

Applicability and Readiness of Crowdfunding in the Egyptian Ecosystem

Original
Article

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ABSTRACT

This project thesis constitutes a comprehensive exploration of the feasibility of crowdfunding as a groundbreaking financial avenue within the distinct Egyptian context, with the ultimate goal of fostering entrepreneurial endeavors, innovation, and economic advancement. Crowdfunding, a distinctive funding mechanism harnessed by entrepreneurs and organizations, effectively utilizes web-based platforms to consolidate resources from the general public or multiple individuals in the form of contributions or investments. The global crowdfunding market is expected to reach \$96 billion by 2025, surpassing the scale of global venture capital investments by 1.8 times. However, Egypt's economic landscape is marked by an underdeveloped capital market and a dominant banking sector, leading to limited options for raising capital. The primary objective of the project is to evaluate the preparedness of the Egyptian economic landscape to embrace crowdfunding practices, while concurrently evaluating the level of awareness and acceptance among potential users, thus paving the way for Egypt's entry into the realm of crowdfunding markets. This research also encompasses several specific sub-objectives, such as exploring the global applications of crowdfunding across various contexts and identifying the inherent challenges associated with the adoption of crowdfunding in Egypt through in-depth interviews. Lastly, it aims to propose strategic pathways to mitigate the aforementioned challenges and promote the effective implementation of crowdfunding in Egypt. This study undertakes a comprehensive analysis, utilizing a developed survey derived from the German crowdfunding barometer to uncover the levels of awareness, acceptance, and engagement of the general public in crowdfunding. Additionally, key stakeholders have been interviewed to validate the findings of the survey and further investigate key aspects identified by the World Bank, including the entrepreneurial ecosystem, economic regulations, societal involvement, and technological infrastructure, all of which are fundamentals to the successful implementation of crowdfunding. Moreover, the policy analysis entails the identification and definition of the key elements, processes, characteristics, and dimensions of the policy mix concept, analysis of the policy processes, delineation of the analysis boundaries, operationalization of the policy mix, and consideration of the interplay between policy and technological change. This research transcends mere analysis and proposes targeted policy recommendations tailored to the Egyptian context, aimed at cultivating an environment conducive to potential crowdfunding applications, such as the imperative need for a clear legal framework and rigorous due diligence in the licensing and registration process pertaining to the platform's operations, technology, risk management, and investor protection measures, among other specific policy regulations for effective and safe crowdfunding in Egypt. The principal finding of this research is that Egypt holds a promising position within the spectrum of crowdfunding feasibility. This research substantiates the potential of crowdfunding and crowdfund investing to emerge as instrumental mechanisms for bolstering entrepreneurship, innovation, and economic progress. This exploration serves as a foundational stride toward harnessing the transformative power of crowdfunding while concurrently paving the way for its responsible and effective adoption in Egypt.

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INTRODUCTION

Crowdfunding is a method facilitated by the internet that allows businesses and other organizations to gather funds through donations or investments from a multitude of individuals (*Schwiebacher & Larralde, 2010*). This alternative to conventional financing has surfaced due to the challenges many entrepreneurs encounter when trying to raise capital in the traditional manner. This approach has been given various names such as "crowdfunding," "equity crowdfunding," and "hyper funding," and the capital raised

is often referred to as "crowd-sourced" or "social" capital. (Figure 1.1)

Crowdfunding initially began in U.K. and Australia around year 2000, since then it was spread globally. The method was jumpstarted by the "Our Business Startups Act," passed in 2012 in the U.S., which generated significant interest in crowdfunding not only in the U.S. but also in Mexico, Canada, and other countries. The European Crowdfunding Network was established in 2012 to work towards a regulatory model for Europe, as a response to

the European Commission who expressed its intention to support crowdfunding. However, due to strong consumer-protectionist tendencies, the European Commission has yet to establish harmonized regulations on crowdfunding at the EU level, despite regulated crowdfunding activities being in effect in some EU countries. The estimated total global market opportunity for crowdfunding by 2025 is expected to be \$96 billion, which is 1.8 times the amount of global venture capital investments (*infoDev., 2023*)

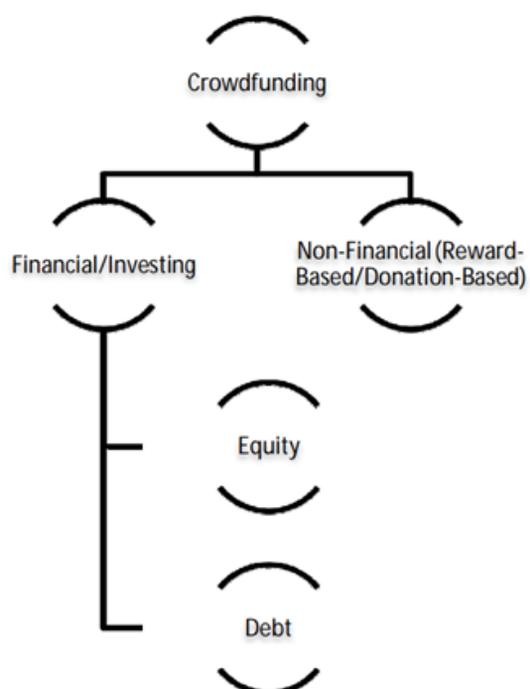


Fig. 1.1: The various types of Crowdfunding

At country level, crowdfunding status falls into one of four categories: 1) unregulated through a lack of definition; 2) regulated as a collective investment scheme, intermediary, or banking activity; 3) prohibited; or 4) with special status (*Pope & Cooper, 2013*). Egypt falls into the first category. Despite its technical usefulness for entrepreneurs and investors, crowdfunding for equity is not regulated in many countries, including Egypt. A SWOT analysis of crowdfunding highlights several weaknesses and challenges, including administrative and accounting, the possibility of ideas being stolen, lack of investor protection, the potential for fraud, and the lack of financial advice for investors. Crowdfunding presents opportunities, such as the existence of a niche, and the possibility of positive effects on a national economy. The main anticipated threats to crowdfunding are the risky nature of small businesses and unsuitable legal restrictions (*Valanciene & Jegeleviciute, 2013*).

To provide comprehensive support to the real economy of a nation, entrepreneurs must have access to a diverse range of financing methods and opportunities. The availability and quantity of financial instruments can facilitate easier access to funding for entrepreneurs to start

and run their own businesses. In addition, crowdfunding is an innovative financing alternative that has the potential of making a positive contribution to the real economy and financial landscape. Nevertheless, due to its novelty and lack of regulations, it is imperative that regulatory and supervisory bodies closely scrutinize and monitor it to mitigate any potential drawbacks and risks. Crowdfunding arose during the financial crisis of 2007-2008 primarily due to the challenges encountered by artisans, entrepreneurs, and start-up enterprises in securing financial backing (*infoDev, 2013*). However, in less than ten years, it has become integrated into numerous countries' economies, including Australia, the U.K., the U.S., the Netherlands, and Italy (*infoDev, 2013*). In Egypt, crowdfunding has predominantly taken the form of donations; however, equity crowdfunding has two failed examples, Shekra and Tennra companies, which were established in 2012 but folded shortly after. Globally, Kickstarter the well-known crowdfunding platform maintains its position as the leader in pledge or donation-based crowdfunding, having collected more than \$7.5 billion since its establishment in 2009, with approximately 244,000 projects funded (*Kickstarter, 2023*).

In an emerging economy country like Egypt, entrepreneurs require substantial amounts of fresh capital to support their investments or businesses. The underdevelopment of capital markets has resulted in banks being the prevailing financial institutions as the utilization of capital market instruments for fundraising is not widespread. Even so, despite the prevalence of conventional banks, their financing capacity is restricted, and they exhibit a lack of enthusiasm towards providing funding for diverse entrepreneurs and startups.

As a result, to aid inexperienced entrepreneurs, it is imperative to explore alternative avenues of acquiring funds. One potential option is crowdfunding; however, it is crucial to evaluate the potential drawbacks and risks associated with this method.

The objective of this study is to determine the feasibility of utilizing crowdfunding in Egypt's economic climate. This necessitates an examination of the applicability of the method and the preparedness of the environment in terms of technology, community involvement, entrepreneurial mindset, and current regulations.

Crowdfunding, despite being a contemporary investment method, it is still risky, given that this method relies on the Internet and web-based platforms, there are inherent risks distinct to it like fraud. Although the market size in certain countries such as Egypt is relatively small in comparison to global loan origination, the rapid growth rate of these emerging markets indicates that crowdfunding is poised to become a more widely utilized investment option for the public (*Kirby & Worner, 2014*). Consequently, investors' protection represents a significant concern area of this framework and must be accorded serious attention.

