



The Dynamics of Equity Crowdfunding in Indonesia: Legal Perspectives on Opportunities and Challenges

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Abstract

The dynamics of equity crowdfunding in Indonesia reflect the advancement of policies that are increasingly responsive to financial technology innovations, aimed at expanding access to financing while ensuring stability and legal protection. This scheme presents significant opportunities in terms of enhancing financial inclusion, providing capital access for SMEs and startups, as well as enabling public participation in investments. The research methodology employed is normative legal with an approach based on legislation, conceptual analysis, and legal comparison. The findings indicate that equity crowdfunding has experienced substantial growth, with total funding reaching over Rp1.4 trillion by the year 2025. However, there are significant legal challenges, including investor protection, information transparency, legal certainty, and the potential risks of platform misuse amidst low financial literacy. From a legal perspective, a comprehensive strategy is required through the strengthening of adaptive regulations, enhanced supervision, and the implementation of stricter information disclosure principles. Additionally, legal education and financial literacy for the public, along with synergy between regulators and industry players, are crucial in building a credible ecosystem. Thus, the success of equity crowdfunding development in Indonesia heavily relies on the legal system's ability to balance innovation and protection, in order to create a safe, transparent, and sustainable ecosystem.

Keywords: equity crowdfunding, regulation, investor protection, financial inclusion, legal strategy

1. Introduction

The advancement of digital technology has led to considerable changes in the global financial industry, including in Indonesia. One notable innovation is crowdfunding, a technique for gathering funds from the broader community via digital platforms. This approach has emerged as a progressively significant financing option, particularly for micro, small, and medium enterprises (MSMEs), which frequently encounter restricted access to traditional financial institutions. In Indonesia, the growth of crowdfunding is exhibiting a favorable trend, although it continues to confront various structural and regulatory obstacles. Nevertheless, as indicated by fintech industry reports, Indonesia ranks among the largest markets in Southeast Asia for the adoption of digital financial services.

Moreover, the COVID-19 pandemic has hastened the uptake of crowdfunding, especially in the realms of social fundraising and emergency assistance. This trend illustrates that crowdfunding serves not merely as a financial mechanism but also as a means of fostering social unity. Theoretically, as articulated by Paul Belleflamme *et al.*, crowdfunding is "an open call, mostly via the

Internet, for the provision of financial resources." that involves broad public participation.^[1] In the meantime, Ethan Mollick highlighted that crowdfunding enables fundraising without the need for conventional financial intermediaries.^[2] In general, crowdfunding in Indonesia is divided into several models, namely:

1. **Donation-driven crowdfunding:** contributions for social or humanitarian initiatives
2. **Reward-driven crowdfunding:** backers obtain non-monetary incentives
3. **Equity crowdfunding:** stakeholders gain ownership shares
4. **Lending-driven crowdfunding (P2P lending):** loans with interest returns.^[3]

In Indonesia, the implementation of crowdfunding is under the vigilant oversight of the Financial Services Authority (OJK), which governs various schemes including equity crowdfunding and peer-to-peer lending. This regulatory framework illustrates that, notwithstanding its innovative aspects, crowdfunding operates within the confines of the formal financial system. Conceptually, crowdfunding in Indonesia possesses several essential characteristics:

1. **Funding democratization:** enabling broader community involvement as investors and donors
2. **Disintermediation:** minimizing the influence of conventional financial institutions
3. **Technology-driven:** utilizing online platforms as the main channel
4. **Trust-centric:** success is significantly reliant on transparency and reputation

In theory, crowdfunding seeks to establish a financial system that is both inclusive and democratic. Nevertheless, in practice within Indonesia, there has been a transition from a community-oriented model (social funding) to a profit-oriented model (investment-driven platform)

In Indonesia, the Financial Services Authority (OJK)

This occurrence has led to considerable transformations within the global financial ecosystem, notably in Indonesia. A notable innovation that has emerged is equity crowdfunding, which serves as a method for gathering business capital from the broader community via digital platforms in return for ownership shares. This approach offers a more adaptable funding option compared to conventional financing, particularly for micro, small, and medium enterprises (MSMEs) and startups that face challenges in securing bank financing.^[4] According to the findings of Douglas Cumming and Sofia Johan, crowdfunding serves as a viable financing option for small enterprises, as it effectively lowers the obstacles to accessing conventional financial institutions.^[5] Furthermore, the Journal of Business Venturing indicates that crowdfunding platforms have the potential to enhance capital market efficiency by directly connecting investors with business participants via digital technology.^[6]

