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RESEARCH ARTICLE

Crowdfunding Platforms and Startup Financing in the Arab Region: Opportunities, Challenges and Institutional Constraints

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Keywords

Crowdfunding; Startups; Financial technologies (FinTech); Alternative finance; Financing gap; Arab region; Entrepreneurship; Financial

Abstract

This study is dedicated to assessing the role of crowdfunding platforms as an alternative financing tool in overcoming the financial constraints faced by startups operating in the Arab region. Based on a descriptive-analytical methodology and analysis of secondary data sources, the study systematically analyzes the problems of financing startups, the theoretical and conceptual foundations of crowdfunding, its main models and the functions of the main stakeholders involved in this process. The study comprehensively examined the institutional, regulatory-legal, technological and operational factors affecting the development of crowdfunding mechanisms in selected Arab countries. The results obtained show that crowdfunding platforms have significant potential in terms of expanding access to financial resources, promoting innovative entrepreneurship and strengthening financial inclusion. However, the inadequacy of existing regulatory mechanisms, the lack of mature development of digital infrastructure, differences in the level of formation of market institutions and limited investor confidence have been identified as the main factors preventing the full realization of this potential. The results of the study show that in order for crowdfunding to become an effective financing mechanism supporting the sustainable development of startups in the region, improving the legal and institutional framework, expanding digital transformation capabilities, promoting the development of financial technologies and strengthening coordination between regulatory agencies are of particular importance. Reforms to be implemented in this direction can make a significant contribution to the

development of the crowdfunding ecosystem, expanding entrepreneurial activity and increasing the innovation potential of the countries of the region.

JEL classification codes: G23; G24; O31; O53

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I. INTRODUCTION

The acceleration of digital transformation and the dynamic development of financial technologies (FinTech) in the 21st century have created fundamental changes in the principles of operation of global financial systems. These changes are especially clearly observed in developing countries and transition economies, where access to traditional financial institutions is limited. Against the background of the increase in innovation-oriented business models and new entrepreneurial initiatives, the issue of access to financial resources has become one of the main factors determining the sustainable development of startups. However, startups operating in the Arab region still face serious institutional and structural constraints in terms of access to bank loans, venture capital funds and other formal sources of finance. As a result, a significant financing gap is formed between the financial resources necessary for the commercialization of innovative ideas and the expansion of entrepreneurial activity and the existing demand.

In such a situation, crowdfunding platforms have gained particular relevance as an innovative and flexible financing mechanism that creates a direct connection between entrepreneurs and investors. This financing model, implemented through digital platforms, allows for the financing of new business initiatives by pooling small amounts of funds from a wide audience of investors. At the same time, crowdfunding serves to reduce information asymmetry, optimize transaction costs, and expand access to capital for early-stage startups. These features make it an alternative to traditional financing instruments and a strategic mechanism that supports the development of the entrepreneurial ecosystem.

Although the crowdfunding market has expanded rapidly worldwide in recent years, its level of development in the Arab region differs across countries and is accompanied by a number of institutional barriers. The lack of mature legal regulatory mechanisms in the countries of the region, the uneven development of digital infrastructure, low investor confidence, and limited financial literacy make it difficult to fully utilize the potential opportunities of this field. At the same time, since a significant part of the existing scientific literature focuses on the experience of developed countries, the factors determining the formation and development of crowdfunding in the Arab region have not yet been systematically studied.

It is in this context that the presented study aims to assess the role of crowdfunding platforms in financing startups in the Arab region, identify the development opportunities of this sector and the main challenges it faces. The study also analyzes the institutional, regulatory, legal and technological factors that limit the effectiveness of crowdfunding, and puts forward potential development directions and policy recommendations for the countries of the region.

1. Research Problem

In the modern global economy, innovation and entrepreneurship are considered to be one of the main driving forces of economic development. In particular, startups play an important role in the introduction of new technologies, increasing employment, strengthening competitiveness and ensuring economic diversification. However, one of the most important conditions for the sustainable development of startups is the availability of timely and effective access to financial resources. Startups operating in the Arab region, especially in the early stages of their activities, face serious difficulties in accessing bank loans, investment funds and other traditional sources of finance. High risk factors, lack of collateral, weak financial history and institutional restrictions are among the main problems that hinder the financing of innovative initiatives.

In recent years, the rapid development of digital technologies has led to the emergence of new alternative mechanisms in the financial sector. Among these mechanisms, crowdfunding platforms act as an alternative to traditional financial intermediaries by creating a direct connection between entrepreneurs and investors. Crowdfunding enables startups to be financed by pooling small amounts of funds from individual investors and expands their access to financial resources. At the same time, these platforms also contribute to the public assessment of innovative projects, the initial verification of market potential, and the development of entrepreneur-investor cooperation.

However, the development of the crowdfunding market in the Arab region still faces a number of institutional, legal, technological, and socio-economic constraints. In many countries, the lack of a regulatory framework regulating this area of activity, the low level of investor confidence, the uneven development of digital financial infrastructure, and limited financial literacy prevent the full use of the potential opportunities of crowdfunding. Therefore, assessing the real impact and effectiveness of crowdfunding in financing startups is of urgent scientific and practical importance.

1.1. Main research question

To what extent do crowdfunding platforms, given the current institutional, regulatory, and technological constraints, have an impact on expanding access to financial resources for startups operating in the Arab region and reducing the financing gap?

Supporting research questions

- On the basis of which theoretical and conceptual frameworks are startups and crowdfunding platforms explained in the modern financial ecosystem?
- What are the main models of crowdfunding and what functions do the main stakeholders involved in these models perform?
- What are the institutional, regulatory, technological, and operational constraints affecting the development of crowdfunding platforms in Arab countries?
- To what extent have crowdfunding platforms impacted the financing of startups and the development of entrepreneurship in various Arab countries?
- What policy and regulatory measures can be considered appropriate for the development of the crowdfunding ecosystem in the countries of the region?

1.3. Research Hypotheses

Based on the theory of alternative financing, the concept of financial technology development and the results of modern research in the field of entrepreneurship financing, the following hypotheses are put forward:

H1: Crowdfunding platforms are an effective alternative financing mechanism that expands the access to financial resources of startups operating in the Arab region and facilitates the financing process.

H2: The increase in the level of development of crowdfunding platforms has a positive effect on reducing the financing gap faced by startups and expanding entrepreneurial activity.

H3: The effectiveness of crowdfunding platforms depends significantly on the quality of the existing institutional environment in countries, the level of development of the regulatory and legal framework and the maturity of the digital financial infrastructure.

1.4. Research Objectives

The main objective of the study is to comprehensively assess the role of crowdfunding platforms in financing startups in the Arab region, identify the development potential of this area, and develop scientifically based recommendations to address existing problems.