Crowdfunding, as a novel funding mechanism that has the potential of significantly stimulate economic growth, innovation, and employment opportunities. Nevertheless, it also poses certain risks and challenges that need to be addressed. This study aims to examine some of these challenges within the context of Egypt's economy and financial markets.

To achieve this aim, this project is structured as follows: Chapter 2: Exploring Crowdfunding Landscapes through an In-depth Review of Literature. Chapter 3: Describes the objectives of the study and the method followed. Chapter 4: Shows the results and their discussions. Chapter 5: States the conclusion of this study and the recommendations derived from the study.

EXPLORING CROWDFUNDING LANDSCAPES

Crowdfunding on a Global Level

Crowdfunding has been introduced as a new innovative tool of financing for startups around a decade ago, it includes many methods of compensation for the donor depends on the required from it such as donation , reward base and equity base .Crowdfunding is a way of raising money to finance projects and businesses. It enables fundraisers to collect money from a large number of people via online platforms. (*Landström et al., 2019; Mamonov & Malaga, 2018; McGuire, 2018*).

Crowdfunding has become a prominent global phenomenon with substantial implications across various domains of business and societal contexts. Recent scholarly works have delved into the diverse methodological approaches employed in crowdfunding research, evaluating their strengths and limitations, and proposing a comprehensive typology of these approaches (*Agata et al., 2018*). The use of crowdfunding as a catalyst for innovative entrepreneurship is widely acknowledged, as it enables projects and ventures to secure funding from a worldwide audience without geographical constraints (*Golic, 2016*). Scholars have also inspected the role of crowdfunding as an alternative to conventional funding mechanisms (*Montinho & Liete, 2012*). Emerging in the aftermath financial crisis of the 2008, crowdfunding has evolved into a novel means of capital acquisition, facilitating fundraising through contributions or investments from multiple individuals (Information for Developing Program [infoDev], 2013). Moreover, research has probed the global proliferation of crowdfunding, particularly for startups and small-to-medium enterprises, highlighting its integration with big data, cloud technologies, and social media platforms.

Golic (2016) explored the concept of crowdfunding as an innovative financing method, tracing its evolutionary trajectory and dynamic features. his research emphasizes crowdfunding's efficacy in invigorating innovative entrepreneurship and enabling substantial funding inflows, in different currencies via various crowdfunding modalities. While the research paper enumerates the merits

of crowdfunding across both developed and developing economies, it refrains from drawing specific conclusions.

In contrast, *Stasik and Wilczyńska (2018)* explored the methodologies employed in crowdfunding research. Their research paper offers an overarching view of methodological paradigms in use across disciplinary boundaries, dissecting the implications of each methodological choice and proffering a typology that encapsulates the current array of research practices in crowdfunding. By fostering cross-disciplinary dialogue and enriching the discourse on research methodologies for this digital phenomenon, the study serves as an invaluable resource for newcomers to the field, facilitating a foundational understanding of the ongoing discourse and available methodological options.

Kostova (2018) posits that crowdfunding holds substantial potential for catalyzing economic growth in economically challenged nations. As a resource provisioning mechanism for individuals and enterprises lacking access to traditional funding avenues, crowdfunding stands as a catalyst for innovation and economic advancement. Another study highlights the pivotal role of regulatory frameworks in underdeveloped nations, highlighting the vulnerability of the crowdfunding sector to fraud and instability in the absence of suitable rules and regulations (*Garcia-Lazaro et al., 2019*). These studies collectively stress the imperative of comprehensively grasping the potential of crowdfunding in developing economies and emphasize the necessity of crafting effective regulatory frameworks to bolster its sustainable expansion.

Crowdfunding in the Developing World

The evolving landscape of crowdfunding in the developing world has garnered considerable attention from researchers, offering insights into both its potential and challenges. The seminal work, "Crowdfunding's potential for the developing world" (*infoDev, 2013*) casts light on this nascent concept, exploring strategies to harness crowdfunding's power, identifying associated risks, and proposing mitigation measures. Especially important is the paper's emphasis on cultivating trust within the crowdfunding ecosystem. While that paper features crowdfunding's promise as a novel funding avenue for entrepreneurs and emerging enterprises in developing regions, it also accentuates the necessity for a cautious approach, mindful of the inherent risks.

Moreover, it examines the potential of crowdfunding within developing countries. Unveiling the four pillars underpinning crowdfunding's success; viz, technological accessibility and education, entrepreneurial culture, regulatory framework, and access to capital, that report delineates strategies for nurturing its growth. Notably, the report emphasizes the pivotal role of technology and education in augmenting awareness among potential project initiators and backers. It further extols the impact of cultivating an entrepreneurial ethos and advocates for transparent regulations to instill trust in the crowdfunding arena.

Olafusi et al.'s (2017) paper titled "Development of SMEs in Africa: The Role of Crowdfunding", examined crowdfunding's potential as a vehicle for advancing small and medium-sized enterprises (SMEs) in Africa. The paper emphasizes the multifaceted advantages of crowdfunding, viz; providing requisite capital to unlock markets, resources, mentorship, and networking opportunities. Yet, it also candidly addressed the challenges inherent to crowdfunding, including awareness gaps, regulatory complexities, and technological hurdles. Advocating for inclusive governmental engagement, the authors propose measures such as supportive legal frameworks, tax incentives, and educational campaigns to promote crowdfunding's role in driving SME development across Africa.

The *World Bank (2017)* has contributed to the discourse on crowdfunding's potential within developing nations. Its study delves into the intersection of technology, regulations, and finance, revealing opportunities and obstacles. Similarly, the Inter-American Development Bank's study in 2019 highlighted under the title "Crowdfunding in Latin America and the Caribbean: A New Alternative for Financing Micro, Small and Medium Enterprises?", how the transformative impact crowdfunding can wield on micro, small, and medium-sized enterprises (MSMEs) in the region. The study highlighted also the synergy between crowdfunding and economic development while acknowledging the hurdles posed by limited investors' confidence, nascent regulatory frameworks, and technological disparities.

In closer proximity to Egypt, *Sancak's (2016)* study dissected Turkey's readiness for crowdfunding implementation. The paper's comprehensive assessment examined facets ranging from entrepreneurial culture to economic regulations, offering insightful policy recommendations. While the study identified the potential in Turkey's crowdfunding landscape, it pragmatically emphasized the necessity for bolstering community engagement, nurturing an entrepreneurial ethos, and refining regulations to foster an environment conducive to crowdfunding's proliferation. Moreover, Turkey must address the lack of trust among entrepreneurs, funders, and customers. Financial catastrophic events in the past have cast doubt on new methods like crowdfunding. Building trust and confidence among stakeholders is crucial for the success of crowdfunding in Turkey. The entrepreneurial culture currently resists modern financing methods. The stock market trends show a reluctance to new financial instruments. To promote crowdfunding, there is a need to cultivate an entrepreneurial mindset and encourage openness to innovative financing approaches. Also, the financial regulations do not currently cover crowdfunding, creating legal ambiguity for entrepreneurs. Existing regulations should be amended or new laws passed to provide a clearer legal framework for crowdfunding activities. This would enable entrepreneurs to use crowdfunding with confidence and ensure investor

protection. Finally, according to Sanack, financial literacy and education should cover new financing methods, including crowdfunding. Increasing awareness among prospective investors about crowdfunding and its benefits can help attract more participants and create a supportive ecosystem."

Recent research by *Chao et al. (2020)* gave a broader perspective by evaluating crowdfunding in Africa. The authors navigate the evolving African crowdfunding terrain, highlighting both opportunities and challenges. Notably, they accentuate the nascent nature of African crowdfunding and reliance on foreign contributors. The authors advocated for proactive policy development, technological enhancements, heightened awareness, and reduced entry barriers to catalyze crowdfunding's transformative potential.

Turgut and Uurlu's (2021) exploration of crowdfunding campaigns in the Middle East placed a special focus on social capital's role. Delving into the dynamics of participation and project success, the study showed the pivotal impact of social networks and trust in galvanizing crowdfunding endeavors. Furthermore, the study identified crucial factors like project viability, creator reputation, and platform credibility that contribute to a thriving crowdfunding ecosystem. The authors' insightful recommendations stressed the role of entrepreneurship promotion, trust-building, and technology accessibility in nurturing the Middle East's crowdfunding landscape.

Oba (2016) underscored crowdfunding's potential in Turkey to alleviate financial challenges faced by SMEs. While acknowledging certain barriers such as legal constraints and limited technology usage, *Oba (2016)* contended that heightened awareness and education about crowdfunding can unleash its potential as a dynamic micro-funding mechanism in Turkey.

