclusively using the KIA model is GoFundMe, whereas other platforms like Indiegogo give the ability to initiators to choose from the two models. It makes sense for GoFundMe and other platforms that focus on DBC and charitable contributions, as even a partial amount of the initial goal is still beneficial to initiators. Usually, platforms exclusively specialize in one of the two models, but as mentioned, Indiegogo gives both options. With this being said, in the case where an option is given, initiators need to decide between models at the start of the campaign, so an underperforming campaign can’t be changed from AON to KIA in the midst of the funding stage.

These two models have their advantages and disadvantages, meaning there isn’t a clear-cut better model and instead depends on the context of the crowdfunding campaign. KIA campaigns move the burden of risk towards the funders, as their contributions will be given to the initiator regardless of campaign success, resulting in some projects starting although they’re underfunded, making them more likely to be unsuccessful in terms of achieving their operational goals. Because of this, the KIA model is superior for scalable projects, where every single Euro contributes proportionally to the initiative’s outcome, which are likely to be simpler operations that are still achievable with incomplete funding (Cumming et al., 2019). Initiators also have the responsibility to manage funders’ expectations in light of the partial funding to maintain their satisfaction. As previously mentioned, a scalable use for KIA model crowdfunding could be most DBC campaigns whether for charity or personal circumstances where a little amount of help is better than receiving no help. Overall, the KIA model presents a greater possibility for misallocation of capital resources, where less efficient and productive entrepreneurial initiators are given finite resources which could be more effectively employed elsewhere.

On the other hand, AON is better for complex projects such as developing technological devices that require a lot of R&D, where limited funding would achieve little to no operational success. It reduces risk for funders and shows confidence from the initiators in achieving the full funding goal and subsequent operational success, in fact it’s proven that AON campaign success is more likely to lead to a business’ operational success. With this being said, reasons against AON include the fact that its projects succeed by very small margins and fail by wide ones (Mollick, 2014). This is because initially underperforming campaigns can be seen as too risky by funders, as the funding goal is unlikely to be reached, resulting in a wide-margin failure. Whereas funding already successful campaigns is disincentivized, as the same amount of money represents a higher marginal utility in other still unsuccessful yet promising projects. This dynamic puts a lot of importance on previous people’s funding behavior (Kuppuswamy & Bayus, 2018), where herding and bystander effects contribute to the increased weight of initial funders compared to the last ones. Another disadvantage is that this model may make initiators choose a smaller funding goal because it’s more feasible to achieve, possibly resulting in underfunded campaigns even though they’re “successful”, as initiators would rather achieve even some funding compared to no funding, which also discourages capital-intensive and particularly innovative projects.

In summary, the risk tolerance of initiators and funders is one of the main influencing factors when determining the appropriate crowdfunding model, with entrepreneurial projects (debt-based crowdfunding, EBC and RBC) possibly being better suited to the AON model, whereas DBC having a seemingly better fit with the KIA model, with both models disincentivizing very complex problems because of the discussed reasons.

2.6 Updated Definition

As pledged in the introduction, based on the entirety of the literature review, serving as background knowledge for this essay, a proposed updated definition of crowdfunding could be: “*an open call without standard financial intermediaries, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for monetary or non-monetary rewards to support mutually valued initiatives, by drawing on relatively small contributions from a relatively large number of individuals”.* This definition is very similar to both Mollick’s (2014) and Belleflamme et al. (2010) ones, as they were accurate at the time, but currently outdated. The concepts of absence of standard financial intermediaries, crowdfunding being conducted mostly through the Internet, and the drawing of relatively small contributions from a relatively large number of individuals remain unchanged. We conclude that the definition formulated by Belleflamme et al. (2010) was overly detailed when mentioning voting rights, as this is encapsulated by the “non-financial rewards” of the updated definition, as this mainly pertains to equity-based crowdfunding and thus is too niche to be included in the general definition. Whereas Mollick’s (2014) one implied that only entrepreneurial individuals and groups use crowdfunding, whereas DBC proves otherwise. This updated definition is relatively long to be merely a definition but encompasses all of crowdfunding’s nuances by remaining more general, which also ensures future relevancy.

3. METHODOLOGY

3.1 Research Design

Now that the secondary data has been used as a theoretical background, the source of primary data that will be utilized to deepen crowdfunding’s understanding is the interview of experts (n=11) on the matter, in line with the methodology of exploratory qualitative research. The previous research was conducted to build concepts and assumptions that will be tested by the panel of interviewees. The reasoning behind the decision of choosing a qualitative approach stems from the knowledge gap currently affecting crowdfunding-related literature, where the majority of reliable, peer-reviewed papers focus on quantitative analyses (Mora-Cruz & Palos-Sanchez, 2023). This might be due to the fact that because of modern crowdfunding’s nature, a vast quantity of data can be scraped from online platforms, thus making research emphasize past and present insights as opposed to the future-looking focus a qualitative approach can provide.