To achieve this goal, the following tasks are expected to be performed:

- To systematize the theoretical and methodological foundations of crowdfunding as an alternative financing mechanism;
- To determine the role and economic significance of crowdfunding platforms in financing startups;
- To analyze the main models of crowdfunding, operating mechanisms, and interactions between stakeholders;
- To assess the institutional, regulatory, legal, technological, and operational factors affecting the development of crowdfunding in Arab countries;
- To develop recommendations on policy and institutional reform directions that can accelerate the development of the crowdfunding ecosystem in the countries of the region;
- To identify the potential contributions of crowdfunding to increasing financial inclusion, promoting innovation, and strengthening the entrepreneurial environment.

II. LITERATURE REVIEW

The digitalization of the global economy and the rapid development of financial technologies (FinTech) have led to significant changes in the structure of financial markets in recent years. These changes have stimulated the emergence of new alternative mechanisms, especially in the field of financing small and medium-sized enterprises, as well as startups. The cautious attitude of traditional financial institutions in providing financial support to high-risk and early-stage projects has led entrepreneurs to turn to alternative sources of finance. In this regard, crowdfunding is considered one of the most important financial innovations of recent years.

The concept of crowdfunding refers to the process of bringing together small amounts of funds from numerous investors through digital platforms to finance a specific project or business initiative. Hemer (2011) characterized this mechanism as a form of internet-based collective financing, while Belleflamme, Lambert and Schwienbacher (2014) evaluated it as an innovative financing model that reduces dependence on traditional financial intermediaries and creates a direct connection between entrepreneurs and investors. Researchers emphasize that crowdfunding expands the possibilities of participation in financial markets and creates conditions for a more efficient allocation of capital.

In the existing scientific literature, various types of crowdfunding are distinguished. According to studies conducted by Hemer (2011) and Mollick (2014), crowdfunding is mainly divided into donation-based, reward-based, debt-based and equity-based models. The donation-based model is more often applied to financing social and public projects. In the reward-based model, investors receive certain products, services or other intangible benefits instead of financial income. The debt-based model is based on credit relationships and allows investors to earn interest income. The equity-based model ensures that investors own a stake in the enterprise they finance. The last two models in particular play an important role in financing entrepreneurship and innovative business initiatives.

The economic and social impacts of crowdfunding have been widely studied in various studies. Mollick (2014) notes that crowdfunding is not only a means of attracting financial resources, but also an important tool for initial assessment of market demand. Successful financing campaigns allow entrepreneurs to determine the market potential of their products or services. Agrawal, Catalini and Goldfarb (2015) show that digital platforms provide entrepreneurs with access to a wider audience of investors by eliminating geographical boundaries. This feature is considered a great advantage, especially for startups operating in developing countries.

The information signaling function of crowdfunding is also particularly emphasized in the literature. Ahlers et al. (2015) found that successful crowdfunding campaigns serve as an important source of information for potential investors about the reliability and prospects of the project. Vismara (2018) noted that transparency, information openness and investor trust are crucial factors in the financing process. In this regard, crowdfunding is not only considered a means of raising capital, but also a mechanism that serves to form trust and market relations in the entrepreneurial ecosystem.

However, there are also various risks and problems that hinder the development of crowdfunding. Cumming et al. (2021) indicate information asymmetry, fraud, project opacity and gaps in the protection of investor rights among the main problems in this area. The report prepared by IOSCO (2017) also presented strengthening investor protection, risk management and the establishment of uniform regulatory standards as essential conditions for the sustainable development of the crowdfunding market. The role of the institutional and legal environment in the development of the crowdfunding market is also widely discussed in the scientific literature. Schwienbacher (2019) emphasizes that the quality of the legal regulatory system, the protection of investor rights, and the level of development of financial markets are key factors determining the success of crowdfunding. In countries with a strong institutional framework, the activities of crowdfunding platforms are organized more

efficiently and investors have a higher interest in these markets.

Crowdfunding is considered a relatively new financial instrument in the Arab region and its level of development varies significantly across countries. Reports prepared by the Arab Monetary Fund (2021) and the United Nations Development Programme (2024) show that crowdfunding has significant potential for the region in terms of increasing financial inclusion, promoting entrepreneurship, and financing innovative projects. However, legal uncertainty, weak investor confidence, insufficient development of digital infrastructure, and low levels of financial literacy remain the main factors limiting the development of this area.

Obaïd and Youssef (2019) note that one of the main problems hindering the development of the crowdfunding ecosystem in Arab countries is the lack of a unified regulatory framework. The application of different regulatory approaches in different countries complicates market integration and limits the possibilities of investors. The Arab Monetary Fund (2024) emphasizes that the development of the fintech sector creates favorable conditions for the expansion of crowdfunding markets and notes the need for legal and institutional reforms.

Recent World Bank reports (World Bank, 2024; 2025) indicate that digital financial technologies can play an important role in increasing financial inclusion and supporting innovative entrepreneurship in the Middle East and North Africa region. The reports note that the widespread use of digital financing tools not only improves access to financial services, but also expands investment opportunities. However, for this, strengthening cybersecurity systems, developing digital infrastructure, educating investors, and modernizing the regulatory and legal framework are considered essential. Consequently, the existing scientific literature confirms that crowdfunding is an important alternative financial mechanism for financing startups and developing entrepreneurship. However, the effectiveness of this mechanism directly depends on the institutional quality of countries, the level of legal regulation, and digital development indicators. Although there is extensive research on developed countries, the dynamics of the development of crowdfunding platforms in the Arab region, the problems they face, and the specific characteristics of the region have not yet been sufficiently investigated. Therefore, conducting additional scientific research in this area is of great relevance both from a theoretical and practical perspective.

III. RESEARCH METHODOLOGY

The presented study was carried out within the framework of the integration of descriptive and analytical approaches based on a qualitative scientific research design. The methodological basis of the study is aimed at systematically studying the theoretical essence of the crowdfunding phenomenon, its role in financing startups and the alternative financial ecosystem formed in the Arab region.

Through a descriptive approach, the conceptual foundations, development stages, operating principles and functional role of crowdfunding in the entrepreneurial ecosystem were examined. The analytical approach was applied to assess the current state of crowdfunding platforms in Arab countries, the institutional, regulatory-legal, technological and economic factors affecting their development. This approach created conditions for a more in-depth analysis of the access to financial resources of startups operating in the region and the reasons for the existing financing gap.

The study is mainly based on secondary data sources. In the research process, international scientific literature, articles published in academic journals with a high impact factor, reports of international organizations, including the World Bank, the United Nations Development Program (UNDP), the Arab Monetary Fund (AMF), the OECD and other authoritative organizations were analyzed. In addition, the results of empirical studies conducted in the fields of fintech, entrepreneurship financing and crowdfunding were examined comparatively.