Cumulatively, these studies highlight crowdfunding's transformative potential within the developing world. However, they caution that harnessing this potential requires a strategic blend of technological infrastructure, supportive regulations, entrepreneurial culture, and trust-building efforts to propel crowdfunding's pivotal role in shaping economies, supporting SMEs, and fostering sustainable development.

Crowdfunding and Innovation

The significance of crowdfunding's influence on innovation is a central focus in this discourse, as substantiated in *Hervé and Schwienbacher (2018)*. Their seminal research investigated the intricate connection between crowdfunding and innovation, shedding light on the synergy between the two. Through a comprehensive review of existing literature at the intersection of crowdfunding and innovation in entrepreneurial ventures, the study constructs a compelling narrative. Of particular interest is the revelation that crowdfunding serves as a catalyst for innovation by providing fresh avenues of

capital for enterprises with a strong innovation focus. This infusion of resources helps alleviate the persistent funding gap that often hinders the progress of innovative startups. Furthermore, this extends to include crowdfunding's role in fostering participatory aspects of innovation. As the study suggests, the crowd becomes an active participant in the innovation process, bridging the gap between entrepreneurs and consumers. Noteworthy is the emergence of relatively new international initiatives in this domain, such as the Living Lab Concept which is an innovative approach that integrates all stakeholders in a collaborative environment, collects diverse feedback, and implements it in a homogeneous manner.

Expanding on this theme, an exploration into innovation through crowdfunding, particularly the Kickstarter platform, sheds light on the disruptive potential of this financing approach (*Hervé & Schwiembacher, 2018*). Pioneered through Internet platforms and social networks, the role of crowdfunding as an alternative to conventional funding mechanisms is explored. Drawing insights from Kickstarter projects up to February 2012, a comprehensive understanding of success determinants of projects emerges. Paramount among these factors is the pivotal role of community engagement, viz; garnering backers, simple reward structures, and entrepreneurial presence within the platform. All these culminate in project success. Case studies further validate that success is magnified when projects can tap into either a broad consumer base or a fervent niche audience. Moreover, the offering of tangible and intriguing rewards in exchange for collaboration emerges as a potent success catalyst (*Hervé & Schwiembacher, 2018*).

An equally significant thread in the tapestry of crowdfunding's influence on innovation involves regulatory frameworks. This nexus is epitomized by a recent scholarly work titled "The Contribution of Crowdfunding Regulation to Cultural Entrepreneurship in a Supportive Ecosystem" by *Lazzaro & Noonan, (2021)*. In a keen exploration of the interplay between crowdfunding regulations and cultural and creative projects, this study illuminates the intricate dance between regulatory frameworks and entrepreneurial initiatives. The paper presented a comprehensive view of how regulatory actions affect cultural and creative endeavors, spanning domains such as taxation, consumer protection, investor safeguards, and information dissemination. The study argues for harmonized and balanced regulations that foster a nurturing ecosystem for cultural entrepreneurship. It posits that effective equitable policy is the cornerstone for propelling sustainable development and entrepreneurial vigor within the cultural and creative realm (*Lazzaro & Noonan, 2021*).

These academic investigations into crowdfunding's intersection with innovation traverse diverse landscapes, from its potential to fuel innovation in startups to the role of regulatory frameworks in shaping cultural entrepreneurship. Collectively, these studies accentuate

crowdfunding's dynamic role in transforming the funding and innovation paradigms and underscoring its potential to revolutionize how enterprises seek capital and how innovative ideas come to fruition.

Halal Investment

The use of crowdfunding in addressing the financial needs of Halal investors is remarkable. This practice has gained traction in various countries, with particular resonance in Egypt, where Islamic financing has seen remarkable growth, reaching EGP 388.9 billion by the close of 2022, marking a substantial increase of EGP 60.9 billion and a growth rate of 18.6% compared to the previous year (*Islamic Banking in Egypt – Daily News Egypt, 2022*).

Many Malaysian scholars have notably contributed to the discourse surrounding crowdfunding as a tool for Halal investment. Their extensive body of work highlights the prominence of this approach. One noteworthy publication from 2012, titled "Towards an integrated crowdsourcing definition" (*Estellés-Arola & González-Ladrón-de-Guevara, 2012*). It illuminated the need for a Shariah-compliant financing platform tailored to Halal-oriented small and medium-sized enterprises. This study explores the guidelines established by the Securities Commission Malaysia for the registration of equity crowdfunding platforms. It proposes a Shariah-compliant equity crowdfunding model rooted in established modes of financing inherent to the Islamic financial services sector. The study underscores the significance of devising a distinct and sustainable Shariah-compliant equity crowdfunding mechanism, thereby fortifying the foundations of the Halal industry (*Estellés-Arola & González-Ladrón-de-Guevara, 2012*).

Over the years, there has been a noticeable development in these concepts. A recent publication highlighted the evolution of models established since the earlier study. This exploration specifically investigates the potential use of mudharabah, an Islamic financial concept, as an investment tool within an Islamic crowdfunding framework. The findings provide a nuanced perspective: Islamic crowdfunding, aided by financial technology (fintech), shows promise, but mudharabah faces challenges in equity-based Islamic crowdfunding due to its inherent risk. The study suggests a strategic approach to address this challenge that involves using fintech for project monitoring, strengthening regulatory measures to protect invested funds, improving mudharabah practices, and increasing awareness among stakeholders about the underlying philosophy of mudharabah. The study also introduces the concept of an equity-based Islamic crowdfunding platform rooted in mudharabah principles, with a particular focus on supporting micro-enterprises and ventures with lower risk profiles, such as those in the food and technology sectors. This model has the potential to bolster local businesses and startups, contributing to their growth and resilience (*Ishak & Rahman, 2021*).

The Emerging Landscape of Crowdfunding in Egypt

In the realm of scholarly exploration, the development of crowdfunding within Egyptian society is both intriguing and significant. As the venture capital sector in Egypt grapples with a multitude of intricate challenges encompassing regulatory frameworks, investor protection, tax implications, and the broader socio-political fabric (Turki, 2015), a lack of scholarly material exists regarding the nuanced dimensions of crowdfunding specifically for Egypt. While global research traverses a wide spectrum that encompasses facets such as mass media and geographical considerations (Felipe et al., 2017), the landscape of Egyptian crowdfunding has yet to be extensively explored.

Turki (2015) contributed a meticulous dissection of Egypt's public venture capital domain. Employing purposive and non-random interviews in conjunction with a comprehensive SWOT analysis, his study meticulously evaluates the strengths, weaknesses, opportunities, and challenges that define the sector. Within this panorama, challenges encompassing regulatory intricacies, investor safeguards, tax dynamics, legal expertise, and the socio-political matrix manifest as pivotal focal points. The scholarly endeavor extends beyond descriptive analysis, proffering prudent recommendations such as legal reforms and transparent industry standards, fostering an environment conducive to a resilient public venture capital ecosystem (Turki, 2015).

The scholarly discourse embodied in the country report from the International Monetary Fund (IMF, 2021), "Arab Republic of Egypt First Review Under the Stand-By Arrangement and Monetary Policy Consultation" took a macroeconomic view. This entails a comprehensive appraisal of Egypt's economic trajectory while highlighting commendable governmental efforts in enacting transformative economic reforms. Amidst the complex economic fabric, the palpable impact of the COVID-19 pandemic looms large, offering both challenges and commendable governmental interventions to mitigate fallout. Embedded within this complexity is a recurring theme - the imperative of maintaining reform initiatives to ensure sustained economic growth and stability (IMF, 2021a).

In furthering the discourse, the crucial role of Small and Medium Enterprises (SMEs) within Egypt's economic fabric comes to the fore. SMEs grapple with multifaceted challenges spanning financial accessibility, conducive business environments, regulatory frameworks, and infrastructure limitations. In response, the scholarly dialogue articulates robust prescriptions, including a comprehensive, government-sanctioned blueprint for nurturing SME advancement. Within this framework emerge as pivotal facets, bespoke financial incentives, enlightened banking paradigms, and calibrated tax adjustments. An unambiguous call resounds for an invigorated support ecosystem bolstered by educational empowerment and skill enhancement, underlining the

transformative potential inherent in these interventions (Mansour et al., 2019).

Beyond the economic spectrum, Egypt's technological trajectory unfolds within the paradigm of the Fourth Industrial Revolution (4IR). This transformative juncture, animated by AI, robotics, the Internet of Things (IoT), and allied advances, has created seismic shifts within global labor markets — a trajectory further accentuated by the pandemic. This transformation reverberates distinctly within Egypt's contours. Domains such as transportation and logistics assimilate technological innovation while sectors like agriculture and manufacturing beckon exploration. The ascendancy of digitally adept roles amplifies the transformative influence across sectors. The educational realm too, is undergoing a recalibration; it now requires digital proficiency and lifelong learning paradigms. Within this narrative, adaptive labor strategies and policy overhauls become key. The state, as a guiding orchestrator, assumes responsibility for steering data integration and infrastructure investments. Encouraging indigenous tech startups and fortifying research and development emerge as crucial endeavors as Egypt charts its course through the realm of tech-driven metamorphosis (Rizk & Ismail, 2021).

