

I hereby confirm that I have examined this project paper entitled:
Readiness for Crowdfunding as an alternative way to finance SME in
Malaysia

By
Shaiful Syahmi bin Sezeli

I hereby acknowledge that this project has been accepted as part fulfilment for the
Bachelor of Technopreneurship (BTEC) with Honours

Signature :

Supervisor : DR SENTOT IMAM WAHJONO

Date :

Signature :

Panel : MDM ADILAH MOHD DIN

Date :

READINESS FOR CROWDFUNDING AS AN ALTERNATIVE WAY TO
FINANCE SME IN MALAYSIA

SHAIFUL SYAHMI BIN SEZELI

Report Submitted in Fulfilment of the Requirements for the Bachelor of
Technopreneurship (BTEC) with Honours

Faculty of Technology Management and Technopreneurship

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

JUNE 2017

DECLARATION OF ORIGINAL WORK

I, SHAIFUL SYAHMI BIN SEZELI “

I hereby declare that the work of this exercise is mine except for the quotations and summaries that have been duly acknowledged.”

Signature :

Name : SHAIFUL SYAHMI BIN SEZELI

Date :

DEDICATION

This Research Paper is dedicated

To my beloved family who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination.

Without their love and support this project would not have been made possible.

ACKNOWLEDGMENT

First of all, I would like to thank Allah for the gift in providence and chance to best prepare for this research paper titled “Readiness for Crowdfunding as an Alternative Way to Finance SME in Malaysia”.

I would like to say a big thanks to Dr. Sentot Imam Wahjono on tutoring and guidance for completing the research for these two semesters. The encouragement and guidance from him, eventually I can successfully complete this Final Year Project. Next, special thanks to Mdm. Adilah binti Mohd Din, my assigned panel for her contributes and inspired me a lot to work on this project.

In addition, I want to thank my family who have always supported and helped me in completing this task for the mentality or physically. Next, special thanks to my colleagues who helped to complete this paper.

Moreover, I would like to thank the authority of University Teknikal Malaysia Melaka (UTeM) for providing us, the students with a good environment and facilities to complete this project. Also, I would like to take this opportunity to thank to the Centre of Faculty of Technology Management and Technopreneurship for offering this subject. It gave me an opportunity to participate and learn about the research project which is valuable for an academic purpose.

Thank you.

ABSTRACT

The purpose of this study to measure the relationship and influence of technology crowdfunding, entrepreneur culture, regulation, and community by Small and medium-sized enterprises (SMEs) in Malaysia. This study was conducted with a quantitative approach, data collected by Google in the form of questions and then distributed in the wall of group Facebook Group and whatsApp group whose members are SMEs that use crowdfunding funds. Most of the registered 948 people who saw the questions in this survey and only 269 people Successfully obtained after filtered by target respondents in this study that the SME entrepreneurs in Malaysia. This dispersion and collection of data within 4 months from February to May 2017. The results show the relationship and influence in readiness in terms of technology, cultural entrepreneurs, regulation and communities in crowdfunding as alternative finance in Malaysia has a positive significant relationship, therefore, the impact of this research shows SMEs in Malaysia are readiness to adopt a crowdfunding as a source of capital for the funding of projects, open only expect traditional funding sources such as banks and capital markets. Crowdfunding could be a solution for the financing of innovative SMEs.

Keywords: *Crowdfunding, readiness, technology, regulation, entrepreneur culture, community.*

ABSTRAK

Tujuan kajian ini adalah untuk mengukur hubungan, dan pengaruh kerjayaan crowdfunding terhadap teknologi, budaya usahawa, perundangan, serta komuniti oleh perusaha kecil serderhana (PKS) di Malaysia. Kajian ini dilakukan dengan pendekatan kuantitatif, data dikumpul melalui soalan di Google form kemudian di sebarkan di group whatsapp yang mempunyai SMEs serta Facebook Group yang ahlinya terdiri daripada SMEs yang menggunakan dana crowdfunding. Dianggarkan sebanyak 948 orang yang melihat soalan kaji selidik ini dan hanya 269 orang sahaja berjaya diperolehi setelah ditapis mengikut target responden dalam kajian ini iaitu usahawan SME di Malaysia sahaja. Penyebaran ini dan pengumpulan data dalam waktu 4 bulan sahaja dari febuari hingga Mei 2017. Hasilnya menunjukkan hubungan dan pengaruh dalam kesediaan dari segi teknologi, budaya usahawa, undang-undang serta komuniti dalam crowdfunding sebagai alternatif kewangan di Malaysia mempunyai hubungan yang positif, oleh itu, kesan daripada kajian ini menunjukkan SMEs di Malaysia bersedia menggunakan crowdfunding sebagai sumber modal untuk pembiayaan projek-projek, buka hanya mengharapkan sumber tradisional pembiayaan seperti perbankan dan pasaran modal. Crowdfunding mampu menjadi penyelesaian untuk kewangan PKS yang inovatif.