The comparative analysis method was also used within the framework of the study. Through this method, the legal frameworks regulating crowdfunding activities, digital financial infrastructure, investor environment and the level of development of platforms in selected Arab countries were compared. The comparative approach allowed for the identification of existing differences and similarities between the countries of the region, as well as the identification of the main determinants affecting the development of the crowdfunding ecosystem.

Thus, the applied methodological framework created a scientific basis for a comprehensive assessment of the role of crowdfunding in financing startups, identification of existing institutional constraints and formulation of practical policy recommendations for the countries of the region.

2.1. Startups: Their Essence, Distinctive Features and Role in Economic Development

In the modern economy, startups are considered one of the main elements of the innovation-oriented development model. In

the scientific literature, the concept of a startup is explained as a new business entity operating in conditions of high uncertainty, aimed at commercialization of an innovative idea and rapid scaling (Ries, 2011). The widespread spread of the startup concept is closely related to the formation of venture capital markets, the development of technological entrepreneurship and the strengthening of the innovation-based economic model since the second half of the 20th century (Isenberg, 2010).

Unlike traditional small and medium-sized enterprises, startups are distinguished not only by their duration of operation or the size of the enterprise, but primarily by their innovation potential, high growth rate and ability to create new value in the market. In the Larousse encyclopedic dictionary, startups are characterized as young companies operating mainly in technology and innovation-oriented areas. Paul Graham, one of the well-known representatives of entrepreneurship theory, describes startups as “companies created for rapid growth” (Boualchour, 2018). This approach suggests that the main goal of startups is to achieve high growth rates in a short period of time and gain a competitive advantage in the market.

Startups usually start their activities with limited financial resources and develop at the initial stage at the expense of the founders' personal funds, support from family members or informal investor networks (Bswenh, 2020). At the same time, their business model is accompanied by a high level of risk. Uncertainty about the acceptance of new products or services by the market, the speed of technological changes and the dynamism of the competitive environment make the activities of startups more complex than traditional enterprises.

As noted by Friedenson Patrick, the main characteristics of startups are characterized by high growth potential, reliance on innovative technologies, the presence of significant financial needs and focusing on new market segments (Boualchour, 2018). These characteristics make them an investment object with both high risk and high return potential. For this reason, startup financing is increasingly being provided through venture capital funds, business angels, and alternative financing mechanisms rather than through the traditional banking sector.

From a macroeconomic perspective, startups play an important role in expanding innovation activity, strengthening the competitive environment, and accelerating economic growth. According to the Global Entrepreneurship Monitor, 30–50 percent of new jobs in most countries around the world are provided by young companies and startups. In addition, startups make a significant contribution to the commercialization of scientific knowledge, the introduction of new technologies to the market, and the digital transformation of the economy.

The economic importance of startups can be summarized in several main directions. First of all, they contribute to the development of the labor market by creating new employment opportunities and serve to reduce unemployment, especially among young people. Second, they stimulate the development of human capital, accelerate the formation of new skills and competencies. Third, they ensure the diversification of the economy and increase international competitiveness through innovative products and services. Finally, successful startups, over time, turn into large corporations and have a significant impact on the structural transformation of the national economy and sustainable economic growth.

From a theoretical point of view, the role of startups in the economy is explained by the Entrepreneurship Ecosystem Theory. According to this theory, the development of innovation and entrepreneurship depends on the system of interactions formed between entrepreneurs, investors, state institutions, universities and market participants. At the same time, the Innovation Theory evaluates startups as the main carriers of technological changes and entities that create new economic value. According to this approach, startups shape new directions of economic development by transforming existing business models.

Startups have emerged as an important element of economic transformation strategies in the Arab region in recent years. In particular, countries such as Egypt, Saudi Arabia, the United Arab Emirates and Jordan have identified entrepreneurship development as one of the priorities of national economic policies. Countries in the region are trying to support innovation-oriented business initiatives in order to address high youth unemployment, reduce dependence on oil revenues and diversify the economy.

According to the Arab Monetary Fund (AMF, 2021), startups play a significant role in the development of the region's digital economy and are showing rapid growth, especially in the financial technologies (FinTech), e-commerce, artificial intelligence, digital services and green energy sectors. However, startups operating in the region still face serious challenges such as limited access to financial resources, underdeveloped venture capital markets, institutional barriers and insufficient investor confidence.

In this regard, crowdfunding platforms act as an alternative to traditional sources of finance and are considered a promising financing mechanism to bridge the gap in startup financing. The role of crowdfunding platforms is increasingly gaining strategic importance in terms of the sustainable development of entrepreneurship and the realization of innovation potential in the region.

3. Comparative Empirical Analysis of Crowdfunding Ecosystems in Selected Arab Countries (2024–2026)

A comparative empirical analysis was conducted in selected countries to assess the level of development of crowdfunding platforms in the Arab region. The analysis was based on key institutional and market indicators that influence the formation and effectiveness of the crowdfunding ecosystem. The assessment took into account the level of development of the regulatory and legal environment, the number of major operating platforms, the degree of development of the financial technology (FinTech) sector, the maturity of the startup ecosystem, and the overall crowdfunding potential.

Table 1. Comparative Assessment of Crowdfunding Ecosystem Development in Selected Arab Countries (2024–2026)

Country	Regulatory Framework	Number of Major Platforms	FinTech Development Level	Startup Ecosystem Maturity	Overall Crowdfunding Potential
United Arab Emirates	Very Strong	4	Very High	Very High	Very High
Saudi Arabia	Strong	4	High	High	High
Bahrain	Strong	2	High	Moderate	High
Jordan	Moderate	3	Moderate	Moderate	Moderate
Egypt	Moderate	3	Moderate	High	Moderate
Tunisia	Emerging	2	Moderate	Moderate	Moderate
Morocco	Emerging	2	Moderate	Moderate	Moderate
Algeria	Weak	2	Low	Moderate	Low
Lebanon	Weak	2	Low	Low	Low
Palestine	Weak	2	Low	Low	Low

Source: Compiled by the authors based on data from the Arab Monetary Fund (2024), World Bank (2024), United Nations Development Programme (2024), national regulatory authorities, and publicly available information from crowdfunding platform operators.

3.1. Results of the Analysis

The conducted comparative assessment shows that the level of development of the crowdfunding market in the Arab region is characterized by significant differences between countries. In particular, the United Arab Emirates and Saudi Arabia act as the leading countries in the region in terms of the development of crowdfunding activity. The formation of a modern regulatory and legal framework, the development of digital financial infrastructure, and the identification of innovation and entrepreneurship as one of the priorities of state policy in these countries have created favorable conditions for the rapid development of the crowdfunding ecosystem.