Within the broad tapestry of these academic dialogues, Egypt's emerging crowdfunding infrastructure is a field ripe for exploration. As researchers navigate these intellectual landscapes, untapped avenues for inquiry emerge, inviting scholars to unravel the intricate tapestry that forms Egypt's burgeoning crowdfunding landscape.

RESEARCH METHODOLOGY

This thesis seeks to fill the knowledge gap regarding the phenomenon of crowdfunding within Egypt. Careful examination is carried out to assess the readiness of the Egyptian economic landscape to adopt crowdfunding practices, while gauging the extent of awareness and acceptance among potential users.

Statement of the Problem

Lack of understanding of crowdfunding's viability within Egypt's financial landscape.

Research Objectives

The main objective of this research is to assess the preparedness and readiness of the Egyptian society to embrace crowdfunding as a financial avenue for financing capital projects. Its strategy has already matured in diverse global landscapes including Finland, the United Kingdom, the United States, and Malaysia. The research includes several specific sub-objectives as follows:

1. To explore the global applications of crowdfunding across diverse contexts.
2. To evaluate the feasibility and potential applicability of crowdfunding as an alternative financial tool within Egypt.

3. To gauge the level of awareness, acceptance, and active participation among entrepreneurial stakeholders in Egypt regarding the crowdfunding paradigm.
4. To identify the inherent challenges associated with adopting crowdfunding in Egypt.
5. To propose strategic pathways to mitigate the identified challenges and foster effective crowdfunding implementation.

Significance of the Research Work

This study holds profound implications for the Egyptian ecosystem and its potential engagement with crowdfunding as a financial instrument. It carries inherent value in informing policy formulation and guiding various stakeholders toward harnessing the potential benefits of crowdfunding, while concurrently addressing the challenges and limitations associated with the technique. By shedding light on aspects such as investor protection and fraudulent practices, this research contributes to the creation of a well-informed environment, fostering responsible and effective crowdfunding utilization for the nation and its citizens.

Research Method

This study adopted a mix of qualitative and quantitative research methods to collect data. It conducted analysis using three distinct phases, each designed to comprehensively investigate the landscape, awareness, acceptability, and potential adoption of crowdfunding in the Egyptian financial technology context. The study utilizes a combination of a literature review, surveys, and qualitative interviews to provide a holistic understanding of crowdfunding principles and their applicability within the Egyptian context.

Public Survey

The first phase of the research involved surveying the public (269 participants) to assess their levels of awareness, acceptability, and participation in crowdfunding activities. The survey instrument was adapted from the *German Crowdfunding Barometer 2021*, which was translated and contextualized for the Egyptian setting. This quantitative approach enabled the collection of data from a diverse sample of individuals, providing insights into the current state of crowdfunding awareness and usage in Egypt. The survey results quantified the prevailing attitudes and behaviors toward crowdfunding as well as establishing a baseline understanding for further analysis. Convenience sampling was used to reach the target audience for this survey (Kothari, 2004).

The survey was conducted among the public and acquired 236 responses via a multifaceted approach. Methods employed included mass emails, the ASRT database, outreach through technology transfer centers, and engagement with the Entrepreneurs Club members. This approach ensured a varied cross-section of public opinion.

Qualitative Interviews with Key Stakeholders

The second phase of the study used guided qualitative interviews to validate the outcomes of the survey and explore nuanced aspects of crowdfunding perceptions and behaviors among a targeted subset of participants (10 key stakeholders). These closed open-ended questions interviews with key stakeholders within the Egyptian context and financial entities Drawe inspiration from the "Crowdfunding Potential for Developing World" report by *Infodev (2013)*. Twenty-six (26) ended questions with Likert scale were used , plus debating and discussing each one to explore areas such as technology readiness, entrepreneurship perceptions, regulatory considerations, and capital availability. These qualitative and quantitative insights provide a deeper understanding of the factors influencing crowdfunding adoption within the Egyptian context.

The interviews served to broaden the scope of the data to encompass a spectrum of key stakeholders entrenched within Egypt's context. A stratified sampling approach was used. By categorizing participants into distinct strata such as investors, mentors, employees, entrepreneurs, and various ecosystem players, this method ensured representation from each subgroup, enhancing the overall comprehensiveness of insights. The eclectic mix of interviewees included investors, mentors, employees, entrepreneurs, project officers, incubator managers, and other pivotal figures. This strategy facilitated a panoramic vantage, capturing insights from both the financial catalysts and the entrepreneurial beneficiaries of crowdfunding. Interviewee profiles are provided in (Table 1).

Interview Data Analysis

An interview guide was developed using the World Bank self-assessment tool to predefine 26 open-ended questions that guided the conversations. Questions were designed to elicit detailed responses. Interviews were scheduled and conducted in one-to-one fashion with the selected participants. The interviews were conducted in an environment conducive for open and honest discussions. The interviews were recorded, with the participants' consent, to capture their responses accurately. In addition, detailed notes were taken during the interviews, noting key points, quotes, and observations.

Interview transcripts were subjected to rigorous qualitative analysis methods. Themes, patterns, and correlations were identified and synthesized to draw meaningful conclusions.

Using qualitative coding, the researcher engaged in the practice of categorizing and labeling researcher reflections, thoughts, and ideas during the analysis process. This allowed for the capture of nuanced interpretations, hypotheses, and connections within the data, contributing to the development of deeper insights. Additionally, this coding method systematically searched for recurring patterns, anomalies, and contradictions within the interview

transcripts. By identifying how certain ideas or concepts recurred or evolved throughout the data, it was possible to uncover underlying themes and meanings that shape the Egyptian crowdfunding landscape. The outcomes were then woven together to present a comprehensive assessment of Egypt's readiness to embrace crowdfunding as an alternative financial instrument. This analysis of interviews with key stakeholders validated the outcome of the survey.

Table 3.1: Coding categories for the interview data.

Category	Concept
Technology	Internet penetration, mobile smartphone, connectivity, social media, education, business skills, electronic funds transfers, mobile money services
Culture	Entrepreneurship, career path, risk tolerance, individualistic goals, trust, incubators/accelerators, online buying/selling, online ratings, fostering entrepreneurship
Regulation	Business start-up complexity, hiring/firing regulation, closing a business, financial regulation, investor protection, best practices
Capital	Financing for start-ups, financing for small businesses, bank lending, angel investors, venture capital funds

Overall, the findings provide a nuanced understanding of the potential implications for the Egyptian financial ecosystem, especially considering recent regulatory developments, such as the approval of the first SME funding license for a non-banking financial company by Egypt's financial regulator ("Egypt's Financial Regulator approves 1st SME funding license in NBFC sector - Daily News Egypt", 2023).

RESULTS AND DISCUSSION

Survey Data

The analysis of the survey responses has illuminated insightful trends concerning crowdfunding awareness, acceptance, and participation within the surveyed population. Notably, 57.63% of respondents reported engaging in online donations, underscoring a substantial awareness and inclination to interact with crowdfunding platforms. This finding highlights the increasing familiarity with digital financial transactions and an eagerness to explore innovative funding mechanisms. Moreover, the survey revealed an acceptance rate of 61.44%, with participants expressing openness to the concept of crowdfunding as a viable means of financial contribution. This positive sentiment towards crowdfunding signifies a paradigm shift in traditional funding perceptions, potentially indicative of a growing trust in digital financial ecosystems.

Interestingly, the participation rate of 8.90% signifies tangible engagement in crowdfunding campaigns, highlighting a segment of respondents actively involved in funding initiatives. This observation suggests that while awareness and acceptance are moderately high, active participation in crowdfunding remains relatively modest.

This is understandable, given the absence of this funding avenue in Egypt. Collectively, these results emphasize the emergent yet promising trajectory of crowdfunding in the Egyptian context.

This conspicuous utilization demonstrates a prevailing eagerness among Egyptians to embrace online platforms for financial transactions. While a notable portion of the population actively participates in crowdfunding, a considerable number remain unaware of its underlying concept. This dissonance between the high rate of practical usage and relatively modest awareness levels reveals a captivating and intricate dynamic. It indicates that while the practical application of crowdfunding has gained ground within Egypt, there is ample space for bolstering awareness and comprehension of the broader crowdfunding phenomenon. This observation underscores the potential for educational initiatives to bridge the awareness gap, empowering more individuals to leverage the benefits of crowdfunding beyond mere donation activities.