The growth of equity crowdfunding in Indonesia has demonstrated a notable upward trajectory in recent years. According to information from the Financial Services Authority (referred to as OJK), by 2025, the total amount of funds raised surpassed IDR 1.4 trillion, involving more than 176,000 investors. The progress of equity crowdfunding in Indonesia is illustrated in the table below

Table 1:

Year	Total Funds	Number of Investors	Number of Publishers
2021	364,6 miliar	±176 penerbit	—
2023	1,04 triliun	168.068 investor	494 penerbit
2024	1,36 triliun	173.036 investor	713 penerbit
Jan 2025	1,38 triliun	173.686 investor	727 penerbit
Aug 2025	1,69 triliun	186.372 investor	899 penerbit
2026	1,85 triliun	193.789 investor	995 efek

Source: Financial Services Authority

This model allows business actors to obtain funds from the wider community through online platforms in exchange for share ownership.^[7] Moreover, it acts as a substitute for traditional funding sources, which are frequently challenging for startups and small to medium-sized enterprises to reach. This initiative offers substantial opportunities for MSMEs and startups to secure funding that was previously hard to acquire through conventional financial institutions.

In light of these developments, the Government has implemented a policy to evolve equity crowdfunding into Securities Crowdfunding (SCF), as governed by the Financial

Services Authority (OJK) under Financial Services Authority Regulation Number 57 of 2020, which pertains to Securities Offerings via Information Technology-Based Crowdfunding Services (hereafter referred to as POJK 57/2020). This regulation was established to offer a legal framework for the execution of equity crowdfunding while ensuring legal protection for both investors and business entities.^[8] Equity crowdfunding holds considerable promise for enhancing financial inclusion and fostering the development of MSMEs in Indonesia. Consequently, it can serve as an alternative solution to address the funding requirements of MSMEs and

¹ Paul Belleflamme, Thomas Lambert, & Armin Schwiener, "Crowdfunding: Tapping the Right Crowd," Journal of Business Venturing, 2014

² Paul Belleflamme, Thomas Lambert, & Armin Schwiener, "Crowdfunding: Tapping the Right Crowd," Journal of Business Venturing, 2014

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⁵ Paul Belleflamme, Thomas Lambert, & Armin Schwiener, "Crowdfunding: Tapping the Right Crowd," Journal of Business Venturing, 2014

⁶ Paul Belleflamme, Thomas Lambert, & Armin Schwiener, "Crowdfunding: Tapping the Right Crowd," Journal of Business Venturing, 2014

⁷ Paul Belleflamme, Thomas Lambert, & Armin Schwiener, "Crowdfunding: Tapping the Right Crowd," Journal of Business Venturing, 2014

⁸ Paul Belleflamme, Thomas Lambert, & Armin Schwiener, "Crowdfunding: Tapping the Right Crowd," Journal of Business Venturing, 2014

stimulate investor engagement through dividend returns, despite the inherent risk of complete investment loss that must be acknowledged.

Nevertheless, in both practical and legal contexts, the equity crowdfunding mechanism encounters several significant challenges. Its application in Indonesia continues to face numerous hurdles, despite its considerable potential to foster economic growth and broaden investment opportunities. A primary challenge is the inconsistency in regulations, especially concerning Law Number 8 of 1995 on Capital Markets (hereinafter referred to as the Capital Market Law), which provides the legal framework for information technology-based public stock offerings. Article 1 Number 13 of the Capital Market Law characterizes the capital market as encompassing activities related to public offerings, securities trading, and the institutions and professions associated with securities. However, the Capital Market Law does not currently address digital securities offerings via platforms like equity crowdfunding, focusing instead on traditional public offering methods through the Stock Exchange. This inconsistency results in a legal gap that could lead to uncertainty for organizers, share issuers, and investors.^[9]

This scenario has necessitated the alignment of regulations between the Capital Market Law (UUPM), POJK 57/2020, and Law No. 4 of 2023 regarding the Development and Strengthening of the Financial Sector (hereafter referred to as the P2SK Law). The P2SK Law has broadened the definition of "securities" and revised the legal framework of the capital market to be more responsive to technology-driven financial innovations. This situation calls for harmonization efforts to ensure that all legal instruments governing equity crowdfunding function cohesively, prevent overlaps, and offer legal certainty for all stakeholders involved.