Bahrain is also considered one of the promising crowdfunding markets in the region, thanks to the institutional reforms it has implemented in the field of financial technologies and the flexible regulatory mechanisms it has created for innovative financial services. On the other hand, despite the active development of startup activity in countries such as Egypt and Jordan, the incomplete formation of the regulatory and legal framework and the limited investor activity prevent the full use of the potential of the crowdfunding market.

In countries such as Tunisia and Morocco, the crowdfunding sector is at a development stage and is expanding mainly due to the acceleration of digital transformation processes. However, strengthening investor confidence and improving legal regulatory mechanisms remain necessary in these countries.

Algeria, Lebanon and Palestine were identified as the countries with the lowest indicators in the comparative analysis. The development of the crowdfunding ecosystem in these countries is mainly limited by institutional instability, weak investment climate, limited level of development of financial markets and insufficient spread of digital financial services. As a result, the role of crowdfunding platforms in financing startups is still limited.

Overall, the results obtained show that the effective operation of crowdfunding platforms is directly related to institutional quality, stability of the regulatory and legal environment, the level of development of digital financial technologies and investor confidence. In countries with strong governance institutions and a developed fintech ecosystem, crowdfunding mechanisms play a more effective role in financing startups and significantly expand their access to financial resources.

Thus, the empirical analysis conducted confirms the main hypotheses of the study and shows that for the successful development of crowdfunding platforms, in addition to technological capabilities, the presence of a favorable institutional environment, a transparent regulatory system and legal mechanisms that ensure investor confidence are of decisive importance.

IV. RESULTS

4.1. Concept of Crowdfunding

Crowdfunding is an innovative financing mechanism that enables the collection of financial resources from a large number of individuals, typically through digital platforms (KCS, 2020). It allows entrepreneurs, startups, and organizations to raise funds by mobilizing small contributions from a broad audience, thereby reducing reliance on traditional financial intermediaries such as banks.

This mechanism facilitates direct interaction between project creators and funders, offering opportunities for individuals and institutions to participate in financing activities regardless of the size of their contributions. In addition to its financial function, crowdfunding can also serve social and developmental objectives by supporting innovative ideas and entrepreneurial initiatives (Belama, 2020).

According to the World Bank, crowdfunding refers to the use of online platforms to raise funds, typically ranging from small to relatively large amounts, through donations, investments, or other financial contributions (World Bank, 2013). Historically, early forms of crowdfunding appeared in the late 1990s, when online communities began raising funds for creative and cultural projects.

Therefore, crowdfunding platforms can be considered digital intermediaries that connect funders with project initiators, providing an alternative financing channel that complements traditional financial systems.

4.2. Advantages of Crowdfunding Platforms

Crowdfunding platforms offer several advantages compared to traditional financing mechanisms (KCS, 2020). First, they enhance transparency by clearly communicating project objectives, funding targets, and financial requirements. Second, they provide rapid access to funding by enabling project creators to reach a large audience in a relatively short period.

In addition, crowdfunding facilitates marketing and visibility, as campaigns often rely on digital communication tools and social networks to attract potential contributors. It also enables direct feedback from investors and supporters, allowing project owners to refine their ideas and improve their offerings.

Furthermore, crowdfunding reduces financial barriers to entry by allowing small contributions and lowering transaction costs. It also offers a wide range of platform choices, enabling entrepreneurs to select the most appropriate funding model for their projects. These advantages collectively contribute to making crowdfunding an attractive alternative financing solution for startups and emerging enterprises.

However, despite these advantages, the effectiveness of crowdfunding platforms depends largely on the level of digital infrastructure, regulatory support, and trust within the financial system. In many developing economies, including Arab countries, these factors remain limited, which may reduce the potential benefits of crowdfunding.

4.3. Stakeholders in the Crowdfunding Ecosystem

Crowdfunding platforms involve multiple stakeholders who interact within a digital financing ecosystem (UNDP, 2017). The main actors include:

Funders (crowdfunders): Individuals or institutions providing financial contributions, either as investors, donors, or supporters.

Project owners (beneficiaries): Entrepreneurs, startups, or organizations seeking funding for projects, products, or initiatives.

Crowdfunding platforms: Digital intermediaries that connect funders with project owners, facilitate transactions, and may provide additional services such as due diligence and campaign management.

Service providers: External actors such as auditors, consultants, or legal advisors who support the evaluation and implementation of projects.

Sponsors: Entities or individuals assisting project owners in designing and managing crowdfunding campaigns.

The interaction among these stakeholders plays a crucial role in ensuring the efficiency, transparency, and credibility of crowdfunding processes.

4.4. Crowdfunding Business Models

The crowdfunding market comprises several business models designed to meet different financing needs (Commission European, 2019) These models include:

Investment-Based Crowdfunding (Equity/Debt): Enables companies to raise capital by issuing shares or debt instruments to investors via online platforms. Examples include WeFunder, StartEngine, and Eureeca.

Lending-Based Crowdfunding (P2P Lending): Allows individuals or businesses to obtain loans from multiple investors through digital platforms. A prominent example is Kiva, which supports financial inclusion globally.

Invoice Financing: Provides liquidity by allowing firms to sell receivables to investors via platforms. Examples include BlueVine and MarketInvoice.

Reward-Based Crowdfunding: Offers non-financial rewards in exchange for contributions. Platforms such as Kickstarter and Indiegogo are widely used.

Donation-Based Crowdfunding: Focuses on charitable contributions without financial returns, as seen in GoFundMe and JustGiving.

Hybrid Models: Combine multiple funding mechanisms to provide flexible financing options.

Among these models, lending-based crowdfunding has emerged as the most dominant, accounting for a significant share of global crowdfunding activity. This reflects its relative effectiveness in mobilizing capital and supporting startups, particularly in contexts where access to traditional finance is limited.

However, the applicability of crowdfunding models varies significantly across regions. In the Arab context, lending-based models tend to dominate due to regulatory constraints on equity crowdfunding, as well as relatively low levels of investor participation and market maturity.