Awareness, Acceptance, and Participation Measurements

Three key indicators — awareness, acceptance, and participation form the foundation for understanding respondents' engagement with crowdfunding. However, a distinction needs to be made regarding the measure of awareness rate to account for respondents who may have made online donations without recognizing them as instances of crowdfunding.

Awareness Rate

The awareness rate is calculated as (Number of respondents who have made online donations)/(Total respondents)*100 and overall is approximately 61.44%. This metric signifies those who have made online donations and represents the largest group of respondents. Importantly, while these individuals have made online donations, they may not explicitly recognize it as engaging in crowdfunding. This could result in a proportion of the awareness rate comprising individuals who, despite contributing online, might not be fully aware of the crowdfunding concept. Thus, while the awareness rate provides a general indicator of engagement, it should be interpreted with the understanding that some respondents' awareness might not encompass a complete understanding of crowdfunding.

Acceptance Rate

Similarly, the acceptance rate echoes the awareness rate at around 61.44%. This underlines the portion of respondents who not only comprehend the crowdfunding concept but also endorse it as a legitimate method of financial contribution.

Participation Rate

Aligning with the previous rates, the participation rate maintains consistency at approximately 61.44%. This metric emphasizes the segment of surveyed individuals

actively engaged in online donation activities, reaffirming their significant involvement in various crowdfunding platforms.

By acknowledging the potential variation in respondents' awareness and understanding of crowdfunding, the interpretation of the awareness rate becomes more nuanced and reflective of the intricate landscape of engagement. This ensures a comprehensive understanding of the data's implications for the broader crowdfunding context.

Familiarity and Participation in Crowdfunding

Moving beyond awareness and acceptance, the research delves into familiarity with the crowdfunding concept and the spectrum of participation. These insights are encapsulated as follows:

Familiarity Rate

The familiarity rate is calculated as (Number of respondents familiar with the crowdfunding concept)/(Total respondents)*100. Its overall rate was 35.59%. This statistic highlights the segment of surveyed individuals familiar with the broader concept of crowdfunding, but they have not necessarily participated.

This group may include potential future participants who find crowdfunding interesting but have not yet contributed.

Participation in Crowdfunding

A smaller subset (8.9%) of the surveyed population not only participates in crowdfunding but also understands the different types or models of crowdfunding. This group represents a more knowledgeable and informed segment of crowdfunding participants. This percentage signifies respondents who engage beyond online donations, embracing diverse forms of crowdfunding participation. (Figure 4.1)

Figure 4.1 shows the percentage of respondents having awareness, acceptance and participation or familiarity with the crowdfunding concept and percent who are knowingly participating in crowdfunding.

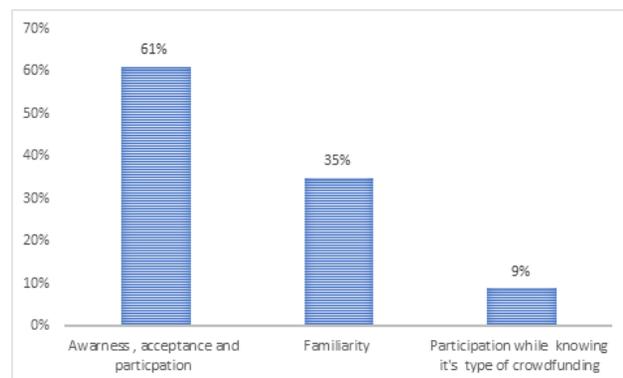


Fig. 4.1: The percentage of respondents having awareness, acceptance and participation or familiarity with the crowdfunding concept and percent who are knowingly participating in crowdfunding.

In summary, a substantial portion of crowdfunding participants may be motivated by online donations without a strong grasp of the crowdfunding concept, indicating the potential education opportunities and awareness-building within this group.

Diversity in Financial Participation

The data further reveals diverse but limited modes of financial participation in crowdfunding, as evidenced by the following percentages. Approximately 1.69% of those participating in crowdfunding, supported projects for non-financial returns. The same percentage of participants (1.69%) made online donations without anticipated returns. Finally, only approximately 0.42% of participants in crowdfunding invested money that would receive revenue in return.

Willingness to Invest for Revenue

The majority of respondents (51.27% of the surveyed population) said they "might consider" or "would consider" crowdfunding, (Figure 4.2). This suggests a significant level of openness to crowdfunding as an investment for revenue. In comparison, relatively few respondents were either undecided or leaned towards not considering crowdfunding for revenue.

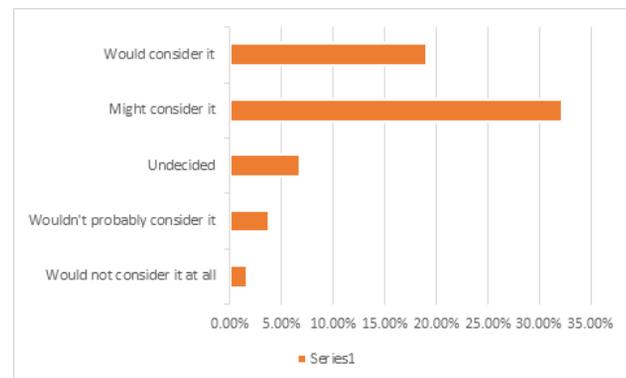


Fig.4.2: Willingness to invest using crowdfunding.

In summary, the meticulous analysis of this data highlights nuanced levels of awareness, acceptance, participation, familiarity, and investment attitudes within the surveyed populace. These insights illuminate the evolving crowdfunding landscape as perceived by respondents, shedding light on potential trends and avenues for further engagement and education.

This data indicates a noteworthy proportion of respondents open to considering investment through crowdfunding to achieve revenue, showcasing varying levels of willingness among the surveyed cohort.

Demographic Correlates of Crowdfunding Awareness

Gender

The data reveals an interesting gender-based distinction in terms of participation and familiarity with crowdfunding. Among the surveyed females, a majority of 120 reported

not having heard of crowdfunding, representing about 50.85% of the female participants. Conversely, 51 females (21.61%) indicated a familiarity with the concept of crowdfunding. On the other hand, 28 males (48.3% of male participants) reported not being aware of crowdfunding. In contrast, 30 males (51.7%) indicated a familiarity with crowdfunding (Table 4.2, Figure 4.3).

Table 4.2: Gender differences in familiarity with the crowdfunding concept

Gender	Are you familiar with the concept of crowdfunding?		Grand Total
	No, I have not heard of crowdfunding.	Yes, I am familiar with crowdfunding.	
Female	120	51	171
Male	28	30	58
Grand Total	148	81	229

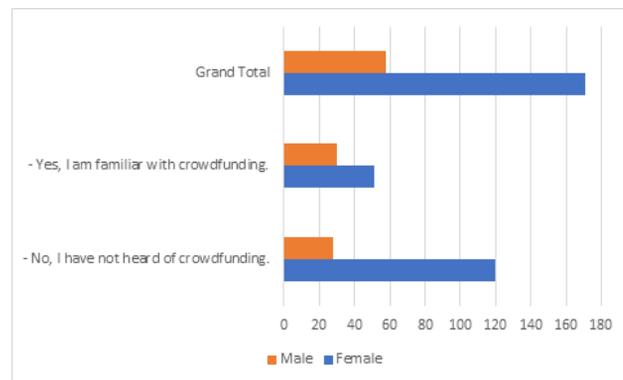


Fig. 4.3: Gender differences in familiarity with the crowdfunding concept

This data suggests that females have a higher level of participation in the survey and a more substantial percentage of those are not familiar with crowdfunding. On the other hand, while the number of participating males is lower, a relatively larger proportion of them have heard of or are familiar with crowdfunding.

In terms of participation, among the female respondents, 98 individuals (55% of females) have made online donations, whereas among the male respondents, 12 individuals (19% of males) have done the same. This suggests that females are more engaged in online donation activities than males in the surveyed population.

These findings highlight the importance of considering gender differences when analyzing awareness and familiarity with crowdfunding. Additionally, it indicates the need for targeted efforts to increase awareness and understanding among the public.

Income

Individuals with income levels ranging from 0 to 10,000 EGP/month have the highest representation in the survey (169 respondents). As the income levels increase, the number of respondents gradually decreases (Table 4.3, Figure 4.4). The income group with the highest

number of online donations is also the 0 to 10,000 EGP/month bracket, with 98 respondents having reported making online donations. This indicates that a significant number of individuals with varying income levels engage in online donation activities.