Moreover, an additional concern pertains to the protection of investors. While the Financial Services Authority (POJK) oversees equity crowdfunding, the existing regulations fail to offer sufficient safeguards for investors, particularly on unregistered platforms. Investors engaging with illegal platforms are exposed to the possibility of legal repercussions and uncertainty regarding their legal protections. The issue of information asymmetry between issuers and investors is another challenge often highlighted in academic literature. This disparity in information can result in moral hazard, as issuers possess significantly more detailed information than investors, thereby increasing the risk of misleading or opaque data disclosure.

However, Ningrum and Multazam emphasized that equity crowdfunding is different from traditional financing models because it is based on digital technology, enabling a transparent, fast process and wider reach.^[10] Furthermore, it aims to increase financial inclusion by providing opportunities for the general public to invest directly in the real sector.^[11] Equity crowdfunding makes the distribution of business ownership more democratic and encourages

economic growth based on public participation. In terms of opportunities, equity crowdfunding has significant potential to support the development of the entrepreneurial ecosystem in Indonesia.^[12] Numerous entrepreneurs possessing innovative concepts encounter difficulties in securing funding. Equity crowdfunding is anticipated to resolve these issues by uniting entrepreneurs and investors on a singular digital platform.

In the meantime, the main objective of equity crowdfunding is to enhance access to financing for enterprises, especially startups and MSMEs that do not possess the ability to secure funding from formal financial institutions or the capital market. There are obstacles associated with legal compliance and the preparedness of business actors. Numerous MSMEs do not have sufficient corporate governance frameworks, including transparent and accountable financial records, which complicates their ability to fulfill equity crowdfunding criteria. Additionally, platform providers encounter difficulties in guaranteeing system security, the validity of information, and adherence to changing regulations.

Effective oversight is another obstacle. Although regulations provide a legal basis for oversight, their implementation still faces limitations such as supervisory resources, monitoring technology, and law enforcement capacity.^[13] Another concern is the possibility of regulatory overlap, as equity crowdfunding exists at the intersection of capital markets, corporate law, and information technology law. This situation can lead to legal ambiguity if not adequately harmonized. Additionally, the mechanisms for oversight and law enforcement require enhancement to effectively anticipate abusive practices, including fraud or manipulation of information.

Additional studies indicate that while the Financial Services Authority (OJK) advocates for legal protection, the implementation of legal engineering and enforcement remains suboptimal in ensuring complete security for investor funds and rights within the Indonesian equity crowdfunding landscape. In contrast to the United States and the United Kingdom, Indonesia continues to fall short regarding the robustness of its legal framework and the mechanisms for investor protection. A comparative analysis reveals that the principle of information disclosure in US equity crowdfunding is systematically governed by the JOBS Act under Regulation CF, which imposes more stringent disclosure obligations and offers more extensive protection for investors.^[14]

Although equity crowdfunding presents considerable opportunities to enhance access to financing and foster innovation within the digital economy, its effective execution is largely contingent upon the enhancement of legal frameworks, especially regarding investor protection, transparency of information, and robust oversight. In-depth academic research into these dynamics is essential for devising solutions to current legal issues and crafting more effective policy recommendations. A collaborative effort

⁹ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "Crowdfunding: Tapping the Right Crowd," *Journal of Business Venturing*, 2014

¹⁰ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "Crowdfunding: Tapping the Right Crowd," *Journal of Business Venturing*, 2014

¹¹ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "Crowdfunding: Tapping the Right Crowd," *Journal of Business Venturing*, 2014

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¹⁴ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "Crowdfunding: Tapping the Right Crowd," *Journal of Business Venturing*, 2014

among regulators, business stakeholders, and the public is necessary to establish a healthy, transparent, and sustainable equity crowdfunding ecosystem in Indonesia.

Considering the previously outlined background, there are numerous intriguing topics that warrant further exploration concerning the evolution of Equity crowdfunding policies in Indonesia. This includes examining the legal challenges and opportunities associated with Equity crowdfunding in Indonesia, as well as identifying legal strategies that can be implemented to enhance the equity crowdfunding ecosystem in Indonesia, ensuring it becomes safer, more transparent, and more sustainable.

Research Methods

There are three types of legal research: normative legal research, normative-empirical legal research, and empirical legal research. These three types can be used in legal cases involving legal events or legal products.^[15] The author will use a normative legal research method that focuses on the inventory of positive law, legal principles and doctrines, legal synchronization, legal systematics, comparative law, and legal history. This article will discuss legal regulations related to legal protection for investors in equity crowdfunding activities within the normative scope.