4.5. Activity of crowdfunding platforms in Arab countries:

The number of crowdfunding platforms has increased in a number of Arab countries recently, bringing the number of major platforms in Arab countries to about 32 crowdfunding platforms, as shown in the following table:

Table 2. Some crowdfunding platforms in the Arab world

No.	Country / Region	Crowdfunding Platforms (2026)
01	Jordan	Zoomaal, Afkarmena, Liwwa
02	United Arab Emirates (UAE)	Beehive, Eureeca, Dubai Next, SmartCrowd
03	Tunisia	Cofund, Afrikwity
04	Algeria	Chriky, Twiiza
05	Saudi Arabia	Manafa, Scopeer, Tharwa, Raqamyah
06	Palestine	Build Palestine, Crowdpal
07	Lebanon	Zoomaal, Help For Leb
08	Egypt	Shekra, Yomken, Madad
09	Morocco	Cotizi, Smala and Co
10	Pan-Arab/Regional	Zoomaal (regional creative & social crowdfunding)

Source: Authors' elaboration based on literature ((AMF, 2021), (Midan Al-Ma, 2026)

From the table, it can be observed that crowdfunding platforms are active in nine Arab countries and at the regional level, but each country leverages these platforms to finance different types of projects, reflecting local economic priorities and social needs (AMF, 2021) The main observations are as follows:

Jordan: Platforms such as Afkarmena, Liwwa, and Zoomaal are primarily used to finance social and creative projects. Crowdfunding in Jordan aims to support entrepreneurs who lack access to traditional banking, especially in sectors like education and innovation, often offering small rewards to contributors in exchange for their support. (Midan Al-Ma, 2026)

United Arab Emirates (UAE): The UAE government places strong emphasis on crowdfunding to promote startups and SMEs, which are considered the backbone of the national economy. Prominent platforms include Dubai Next, Beehive, Eureeca, and SmartCrowd. Dubai Next is the first government-backed platform supporting youth innovation, Beehive facilitates P2P loans for SMEs, and Eureeca provides equity crowdfunding opportunities.

Bahrain: Crowdfunding is emerging as an alternative financing tool to empower startups and SMEs, support the fintech ecosystem, and offer Sharia-compliant financing solutions. These platforms aim to reduce the financing gap and provide suitable opportunities for investors and project owners while fostering innovation.

Tunisia: Platforms such as Cofundy and Afrikwity focus on investment and entrepreneurial development. Crowdfunding in Tunisia aims to stimulate investments, increase exports, and create employment opportunities for youth. (AMF, 2021) .

Algeria: Crowdfunding in Algeria is still in its early stages, with limited regulatory frameworks. Platforms like Chriky and Twiiza primarily provide simple lending services to small projects and social initiatives to support innovation and entrepreneurship. (AMF, 2021) .

Saudi Arabia: Under Vision 2030, Saudi Arabia emphasizes the development of SMEs by facilitating access to financing, aiming to raise the share of bank credit for this sector from 5% to around 20% by 2030. Notable platforms include Scopeer, Manafa, Tharwa Capital, Raqamyah, Osool & Bakhit Investment, Sukuk Capital, Emkan Limited, and Wethaq Digital. These platforms offer a mix of equity, lending, and hybrid crowdfunding services, with Manafa and Scopeer being among the most prominent.

Palestine: Platforms such as Build Palestine and Crowdpal operate primarily through donation-based and equity crowdfunding. "Build Palestine" supports projects with positive social impact, while Crowdpal focuses on equity crowdfunding for Palestinian entrepreneurs.

Lebanon: Crowdfunding activity is mainly oriented toward lending, with some equity investment. Help for Leb is among the most important platforms, focusing on social and entrepreneurial initiatives.

Egypt: Platforms including Shekra, Yomken, and Madad serve as channels for donations to support financially vulnerable individuals and social causes, as well as financing startups and SMEs in sectors such as education, healthcare, and emergency services.

Morocco: Platforms such as Cotizi and Smala & Co support entrepreneurship and SME development. Both the government and private sector recognize crowdfunding as an important tool to stimulate innovation and business creation.

Regional / Pan-Arab platforms: Platforms such as Zoomaal operate across multiple countries, supporting creative, cultural, and social projects throughout the Arab world.

From the above, we conclude that crowdfunding platforms in Arab countries provide their customers with many services, the most important of which are financial due diligence services, legal and advisory services, in addition to services for designing and managing crowdfunding campaigns, providing advice to project holders before placing them on the crowdfunding platform, and promoting the projects offered. On the platform through other means, providing advice and managing returns for the benefit of shareholders.

Although the crowdfunding industry has grown and developed significantly in a large number of countries in the world, its growth in the Arab world is still limited, and it is noted that there is a clear discrepancy in the orientations of central banks and Arab monetary institutions regarding licensing to practice this industry, and this is evident through The time difference for licensing crowdfunding companies. For example, the Republic of Sudan licensed the first crowdfunding company in 2011, while the Kingdom of Bahrain granted the first license in 2019. As for the United Arab Emirates, it prepared a project for an integrated system for crowdfunding, and work is underway to issue it this year (Obaid, 2019) On the other hand, we find other Arab countries, such as the Kingdom of Saudi Arabia, that have a tendency to grant a license to crowdfunding companies by creating

the necessary legal tool to license and supervise the activity of financing by lending. As for Kuwait, its approach in this regard is still unclear, while Arab countries such as the Republic of Iraq have not yet studied the issue of licensing crowdfunding companies.

As for the People's Democratic Republic of Algeria, the Committee for Regulating and Monitoring Stock Exchange Operations has been assigned to prepare a system that specifies the conditions for establishing, granting accreditation, practicing the activity, and monitoring the joint-stock investment advisors who will be responsible for managing the platforms, in addition to determining the investment models and the estimated range of the amounts specified for raising funds, along with selecting projects and necessary procedures. Get it done. Article 45 of the Supplementary Finance Law of 2020 establishes crowdfunding platforms, or as stated in the Supplementary Finance Law under the name of the Contributive Investment Advisor, which stipulates that "the status of the Contributive Investment Advisor shall be established, charged with creating and managing consulting platforms in the field of shareholding investment and investing the funds of the large public." On the Internet, in joint investment projects. The status of a joint-stock investment advisor, which was established pursuant to Article 45 of the Supplementary Finance Law of 2020, is granted to commercial companies established for this purpose, brokers in stock exchange operations approved to practice advisory activities in investing in transferable values and financial products, as well as investment fund management companies

as for the crowdfunding business models that are applied or that will be applied in the Arab countries, it can be said that there is a consensus among the Arab countries that have licensed and/or will license crowdfunding companies, that crowdfunding companies should adopt a financing model based on lending and, to a somewhat lesser extent, a financing model. Investment-based financing, while we find that there is a trend in the Kingdom of Morocco to allow the adoption of the donation-based financing model in addition to the other two models mentioned. (Obaid, 2019)

As for the Kingdom of Bahrain and the Republic of Sudan, crowdfunding companies have been licensed to practice two models of crowdfunding, the first is based on lending, and the second is provided on the basis of investment, taking into account that the crowdfunding services provided in the Republic of Sudan are carried out through Sharia-compliant financing formulas. (Sales, participation, speculation...etc.).

4.6. Risks associated with the operation of crowdfunding platforms in Arab countries:

With the rapid expansion of financial technologies and the growing dependence on digital financial ecosystems, crowdfunding platforms in Arab countries are increasingly exposed to a wide range of risks that may affect their efficiency, sustainability, and credibility (Belleflamme, 2014). These risks can be categorized as follows:

Cyber Risks:

Crowdfunding platforms are highly vulnerable to cybersecurity threats such as data breaches, hacking attempts, and unauthorized access to sensitive personal and financial information. Such incidents may lead to severe legal consequences and loss of user trust .

