

ESMA Market Report

Crowdfunding in the EU 2024



ESMA Market Report on Crowdfunding in the EU 2024

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Executive Summary

This is ESMA's first annual market report on the EU crowdfunding market, based on data we receive from National Competent Authorities (NCAs) under the European Crowdfunding Service Providers for Business Regulation, which came into effect in November 2021. This first report covers a sample of 98 crowdfunding service providers in 17 EU Member States.

Aggregate statistics based on the sample of providers indicate that over EUR 1bn of crowdfunding took place in the EU in 2023. Loan-based crowdfunding was the most common form of funding model (65% of funding raised), followed by debt-based (17%) and equity-based (6%). The average amount raised per loan-based project was around a third of that for debt-based and equity-based projects.

A large majority of investors were retail (87%), who tended to invest smaller amounts than sophisticated and especially professional investors. The leading economic sectors to which crowdfunding was distributed were professional, scientific and technical services (33% of funding raised), followed by construction (21%).

France was the leading hub for crowdfunding in terms of capital raised and numbers of platforms, followed by the Netherlands. The largest number of investors were resident in Lithuania. These countries have all had national crowdfunding regimes in place for several years.

Introduction

Crowdfunding is a form of alternative finance that typically involves small investments from many people (or a 'crowd') through digital platforms. Crowdfunding platforms facilitate the matching of prospective investors or lenders with businesses seeking funding, which tend to be start-ups and small and medium-sized enterprises (SMEs). In contrast to banking, crowdfunding directly links investors and those seeking funding.

The funding can take the form of loans, or the acquisition of transferable debt or equity securities¹. Crowdfunding is particularly important for businesses operating in smaller markets, where access to capital can be more challenging.

Crowdfunding platforms, also known as crowdfunding services providers, offer a publicly accessible digital space where investors can explore and invest in various projects that have been screened by the platform. This type of funding is important for SMEs, which often struggle to secure traditional bank financing. Crowdfunding serves as an important source of alternative finance and has the potential to support the development of the Savings and Investments Union.

ESMA is tasked with fostering a harmonised regulatory environment across the EU to enhance the efficiency of crowdfunding, with a strong focus on enhancing investor protection. With this report, ESMA contributes to enhancing transparency, monitoring risks and building investor confidence in crowdfunding platforms.

Legislative framework

By 2020, several Member States had developed their own bespoke regimes for crowdfunding, which created fragmentation and hindered the cross-border provision of these services. This regulatory divergence discouraged cross-border investments, limiting the potential for a unified EU crowdfunding market.

Regulation (EU) 2020/1503 on European Crowdfunding Service Providers for Business (ECSRP) established uniform rules across the EU for investment-based and lending-based crowdfunding services for business financing. Crowdfunding offers exceeding EUR 5mn, calculated over a period of 12 months, are excluded from the scope of ECSRP. A transitional period was extended until 10 November 2023, allowing existing crowdfunding service providers time to adjust to the new regulation and apply for a license.

ECSRP sets organisational, operational, and supervisory requirements for crowdfunding service providers, along with specific provisions for investor protection, including marketing rules, disclosure obligations, and conflict of interest safeguards.

To enhance investor protection, ECSRP assigns ESMA various policy and market analysis roles. In line with this mandate, ESMA has developed technical standards and Q&As² and maintains a register of all crowdfunding service providers³. It also has a coordination role with NCAs, including in relation to the publication of national regulations applicable to marketing communications.⁴

Scope of this report

This report sets out aggregated statistics on the EU crowdfunding market for 2023. It is the

¹ Certain types of crowdfunding such as donation-based and rewards-based crowdfunding, are outside the scope of this report and of ECSRP, which focus solely on investment-based and lending-based crowdfunding.

² ESMA published the relevant [technical standards](#) in 2021. Article 14 ECSRP mandates ESMA to maintain a register of providers.

³ See <https://registers.esma.europa.eu/publication/>

⁴ Articles 28 and 29 ECSRP.

first in a planned series of annual reports, in line with ESMA's mandate under ECSPR.⁵ The statistics are based on anonymised data provided to ESMA by NCAs in the EU, as detailed in the Appendix.⁶

Due to data quality issues that some NCAs faced for this first reporting exercise, the analysis in this report is based on a sample of 22 NCAs, of which 17 reported at least one provider.