Discussion

1. Dynamics of Equity Crowdfunding Policy Development in Indonesia

The era of the Industrial Revolution 4.0 has experienced swift industrial growth, accompanied by progress in information technology, which has introduced innovations, especially in fulfilling the financial sector's requirements for accessing digital-based financial services.^[16] The integration of the internet into daily life has transformed human behavior from traditional methods to digital practices. This shift has impacted the evolution of sophisticated financial services, such as financing and investment, with Financial Technology (commonly referred to as fintech) being one of the most prominent examples.^[17] As stated by Bank Indonesia, Financial Technology refers to a technological advancement within the financial system that offers technological services and generates products or innovative business models. These developments significantly influence monetary stability, finance, efficiency, and the smooth operation, security, and challenges associated with the payment system.

Fintech refers to a financial services firm that employs a technological framework designed to assist users in transforming, refining, and expediting different facets of financial services. Initiatives like incentives for export-focused enterprises or simplified business licensing have resulted in a considerable impact. Consequently, it would be advantageous for Indonesia to endorse one of the financial instruments that are currently gaining popularity on a global scale, which is widely recognized as crowdfunding.

The concept of crowdfunding has not been explicitly defined

in any legal framework in Indonesia, as the country currently lacks a specific law pertaining to crowdfunding. Nevertheless, the definition of crowdfunding can be examined through the insights provided by experts in law, economics, and information technology. Paul Belleflamme characterizes crowdfunding as: "*Crowdfunding is defined as the request for financial resources on and offline in exchange for a reward offered by the creator, such as an acknowledgment, an experience, or a product.*"^[18] Crowdfunding, often referred to as 'democratic funding', is a financing method characterized by the collection of small contributions from a large number of individuals to support a project.

Crowdfunding is facilitated through an online platform, which enhances accessibility. This method, now popular in the realm of online investment, showcases a variety of products on websites, akin to those available in online retail. There are four distinct categories of crowdfunding:

1. **Donation Based:** As implied by the name, individuals who provide financial support do not receive any form of compensation for the proposed initiative. Generally, donation-based crowdfunding is aimed at non-profit endeavors, such as the construction of orphanages and educational institutions.
2. **Reward Based:** In this category of crowdfunding, individuals who present proposals usually provide incentives or other forms of compensation in the shape of goods, services, or rights, instead of distributing profits from the initiative. This form of crowdfunding is predominantly designed for projects within the creative sector, such as video games, where contributors who finance the project are rewarded with appealing features in the game.
3. **Debt Based:** This form of crowdfunding closely resembles a traditional loan. Potential borrowers submit their proposals, and donors or lenders provide capital, which is treated as a loan that accrues interest as a return.
4. **Equity Based:** The principle is akin to shares, where the funds invested will convert into equity or a portion of ownership in the company, in exchange for dividends.

The alterations in individuals' behavior in contemporary society necessitate that micro-business operators adopt greater creativity and innovation in leveraging technology to enhance their enterprises, as well as to collaborate with fellow micro-business operators to expand their business capabilities.^[19] In addition to that, a significant issue that frequently poses challenges for micro business operators, which remains a primary barrier, is the difficulty in obtaining financing or access to capital that has yet to be addressed. Furthermore, several banking and non-banking financial institutions have not yet considered micro businesses.^[20] The advancement of technology has profoundly benefited

¹⁵ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "*Crowdfunding: Tapping the Right Crowd*," Journal of Business Venturing, 2014

¹⁶ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "*Crowdfunding: Tapping the Right Crowd*," Journal of Business Venturing, 2014

¹⁷ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "*Crowdfunding: Tapping the Right Crowd*," Journal of Business Venturing, 2014

¹⁸ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "*Crowdfunding: Tapping the Right Crowd*," Journal of Business Venturing, 2014

¹⁹ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "*Crowdfunding: Tapping the Right Crowd*," Journal of Business Venturing, 2014

²⁰ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "*Crowdfunding: Tapping the Right Crowd*," Journal of Business Venturing, 2014

contemporary society. Nevertheless, it also brings about adverse effects, as the reliance on technology ultimately ushers in a disruptive period, requiring adaptations from both society and enterprises.^[21]

Crowdfunding serves as an alternative source of funding for startups and MSMEs aiming to grow their operations. Startups frequently face challenges in securing bank loans due to insufficient trust in their capacity to repay and the absence of collateral to safeguard assets in the event of default. Crowdfunding provides funding avenues for both startups and MSMEs. Additionally, it generally involves lower fees compared to traditional bank loans. Investments made through crowdfunding tend to yield higher returns on deposits than those offered by banks, albeit with increased risks involved.