Operational Risks:

These risks arise from system failures, technical malfunctions, or human errors during platform operation, which may disrupt project implementation and negatively affect investor confidence and platform performance.

Financial Risks:

Financial risks include the possibility of project default, mismanagement of collected funds, or failure of startups to meet repayment obligations in lending-based crowdfunding models, which can directly affect investor returns (Hemer, 2011) .

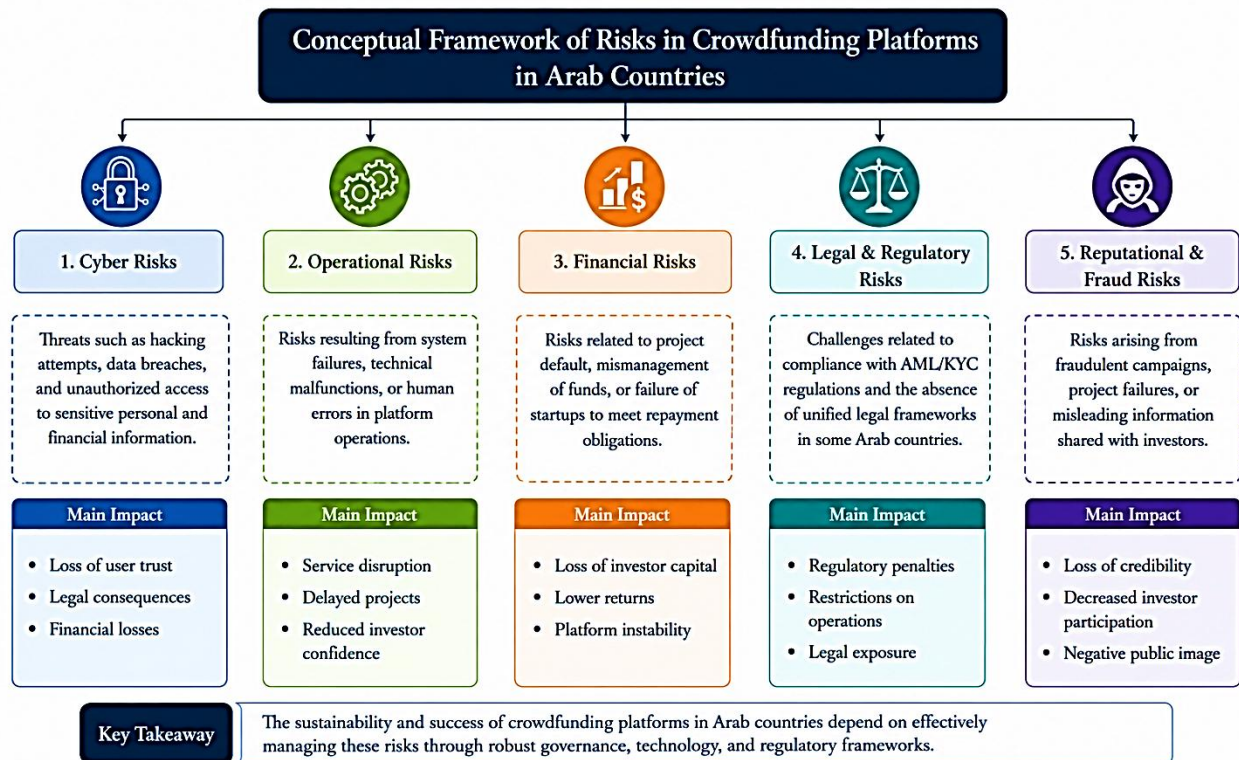
Legal and Regulatory Risks:

Crowdfunding platforms often face challenges related to compliance with anti-money laundering (AML) regulations, know-your-customer (KYC) requirements, and the absence of unified legal frameworks in several Arab countries, which may result in regulatory penalties or restrictions on operations (IOSCO, 2017).

Reputational and Fraud Risks:

Fraudulent campaigns, project failures, or misleading information can significantly damage platform credibility and reduce investor trust, which is a critical factor for the sustainability of crowdfunding ecosystems (Mollick, 2014)

These risks can be systematically categorized into five main groups, as illustrated in Figure 1 below.

Figure 1. Classification of risks associated with crowdfunding platforms in Arab countries

Source: Authors' elaboration using diagrammatic visualization tools and based on: Belleflamme (2014), Hemer (2011), IOSCO (2017), and Mollick (2014).

This figure presents a conceptual classification of the key risks associated with crowdfunding platforms in Arab countries. It illustrates how these risks are grouped into five main categories, namely cyber, operational, financial, legal and regulatory, and reputational and fraud risks. The framework highlights the multidimensional nature of risk exposure in digital crowdfunding environments, emphasizing that platform sustainability is contingent upon the effective management of both internal and external risks. It further underscores the importance of robust governance structures, technological resilience, and regulatory compliance in ensuring investor protection, maintaining platform credibility, and supporting the long-term development of crowdfunding ecosystems in the Arab region.

4.7. The most prominent challenges faced by the supervisory authority on crowdfunding platforms in Arab countries

Supervisory authorities in Arab countries face a number of challenges in the context of supervising the activity of crowdfunding platforms. The following table shows the most important of these challenges:

Table 3: Challenges Faced by Supervisory Authorities on Crowdfunding Platforms in Arab Countries (2024–2026)

Country	Challenges
Saudi Arabia	- Rapid development of fintech requiring continuous regulatory adaptation. - High credit and default risks in SME lending-based crowdfunding. - Strengthening investor protection and platform transparency. - Increasing cybersecurity and data governance requirements. - Need for advanced governance frameworks aligned with digital finance.
United Arab Emirates (UAE)	- Regulatory fragmentation between free zones and federal authorities. - Ensuring compliance with AML/CFT regulations in digital platforms. - Balancing financial innovation with regulatory oversight. - Enhancing cross-border crowdfunding supervision.
Bahrain	- Continuous upgrading of fintech regulatory frameworks. - Strengthening oversight of digital financing platforms. - Managing operational and fraud-related risks. - Supporting Sharia-compliant crowdfunding models.