Semi-structured interviews allow for an in-depth inquiry of specific topics, while also providing enough flexibility to deviate from initial scripts if richer data can be achieved. This adds a level of complexity, as the interviewer needs to be more skilled in responding and thinking while improvising but it’s particularly useful for a topic as nuanced as crowdfunding, where deep tangents can be explored. For instance, if an interview subject demonstrates to be particularly experienced in one aspect of the research question, the interview’s focus could be organically shifted towards that knowledge domain.
This research design is supported by relevant papers that outline the fundamentals of qualitative research papers (Strauss, A., & Corbin, J., 1998).

3.2 Participant Selection

Based on the proposed research design and the scope of this thesis, to achieve a sample size big enough to attain significant and representative results, the minimum amount of interviewees is 10, so 11 subjects are sufficient. Instead of random sampling, purposive sampling will be implemented because although 11 interviews are suitable for a qualitative study of this magnitude, it doesn't stand for the entire crowdfunding industry, thus a truly random sample isn't attainable. As previously mentioned, only relevant stakeholders will be included, because a financing method as widespread as crowdfunding impacts far reaching individuals and organizations. For instance, payment processing organizations, legal advisors and logistics providers are also directly affected by crowdfunding as previously mentioned, but based on the research conducted, these are not as relevant compared to other actors. In terms of the interviewees themselves, a panel of experienced professors, scholars, consultants and crowdfunding platform actors will be interviewed to include diverse perspectives. These can be grouped into 4 main categories of *crowdfunding experts, business/entrepreneurship experts*, *traditional finance experts*, and *crowdfunding's (3) main actors* as described in section 2.3 of this paper.

3.3 Data Collection Procedure

The interviews themselves will be conducted in person, for subjects based in the larger Enschede area, whereas for experts based in other cities, the discussions will be taking place online via video conference systems. As previously stated, the interviews will be semi-structured to benefit from both structured and unstructured interviews' benefits. Additionally, the questions will be tailored based on the specialization of the previously researched interview subjects, while maintaining common themes and topics, so that their insights can be maximized while also being able to compare responses. In terms of formulating questions, emphasis on asking open-ended, non-loaded questions is quintessential to avoid forcing subjects towards a desired answer. Organizing questions by themes minimizes confusion for interview subjects and creates more subtle transitions from topic to topic.

The purpose of the interviews is to find common themes between experts that challenge or defend the assumptions which were consciously and unconsciously shaping questions. Queries also aim to fill the various knowledge gaps recognized throughout the research process so that they serve as a basis for future research. The reliability of findings will be ensured by fact-checking the validity of responses where the knowledge gap doesn't impede this.

Concerning the collection of data itself, several audio-only recording devices will be used to prevent data loss by including redundancy.

3.4 Data Analysis Approach

Once all planned interviews will be conducted, the data will be analyzed first by ATLAS.ti software in order to categorize answers together based on similar themes. These first-order concepts automatically label answers descriptively without necessitating human interpretation. Subsequently, second-order concepts include the researcher's interpretation and subjective analyses to determine common patterns. Following this software-based analysis, abductive research techniques will be applied in order to compare the theoretical foundation and newly acquired primary data to determine if knowledge gaps were filled, as well as differences and similarities between findings. Although using ATLAS.ti doesn't automatically analyze the interview transcripts, it's a useful tool when analyzing text by organizing work visually.

3.5 Ethical Considerations

To minimize morally and ethically wrong consequences of this paper, several aspects need to be considered. Based on the thesis manual, one of the most important elements to consider is the privacy of all people involved, in this case mainly being interview subjects. Any data that is not publicly available and can be traced back to an identifiable natural person must be anonymised when possible. For instance, the interview transcripts will be included in a separate document that will not be made public apart from examiners. The interview subjects will also be asked to explicitly consent to participate in this study after being informed of its scope and purpose. None of the data will be used for any reasons apart from academic ones, like being commercialised. The results of these primary data sources will be fact-checked to avoid misleading the general public when this paper will be published. This issue is further limited by the fact that respondents do not directly profit from their answers and thus have little to no conflicts of interest that would adversely affect the results.

4. RESULTS

Table 1 (see appendices) shows interviewees grouped based on the previously explained 4 main categories of respondents, with their background, gender, years of experienced being mentioned. This table organizes respondents for a clearer understanding of respondents' contributions, placed in ascending order based on their relevance and importance to the results. So subjectively assessing their expertise level, relevance and importance to the research question. Note that regardless of their ranking, all respondents included in the transcripts were valuable, as only one interview with an entrepreneur was omitted due to irrelevance.