Moreover, crowdfunding is anticipated to generate positive externalities by fostering individuals' aspirations to become entrepreneurs, as acquiring funding through this method is relatively straightforward. The infusion of capital via crowdfunding is a distinctive characteristic of this financial product. Concurrently, the predominantly internet-based nature of crowdfunding enhances public access to investment opportunities, thereby promoting the rise of new investors.

The growth of equity crowdfunding in Indonesia remains limited, as indicated by the fact that only two platforms have received authorization from the Financial Services Authority (OJK) to provide this crowdfunding service. This situation is in stark contrast to the United States and the United Kingdom, where this system has been well-established for a considerable time. In Europe, the yearly transaction value of equity crowdfunding (excluding the United Kingdom) rose from €18.4 million in 2012 to €211 million in 2017. Meanwhile, in the United Kingdom, the annual equity transaction volume surged from €30 million in 2011 to €333 million in 2017. The United Kingdom stands as the foremost crowdfunding market in Europe, accounting for 68% of the market share based in the United Kingdom.^[22]

As of 2017, Indonesia was home to around 64 million MSMEs, experiencing annual growth. Regrettably, this swift expansion is not accompanied by sufficient facilities for innovation and business sustainability. Numerous MSMEs frequently face bankruptcy due to their challenges in securing loans from banks, which impose intricate and burdensome requirements. Consequently, the Indonesian government, via POJK 57/2020, has established legal certainty and protection for both providers and users of crowdfunding services through technology-driven stock offerings.

The concept of crowdfunding according to Morduch is a micro finance concept.^[23] Nonetheless, the essence of crowdfunding is inherently distinct and markedly different from earlier ideas. Therefore, while the notion of crowdfunding is not novel, the significant shift lies in the integration of technology for digital transformation.

One area that stands to gain from this type of funding is micro-enterprises.^[24] In addition to fundraising conducted through digital platforms such as websites and various alternative applications, equity crowdfunding has emerged as a development in this field. The concept of equity crowdfunding was introduced in 2018 via POJK Number 37 of 2018. By 2019, several crowdfunding provider platforms, including Santara, Bizhare, and Crowddana, had registered with the Financial Services Authority. Regulation POJK No. 37 of 2018 offers legal assurance to protect the interests of all parties involved, including organizers and investors. Despite this, numerous adjustments are still being made in practice to implement POJK effectively and to meet the needs of business actors, thereby ensuring legal certainty for all parties, particularly for micro-business operators.

2. The Prospects and Obstacles of Equity Crowdfunding in Indonesia

The rise of equity crowdfunding, driven by the eagerness of business stakeholders to fulfill their financing requirements, has led the Financial Services Authority (OJK) to introduce a new regulatory policy, replacing POJK No. 37 of 2018 with POJK 57 of 2020. This policy issuance aims to provide legal certainty and safeguard investors. Additionally, organizers are mandated to enhance their corporate governance practices. The intention behind this OJK regulation is to assist micro-businesses in securing alternative funding sources apart from traditional banking institutions.

In recent years, equity crowdfunding has surfaced as a notable innovation within Indonesia's fintech (financial technology) sector. This model enables companies—particularly startups and MSMEs—to raise capital from a diverse group of investors via a digital platform, where investors receive equity in return for their financial contributions. From a legal standpoint, this approach presents a strategic opportunity that positively influences financial inclusion and access to business capital in Indonesia:

1. From a regulatory standpoint, the Indonesian Government, via the Financial Services Authority (OJK), has established a clear legal framework for equity crowdfunding since the release of POJK Number 37/POJK.04/2018 regarding Crowdfunding Services Through Information Technology-Based Stock Offerings. This regulation offers a definitive legal foundation for organizers and business entities to conduct equity crowdfunding legally, thus enhancing the legal certainty surrounding these transactions. Furthermore, this regulation illustrates that equity crowdfunding is acknowledged as a legitimate activity within the capital market sector, overseen by the OJK, with stipulations that restrict its operational parameters, including the types of securities, the offering duration, and the total amount of funds that can be raised within a specified timeframe.

²¹ Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "Crowdfunding: Tapping the Right Crowd," *Journal of Business Venturing*, 2014

²² Paul Belleflamme, Thomas Lambert, & Armin Schwienbacher, "Crowdfunding: Tapping the Right Crowd," *Journal of Business Venturing*, 2014

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2. Through these regulations, equity crowdfunding emerges as a comparatively novel and inclusive funding option for MSMEs and startups, which frequently encounter difficulties in obtaining traditional banking or venture capital. Well-defined regulations can enhance investor confidence as they establish a legal framework for the rights and responsibilities of the involved parties, including stipulations concerning the contractual relationship among investors, share issuers, and platform providers.