Oman	- Need for a more comprehensive legal framework for crowdfunding. - Limited supervisory expertise in fintech regulation. - Weak investor protection mechanisms in case of default. - Exposure to cybersecurity threats.
Qatar	- Lack of a fully developed regulatory framework for crowdfunding. - Coordination challenges among regulatory authorities. - AML/CFT risks in digital financial transactions. - Need for harmonization of financial legislation.
Kuwait	- High capital requirements for crowdfunding service providers. - Unclear legal classification of crowdfunding activities. - Limited market maturity and investor participation.
Egypt	- Regulatory gaps in peer-to-peer lending and equity crowdfunding. - Fragmented financial supervision across institutions. - Limited financial literacy among users. - Challenges in scaling fintech adoption.
Morocco	- Gradual implementation of crowdfunding legal framework. - Need to strengthen investor protection mechanisms. - Limited depth of financial markets. - Coordination between banking and capital market regulators.
Tunisia	- Weak fintech infrastructure and digital financial systems. - Early-stage regulatory framework for crowdfunding. - Limited investor confidence in digital platforms.
Jordan	- Limited legal framework for investment-based crowdfunding. - Weak regulatory supervision of emerging platforms. - Financing constraints for startups and SMEs.
Lebanon	- Weak financial and digital infrastructure. - Low public trust due to economic instability. - Absence of a stable regulatory environment for fintech.
Iraq	- Nascent fintech ecosystem with limited regulatory development. - Weak institutional capacity for financial supervision. - Low digital financial inclusion.
Sudan	- Early-stage development of crowdfunding regulation. - Economic instability affecting platform sustainability. - Limited technological infrastructure.
Palestine	- Restricted financial environment and limited investment capacity. - Dependence on donation-based crowdfunding models. - Political and economic constraints affecting platform growth.

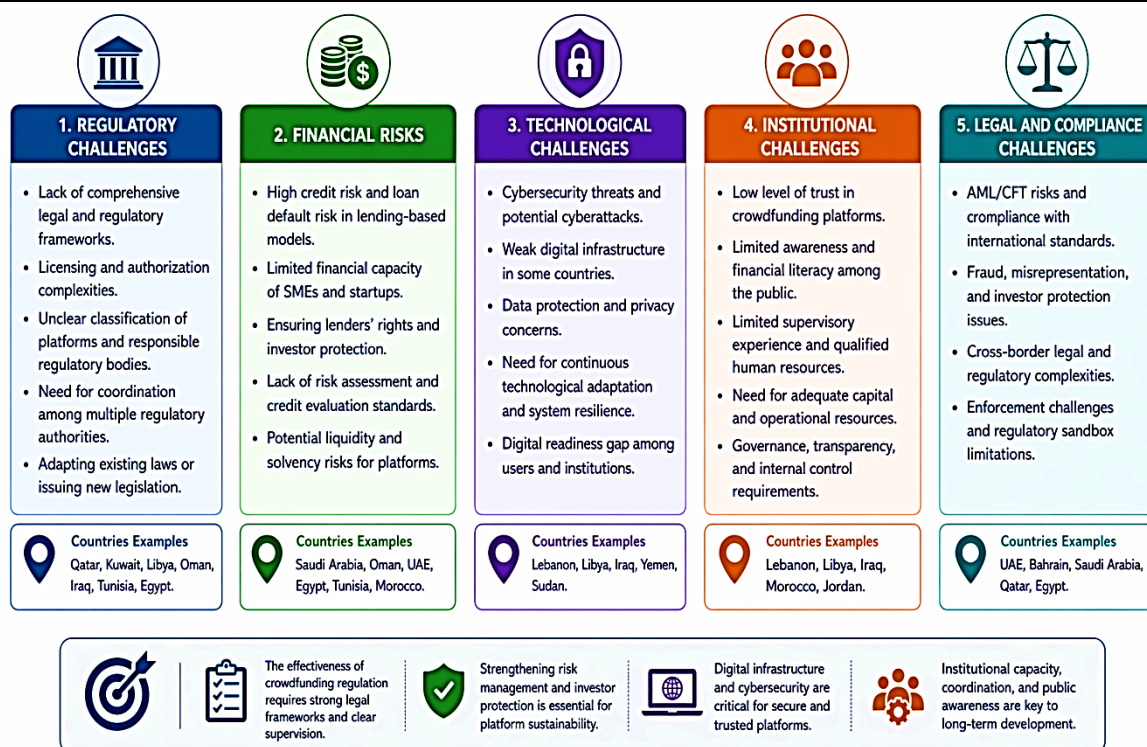
Source: Author's elaboration based on: (Fund., 2024), (Bank., 2024) (Bank, 2025)

The analysis of the table reveals that supervisory authorities in Arab countries face a set of heterogeneous yet interrelated challenges in regulating crowdfunding platforms. Despite differences in regulatory maturity across countries, several common constraints emerge, particularly the absence or early-stage development of dedicated legal frameworks, limited supervisory capacity in fintech regulation, and heightened exposure to financial, operational, and cyber risks.

In more advanced ecosystems such as Saudi Arabia, the United Arab Emirates, and Bahrain, challenges are primarily associated with regulatory refinement, cybersecurity enhancement, and the balancing of financial innovation with investor protection. In contrast, countries such as Lebanon, Libya, and Iraq face more structural constraints, including weak financial infrastructure, limited digital readiness, and low levels of trust in financial technologies.

Furthermore, North African countries such as Morocco, Tunisia, and Egypt are characterized by transitional regulatory environments, where efforts are underway to formalize crowdfunding activities, yet institutional fragmentation and limited market maturity continue to hinder full-scale development. Overall, the findings highlight that the effectiveness of crowdfunding regulation in the Arab region is strongly conditioned by institutional capacity, technological infrastructure, and the degree of regulatory coordination among financial authorities.

Figure 2. Classification of Key Challenges Facing Crowdfunding Regulation in Arab Countries (2025–2026)



Source: Authors' elaboration using diagrammatic visualization tools and based on : (Fund., 2024), (Bank., 2024) (Bank, 2025)

The table highlights that crowdfunding supervision in Arab countries is shaped by a combination of regulatory, financial, technological, and institutional constraints. Although the nature and intensity of these challenges vary across countries, a common pattern emerges, particularly the lack of fully developed legal frameworks, limited supervisory capacity, and persistent risks related to credit, cybersecurity, and investor protection. More advanced ecosystems such as Saudi Arabia, the UAE, and Bahrain primarily face challenges related to regulatory refinement and risk governance, while developing environments such as Lebanon, Libya, and Iraq are characterized by structural weaknesses in infrastructure, trust, and institutional capacity. Overall, these findings indicate that the effectiveness of crowdfunding regulation in the Arab region depends largely on strengthening institutional readiness, enhancing digital infrastructure, and improving coordination.

V. CONCLUSION

The presented study comprehensively examined the role of crowdfunding platforms in the context of financing startups operating in the Arab region, their development potential and their contribution to reducing the financing gap under the current institutional, regulatory, legal and technological constraints. The theoretical and comparative empirical analyses conducted show that crowdfunding has become one of the most dynamically developing segments of the global fintech ecosystem in the last decade and has gained significant importance as an alternative financing mechanism, especially for startups with limited access to traditional financial resources.