4.1 Crowdfunding Experts

4.1.1 Complementarity of Traditional and Alternative Finance

Starting with the most surprising insight uncovered via the interviews, the complementarity of traditional and alternative finance, both from the perspective of initiators, and funders. As respondent 1 (Leading Crowdfunding Expert in Europe) suggested, crowdfunding can be included in a business' funding mix depending on the stage the organization finds itself in. This implies that it's not the best solution for every business, as it has some very specific advantages, while simultaneously suffering from noteworthy drawbacks. As an example, if an organization wants to market itself but is still in its infancy stage, it could fulfill dual objectives of achieving some level of financing alongside advertising (i.e. creating awareness), by developing a crowdfunding campaign. By having many small-scale investors, organizations are essentially achieving numerous brand ambassadors who could market the business through word of mouth, as they're invested emotionally and financially (in the case of EBC and debt-based crowdfunding) in its long-term success. Regardless of the return on their investment, or lack thereof, this idea also applies to RBC and DBC. Hence, alongside allocating a marketing budget to place paid advertisements, organizations could also consider running a crowdfunding campaign. Once having demonstrated proof of demand, loyal customers/investors and a growing business, through a crowdfunding campaign; more traditional sources of capital may become interested, as mentioned by respondent 5 (Investment banker & Rothschild assistant director):

> "previous funding rounds almost unlock subsequent ones, as reaching a crowdfunding goal for example, indicates to a bank that demand in term of their products/services as well as ability to finance projects was already present before their own investment".

This is due to VCs and other conventional institutions rarely being the first round of funding, so after testing the market potential both from the product and financing side, businesses implementing crowdfunding set themselves up for future funding rounds, with additional options.

The complementarity also extends to funders, as crowdfunding may be more aligned with sustainable finance due to its secondary, non-financial objectives such as achieving positive societal impact, supporting local communities and supporting high-risk innovative solutions to environmental projects. By having some traditional investments focused on returns, besides crowdfunding contributions, their money can be employed to achieve more of a net-positive for society, increasing positive externalities.

4.1.2 Crowdfunding's Future

When asked about the future of crowdfunding and traditional finance, respondent 1 (Leading Crowdfunding Expert in Europe) also mentions "match funding", where large institutional funds investing alongside "the crowd", by matching or even eclipsing contributions. For instance, with every Euro raised through crowdfunding, a fund may invest a multiple of that in the same businesses, reducing their risk exposure because of multiple sources of capital simultaneously contributing to the business in question. By not limiting their funding mix to solely traditional or alternative finance, initiators can exploit the advantages of both. This interviewee identified another trend often seen in capitalist industries, the consolidation of crowdfunding platforms through mergers and acquisitions. With only Europe having "almost 200 platforms", the barriers to enter this market could be increased by having bigger players controlling a larger market share, benefitting incumbent firms (Katz, 2020):

> "these pan-European platforms, that's something that will happen along the way. That means there will be a merger of platforms. So we have so many, almost 200 platforms now in Europe. There will be far less in five to ten years' time".

4.1.3 Cultural Aspect

Another recurring theme encountered throughout multiple interviews is the concept of culture, as ultimately, all institutions, business and organizations are run by people who have preconceived notions, biases and subjective learning experiences. Respondent 1 (Leading Crowdfunding Expert in Europe) also mentioned that Anglo-Saxon countries almost have a culture of debt, where ownership, entrepreneurship and consumer spending are commonplace:

> "the main difference is culture. It's not about the regulation, it's about the culture of risk-taking, the culture of equity-based financing that's much more traditional in Anglo-Saxon countries like the US and the UK. Therefore, in the UK, the equity crowdfunding market is also much more developed".

According to the scholar, this cultural standard leads to higher rates of debt and equity-based financing, whereas smaller markets like the Netherlands don't possess big enough populations to justify high upfront investments by institutional investors. This might be the reason why equity-based crowdfunding still represents a small minority of all crowdfunding in the Netherlands.

This cultural element demonstrates that crowdfunding's growth isn't only contingent upon government regulation, but is also affected by local cultural norms, as there's "more inertia when it comes to changing financial systems", due to fear and uncertainty; according to respondent 11 (with PhD dissertation on Equity Crowdfunding). Because of this cultural element, it can be concluded that there is no best crowdfunding type, but the most appropriate option depends on a business' context, environment, and cultural characteristics; ceteris paribus. For instance, if an initiator desires access to a *long-term* network of invested crowd-funders, they should consider equity-based crowdfunding; if they prefer not giving up equity but still wish to persuade funders financially, they may favour debt-based crowdfunding. In terms of non-financially focused crowdfunding types, if initiators' intent is to gain insights on product-market fit and real-world feedback on their output, while not affording to give up equity and pay interest, they should consider RBC. Finally, DBC is possibly best suited for start-ups in such an infancy stage that they don't have a working prototype, nor cashflows to pay interest and their equity not being attractive yet, or for non-profit organisations.