Moreover, the regulations set forth by the OJK that differentiate between registered and unregistered platforms establish clear limits for lawful operations. Registered platforms are afforded legal protection and regulatory oversight, whereas unregistered platforms fail to offer the same degree of legal safeguards to investors. This fosters a more structured and regulated crowdfunding environment. Despite the encouraging prospects, the advancement of equity crowdfunding in Indonesia encounters several intricate legal obstacles, including:

1. Regulatory perfection remains incomplete. Various studies indicate that while POJK 37/2018 has established a foundational legal framework, there are still regulatory areas requiring further clarification. For instance, there are deficiencies in regulations concerning specific operational elements such as information security, internal platform governance, and more detailed guidelines on investor exit strategies. This situation presents potential loopholes that could be taken advantage of by unscrupulous entities if the regulations are not regularly updated or improved by the OJK.
2. The original regulation has been updated via POJK No. 57/POJK.04/2020, which seeks to broaden the range of crowdfunding services, encompassing a more extensive securities offering. Nevertheless, the shift between these two regulations poses difficulties for providers in swiftly and accurately adjusting their operating licenses and business models. If not effectively managed by regulators and business stakeholders, administrative penalties and the ambiguity of the transition period may impede the advancement of this practice in the sector.
3. The adequacy of legal protection for investors is still uncertain according to various academic studies. Although fundamental provisions are in place, the legal connections among investors, organizers, and share issuers predominantly depend on personal contractual agreements and stipulations that are not consistently transparent to retail investors. This situation becomes especially apparent during disputes or business failures following the completion of fundraising, highlighting the need for enhanced practical legal safeguards for investors.
4. Limited legal and financial literacy among investors. Numerous individual investors may still lack comprehension of the legal implications associated with investing in stocks via digital platforms, which encompasses the risks of capital loss, illiquidity, and potential legal actions in case of disputes. This deficiency in understanding presents a significant obstacle to establishing a secure, organized, and sustainable ecosystem.

Overall, the advancement of equity crowdfunding in Indonesia presents a considerable legal opportunity to enhance financial inclusion, offer alternative funding for MSMEs and startups, and broaden the digital investment ecosystem. Regulations such as POJK 37/2018 and POJK 57/2020 signify a constructive development, providing legal certainty and legitimacy for this service.

Nevertheless, the challenges are substantial—from the necessity to bolster operational regulations and investor protection, to the dynamic transitions in regulation, and the imperative to enhance public legal and financial literacy. Maximizing the legal advantages of equity crowdfunding necessitates collaboration among regulators, platform providers, legal professionals, and business stakeholders to ensure that regulations remain adaptable to technological advancements and the evolving landscape of the digital capital market. Equity Crowdfunding in Indonesia is governed by the Financial Services Authority (OJK), which issued POJK No. 57/2020 regarding Securities Offerings Through Information Technology-Based Crowdfunding Services, as amended by POJK No. 61/POJK.02/2021 (hereinafter referred to as POJK No. 61/2021). OJK plays a crucial role in overseeing equity crowdfunding through this regulation.

Article 2, paragraph (1) of POJK No. 57/2020 articulates that "Crowdfunding Service Activities are financial services activities within the capital market sector." In light of this provision, OJK exercises its authority in alignment with the stipulations of the OJK Law, which grants it the power to regulate and oversee financial activities in the capital market sector, including the equity crowdfunding model. However, in practice, there exists a lack of harmony between the regulations outlined in the POJK and the UUPM, as the UUPM has not specifically addressed equity crowdfunding activities or the digital financial instruments that underpin this practice.