EU crowdfunding market overview

Data reported under ECSPR provide the opportunity to gain an understanding of the crowdfunding market in the EU.⁷ Aggregate statistics produced from the data give an overview of market size, as well as insight into the types of funding and projects involved, the profile of investors and the extent to which cross-border investing takes place.⁸

According to the register of crowdfunding service providers⁹ that ESMA maintains under ECSPR, 159 providers had been authorised by the end of 2023. However,

when compiling data to submit to ESMA for the first time under ECSPR, several NCAs experienced data quality issues. As a result, while all EEA NCAs submitted data returns, 5 returns had to be excluded from the analysis based on data validation checks. The analysis in this Report is therefore based on data returns from the remaining 22 NCAs, of which 17 had authorised at least one provider by the end of 2023 and 5 provided null returns (i.e. confirmed they had not authorised any providers during the relevant period). A total of 98 providers are covered by the dataset used for this report.¹⁰

Among the 98 reported service providers in the sample, 81 offered a single type of funding model, with the remainder offering two or more types.¹¹ In total, 53 of the providers offered loan-based crowdfunding services, while 30 offered debt-based crowdfunding, 25 equity-based and 17 other funding types (Chart 1).¹² Around 65% of funding raised was in loan-based projects, followed by debt-based projects (17%) and equity-based (6%).¹³

Loan-based crowdfunding projects were by far the most popular and numerous, with almost 5 000 such projects offered in 2023, in

⁵ Article 16 ECSPR.

⁶ The EEA Agreement was amended to incorporate ECSPR in February 2024. For future editions of this report, EEA countries will therefore be in scope of the reporting framework.

⁷ This report is based on data concerning providers authorised in accordance with ECSPR and crowdfunding projects in the scope of ECSPR, covering the information listed in ECSPR Article 16(1). Some platforms operate under national licenses or MiFID licenses rather than licenses under ECSPR, and are therefore not included in the statistics in this report.

⁸ ECSPR reporting data received by ESMA do not provide demographic information on clients. However, a [2023 report](#) by the Crowdfunding Research Center at the University of Agder, which covers the European crowdfunding market in 2021-22, gives some demographic statistics. For example, the report finds that women tend to be under-represented among crowdfunding investors. Younger investors are especially inclined towards loan-based crowdfunding. Repeat investors represented 61% of equity investors and 67% of lending investors. The report also provides statistics on interest rates and default rates for loan-based crowdfunding to businesses. According to the figures, the average interest rate for such lending in 2022 was 7.41%, while the average default rate was 3.63%. Regarding market trends, the report suggests that the crowdfunding market is likely to be in a phase

of consolidation, with smaller platforms being merged with or acquired by larger ones.

⁹ In this report, crowdfunding service providers are sometimes referred to simply as 'providers'.

¹⁰ For comparison, 134 providers from these countries were listed on the ESMA register as authorised before the end of 2023. This figure may include providers that had not yet hosted any projects, however.

¹¹ Other funding types include 'admitted instruments for crowdfunding purposes', defined under ECSPR as private company shares not subject to restrictions that would effectively prevent them from being transferred. According to the data sample, one provider offered three types of funding model (debt-based, equity-based and loan-based), while seven providers each offered two types of funding model.

¹² Debt-based crowdfunding differs from loan-based crowdfunding in that only the former involves a transferable security. Typically, for a fee an investor in a debt-based crowdfunding scheme can sell their stake to another investor on the platform.

¹³ Across projects, 43% raised more than EUR 1mn. Among these projects, a smaller share of money raised was via loan-based funding than across all projects (59% vs 65%). A greater share was raised via debt-based funding (20% vs 17%) and equity-based (8% vs 6%).

which over 1.7 million investors participated (Charts 1, 2). The average amount raised per loan-based project was around EUR 15 000, much less than the corresponding figures for debt-based projects (EUR 53 000) and equity-based projects (EUR 46 000).

A large majority (87%) of investors in crowdfunding projects were classified retail investors (Chart 3). A further 12% were classified as 'sophisticated' investors by providers under ECSPR, while 1% were 'professional' investors under the MiFID framework.