4.1.4 Traditional Finance vs Crowdfunding Platforms' Value Proposition

Continuing with the theme of fit between organisation and finance source, respondent 11 (with PhD dissertation on Equity Crowdfunding) made the point that crowdfunding in general may not necessarily be appropriate for every organisation. For instance, businesses that want to disrupt a market in secrecy, without wanting to give up information in their crowdfunding campaign might prefer another financing source entirely. This is especially true when their competitive advantage could be threatened due to the transparency required for effective crowdfunding campaigns; this also concurs with recent papers including Van Teunenbroek et al. (2023). Another situation in which traditional finance's advantages eclipse crowdfunding's is with SMEs, as they possess more collateral in terms of assets and receivables, thus possibly being eligible for traditional bank loans that have cheaper costs of finance through lower interest-rate loans alongside higher principal amounts. This was explained by respondent 6 (Corporate Finance Professor), as SMEs represent lower risk levels compared to start-ups, again, ceteris paribus. The common notion that crowdfunding is a quick and easy way of achieving finance is often misleading, because, as respondents 1 (leading crowdfunding expert in Europe) & 11 (with PhD dissertation on Equity Crowdfunding) explained, it can take numerous "months before they're able to get on the platform" to conduct a successful crowdfunding campaign:

> "That process also takes months before they're able to get on the platform. So, I wouldn't agree that these are the projects that are not getting funding from VCs (are forced to use crowdfunding), especially also because most of the time, it takes much more time to use equity crowdfunding than do a roadshow at some VCs."

Its time-consuming nature is due to successful campaigns having similar characteristics such as a persuasive project story, continuous updates, implementing feedback from funders, not to mention the continuously increasing competition for a finite amount of capital from funders. So, although some interviewees claimed that crowdfunding often supports mostly individual project and product development as opposed to company-wide success, it seems crowdfunding campaigns should be planned with a long-term outlook and not a short-term one.

When asked about the value proposition that crowdfunding platforms provide, respondents 1 (leading crowdfunding expert in Europe) & 6 (Corporate Finance Professor) suggest that platforms have recurring users that trust their judgement and screening processes in terms of vetting campaigns and initiators, and thus have to be restrictive, otherwise their brand loses perceived value. In fact, not only do platforms intermediate between initiators and funders, but they expose initiators to the platform's network of users, giving them a much broader potential funder-base, which is not limited to the initiator's family and friends. Due to the necessary transparency in their communications with funders, platforms therefore need to be restrictive in terms of platforming initiators, in order to minimise the information asymmetry between initiators and funders, which is otherwise magnified due to the online nature of the industry. Moreover, by using crowdfunding platforms, initiators essentially outsource the technology development required to intermediate between actors, which would otherwise "be very expensive to develop on your own" by creating it in-house, involving high upfront and recurring costs. Hence, for trustworthy platforms, it can be argued that the value brought to initiators and funders is usually higher than the potential commission charged, as just explained. While for smaller crowdfunding platform developers, like those intended for university-related projects, being licensees requires less internal expertise and resources compared to developing the underlying software to run a working platform.

4.2 Business & Entrepreneurship Experts

4.2.1 Start-ups and SMEs Relation

As explained in the literature review, start-ups are more affected by the financing gap, because they represent higher risks for investors, as respondent 2 (Breakthrough Technology Innovation Professor) explained, most start-ups go bankrupt before ever reaching SME status. He elaborated that start-ups shouldn't be seen as completely distinct from bigger firms, but "as a big system that's interrelated", and thus dependent upon each other for developing innovations, whether through mergers, acquisitions, recruiting talent or copying disruptive products/services:

> "We need now to focus on 'scale-ups' because start-ups go bankrupt…" "then you see that (some) start-ups becoming unicorns, becoming big firms. And then you have the incumbent firms like Unilever and Philips and Siemens who are already big, Shell, BP, who are already big. And then people think that they have so much money. So we have to look at their innovative initiatives to see what (innovations are) coming out of that…" "the start-ups growing big, growing into unicorns, as well as the bigger firms having innovation projects and in an area of open innovation or driving innovations or buying innovations, that whole infrastructure is important to look at technological innovation. So not just the small firms, not just the bigger ones, but to see them as a big system that's interrelated, interrelated entities".

So, although the financing gap affects start-ups to a greater extent than it does established businesses, they're equally as important for a capitalistic society because of their mutually beneficial relationship. Thus, governments should seek to reduce this financing gap to gain a higher national competitive advantage, benefitting them in the long run. In fact, as respondent 3 (Assistant Breakthrough Technology Innovation Professor, PhD) stated, this is already the case, considering the vast majority of innovation is government funded, whether through subsidies, university grants or direct investment. In her view, really innovative solutions cannot solely be crowdfunded due to smaller funding amounts, often resulting in one-off products/services that are tailored to a niche market. Interviewee 2 (Breakthrough Technology Innovation Professor) also agrees in that "real breakthrough technology cannot (only) be crowdfunded". Although there's exceptions to this viewpoint, it's evident that crowdfunding's limits are the reason why SMEs prefer other sources of capital.

4.2.2 Government Regulation Leading to Increased Competition

With this being said, crowdfunding's industry-wide continuous growth is demonstrative of increasing demand for capital, thus, if governments intend to further finance their country's entrepreneurs and minimise the finance gap, they should regulate and standardise the industry. If undertaken, they would be contributing to the financing of start-ups, without directly using taxpayer funds for such speculative small businesses. This was further emphasized by respondent 7 (Professor of Entrepreneurship), as "it's very difficult for something that is unregulated to achieve such legitimacy, especially in the financial sector". Respondent 6 (Corporate Finance Professor) concurs, in terms of standardisation of crowdfunding further reducing information asymmetry and risk for all actors involved within the industry.