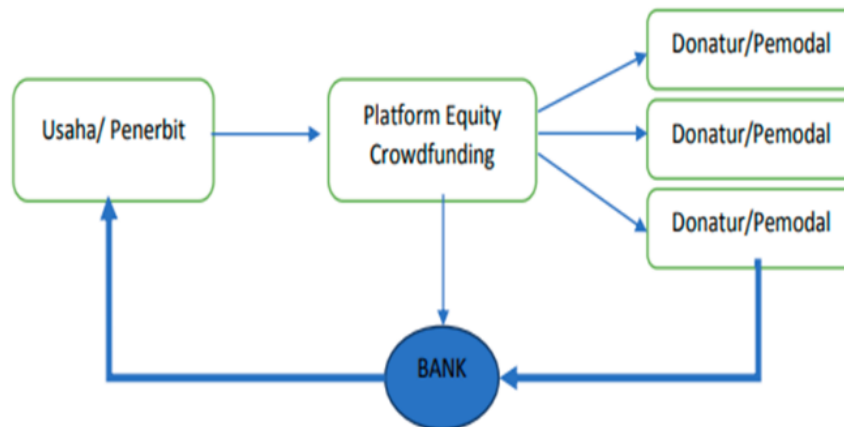
This lack of harmony stems from the fact that Article 2 of POJK No. 57/2020 categorizes equity crowdfunding as a component of capital market activities, despite the absence of a clear foundation for this in the Capital Market Law. Consequently, there is an overlap between the provisions of the POJK and those of higher-level laws, which raises concerns about the legitimacy of regulating equity crowdfunding within the framework of capital market law. Nevertheless, legal scholars offer a more expansive definition of the capital market. Organizers of equity crowdfunding serve as intermediaries that facilitate transactions, enabling issuing companies to secure funding from investors to aid in their business growth. In exchange, investors obtain shares issued by the company.

When investors acquire shares or equity, the transaction must adhere to the stipulations of securities law or capital market law. Equity crowdfunding essentially presents a novel concept within the share offering framework, which, according to relevant regulations, is categorized as part of the capital market. Consequently, in essence, equity crowdfunding is encompassed within the capital market domain as outlined in POJK No. 57/2020. Nevertheless, since POJK is more progressive than its overarching legal framework (the Capital Market Law and the Financial Services Authority Law), it is essential to achieve harmonization to guarantee that the hierarchy of legal norms functions in accordance with the principle of *lex superior derogat legi inferiori*.

3. Legal Approaches That Can Be Implemented to Enhance the Equity Crowdfunding Framework, Ensuring Greater Safety, Transparency, and Sustainability

Equity crowdfunding represents a model whereby investors receive returns on their investment in a company through shares or profit-sharing agreements. The decision between opting for traditional bank financing and equity crowdfunding is influenced by the advantages it offers to financiers, including market feedback, product validation, and community impact. Additionally, factors such as imperfect information and moral hazard play a role in a

company's selection among the various crowdfunding business models available. When comparing equity-based crowdfunding to donation-based crowdfunding, the potential return on investment holds significant importance for investors, in conjunction with the company's ability to generate future cash flow. According to OJK Regulation No. 57 of 2020, it is specified that Crowdfunding Services Through Information Technology-Based Share Offerings (Equity Crowdfunding), henceforth referred to as Crowdfunding Services, involve the provision of share offering services conducted by issuers to sell shares directly to investors via an open electronic system network.



Source: Muhammad Rusydi Kadir^[25]

The primary participants in the Equity Crowdfunding process include individuals in need of funding, the Crowdfunding portal acting as an intermediary, and the public serving as donors. The procedure initiates with the individual in search of funds registering on the crowdfunding portal online. Following registration, the fundraiser presents a proposal to the crowdfunding portal. The crowdfunding portal, in collaboration with the project creator, evaluates the submitted proposals. If a proposal is accepted, the project will be showcased on the portal, and the individual seeking funds will be designated as a creator. Throughout the project's listing duration on the crowdfunding portal (usually ranging from 30 to 90 days), both the crowdfunding portal and the creator engage in campaigns and outreach via social media.

Legal strategies aimed at enhancing the equity crowdfunding ecosystem in Indonesia should be perceived as a means to establish a solid trust framework among regulators, platforms, issuers, and investors. In practice, equity crowdfunding represents a technology-driven financing innovation that broadens funding access for MSMEs and startups, yet it also entails significant risks stemming from information asymmetry, inadequate oversight, and low levels of investor literacy. Consequently, a thorough legal strategy must be developed in a systematic, adaptive, and risk-oriented manner.

From a normative perspective, the legal structure governing equity crowdfunding in Indonesia has progressed through regulations promulgated by the Financial Services Authority (OJK), particularly POJK No. 57/POJK.04/2020, which has been further refined in subsequent regulations. This

framework categorizes equity crowdfunding as a component of technology-based capital market operations and mandates that organizers obtain permits and fulfill specific criteria, including the form of legal entity and minimum capital requirements. Additionally, this regulation seeks to enhance financing access for MSMEs while promoting national financial inclusion. Nevertheless, various studies reveal that the execution of these regulations remains inadequate, especially in terms of investor protection and legal certainty. Within this framework, the primary legal strategy is to enhance principles-based regulation that evolves with advancements in financial technology. Regulations should not only be prescriptive but also allow for innovation while maintaining legal safeguards. For instance, regulatory updates must clearly address emerging business models, secondary market mechanisms, and their integration with other digital ecosystems. This is essential considering that prior regulations were inadequate in accommodating the diverse range of business forms and securities instruments available through equity crowdfunding.

