Abstract

Loan-based crowdfunding is being introduced in the Spanish market as an alternative financial and investment product supported by a legislation that provides transparency and legal certainty both investors and companies with financing needs. This paper examines the impact of crowdfunding in Spain, the profitability-risk binomial, the diversifications effects as well as its advantages and disadvantages over alternative investment and finance vehicles. In addition, it is defined the factors that explain the pattern of the cost of borrowing through a regression analysis. Based on the results obtained, it can be expected the beginning of a virtuous circle that will lead crowdfunding to become a part of the solution of financial market inefficiencies, primarily regarding the finance and profitability challenges of SMEs and savers, and a new tool for public-private promotion for projects with positive externalities.

Keywords

Crowdfunding, Alternative Investment and Finance, Banking Sector, Small and Medium Enterprises(SMEs).