As previously alluded, regardless of crowdfunding's regulation or lack thereof, the industry has been growing internationally, slowly but surely. *Slowly* because people are even more risk-averse in terms of technology acceptance when the innovation is finance-related (respondent 6: Corporate Finance Professor), and *surely* because as long as there's a shortage in finance access, alternative finance sources seem to grow in popularity. By diversifying their portfolio of capital sources with crowdfunding, initiators are subjecting themselves to significant benefits, some being highlighted more in the interviews than the existing literature. For instance, respondent 7 (Professor of Entrepreneurship), expanded upon his perspective by highlighting the negotiating leverage that crowdfunding initiators gain in subsequent funding rounds, as a precedent for product demand and financing supply is demonstrated. This might result in more VC competition for example, ultimately resulting in cheaper cost of capital for entrepreneurs, whilst crowdfunding "allows the entrepreneur to take back some of the power in the negotiation with traditional investors". This is because imperfect competition, traditional investors "want to give you the least money possible for as much ownership as possible", but with increased competition, investors are forced to supply additional money or decrease their equity demands.

Moreover, although all relevant and useful investments benefit society, crowdfunding's more prevalent secondary objectives contribute to more net-positives for countries, at least in theory (according to respondent 10: Start-up Specialist). This is even more evident for RBC and DBC considering there is no expectation of financial returns, so the focus from funders shifts from a monetary one, to societal, environmental, and equitable ones. Groups like minorities and women that have historically "been disadvantaged in access to finance" now have more options, reducing economic inequalities; whereas innovative environmental projects that could be deemed overly risky for traditional investors may be more attractive to crowdfunding funders:

> "It also means longer term potential for reduction of economic inequalities, because people have the possibility to build their own capital in new ways and have good returns on investment, especially in crowd lending these days. So there are a lot of positives for all sorts of groups that have been disadvantaged in access to finance, from women to immigrants to other things. It really levels the playing field and creates new opportunity for 'start-upping'".

By implementing crowdfunding in their funding mix, initiators can achieve dual objectives of advertising via word of mouth while simultaneously financing their operations, reducing their biggest challenge of getting recurring paying customers. Overall, it seems as though having more finance options reduces the reliance on predatory creditors such as loan sharks and credit card companies (respondent 7: Professor of Entrepreneurship). Consequently, these advantages suggest that as long as government intervention doesn't jeopardize crowdfunding's existence, its presence seems sustainable in the medium-to-long-term.

4.2.3 Disadvantages of Crowdfunding

As with everything, disadvantages and opportunity costs also affect crowdfunding due to its very nature. Namely, while having numerous small-scale funders benefits initiators in terms of word-of-mouth advertisement, it doesn't necessarily help them as much as VCs, which tend to have experience and networking abilities far more significant than less sophisticated small-scale funders. So some inexperienced entrepreneurs might be better off giving up equity in exchange for guidance and coaching.

Another disadvantage incurred due to the inexperience of crowdfunding funders is that although this is a more democratic finance source, given the comparatively higher number of funders, if funders are wrong in their judgement, this can result in less efficient allocation of finite economic resources, reducing the benefit for society; or as respondent 7 (Professor of Entrepreneurship), explains it:

> "who protects minorities in the case of where the majority makes the decision? So, the tyranny of the majority is a problem in the context of crowdfunding. Unless the minority has enough resources to claim something together, then they could suffer disadvantages when using crowdfunding, because it's all about scale and about reaching enough people to contribute and fund something".

An additional characteristic of crowdfunding that has double-edged consequences is that previous social behavior (extent of funding, comments, praise) affects potential funders. One on side, potential funders free-ride previous funders' expected due diligence, benefiting funders by reducing their perceived required analysis. However, this can be used by fraudulent initiators intending to mislead potential funders by creating hype, that distorts funders' judgements in their favor. Finally, funders shouldn't be treated as "one-time users or tourists" but should instead be developed by initiators into long-term assets whose relationship requires constant updates and development to avoid negative publicity.

4.3 Traditional Finance Experts

4.3.1 Crowdfunding from a Macro-Economic Perspective

These interviewees were particularly insightful in terms of the explaining the macro-economic environment of crowdfunding. We tend to think of a system as being static over time, however respondent 4 (Consultant and CFO) considers the ever-changing economic landscape when evaluating crowdfunding. He thinks that crowdfunding may be even more valuable in worse economic times, when governments' central bank interest rates are high, eventually trickling down to smaller banks and the whole financial system:

> "To combat the subsequent inflation that was spurred by this banking collapse, interest rates were increased aggressively, thus banks were even more risk-averse than previously, contributing to the finance gap".