Kata kunci. Kesediaan crowdfunding, teknologi, budaya usahawan, perundangan, komuniti.

TABLE OF CONTENT

	DECLARATION OF ORIGINAL WORK	iii
	DEDICATION	iv
	ACKNOWLEDGMENT	v
	ABSTRACT	vi
	TABLE OF CONTENT	iii
	LIST OF TABLE	vi
	LIST OF FIGURE	viii
CHAPTER 1	INTRODUCTION	1
	1.1 Introduction	1
	1.2 Background of study	1
	1.3 Problem Statement	3
	1.4 Research Questions	4
	1.5 Research Objectives	4
	1.6 Scope and Limitations	5
	1.7 Key Assumption	5
	1.8 The research significance	6
	1.9 summary	6
CHAPTER 2	LITERATURE REVIEW	7
	2.1 Introduction	7
	2.1 Small and medium-scale enterprises (SMEs)	7
	2.3 How to finance SMEs	10
	2.3.1 Financial Institutions	11
	2.3.2 Banking Institution	12
	2.3.3 Credit Guarantee Scheme	13

2.3.4 Special Fund BNM	14
2.4 Alternative Financing Channels (Crowdfunding)	15
2.4.1 Investment Account Platform: New Financing Flows to Sme	16
2.4.2 Crowdfunding	17
2.4.3 Parties associated with crowdfunding	19
2.4.4 Types of Crowdfunding	20
2.4.5 The Crowdfunding Process	23
2.5 Previous research	26
2.6 Theoretical Framework	30
2.6.1 The culture of entrepreneurship	31
2.6.2 Economic Regulations (Type Investment Crowdfunding)	33
2.6.3 Community Involvement	35
2.6.4 Technology	37
2.7 Hypothesis	39
CHAPTER 3 RESEARCH METHODOLOGY	41
3.1 Introduction	41
3.2 Research design	41
3.3 Descriptive Research	42
3.4 Methodological Choices	42
3.5 Quantitative Research	43
3.6 Data Sources	43
3.6.1 Primary Data	43
3.6.2 Secondary Data	44
3.7 Population and Sampling Procedures	44
3.7.1 Population	44
3.8 Analysis Technique	47
3.9 Location of Research	47
3.10 Time Horizon	47
3.10.1 Gantt Chart to Demonstrate Research Activities	48
3.11 Research Instrument	50
3.11.2 Pilot test	50
3.11.3 Validity Test	51
3.11.3 Reliability Test	53
3.12 Conclusion	54

Chapter 4	DATA ANALYSIS	55
	Introduction	55
	4.1 Respondent profile	56
	4.1.1 Demographic profile for gender	57
	4.1.2 Demographic profile for age	58
	4.1.3 Demographic profile for Sector	59
	4.1.4 Demographic profile for Annual sales turnover	60
	4.1.5 Demographic profile for Total employees	61
	4.1.6 Demographic profile for Stay in Malaysia	62
	4.1.7 Demographic profile for Knowledge about crowdfunding	63
	4.2 Response rate	64
	4.3 Descriptive Statistics	65
	4.4 Inferential statistics for Analysis	66
	4.4.1 Pearson Correlation Coefficient	66
	4.4.2 Simple Regression Analysis	68
	4.4.3 Simultaneous	69
	4.4.3 Hypothesis testing	71
Chapter 5	CONCLUSION AND RECOMMENDATION	76
	5.1 Introduction	76
	2.2 Conclusion	76
	5.3 Limitation	77
	5.4 Recommendation for future	78
	REFERENCES	79
	APPENDICES	83
	Appendix 1: Questionnaire	83
	Appendix 2: Table of Result in SPSS (Output of Analysis)	90
	2.1 Demographic	90
	2.2 Descriptive Statistics	92
	2.3 Correlations	92
	2.4 SRA	92
	2.5 Hypothesis testing	93
	Gantt chart	95