Table 4.3: Participation in crowdfunding and income level

		Level of Income (monthly)						Grand Total
		<10,000 EGP	10,000 to 20,000 EGP	20,000 to 30,000 EGP	>30,000 EGP	High (over 20)	blank	
Have you ever made a donation online (using internet)?	No	68	10	8	5		2	93
	Yes	98	12	7	14		5	136
	blank	3		1		1	2	7
	Total	169	22	16	19	1	9	236

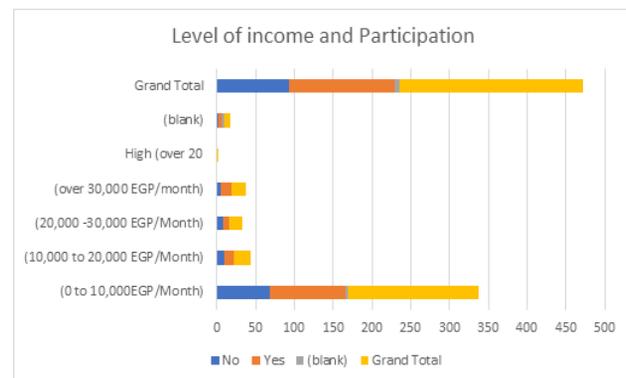


Fig. 4.4: Level of income and participation

Although the majority of respondents fall into the 0 to 10,000 EGP/month income bracket, a significant proportion (68 individuals) within this group have not engaged in online donations. This could be due to various factors such as awareness, preference, or other financial considerations. Interestingly, the number of respondents who have made online donations increases as income levels increase. This could suggest that as income increases, people are more inclined or able to participate in online donation activities.

To summarize, the data suggests that an interaction occurs between income levels, gender, and engagement in online donation activities. While most of respondents fall into the lowest income bracket, a significant number across various income levels have participated in online donations, with females showing higher engagement in this aspect. However, there are also individuals within the higher income groups who have not engaged in online donations, possibly indicating room for further exploration into the factors influencing donation behavior across income levels.

Familiarity with Crowdfunding and Online Donations

Among respondents familiar with the concept of crowdfunding (84 individuals), almost all (81 respondents) have engaged in online donation activities. This suggests that individuals who know about crowdfunding are more likely to be involved in online donation processes. Among respondents who have not heard of crowdfunding (152 individuals), 67 individuals (44%) have participated in online donations. Thus, even among those who are not familiar with crowdfunding, a notable number have engaged in online donation activities (Table. 4.4). many participants engaged in in donation crowdfunding activity while none of them know the concept , which means more awareness should be given to the public to be more flexible in engaging later in different types of crowdfunding when introduced.

Table 4.4: Familiarity with the crowdfunding concept

	Are you familiar with the concept of crowdfunding?			Grand Total
	No, I have not heard of crowdfunding	Yes, I am familiar with crowdfunding		
Have you ever done a donation online (using internet)?	No	67	26	93
	Yes	81	55	136
	(blank)	4	3	7
	Grand Total	152	84	236

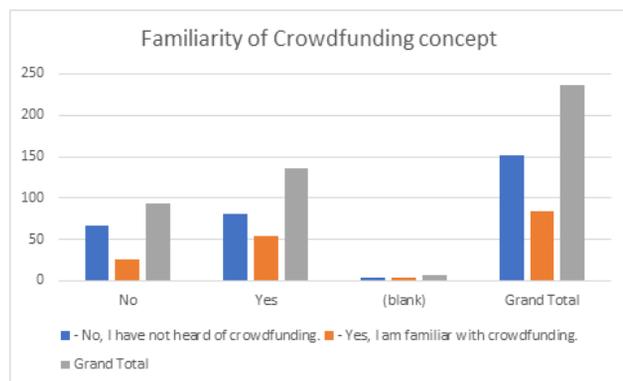


Fig. 4.5: Familiarity with the crowdfunding concept

Interestingly, some individuals who are familiar with crowdfunding (84 respondents) have not engaged in online donations (26 respondents). This could signify that while they are aware of crowdfunding, they have personal reasons or preferences that have led to the non-participation in online donation activities. (Figure 4.5)

Table 4.5: Awareness, acceptance, and participation according to level of education

Level of education	Are you familiar with the concept of crowdfunding?	No, I have not heard of crowdfunding.	Yes, I am familiar with crowdfunding.	Grand Total
Doctorate (PhD)		14	16	30
High school		2	3	5
Master's degree		57	24	81
Other		0	1	1
University graduate		47	22	69
University undergraduate		28	15	43
Grand Total		148	81	229

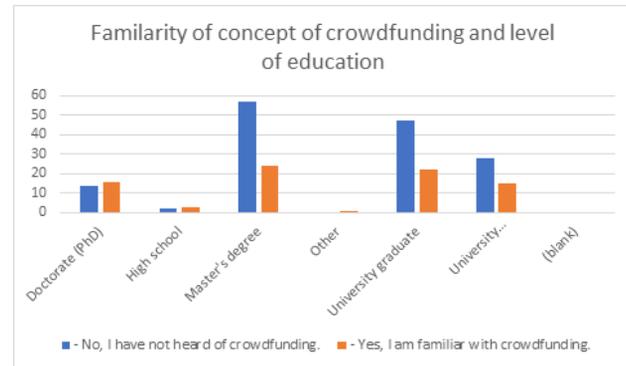


Fig. 4.6: Familiarity of concept of crowdfunding and level of education

To summarize, the data suggests a nuanced relationship between familiarity with crowdfunding and engagement in online donation activities. While there is a connection between familiarity and participation, the data also highlights the factors beyond familiarity, such as personal preferences and motivations, which may influence the individuals' decisions to participate in online donation activities.

More than half of the respondents (64.6%) have not heard of crowdfunding. The majority of the respondents (35.4%) have a master's degree, followed by university graduates (30.1%) and university undergraduates (18.8%). Most of the respondents (65.1%) have done online donations, while only 34.9% have not. The level of education seems to have a positive correlation with the likelihood of doing online donations, as higher levels of education have higher percentages of donors. (Table 4.6) However, this might not imply causation, as other factors could also influence the decision to donate online.

Table 4.6: Online donations & level of education

Level of Education	Have done online donations	Have not done online donations	Total
Doctorate (PhD)	14	16	30
High School	2	3	5

Table 4.7: Familiarity with the concept of crowdfunding in correlation with level of education

Familiarity with Crowdfunding	Number of Respondents
No, I have not heard of crowdfunding	148
Yes, I am familiar with crowdfunding	81
Total	229

Education

Among respondents who are familiar with the concept of crowdfunding (81 individuals 34% of the surveyed sample), the majority in each educational category have engaged in online donation activities. This indicates that individuals with varying levels of education who are familiar with crowdfunding are equally likely to be involved in online donation processes.

There are instances within each educational category where individuals are familiar with crowdfunding but have not engaged in online donations. This suggests that while familiarity with crowdfunding is a factor, there are other factors influencing participation in online donation activities.

The data highlights that individuals with a master’s degree are most likely to engage in online donation activities (70% of 81 respondents), followed by university graduates (68% of 69 respondents) and doctorate (PhD) holders (46% of 30 respondents). High school and university undergraduate respondents had relatively lower engagement in online donation activities.

To summarize, the data suggests a relationship between familiarity with crowdfunding, level of education, and participating in online donation activities. While familiarity does play a role, the level of education also influences the participation. The higher engagement of individuals with higher degrees could be attributed to financial capability, familiarity with online transactions, or personal motivations. The variation in participation across different educational levels underscores the need to consider diverse factors such as employability and affordability when understanding online donation behaviors.

Interview Data

The second phase of the research started with thematic approach using the World Bank’s self-assessment tool to focus in-depth interviews with key stakeholders. This helped in gauging the validity of the survey results while discussing the cultural, technology & Capital themes. This phase encompasses a meticulous examination of the responses provided by key stakeholders, yielding valuable data that will help shape understanding Egypt’s crowdfunding context. By analyzing and interpreting the collected information, the prevailing trends can be discerned perceptions, and potential areas of growth within the Egyptian crowdfunding landscape. Through a structured approach, through asking interviewees about the scale they give to each question from 1 to 10, debating their answers, and discussing the results from the survey

when relevant. aiming to derive actionable insights that can illuminate pathways for enhancing awareness, bolstering readiness, and promoting active participation in the world of crowdfunding.

The analysis of the self-assessment tool results will categorize the readiness of crowdfunding in Egypt into distinct rankings. These rankings offer various perspectives on Egypt’s preparedness for crowdfunding activities and are structured as in the following sections.

The interview transcripts were systematically reviewed, and the data was coded to identify recurring themes, ideas, concepts, or patterns in the interviewee responses. These codes were words or short phrases that represented the content of the responses. Following the self-assessment tool, four themes were considered: technology, culture, capital, and regulations. These themes are discussed in the following sections.