In periods that follow high inflation and possible recessions, creditors are particularly risk-averse, thus traditional finance is even more conservative in lending, possibly resulting in larger finance gaps, especially for small businesses. In his view, this gap could be partially filled by alternative finance sources including crowdfunding.

In terms of the future of crowdfunding, respondent 5 (Investment banker & Rothschild assistant director) also mentioned that the finance gap is here to stay, especially in countries with increasingly high debt burdens, as eventually, these debts will have to be paid off by becoming more risk-averse at the national level, "increasing the shortage of finance especially for small businesses". Because of alternative finance's increasingly relevant role, traditional finance's pivot to online services and sustainable finance being advocated by pressure groups, "the differences between the two become fewer and fewer", thus, "the binary categorisation between traditional and alternative finance will make less and less sense in the future".

4.3.2 Crowdfunding & Traditional Finance

Respondent 4 (Consultant & CFO) further argues that "historical, proven businesses and business models will always tend to rely on historical, proven finance sources", as this match based on predictability, low-volatility and consistent track-record is what both these types of organisations look for. This can be interpreted as traditional and alternative finance being complimentary, not mutually exclusive, as previously mentioned:

> "I believe that the beautiful thing about it is that they aren't mutually exclusive, in fact if you start with alternative finance, you can eventually pivot to traditional; thus exploiting the advantages of both systems, from an access to capital at first when it's hard to come by, with less strict liability and options such as Reward Based Crowdfunding, and then moving onto finance with lower cost of capital, higher investment amount, better access to networking and expertise of investors, etc."

This is because, considering their completely different risk profiles, although they compete in terms of function, they don't necessarily compete in terms of ideal clients, as some start-ups' financial demand represent a negligible amount for banks which doesn't always justify the bank's implementation of finite human and capital resources for analysis. If traditional institutions like banks desire to improve their brand's perception and achieve secondary objectives for society, there's other means to do so apart from crowdfunding, such as investing in more sustainable yet large corporations.

This further supports the idea that traditional and alternative finance are complimentary to a certain extent, at different stages of a business' development, in fact, he continues "if you start with alternative finance, you can eventually pivot to traditional; thus exploiting the advantages of both systems". These include an early access to finance when options are scarce, with a less strict enforcement regarding paying back funders, while then achieving higher potential principal amounts with lower interest rates (due to collateral) and receiving guidance experienced, knowledgeable investors (given a consistently successful business). As depicted by respondent 5 (Investment banker, Rothschild Ass. Director), the most promising start-ups can afford to bypass the use of both financial systems and benefit from traditional finance's advantages at an earlier stage, when it's even more valuable. This is due to the fact that if the assumption of financial returns being their main purpose for lending money, an increase in risk (i.e., financing a start-up) has to be accompanied by a greater return (i.e., an outperforming, higher-potential start-up). The issue with incurring debt or relinquishing equity at an early stage is that creditor institutions often "expect and receive leverage as well as decision-making power within the company", such as positions on the board of directors. On one hand, giving up equity does lessen the agency problem, as *financial* interests are aligned and both parties are interested in the growth of the business, while on the other hand, decisions taken must please more stakeholders.

4.4 Crowdfunding's (3) Main Actors

Having interviewed crowdfunding initiators, funders and a platform administrator, a balanced summary of perspectives can be made.

4.4.1 Initiators Persuading Potential Funders

Respondent 8 (Crowdfunding Platform Manager) emphasizes the importance of having recurring funders which can be achieved by fulfilling promises made in previous campaigns, while directly showing the tangible contribution that the funders made. This feedback mechanism achieved through continuous updates can be used to ask the same funders for another small crowdfunding-size contribution. She mentions that even in the case of DBC, a very simple gesture to show appreciation can go a long way to show gratitude, developing the relationship into a long-term one. She also introduced the idea of effective storytelling being foundational to successful crowdfunding campaigns, hence, being persuasive is key to achieving funding goals. For instance, many DBC campaigns related to personal emergencies invoke an intense emotive response, possibly persuading funders.

4.4.2 Difficulties for Initiators

Respondent 9 (Crowdfunding Initiator) is knowledgeable on raising funds, having achieved successful as well as less effective campaigns. She argues that having recurring funders is particularly challenging considering small-scale crowdfunding campaigns often rely on the initiator's immediate network, mostly their friends and family. Ignoring the stigma of asking friends and family for money, as "the worst thing that can happen to you is that somebody says no", it's even harder "to get the kind of commitment from your support network to always fund your initiatives", because given the lack of financial return for DBC and RBC, the opportunity cost for funders is even higher. Because of this, determining funding goal is one of the most important steps in the crowdfunding process, as an excessively high target disincentivises individuals, as they might feel their contribution is relatively insignificant. At the same time, if the funding goal is overly modest, the raised funds would be insufficient to achieve promised outcomes, even in the case of a successful campaign, thus sacrificing future campaigns' effectiveness. Therefore, a balance between realistic feasibility of achieving the funding goal and a meaningful, useful budget amount needs to be struck. In terms of crowdfunding models, she adds that AON makes funders more committed to achieve the funding goal, but an even more conservative target should be chosen, considering the model's consequences in the case of failure, as explained in section 2.5.1.

