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Internationalization of Equity Crowdfunding Platforms[1]

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Executive summary

Equity crowdfunding (ECF) platforms play a central role in digital finance by connecting entrepreneurs with investors through online marketplaces. As digital platforms, many ECF operators have begun expanding internationally, yet little is known about whether this cross-border exposure improves their performance and why. This study analyzes 317 European ECF platforms over 2008–2023 and finds that international platforms outperform domestic ones, especially in attracting investors. Internationalization leads to stronger engagement with ESG (Environmental, Social, and Governance) practices, which in turn increases platform credibility, investor trust, and market reach. ESG orientation acts as a bridge between global expansion and improved performance, acting as a mediating factor. These findings show that platforms internationalize successfully when they match cross-border growth with a visible ESG strategy, suggesting that performance in digital finance increasingly depends on sustainable governance and responsible investment alignment.

[1] Based on the paper: "Farè, L., & Vismara, S. (2025). Internationalization of equity crowdfunding platforms. *The British Accounting Review*, 101627."

Context and relevance of the issue

The rise of financial technology has transformed capital markets by opening access to funding for startups and SMEs traditionally excluded from bank financing (Allen et al., 2021). ECF platforms are at the center of this transformation, enabling early-stage firms to raise equity capital online from individual investors—the "crowd" (Ahlers et al., 2015). Traditionally, financing was constrained by geography: investors backed firms in close proximity due to information frictions and high monitoring costs (Guenther et al., 2018). Crowdfunding challenges that model by reducing distance barriers, facilitating borderless financing flows.

Despite this inherent global potential, research has focused mainly on entrepreneurs and investors, overlooking platforms as strategic actors in financial ecosystems. This study shifts attention to the platform organization itself and examines whether and how international expansion contributes to platform success. The results show that internationalization is not simply a matter of scale expansion—instead, its performance benefits depend largely on a platform's strategic orientation toward ESG values.

This is consistent with the evolution of financial regulation. The EU Regulation on European Crowdfunding Service Providers (ECSP) (European Parliament, 2020) promotes cross-border platform activity but also urges platforms to align with sustainable finance goals. Similarly, the EU MiFID II revision (2022) introduced sustainability preferences for investment advice. As global capital markets rapidly integrate ESG concerns (Edmans & Kacperczyk, 2022), this study provides timely evidence that ESG is becoming essential infrastructure for digital finance competitiveness, especially for platforms expanding internationally.

Methodology

This study is based on a longitudinal dataset of 317 ECF platforms in Europe, observed between 2008 and 2023, resulting in 2,362 platform-year observations. The sample includes both active and discontinued platforms to avoid survival bias. Data on platform ownership, business model characteristics, and investor activity were from platform websites, company filings, national crowdfunding registries, and the Bureau van Dijk Orbis database. The primary performance measure is the number of registered investors on each platform per year, widely used in crowdfunding research as a proxy for platform success and market validation (Ahlers et al., 2015). The degree of internationalization is captured using a binary variable equal to one if a platform has at least one foreign shareholder, reflecting cross-border ownership structures (Miletkov et al., 2017). Additional robustness checks include alternative measures of internationalization based on foreign employees and foreign operating countries. The mediating variable, platform ESG orientation, is defined using the MSCI ESG Intangible Value Assessment framework, classifying platforms as ESG-oriented if they apply environmental, social, or governance criteria to select fundraising campaigns (Cumming et al., 2024).

A panel regression model with random effects is used to estimate the relationship between internationalization and platform performance, controlling for platform size, ownership base, business model (equity-only vs. hybrid), industry specialization, country-level legal environment, and market competition. A mediation analysis is conducted to assess whether ESG orientation explains the effect of internationalization on platform performance. To reduce potential endogeneity concerns, the analysis includes lagged independent variables and instrumental variable estimation using protection of foreign shareholders as an instrument. Robust standard errors are clustered at the platform level.

Findings

The empirical analysis provides four main findings:

1. International platforms outperform domestic platforms: Platforms with at least one foreign shareholder attract more investors than domestic platforms. This suggests that internationalization increases platform visibility, network reach, and investor trust, supporting the view that exposure to foreign markets strengthens digital platforms through diversification and learning effects (Meyer et al., 2023).
2. Internationalization encourages ESG engagement: International platforms are more likely to adopt ESG criteria when selecting fundraising campaigns. This reflects their strategic need to gain legitimacy across broader stakeholder environments and comply with evolving sustainability expectations in international financial markets (Brooks & Oikonomou, 2018). Cross-border growth exposes platforms to additional scrutiny and regulatory pressures, increasing incentives to formalize sustainability practices.
3. ESG mediates the impact of internationalization on performance: The study shows that ESG orientation explains part of the performance advantage enjoyed by international platforms. Mediation analysis shows that a significant portion of the positive effect of internationalization on investor attraction operates through ESG adoption.
4. Platform brand recognition also supports performance: Beyond ESG, platform brand reputation also plays a positive role. Platforms with higher social media visibility and stronger public recognition attract more investors, suggesting that internationalization contributes not only to ESG orientation but also to platform credibility and professionalization.

Policy Implications

The findings indicate that internationalization can enhance the performance of ECF platforms, but only when paired with a strong ESG orientation. This has direct implications for regulators, platform managers, and institutions designing digital finance policy.

In particular, regulation should:

- Promote ESG transparency in crowdfunding by introducing proportional sustainability disclosure requirements for platforms, especially those operating across borders or seeking EU passporting under Regulation (EU) 2020/1503. Platforms should disclose ESG screening policies and sustainability criteria used for campaign selection.
- Encourage responsible internationalization strategies by requiring platforms expanding abroad to integrate minimum governance and sustainability safeguards, preventing platform dumping where firms expand internationally without regulatory discipline.
- Support cross-border ESG data standardization by mandating consistent reporting formats for ESG-oriented campaigns to improve comparability and investor protection across countries, reducing information asymmetry in digital finance markets.
- Create incentives for ESG-certified platforms, such as access to European Investment Fund (EIF) co-funding, preferential eligibility in EU digital innovation programs, or lower regulatory fees for platforms demonstrating credible ESG commitment.
- Strengthen platform governance rules by requiring platforms with foreign shareholders or cross-border activities to appoint ESG oversight functions or independent board members responsible for sustainability, aligning with MiFID II sustainability preferences.

Conclusions

This study provides new evidence that internationalization is a strategic driver of performance for ECF platforms, particularly when it is accompanied by a commitment to ESG principles. Using a longitudinal dataset of 317 European platforms over 15 years, the results show that international platforms attract more investors and host more successful campaigns than domestic ones because they adopt stronger ESG orientations, which enhance credibility, investor trust, and legitimacy in a competitive digital finance environment. These findings suggest that ESG is emerging as a form of platform capital that enables international growth while mitigating risks linked to information asymmetry, market uncertainty, and cross-border institutional differences. For policymakers, the results highlight the importance of promoting responsible internationalization in digital finance through proportional ESG regulation, transparency standards, and incentives for sustainability adoption. Platform managers should consider that sustainable international expansion requires embedding ESG into platform strategy, governance, and communication to investors. Overall, this study demonstrates that the future of fintech competitiveness will be shaped by platforms that integrate global reach with sustainability leadership.

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