LIST OF TABLE

TABLE	TILTLE	PAGE
2.1	The definition is based on the size of the operation	9
2.2	BNM Special Funds status at the end of 2015	14
2.3	Summary of the Types of Crowdfunding	22
2.4	Previous Research	26
2.5	Internet users in Malaysia	38
2.6	List of Registered Market Operators for ECF	39
3.1	Sample size of a known Population	46
3.2	Gantt chart to demonstrate research activities (FYP 1)	48
3.3	Gantt chart to demonstrate research activities (FYP 2)	49
3.4	Result of Validity Test for Pilot Test (30 respondent)	52
3.5	Standard Acceptability of Reliability	53
3.6	Result of Reliability Test for Pilot Test (30 respondent)	54
4.1	Respondent Profile Overall	56
4.2	Data of Respondent Rate	64
4.3	Descriptive Statistics	65
4.4	Rules Of Thumb for Interpreting Correlation	66
4.5	Result of Correlations	67

4.6	Table 4. 18: Strength of Pearson Correlation Coefficient	67
4.7	Model Summary	68
4.8	Model Summary of Technology	71
4.9	Coefficients of Technology	72
4.10	Model Summary of Entrepreneurs culture	72
4.11	Coefficients of Entrepreneurs Culture	73
4.12	Model Summary of Regulation	73
4.13	Coefficients of Regulation	74
4.14	Model Summary of Community	74
4.15	Coefficients of Community	74

LIST OF FIGURE

FIGURE	TITTLE	PAGE
2.1	Detailed definitions of various categories of micro, small and medium	8
2.2	Financial Landscape for SMEs	10
2.3	Approval rates financing (%)	11
2.4	Cumulative funding of at end of month December 2015	11
2.5	The list of businesses and investments for Investment Account Platform	16
2.6	Business Model of Crowdfunding Platforms	19
2.7	Types of crowdfunding	20
2.8	Five main Process in crowdfunding	23
2.9	Theoretical Framework	30
2.10	Malaysia cultural readiness	32
2.11	Malaysia technology readiness	37
4.1	Respondent's Gender	57
4.2	Respondent's aged	58
4.3	Respondent's sector in career	59
4.4	Respondent's Annual Sales Turnover	60
4.5	Respondent's Total Employees	61

4.6	Respondent's Nationality	62
4.7	Knowledge about Crowdfunding	63
4.8	Simultaneous, Pearson Correlation Coefficient and significant	69

LIST OF SYMBOLS

Sig.	=	Significant
N	=	Number of sample
%	=	Percentage
R	=	Correlation coefficient
t	=	t-test
β	=	Beta
f	=	Frequency

LIST OF APPENDICES

NO	TITLE	PAGE
A	Questionnaire	83
B	Grantt chart	95

CHAPTER 1

INTRODUCTION

1.1 Introduction

Entrepreneur's career is something that is important to society and the state because the entrepreneur is able to help benefit the community and the state. Entrepreneurs need capital to grow their business, one alternative source of capital is obtained a through crowdfunding, by learning about crowdfunding, and entrepreneurs are able to grow the business without high capital. crowdfunding platform has some well-known among them are Indigogo, kickstarter, crowdo and so on . Through this platform of capital contribution or can be obtained,

1.2 Background of study

The main objective of this study was to assess the readiness of the crowd funding as an alternative way to finance small and medium industry in Malaysia. In this study, researchers will discuss readiness affecting crowd funding as alternative funds in Malaysia. In Malaysia, according to Chief Executive Officer of the SME Corporation Malaysia, Hashim, (2016), said small and medium enterprises (SMEs)

and young entrepreneurs in Malaysia is a major contributor to the nation-building process. This shows that SMEs are also an important asset to the country.

A company can be said if SMEs in terms of manufacturing, sales revenue not exceeding RM50 million or full-time staffs not exceeding 200 people. While in terms of service and other sector, sales revenue not exceeding RM20 million or full-time workers not exceeding 75 persons. Statistics latest issued by SME Corporation Malaysia of 645,136 that is in SMEs Malaysia need the funds financing to start or raise capital to grow their businesses. The funding can be used by SMEs, including through bank loans, financial Institution cloth, loan schemes and others.