5. DISCUSSION & LIMITATIONS

The primary aim of this study was to investigate the long-term growth of crowdfunding and its effects on relevant stakeholders. The results section aimed to answer the research question from different perspectives, whereas this section's intent is to summarise the insights given, while acknowledging the unintentional biases that stem from respondent's expertise and background.

The most profound concept highlighted by the interviews is the complementarity of finance types, not only because of the seeming lack of mentions of this in previous literature, but because of the contributions this entails for entrepreneurs. In this case, the long-term growth of crowdfunding is experienced by organisations' leaders as an increasingly viable alternative or supplement to traditional ways of conducting business, challenging deep-rooted assumptions. This can be applied in the real world as a realistic option for first-time entrepreneurs, as well as a marketing and finance stimuli to existing organizations. With this being said, one of the main limitations of this paper is the near impossibility to isolate crowdfunding's consequences and evaluate them in a vacuum. This is because money is fungible, meaning it's interchangeable. In the context of finance, it's difficult to isolate the effects of a specific funding round, unless it's the very first one. Although the results section implied that crowdfunding is best for very small businesses, making it one of the very first funding rounds, entrepreneurs tend to use personal savings and bootstrap finance, thus starting operations before ever receiving funds from a crowdfunding campaign, i.e., crowdfunding isn't the first activity performed (and thus financed) by entrepreneurs. This makes it difficult to confidently conclude that a given operational success is directly made possible and financed by crowdfunding *only*, as the fungible characteristic of finance and money in general makes its effects indistinguishable from one another. Of course organizational results can be evaluated pre and post a successful crowdfunding campaign, comparing the circumstances chronologically, however, differentiating specific effects of crowdfunding from other financial and operational variables continues to be an intricate task. The relevance of fungibility in terms of the research question relates to the fact that this paper assesses crowdfunding's sustainability, but it's different to draw the line where crowdfunding's effects end and another variable is at play.

Another important finding of this study is the fit of crowdfunding, particularly as it pertains to organizational and national culture, emphasizing the importance of understanding the environment, context and development stage an organization finds itself in. In fact, this topic was characterized by data saturation of answers in the interview process, as respondents often agreed with each other without external influence. This entails many consequences for organizations, as they need to identify their situational circumstances instead of following the masses, in order to leverage crowdfunding's advantages in their favor. For instance, choosing crowdfunding type, AON versus KIA model, and whether crowdfunding is even worth their effort altogether, are important decisions that need to be given appropriate consideration. This is because countless variables, from project complexity to the industry a business is situated within, all affect the success and usefulness of crowdfunding, not to mention funding goal, financial alternatives, secondary objectives, etc. In this context, the insight lies in crowdfunding being a long-term commitment and thus should be treated as such. If initiators wrongly believe that it's a get-rich-quick scheme, they're mistaken and would be better off committing their finite resources elsewhere, more effectively. In terms of evaluating this revelation, future literature could focus on including many more organizations from diverse countries, operating in different industries, using a random sampling approach, in order to truly uncover the importance of external environment and internal culture on crowdfunding success. This would increase the the generalizability and validity of the data, so as to not be constrained by a relatively limited n=11 sample size and its participant selection method of purposive sampling.

Lastly, the final key discovery concerned the future of crowdfunding, because as previously explained, many peer-reviewed studies focused on describing the past of crowdfunding, the emergence of the industry, and the common success factors for campaigns. This paper lays the foundation to investigate the consolidation of crowdfunding platforms, thus assessing this phenomenon's impact for stakeholders, as well as going more in-depth regarding match funding between crowdfunding and traditional financial instruments. These insights would make initiators proactively tailor their campaigns to future trends as opposed to ones that worked in the past. Data saturation is associated with high-quality data in qualitative studies, as it demonstrates that the methodology was sound enough to result into similar answers from a diverse panel of experts in this case; thus being a strength of this study.

As it pertains to the limitations of the used methodology, an example could be the fact that interviewees are aware they're being recorded, so they might be more careful and less honest with answers. This couldn't be mitigated without infringing upon their privacy, by recording them without explicit consent. This is because although they were informed that their privacy is taken very seriously and no data that identifies them would be included, they still represent companies and themselves. This is a limitation, because as identified in the psychological phenomenon "the Hawthorne Effect" (Spencer & Mahtani, 2017), they might be subconsciously painting themselves in the best possible light.

Concerning the Literature section, reliable, peer-reviewed studies from trustworthy academic sources were included, whereas many online articles were intentionally overlooked, as the lack of verification inherent in peer-reviewed studies, made online articles less reliable sources of knowledge. With this being said, some of the papers were several years old and thus could result in outdated assumptions and mental models which were foundational to the formulation of questions; considering the dynamic nature of crowdfunding, this is particularly problematic. Because of the most fundamental papers being old, some studies such as Mollick's (2014) one, which focused mainly on RBC had to be used nonetheless (this paper's methodology and results regarded RBC, not the literature section which was used to make conclusions about all crowdfunding types).