The Technology Theme considers the presence and active utilization of technological resources within Egypt. Recommendations arising from this evaluation include promoting active engagement in events and harnessing the potential of technology and social media platforms to propel the recognition and adoption of crowdfunding and crowdfund investing. This strategic impetus aligns with the broader objective of fostering entrepreneurship, innovation, and employment opportunities. In harmony with the above, the data gathered from the survey reveals a significant usage of online payment methods, with nearly 61% of respondents demonstrating awareness and acceptance of online donations. This finding is further corroborated by the interviews featured in the Technology Theme. This high level of digital payment adoption underscores the readiness of the population to embrace technologically driven financial solutions. This will be aligning with the broader objective of fostering a technologically advanced entrepreneurial ecosystem.

The Culture Theme denotes a state of moderately developed entrepreneurial capacity and an incremental tolerance for investment risk; it is proposed that a continuation of training and mentorship initiatives for public to be upheld. Furthermore, interviewees indicated a necessity to inaugurate comprehensive initiatives that involve early entrepreneurial success stories to galvanize their proactive involvement in the crowdfunding ecosystem. The strategic establishment of external linkages to amplify capacity building about crowdfunding is also a pivotal recommendation in this context. This was also proved by the data gathered from the survey that denotes the usage of crowdfunding for investment is so little compared with online (crowdfunding) donations.

In the Regulatory Theme, the outcomes of the interviews indicate that a regulatory framework actively encourages investment endeavors, and it is advised that governments should further promote donation and perks-based crowdfunding mechanisms. Additionally, a concerted effort to cultivate an encompassing framework

for crowdfund investing is advocated, aligning with the collective aim of increasing financial participation and innovation. The interviewees proposed multi guidelines and recommendations within this theme to further develop it to prepare for the rise of the crowdfunding concept in Egypt which will be displayed in the recommendations part. This aligns with the data collected from the survey, which shows a low usage of crowdfunding platforms for investment compared to crowdfunded for online payments for donations. As the familiarity with crowdfunding concept and online donations as part of crowdfunding among those respondents who are aware of crowdfunding (84 individuals), of almost all (81 respondents) have participated in online donation activities. This indicates that it's more likely to engage in Crowdfunding investments if the correct regulations are put in place. As showed in the recommendation section.

The Capital Theme connotes a progressive growth trajectory within private capital markets and suggests governments acquire a comprehensive understanding of the transformative shifts transpiring in the private sector's capital formation landscape. With this comprehension as a foundation, governments can undertake strategic measures to nurture and amplify these changes, further galvanizing capital formation within the private sector. This also has been indicated in the survey and has clearly shown that income is not a barrier to being engaged in crowdfunding activities as figure 6 (level of income and participation) shows.

In summary, the holistic assessment of readiness within these diverse dimensions provides a comprehensive roadmap for tailored recommendations. These recommendations, methodically extracted from the interviews, collectively aspire to catalyze Egypt's evolution within the domain of alternative financial instruments and to bolster its entrepreneurial, innovative, and economic fabric. And it has also validated the outcome of the survey in many aspects.

CONCLUSIONS AND RECOMMENDATIONS

In this concluding chapter, the culmination of the research journey is brought to the forefront, encapsulating the pivotal findings and insightful outcomes obtained throughout the project through the survey and the interviews. This section adheres to the principles of summarization and reflective analysis.

Conclusions

At the outset of this investigation, the research objectives and inquiries described sought to delve into the readiness of the Egyptian innovation ecosystem for the integration of crowdfunding mechanisms. The methodological approach underscored a comprehensive fusion of a survey and interviews to provide a nuanced take on the awareness, acceptance, and participation of the public to the crowdfunding concept. A self-assessment mechanism was adapted to best measure the technological,

cultural, regulatory, and capital dimensions underpinning this readiness.

The survey centered on probing the awareness, acceptance, and participation levels of Egyptians in crowdfunding. The outcomes portray a dynamic landscape characterized by coexisting levels of utilization and awareness. Particularly striking is the substantial engagement of 57.63% of respondents in online donation activities, reflecting a robust inclination to utilize crowdfunding platforms for financial contributions. This

practical engagement stands in contrast to a 35.59% awareness rate, implying a discernible disparity between operational engagement and conceptual comprehension. Further examination reveals an encouraging acceptance rate of 61.44%, indicative of a receptive stance towards crowdfunding as a viable financial avenue. However, the involvement in active crowdfunding campaigns remains modest at 8.90%, suggesting untapped potential for broader participation in crowdfunding endeavors.

The survey results were validated using data from interviews with 10 key stakeholders. The synthesized findings, based on data aggregation and rigorous analysis, have illuminated critical aspects of Egypt's positioning within the landscape of alternative financial instruments such as payment service providers. Specifically, the technology dimension indicated a remarkable embrace of technology, fostering potential avenues for heightened engagement in crowdfunding through social media and technological platforms. The cultural dimension suggested a moderately developed entrepreneurial capacity, suggesting continued training and mentorship initiatives are needed to the public. The regulatory dimension revealed a regulatory environment conducive to crowdfunding and suggested benefits could be derived from extending the encouragement of donation and reward-based crowdfunding. Lastly, the capital dimension emphasized the burgeoning growth of private capital markets, warranting governmental exploration into fostering this trend.

The findings clearly indicate that Egypt occupies a promising position within the spectrum of crowdfunding viability as resulting from the interviews answers and using the world bank self-assessment tool scale (Figure 5.1). The research serves to substantiate the potential for crowdfunding and crowdfund investing as instrumental mechanisms for fortifying entrepreneurship, innovation, and economic growth in Egypt.

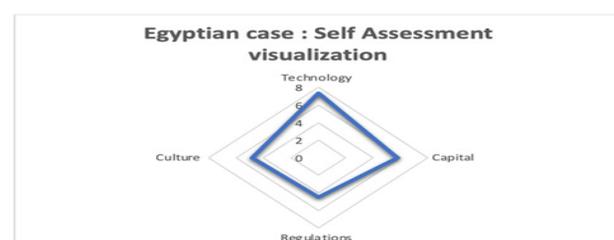


Fig. 5.1: Self-assessment tool visualization

Recommendations

Drawing from the multifaceted analyses and discussions, a series of strategic recommendations emerge.

For the public

Educational Initiatives. Given the disparity between usage and awareness rates, targeted educational programs are pivotal to elevate understanding. Collaborative endeavors involving educational institutions, government bodies, industry & financial/banking sector stakeholders can play a pivotal role in elevating awareness and expanding the embrace of crowdfunding.

Community Engagement. Bridging the divide between robust utilization and limited participation necessitates nurturing a sense of community engagement. Platforms fostering social interaction, shared values, and collaborative spirit can incentivize more extensive active participation in crowdfunding initiatives.

For practitioners and stakeholders within the Egyptian ecosystem

Regulatory Frameworks. As Egypt contemplates crowdfunding integration, a well-defined and adaptable regulatory framework is paramount. Synthesizing efforts among regulatory bodies, financial institutions, and crowdfunding platforms is imperative to establish guidelines that foster responsible and secure crowdfunding practices.

Designing effective financial regulations for crowdfunding in the Egyptian markets requires balancing the promotion of innovation and access to capital with the protection of investors. Below the researcher suggests some regulatory measures for consideration.

- **Clear Legal Framework.** Establish a clear legal framework that defines the different types of crowdfunding (equity, debt, reward-based, donation-based, etc.) and outlines the regulatory requirements for each type. This framework should define the roles and responsibilities of various stakeholders, including platforms, issuers, and investors.
- **Licensing and Registration.** Require crowdfunding platforms to obtain licenses from a regulatory authority. The licensing process should involve due diligence regarding the platform's operations, technology, risk management, and investor protection measures. This will ensure that only credible and capable platforms are allowed to operate.
- **Investor Eligibility and Limits.** Set criteria for investor eligibility, such as income or net worth thresholds, to ensure that only those with a certain level of financial sophistication can participate in certain types of crowdfunding (like equity crowdfunding).