Malaysia recognizes that the lack of funds and skills as well as disclosure and also the opportunity to manage the business caused the number of Bumiputera entrepreneurs are very low compared with other minority races in Malaysia '(Norfadzillah, 1994 as cited from Osman.H, 2007). There are a variety of entrepreneurs to obtain financial funds business deal which included applying for a loan from a bank or other financial institution, from family members, savings and crowdfunding. Focus of this research is through crowdfunding.

According to (Carlsen & Hogh, 2016), by describing crowdfunding as "an open call, basically through the Internet, for the delivery of financial resources whichever in the form of donation or in exchange for some form of reward and elective rights in order to support initiatives for specific purposes "in other words, crowdfunding is the funding of a project by a group of individuals or an organization. For example, an entrepreneur wants to carry out a project but do not have the funds and the opening project in crowdfunding platform after that if the project is to attract donors and financial channels continue to account those entrepreneurs without the occurrence of any intermediates.

According Cincinnati. (2015), there are four (4) types of crowdfunding which are reward based crowdfunding (investors give money and receive tangible items or services), lending loan] based crowdfunding (investors provide capital and paid for them investment over time). Donation [charity] based crowdfunding (investor donate to the project in exchange for recognition, appreciation, or items of value), and equity [stock] based crowdfunding investors receive shares in the new company for their money).

SME in Malaysia requires crowdfunding as a way to finance their business alternative. According Hassan and Zainudin (2015) crowdfunding can benefit and be able to fill the gaps in capital (capital gap) to entrepreneurs who want to start new businesses and SMEs. Crowdfunding can remove barriers to financing for SMEs, which often require collateral, its cash flow, offering financing with high rates of return and often require a list of documents as well as provide an opportunity for entrepreneurs who recently entered the market with the "social capital" to raise capital. In addition, investors (capital providers stand to benefit from their capital in small amounts without going through the normal banking intermediation and the opportunity to get more return on capital. (Hassan & Zainudin, 2015)

1.3 Problem Statement

In Malaysia, not all entrepreneurs are willing to crowdfunding as an alternative for SMEs. This may be due to lack of knowledge about crowdfunding and entrepreneurs themselves are not willing to use this alternative. Entrepreneurs should try to organize, manage and take risks in business. Entrepreneurs also are a catalyst for economic changes using the search purposeful, careful planning and appropriate consideration when making any business process. With optimistic and committed, working with creative entrepreneurs to acquire new resources and update the capacity of the old to the new, all this is only intended to make a profit. "(Kuratko and Hodgetts, 2004 as cited from Azlan, 2013).

However, still not all entrepreneurs who dare to use crowdfunding in Malaysia. Meanwhile, according to the report made by the Securities Commission Malaysia (SCM) in 2015, Malaysia was the first country in ASEAN to present a framework that regulated to facilitate crowdfunding equity in 2015, with the operator of six crowdfunding equity registered (ECF) platform for full control by 2016.

1.4 Research Questions

Referring to problem statement, researcher creates three research questions regarding on the barriers of the technology transfer. The research questions are the Keys activities for this research progress

- a) How to measure the relationship between each independent variable with dependent variable?
- b) How to determine of influence between independent variables with the dependent variable?
- c) How strong influence of hypothesis for each independent variable

1.5 Research Objectives

The objective criteria are based on the research that was built. So, the objective of this research to answer the research question in this study.

- a) To measure the relationship between each independent variable with dependent variable.
- b) To determine influence of the independent variables with the dependent variable.
- c) To measure influence of hypothesis for each independent variable

1.6 Scope and Limitations

The scope of this research study conducted in Malaysia. The main goal of this study is that entrepreneurs learn about crowdfunding. Further, the scope of the research focused on projects carried out by the funder. Information and data required for descriptive results can also be obtained from any of the departments and the responsible party in Malaysia, such as the Securities Commission Malaysia (SCM).

Limitation of this study, time and financial costs are those that will be encountered through this research. This is because the scope of this study focused on entrepreneurs who know about crowdfunding and they are not focused on the state and around the country are, in addition, limit feedback from respondents, not all respondents expect a response and not just in the time expected.