In terms of the strengths of this paper, data triangulation supports the discussed findings and provides a more holistic perspective on crowdfunding, by implementing secondary data both in the form of academic papers and reputable websites, alongside the primary data collected through interviewing experts in the field. By evaluating and fact-checking information gathered from multiple sources, a more comprehensive understanding was developed. This made the insights uncovered in this study grounded in previous literature, while also corroborating prior findings. Furthermore, by including perspectives from interviewees with diverse backgrounds, this research minimizes the bias associated with relying on a single data source. To specify, the addition of traditional finance experts allows for the combination of findings, leading to a more nuanced analysis and evaluation of data, such as studying crowdfunding within the broader financial landscape rather than in isolation.

6. CONCLUSION

6.1 Conclusions for Theory

By implementing the previously mentioned data triangulation and cross-verification, this paper adds to the previous literature by concurring with previous studies (with some mentioned exceptions) and emphasizing the importance of environmental and contextual considerations. In fact, it can be argued that crowdfunding should not be discussed in isolation from the understanding of other financial strategies. This implies that previous studies that discuss crowdfunding as an isolated concept are overly narrow in focus and should be examined in greater detail, including situational context. With this being said, earlier findings were essential for the existence of this one, so their importance cannot be overstated. Their apparent narrowness can be attributed to the relative recency of the industry, yet at the same time, its dynamic nature has led to outdated papers.

This dual phenomenon of recency and dynamicity partly causes the knowledge gap. To address it and to help initiators and entrepreneurs make more informed business decisions, this paper was structured and conducted to answer the research question: "How is the long-term growth of crowdfunding experienced by relevant stakeholders?". The contributions explained in the Results and Discussion & Limitations sections help to partially fill the knowledge gap from a qualitative, exploratory perspective, as its quantitative counterpart is more researched. By focusing mostly on the financial and platform side of crowdfunding, previous literature fails to take into account the environment of the crowdfunding organisation and other variables for initiators to consider prior to conducting a crowdfunding campaign.

Judging by the fact that crowdfunding's relatively recent growth was constant throughout somewhat turbulent macro-economic times is indicative of the demand for it to fill the finance gap, at least in part. As discussed throughout this paper, demand can only be part of the equation, as for crowdfunding's growth to be sustainable in the long-term, it has to be regulated and standardised at the national and international level, in order to achieve a level playing field. However, government decisions should be based on data and peer-reviewed literature that are currently trailing the industry; so, in order to minimise the financing gap small businesses encounter, the knowledge gap affecting crowdfunding literature must also be addressed.

6.2 Conclusions for Practice

Among the most significant findings of this paper is the complementarity of finance sources, suggesting that crowdfunding alone is not enough for an organisation-wide, long-term sustainable growth, and thus needs to be combined with other finance sources. At the same time, “complementarity” implies that crowdfunding and other sources of finances may emphasize each other's qualities, maximising benefits and minimising drawbacks. By including crowdfunding in early finance stages, the finance mix can subsequently be expanded, as traditional sources of finance see previous successful funding rounds and are thus more confident to provide their capital. For an organisation to progress from start-up to an established large business, traditional sources of finance should become the main pillar, meaning crowdfunding is not yet an independent successful finance source for large businesses (as of the writing of this paper).

In terms of the advice that can be given to initiators and entrepreneurs, the variables for initiators to consider prior to considering crowdfunding include, but are not limited to, the importance of network advantages, availability of alternatives, risk mitigation and secondary objectives.

As technology makes entrepreneurship more accessible to everyone, it also increases competition for a finite amount of resources, including finance, thus the long-term growth of crowdfunding appears unwavering. Although crowdfunding seems to have passed its first test in terms of the recent bad economic turmoil (i.e. the COVID-19-related inflation and slowdown), it’s still to be determined whether it would survive a fully-fledged multiyear worldwide recession, and not just a “soft landing”; especially without the explicit government protections that other financial instruments are accustomed to.

7. APPENDICES

Table 1: Interviewees grouped by category and in order of contributions to results

Respondent #	Background/Profession	Gender	Years of experience
Crowdfunding Experts			
1	Alternative finance association chairman, leading crowdfunding expert in Europe	Male	≈ 20
11	PhD dissertation on equity crowdfunding	Female	≈ 5
Business & Entrepreneurship Experts			
2	Breakthrough technology innovation professor	Male	≈ 30
3	Breakthrough technology innovation assistant professor, PhD	Female	≈ 10
7	Professor of entrepreneurship	Male	≈ 10
10	Start-up specialist	Male	≈ 15
Traditional Finance Experts			
4	Consultant & CFO	Male	≈ 25
5	Investment banker & Rothschild assistant director	Female	≈ 25
6	Corporate finance professor	Male	≈ 15
Crowdfunding's (3) Main Actors			
8	Crowdfunding platform manager	Female	≈ 10
9	Crowdfunding initiator	Female	≈ 2

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