The leading economic sector as a destination for crowdfunding finance was professional, scientific and technical services, with EUR 390mn of investment raised, a third of the total (Chart 4). The category includes a range of activities, including management consultancy, legal services, advertising and scientific research and development. Projects involving construction – including civil engineering as well as construction of buildings – raised the second-highest amount of funding, at EUR 240mn, almost a quarter of the total. In terms of investor numbers, however, the leading sector for crowdfunding projects was real restate, with 380 000 investors participating. Across the whole market, the average amount invested by each retail investor was around EUR 590, while for sophisticated investors and professional investors the respective figures were EUR 990 and EUR 4 200.

France had the highest number of providers (30), followed by the Netherlands (17) and Lithuania (11) (Chart 5).

Providers in France (EUR 292mn) and the Netherlands (EUR 291mn) raised more finance than any other country (Chart 6), though Lithuanian providers had the greatest number of investors (500 000) in the most projects (2 840) (Chart 5).¹⁴

Cross-border activity, characterised as the share of investments raised by platforms in a country by residents of other countries, varied greatly across Member States (Chart 7). Platforms in Austria and Estonia recorded a very high share (80%) of funding from foreign residents, while in 9 countries, the share was under 10%. Overall, 17% of funding was raised cross-border, the vast majority of which was within the EEA.¹⁵

Crowdfunding in Lithuania is domestically focused (Chart 7) with almost half a million residents participating (Chart 8), amounting to over a fifth of the adult population.¹⁶ The level of development of the crowdfunding market in the country reflects the fact that Lithuania has had national legislation in place since 2017 for the sector. Likewise, France and the Netherlands, which between them hosted around half the providers in the sample, have had national regimes established since 2014 and 2020 respectively.

¹⁴ Chart 5 also displays the number of projects reported for each Member State in the sample. In some cases, these crowdfunding projects may involve economic activities that actually take place in other EU member states or in third countries.

¹⁵ Around 15% of total funding was cross-border from other EU/EEA countries. Only 2% of total funding came from residents of third countries.

¹⁶ In 2023, the population of residents aged 25+ in Lithuania was 2.4 million (source: Eurostat).

Conclusion

This report is the first since the adoption of ECSPR, providing an overview of the market data for 2023. In line with its mandate, ESMA will produce annual market reports to monitor the evolution of the European crowdfunding market. As the market continues to mature and more data are gathered, it may be possible to extend the scope of analysis in future reports for example to identify market trends and related potential risks.

This report covers a sample of 98 providers in 17 countries. Loan-based crowdfunding was the most common form of funding model. A large majority of investors were retail, who tended to invest smaller amounts than sophisticated and (especially) professional investors.

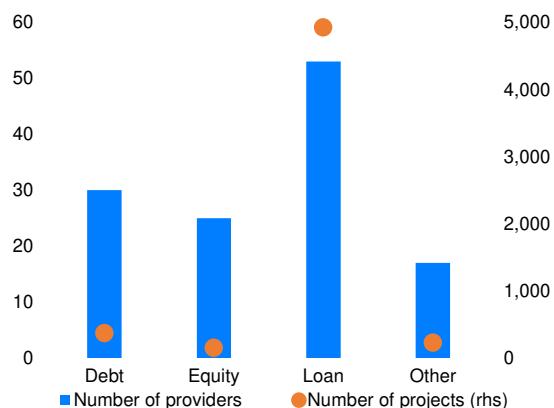
France and the Netherlands were the leading hubs for crowdfunding, both in terms of capital raised and numbers of platforms. Almost half of the platforms in the sample were concentrated in France and the Netherlands. The largest number of investors were resident in Lithuania, around half a million in total. These countries have all had national crowdfunding regimes in place for several years.

Charts

Chart 1

Providers by funding type

Most projects are loan-based



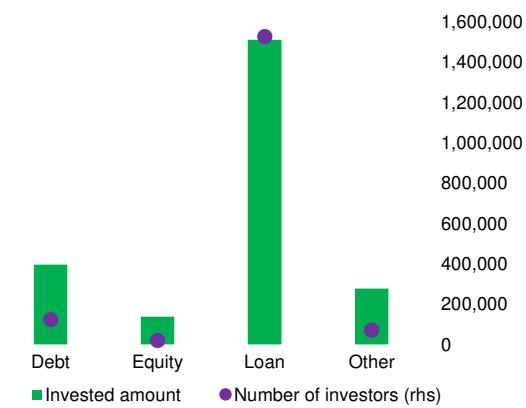
Note: Number of EU crowdfunding service providers and number of projects (rhs), by type of funding, 2023. "Other" includes admitted instruments for crowdfunding purposes. Data from 17 NCAs, as detailed in the appendix.