- **Disclosure Requirements.** Mandate comprehensive and transparent disclosure of information from issuers on crowdfunding platforms. This includes financial statements, business plans, risk factors, and any other relevant information that potential investors need to make informed decisions.
- **Risk Education and Assessment.** Require crowdfunding platforms to provide educational materials to investors about the risks associated with investing in startups or small businesses. Platforms could also offer risk-assessment tools to help investors evaluate their risk tolerance.
- **Anti-Money Laundering (AML) and Know Your Customer (KYC) Procedures.** Implement stringent AML and KYC procedures for both investors and issuers to prevent money laundering and ensure the identities of participants are verified.
- **Escrow Mechanisms.** Utilize escrow mechanisms to hold funds raised through crowdfunding until certain milestones or conditions are met, ensuring that funds are only released to issuers as intended.
- **Due Diligence and Screening.** Mandate crowdfunding platforms conduct due diligence on issuers seeking funding on their platforms. This could involve verifying the accuracy of information provided by issuers and evaluating the viability of their business plans.
- **Exit Opportunities.** Provide mechanisms for investors to exit their investments, such as secondary markets or redemption options, to enhance liquidity and prevent investors from being locked into illiquid investments.
- **Regular Reporting and Auditing.** Require platforms to regularly report on their operations and activities to the regulatory authority. Independent audits can be conducted to ensure compliance with regulations and proper handling of funds.
- **Investor Caps and Tiered Crowdfunding.** Consider implementing investor caps based on an individual's financial capacity. For example, more experienced investors could be allowed to invest higher amounts, while novice investors may have lower limits.
- **Crisis Management and Contingency Plans.** Establish contingency plans to manage potential crises, such as platform failures or widespread investor losses.
- **Collaboration with Industry Stakeholders.** Involve industry associations, academia, legal experts, and other stakeholders in the formulation and updating of crowdfunding regulations to ensure they remain relevant and effective.

The regulatory frameworks should be flexible enough to accommodate changes in technology and business models while maintaining a focus on investor protection. The above measures provide a starting point for developing a comprehensive regulatory framework for crowdfunding in the Egyptian markets. However, these suggestions should be adapted and tailored to the specific needs and characteristics of the local market and legal system. Additionally, seeking input from relevant stakeholders and conducting thorough impact assessments before implementing any regulations is crucial.

Furthermore, understanding the evolving dynamics within private capital markets and nurturing them are key considerations for policymakers, as emphasized by the results from the capital theme. Leveraging technological adeptness and social media prowess can be used to amplify the visibility and resonance of crowdfunding endeavors. Further, continued investment in training and mentorship programs is advised, to bolster the entrepreneurial capacity observed in the cultural dimension.

Limitations

While this research endeavors to shed light on the readiness of the Egyptian innovation ecosystem for integrating crowdfunding mechanisms, it is important to acknowledge its limitations. The research scope primarily centers on assessing factors related to readiness and public engagement, potentially overlooking broader socio-economic and cultural complexities that could impact crowdfunding dynamics. However, as no crowdfunding platforms exist in Egypt to date, this will be better placed for future research.

Generalizability. The study does not discuss the generalizability of the findings beyond the surveyed population. Since the research relies on surveys and interviews, there are challenges in extending the conclusions to the broader Egyptian population or other contexts.

Data Collection Challenges. Gathering responses from the public proved to be challenging, with notably low response rates despite diligent efforts to distribute the survey widely. This was further complicated by the desire to ensure diversity across demographics, encompassing various age groups, income levels, and educational backgrounds. Interviews conducted online encountered technical difficulties, and interruptions due to power outages hindered the smooth flow of interviews. These constraints may affect the robustness of the findings attained.

Cultural Sensitivity. Since the research involves cultural dimensions, potential limitations related to cross-cultural differences must be considered, including nuances in interpreting survey questions or cultural biases that could affect responses.

Future Research

As the ecosystem evolves, future research could delve into the evolving intricacies of technology-driven platforms and their impact on crowdfunding dynamics. Moreover, exploring the nuanced interactions between cultural factors and crowdfunding efficacy deserves deeper exploration. The regulatory landscape warrants continuous study to adapt to emerging financial paradigms. Additionally, an inquiry into the efficacy of fostering private capital markets in tandem with crowdfunding can enrich the discourse surrounding Egypt's financial transformation.

Summing up, this research serves not only to answer its immediate inquiries but also to stimulate thought and insight into Egypt's adoption of alternative financial mechanisms. Through the considered exploration of readiness and the ensuing recommendations, a roadmap unfolds, paving the way for a collaborative effort toward a vibrant and innovative financial ecosystem. The journey undertaken serves as an impetus for future endeavors, drawing inspiration from the insights forged within these pages.

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Lastly, I acknowledge the broader academic community for fostering an environment of knowledge-sharing and learning, which has been essential in nurturing our intellectual growth.

CONFLICT OF INTERESTS

There are no conflicts of interest.

ABBREVIATIONS

ASRT: Academy of Scientific Research and Technology, **MSMEs:** Micro, small, and medium enterprises, **SMEs:** Small and medium enterprises, **UK:** United Kingdom, **USA:** United States of America, **VC:** Venture capital.

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المخلص العربي

إمكانية مصر تطبيق التمويل الجماعي ومدى استعدادها له

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يتكون هذا المشروع من دراسة شاملة لإمكانية التمويل الجماعي كقناة مالية رائدة في السياق المصري المميز، بهدف تعزيز المشاريع الريادية والابتكار والتقدم الاقتصادي. التمويل الجماعي، وهو آلية تمويل مميزة يستخدمها الرياديون والمنظمات، يستخدم بشكل أساسي المنصات القائمة على الويب لتوحيد الموارد من الجمهور العام أو الأفراد المتعددين في شكل مساهمات أو استثمارات. من المتوقع أن يصل سوق التمويل الجماعي العالمي إلى 96 مليار دولار بحلول عام 2025، متجاوزًا حجم الاستثمارات الرأسمالية العالمية بمرتين. ومع ذلك، يتميز المشهد الاقتصادي في مصر بسوق رأس المال غير المتطور وقطاع البنوك المهيمن، مما يؤدي إلى خيارات محدودة لجمع رأس المال. الهدف الأساسي للمشروع هو تقييم استعداد المشهد الاقتصادي المصري لتبني ممارسات التمويل الجماعي، مع تقييم مستوى الوعي والقبول بين المستخدمين المحتملين في الوقت نفسه، مما يمهّد الطريق لدخول مصر إلى عالم أسواق التمويل الجماعي. يشمل هذا البحث أيضًا العديد من الأهداف الفرعية مثل استكشاف التطبيقات العالمية للتمويل الجماعي في سياقات مختلفة وتحديد التحديات المرتبطة بتبني التمويل الجماعي في مصر من خلال المقابلات مع أصحاب الخبرة. وأخيرًا، يهدف إلى اقتراح مسارات استراتيجية للتخفيف من التحديات المذكورة في الدراسات المنشورة للسابقين في هذا المجال وتعزيز التنفيذ الفعال للتمويل الجماعي في مصر. تقوم هذه الدراسة بتحليل شامل، باستخدام استبيان مطور مشتق من البارومتر الألماني للتمويل الجماعي للكشف عن مستويات الوعي والقبول والمشاركة من الجمهور العام في التمويل الجماعي. بالإضافة إلى ذلك، تمت مقابلة أصحاب الخبرة للتحقق من صحة نتائج الاستبيان والتحقق في الجوانب الرئيسية التي حددها البنك الدولي، بما في ذلك النظام البيئي للريادة واللوائح الاقتصادية والمشاركة المجتمعية والبنية التحتية التكنولوجية، والتي تعد جميعها أساسيات لتنفيذ التمويل الجماعي بنجاح. علاوة على ذلك، يتضمن تحليل السياسات تحديد وتعريف العناصر الأساسية والعمليات والخصائص والأبعاد لمفهوم مزيج السياسات، وتحليل عمليات السياسات والنظر في التفاعل بين السياسة والتغيير التكنولوجي. يتجاوز هذا البحث التحليل البسيط وتقتصر توصيات سياسية مستهدفة مصممة خصيصًا للسياق المصري، بهدف زراعة بيئة مواتية لتطبيقات التمويل الجماعي المحتملة، مثل الحاجة الملحة إلى إطار قانوني واضح والعناية الواجبة الصارمة في عملية الترخيص والتسجيل المتعلقة بعمليات المنصة والتكنولوجيا وإدارة المخاطر وتدابير حماية المستثمر، بين غيرها من اللوائح السياسية المحددة للتمويل الجماعي الفعال والأمن في مصر. النتيجة الرئيسية لهذا البحث هي أن مصر تحتل موقعًا واعدًا ضمن مجموعة إمكانات التمويل الجماعي. تثبت هذه البحث الإمكانيات التي يمكن أن يظهر فيها التمويل الجماعي والاستثمار الجماعي كآليات أساسية لتعزيز الريادة والابتكار والتقدم الاقتصادي. يعد هذا الاستكشاف خطوة أساسية نحو استغلال قوة التمويل الجماعي مع تمهيد الطريق في الوقت نفسه لتبنيه بشكل مسؤول وفعال في مصر.