Moreover, transparency should be bolstered through more extensive and sustainable disclosure requirements. In this regard, legal strategies may encompass digital real-time reporting mandates, standardized risk disclosures, and routine audits of issuer performance. Information asymmetry poses a significant risk in equity crowdfunding; therefore, regulations must guarantee that investors receive accurate, pertinent, and easily comprehensible information. This enhanced transparency aligns with the global movement towards boosting investor confidence through data transparency.

²⁵ Muhammad Rusydi Kadir, Sistem Equity Crowdfunding (ECF) Dalam Hukum Di Indonesia, Jurnal Az-Zarqa' : Jurnal Hukum Bisnis Islam, Vol. 13, No. 1, Juni 2021, h.67

²⁶ Muhammad Rusydi Kadir, Sistem Equity Crowdfunding (ECF) Dalam Hukum Di Indonesia, Jurnal Az-Zarqa' : Jurnal Hukum Bisnis Islam, Vol. 13, No. 1, Juni 2021, h.67

The subsequent strategy involves enhancing investor protection through both preventive and repressive measures. On a preventive basis, regulations ought to mandate that organizers perform thorough due diligence on issuers, which includes the verification of business models, financial stability, and the credibility of management. Additionally, it is essential to implement investment limits that correspond to investor risk profiles in order to mitigate potential losses, as outlined in earlier regulations that restrict investments based on income levels. On the repressive side, it is imperative to fortify dispute resolution mechanisms by establishing rapid and efficient systems, such as online dispute resolution, alongside traditional litigation avenues. Research indicates that disputes arising in crowdfunding can be addressed through internal, external, and judicial mechanisms.

In terms of governance, legal strategies should prioritize the adoption of sound corporate governance principles by platform operators. This encompasses obligatory independent audits, internal oversight, and accountability of management. Considering the platform's function as an intermediary handling public funds, integrity and professionalism are vital components for sustaining ecosystem stability. The enhancement of governance can also be bolstered by leveraging technologies like blockchain to improve transparency and diminish the risk of data manipulation. Moreover, reinforcing inter-institutional coordination is a strategy of equal significance. The equity crowdfunding ecosystem exists at the convergence of capital markets, payment systems, and the digital economy, which necessitates collaboration among the Financial Services Authority (OJK), Bank Indonesia, and pertinent ministries. This collaboration should involve data sharing, integrated supervision, and enforcement of laws against illicit practices, which continue to pose challenges within the fintech sector as a whole.

Ultimately, the sustainability of the equity crowdfunding ecosystem is significantly influenced by the public's level of legal and financial literacy. Insufficient literacy may hinder the progress of crowdfunding and elevate the risk of losses for investors. Consequently, legal frameworks should mandate that organizers provide education to users, including both investors and issuers, as part of their legal obligations. In summary, enhancing the equity crowdfunding ecosystem necessitates a comprehensive legal strategy that includes regulatory reform, improved transparency, investor protection, robust governance, institutional collaboration, and heightened literacy. By implementing this approach, Equity Crowdfunding can evolve into a viable alternative financing tool while also developing in a safe, transparent, and sustainable manner to foster the advancement of Indonesia's digital economy.

Conclusion

The development of equity crowdfunding in Indonesia signifies a shift in policy that is increasingly attuned to advancements in digital financing, marked by regulations designed to harmonize economic growth with the imperative for legal protections. This regulatory framework offers considerable opportunities by expanding access to capital for micro, small, and medium enterprises (MSMEs) and startups, while simultaneously increasing public participation in investment, which could strengthen national financial inclusion. However, these opportunities come with notable legal challenges, especially regarding investor protection,

information transparency, legal certainty, and the potential for platform misuse in a context of relatively low financial literacy. Legally, this situation calls for a strategy that is both anticipatory and precautionary. The improvement of adaptive regulations, the raising of information disclosure standards, and effective oversight are vital foundations. At the same time, there is a pressing need to enhance legal education and public financial literacy, as well as to promote collaboration between regulators and industry participants, to build trust. Consequently, the viability of equity crowdfunding in Indonesia is largely determined by the ability of its legal framework to address risks without stifling innovation, thus creating a secure, transparent, and sustainable ecosystem.

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