Sources: Data reported by NCAs, ESMA

Chart 2

Investing by funding type

Large majority of funding is loan-based



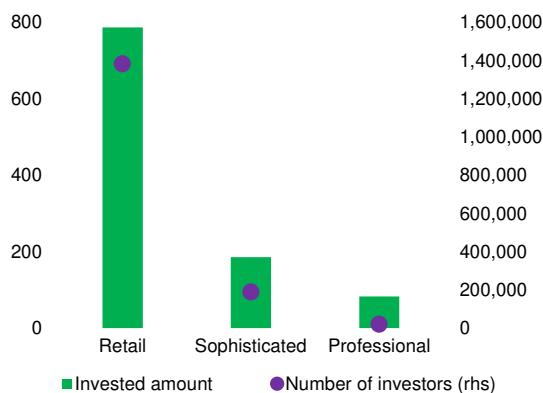
Note: Invested amount, in EUR mn, and number of investors (rhs), by type of funding, 2023. "Other" includes admitted instruments for crowdfunding purposes. Data from 17 NCAs, as detailed in the appendix.

Sources: Data reported by NCAs, ESMA

Chart 3

Investors by type

Retail investors predominate



Note: Invested amount, in EUR mn, and number of investors (rhs), by investor type, 2023. Sophisticated investors are those classified by providers under ESCPR; professional are classified by investment firms under MiFID.

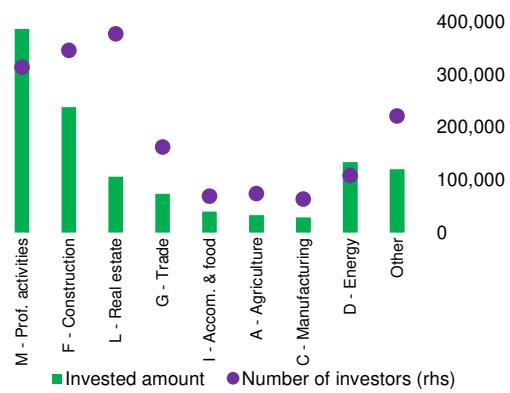
Data from 17 NCAs, as detailed in the appendix.

Sources: Data reported by NCAs, ESMA

Chart 4

Projects by economic sector

Range of economic activity supported



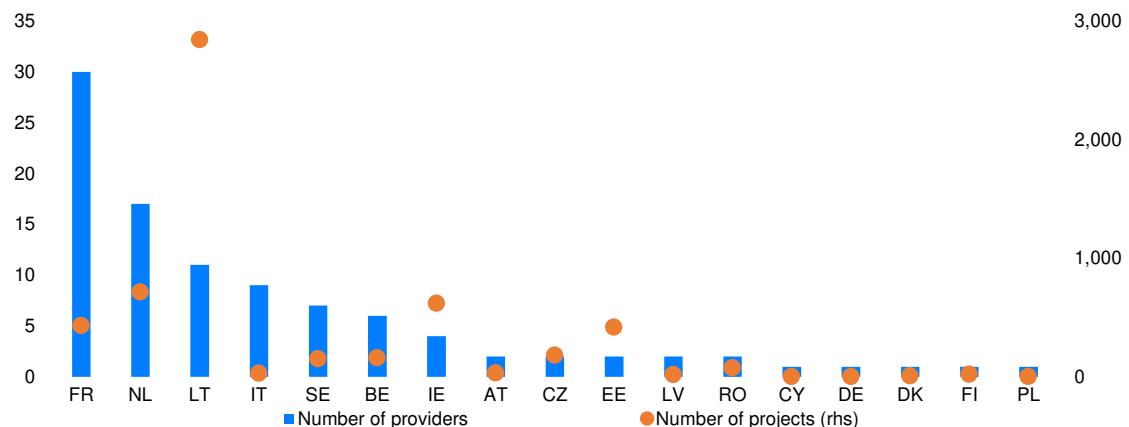
Note: Invested amount, in EUR mn and number of investors (rhs) by economic sector, 2023. "Prof. activities" = professional, scientific and technical activities; "Accom." = accommodation. Sector codes are the NACE Level 1 classification, revision 2, per Regulation (EC) 1893/2006, which gives definitions. Data from 17 NCAs, as detailed in the appendix.