1.7 Key Assumption

The researchers assume that the respondent has answer the questionnaire. Furthermore, the researchers consider the good cooperation of the respondents during the distribution of questionnaires. In addition, it considers that the information and data gathered about crowdfunding in Malaysia is accurate and uniform.

1.8 The research significance

Entrepreneurs need with expanding their business so as not to fall or horizontal lifetime. Through this study, reveals an alternative for entrepreneurs to use this method to obtain financial funds for use by entrepreneurs to further develop and contribute to the society and the state. Besides, know the benefits and use of this alternative and readiness to make crowdfunding in order not to fail.

1.9 summary

This chapter briefly discusses the background of SMEs and finance that can be used as crowdfunding. The details will be discussed in the next chapter of chapter 2 literature review. This chapter also describes the research questions and objectives of the research to be carried out by the study. Besides, scope and limitations of this study are presented in this study together with assumption

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In a literature review section, the flow determines how earlier research set to prove the use of a theoretical framework. The framework model in this study is used for research on the basic theory of crowdfunding as a noble way of funding especially for Small and Medium Enterprises (SMEs) and whether theory corresponds to manage readiness towards methods of crowdfunding, and then managed to find a barrier that prevents crowdfunding implementation in line with the current issues regarding the increasing number of SMEs to the economic situation in Malaysia.2.2 Small and medium-scale enterprises (SMEs)

2.1 Small and medium-scale enterprises (SMEs)

National SME Development Council (NSDC) approved a uniform definition since 2005 and has been adopted by all Ministries and agencies, regulatory officials and financial institutions involved in the program with establishment of SMEs. (SME Corp. Malaysia, 2016). A review of the definitions has been made in 2013 because of

the change in the economy, such as changes in economic structure, inflation rates, and changes in business trends since 2015. The 14th meeting of the NSDC in July 2013 approved a new definition of SMEs covering all sectors, manufacturing, agriculture, construction and mining and quarrying

Number of full-time employees and an annual sales volume and are the two criteria used to determine the definition of a basic "or" as follows:

- a) For the manufacturing sector, SMEs are defined as firms with annual sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 persons.
- b) For the services sector and other sectors, SMEs are defined as firms with annual sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 persons.

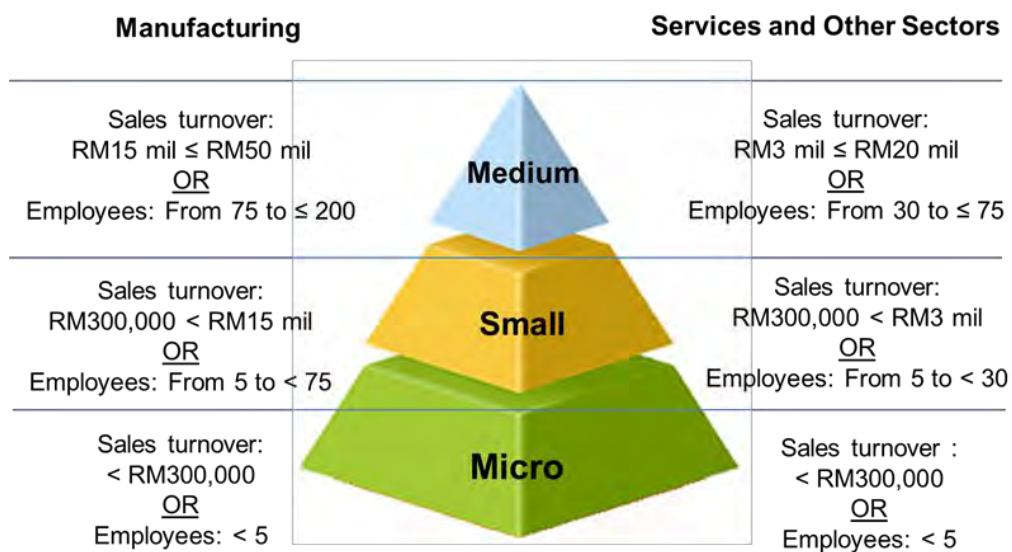


Figure 2. 1: Detailed definitions of various categories of micro, small and medium

Source: (SME Corp. Malaysia, 2016)