The results of the study confirm that crowdfunding platforms play a significant role in mobilizing financial resources, supporting innovative business initiatives and establishing direct connections between entrepreneurs and investors. These platforms perform important functions not only as a means of attracting capital, but also in terms of market testing, building investor confidence, commercializing innovative ideas and expanding entrepreneurial activity. Thus, crowdfunding forms a new and more inclusive model of financial intermediation in the modern entrepreneurial ecosystem.

The results of the comparative analysis showed that the level of development of crowdfunding markets in the Arab region is characterized by significant differences between countries. Countries such as the United Arab Emirates, Saudi Arabia and Bahrain have become leading crowdfunding centers in the region due to their achievements in promoting fintech innovations, developing digital financial infrastructure and improving legal regulatory mechanisms. On the other hand, in countries such as Algeria, Lebanon and Palestine, institutional instability, weak digital transformation, low level of investor activity and insufficient formation of the regulatory and legal framework act as the main factors limiting the development of crowdfunding

platforms.

The study once again shows that the effectiveness of crowdfunding platforms depends not only on technological capabilities, but also on institutional quality, transparency of legal regulation and the level of protection of investors' rights. Financial, operational, cybersecurity and reputational risks remain the main challenges facing the development of this sector. In particular, the formation of investor confidence, ensuring information openness and regulating platform activities with effective control mechanisms are of strategic importance for the sustainable development of the crowdfunding market.

From a theoretical perspective, the study confirms that crowdfunding is not only an alternative financing mechanism, but also an integral element of the entrepreneurial ecosystem. The results of the study, supporting the provisions of the Entrepreneurship Ecosystem Theory and Innovation Theory, show that the successful operation of crowdfunding platforms directly depends on the level of interaction between entrepreneurs, investors, financial institutions, government agencies and digital infrastructure. In this regard, crowdfunding acts as an important institutional tool in ensuring innovation-oriented economic development and financial inclusion.

One of the important scientific contributions of the study is the comparative assessment of crowdfunding ecosystems in the Arab region and the identification of the main determinants affecting their development. The results obtained show that legal regulation, fintech infrastructure, investor confidence and the entrepreneurial environment are the main factors determining the development of crowdfunding markets. These results contribute to the enrichment of the existing scientific literature in the field of alternative financing and entrepreneurial financing and form a new analytical perspective for the countries of the region.

From a practical perspective, the study shows that in order to fully utilize the potential of crowdfunding platforms, a number of institutional reforms need to be implemented by governments and regulatory bodies. First of all, it is important to form a unified and transparent legal framework regulating crowdfunding activities, strengthen mechanisms for protecting investor rights, and support the development of digital financial services. In addition, increasing financial literacy, promoting fintech innovations, and expanding regional cooperation mechanisms can make a significant contribution to the sustainable development of crowdfunding markets.

Consequently, crowdfunding can be assessed as an alternative financial instrument with great potential for financing startups in the Arab region, but not yet fully realized. Removing existing institutional and regulatory barriers, strengthening digital infrastructure, and increasing investor confidence will allow this mechanism to play a more important role in promoting economic development, innovation, and entrepreneurship. In this regard, the further development of crowdfunding platforms is of strategic importance in diversifying the economies of the countries of the region, increasing their innovation potential, and ensuring sustainable economic growth.

For future research, it is considered appropriate to evaluate the performance of crowdfunding platforms based on quantitative methods, model investor behavior, and conduct comparative analyses based on empirical data across countries in the region. Research in this direction will allow for a more in-depth study of the economic and social impacts of crowdfunding.

6.1. Recommendations

Based on the results of the study, the following recommendations are considered appropriate:

- A favorable regulatory, legal and institutional framework should be formed that promotes the development of startups, innovation activities and the investment climate.
- In order to increase the competitiveness, sustainability and ability of startups to adapt to changing market conditions, their technical, managerial and organizational potential should be strengthened.
- To ensure the effective operation of crowdfunding platforms, information and communication technology infrastructure, especially internet access and digital connectivity, should be improved.
- Crowdfunding platforms should be integrated into national development strategies aligned with the development of Small and Medium Enterprises (SMEs), the promotion of youth entrepreneurship and the UN Sustainable Development Goals (SDGs 2030).
- Clear, transparent and modern regulatory and legal mechanisms should be created to regulate the activities of crowdfunding platforms, and an effective monitoring and control system should be provided by central banks and other supervisory bodies.
- In order to facilitate access to financial resources for small and medium-sized enterprises, credit guarantee programs, alternative financing instruments and entrepreneurship support institutions should be expanded.
- In order to protect the rights of investors, increase market confidence and ensure the long-term sustainability of the platforms, corporate governance, transparency, accountability and risk management mechanisms should be

strengthened in crowdfunding platforms.

- Increasing digital financial literacy and expanding public awareness measures on crowdfunding mechanisms will create conditions for investors and entrepreneurs to use this financing model more effectively.
- Strengthening regional cooperation and regulatory and legal harmonization in the field of crowdfunding among Arab countries can contribute to the expansion of cross-border investments and deepening regional financial integration.
- Promoting FinTech innovations and developing a digital financial ecosystem should be considered as a strategic priority in terms of growing crowdfunding markets and diversifying startup financing.

The implementation of these recommendations can make a significant contribution to the development of the crowdfunding market in the Arab region, improving access to financial resources for startups, expanding entrepreneurial activity, and promoting innovation-based economic development.

6. DECLARATIONS

Author Contributions

Baya Ouaguenouni conceived the study, developed the research framework, conducted the literature review, performed the analysis, and prepared the original manuscript draft. Nabila Benkattas contributed to the conceptual development of the study, data interpretation, and manuscript revision. Baya Saou participated in data collection, literature analysis, and manuscript editing. Derradji Raki contributed to the methodological design, validation of findings, and critical review of the manuscript. Nabila Belmehdi assisted in data organization, interpretation of results, and manuscript preparation. Ouahiba Louahab contributed to the review of the literature, verification of sources, and final revision of the manuscript. All authors read and approved the final version of the manuscript.

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Data Availability Statement

The data supporting the findings of this study are derived from publicly available sources, including reports of international organizations, academic publications, and official documents cited in the reference list. No primary dataset was generated during the study.

Conflicts of Interest

The authors declare no conflict of interest regarding the publication of this paper.

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Ethical Approval

This study is based exclusively on secondary data obtained from publicly accessible sources and does not involve human participants, animals, or confidential personal information. Therefore, ethical approval was not required.

Use of Artificial Intelligence

The authors declare that no generative artificial intelligence tools were used for the conceptualization, analysis, interpretation of findings, or preparation of the final scientific content of this manuscript. Any language editing or formatting assistance did not influence the intellectual content, conclusions, or scholarly contributions of the study.

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