Sources: Data reported by NCAs, ESMA

Chart 5

Providers and projects by country

France registered the most providers in 2023

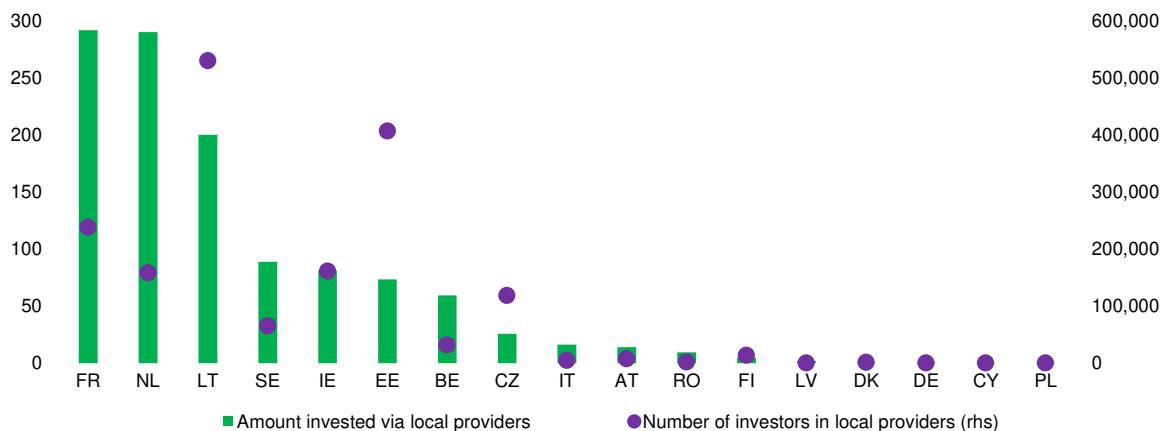


Note: Number of EU crowdfunding service providers and number of projects (rhs), 2023. Data from 17 NCAs, as detailed in the appendix.
 Sources: Data reported by NCAs, ESMA

Chart 6

Investing by country of provider

Providers based in Lithuania and Estonia have many investors

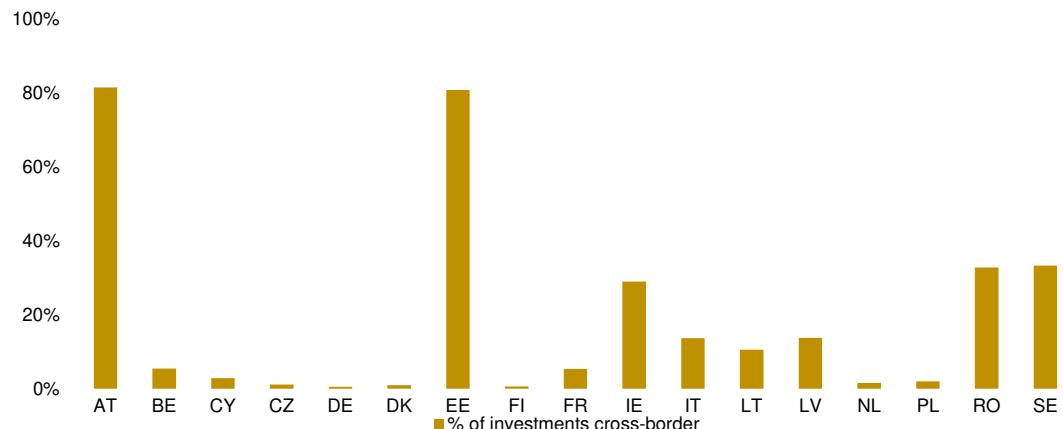


Note: Invested amount, in EUR mn, and number of investors (rhs), by country of provider location, 2023. Data from 17 NCAs, as detailed in the appendix.
 Sources: Data reported by NCAs, ESMA

Chart 7

Cross-border investing by country of provider

Share of investments that are cross-border varies greatly by country of provider

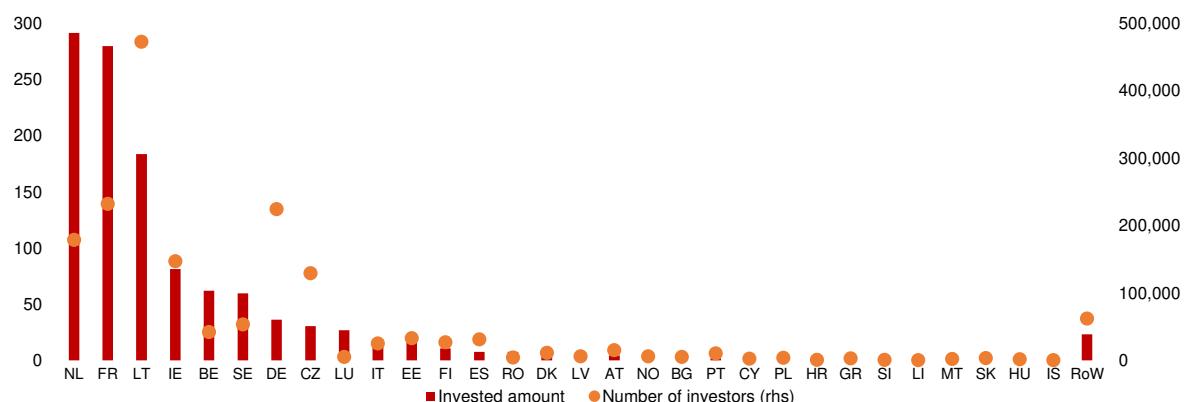


Note: Percentage of invested amounts from investors resident in another country, 2023. Data from 17 NCAs, as detailed in the appendix.
 Sources: Data reported by NCAs, ESMA

Chart 8

Investing by country of investor residence

Many investors are based in Lithuania



Note: Invested amount, in EUR mn, and number of investors (rhs), by country of investor residence, 2023. "Row" = rest of the world. Data from 17 NCAs, as detailed in the appendix.
 Sources: Data reported by NCAs, ESMA.

Appendix

Data used in this report

In line with ESMA's mandate under Article 16.2 ECSPR to produce an annual market report, EU NCAs provided ESMA with anonymised data relating to crowdfunding platforms registered in their jurisdictions for the 2023 reporting period.

The NCAs, in turn, obtained this information from authorised crowdfunding service providers in their jurisdictions who are required to submit it annually and on a confidential basis for each project funded through their platforms.

The fields reported in the data include:

- the project owner and the amount raised;
- the instrument issued (whether investment- or lending-based); and
- aggregated information about the investors and invested amount broken down by fiscal residency of the investors, distinguishing between sophisticated and non-sophisticated investors.

ESMA developed a standardised data collection template for NCAs to use in gathering this information. The data collected by NCAs through this exercise were used to compile this report, along with some other sources referenced in footnotes.

When compiling data to submit to ESMA for the first time under ECSPR, several NCAs experienced data quality issues. Following data validation checks, data returns from 5 NCAs had to be excluded from the scope of the analysis based on data validation checks or because no data were reported to ESMA. The analysis in this report is therefore based on data returns from the remaining 22 NCAs, of which 17 had authorised at least one provider by the end of 2023 (AT, BE, CY, CZ, DE, DK, EE, FI, FR, IE, IT, LT, LV, NL, PL, RO, SE) and 5 provided null returns (BG, LU, MT, SI, SK). Around 1% of records from FR had to be omitted for data quality reasons.

Future editions of this report will include all EEA countries in scope, following the incorporation of ECSPR into the EEA agreement in February 2024.

List of abbreviations

ECSPR	European Crowdfunding Service Providers Regulation (Regulation (EU) No 1503/2020))
EEA	European Economic Area
ESMA	European Securities and Markets Authority
EU	European Union
NCA	National Competent Authority
SME	Small or Medium-sized Enterprise

Countries abbreviated according to ISO standards

Currencies abbreviated according to ISO standards

