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DECLARATION

I declare that this thesis research of title “Key Drivers of Crowdfunding Participation in Community” is the result of my own research except the cited in the reference. The research project has not been for any degree and is not concurrently submitted in candidature of any degree.

DEDICATION

This research paper is lovingly and sincerely dedicated to my parents Mohamad Haiere Bin Sufa'at who always give me a continuous support on my studies and always give me source of inspiration doing this research. I feel so honoured to have them both as my parents and also special thanks to all my family members who always give me a loving support. I would like to say a lot of thanks to all my friends that give me a moral support during doing this research. Thank you to everyone who complete my degree journey.

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ABSTRACT

Crowdfunding is changing how, why, and which ideas are brought into existence. With the increasing number of crowdfunded projects, it is important to understand what drives people to either create or fund these projects. To shed light on this new social phenomenon, we present a grounded theory of key drivers of crowdfunding participation in community. By performing questionnaire on 384 respondent, we uncover the drivers of crowdfunding, which include the motivation, awareness, emotional value and internet development. Based on these finding, we provide the key determinant for all the drivers of crowdfunding

Keywords: Crowdfunding, motivation, awareness on crowdfunding participation

ABSTRAK

Crowdfunding berubah bagaimana, mengapa, dan ide-ide yang mana yang menjadi wujud. Dengan semakin banyak projek crowdfunded, penting untuk memahami apa yang mendorong orang sama ada membuat atau membiayai projek-projek ini. Untuk memberi penerangan tentang fenomena sosial yang baru ini, kami membentangkan teori yang berasaskan kepada pemacu utama yang melibatkan pembabitan orang ramai dalam komuniti. Dengan melaksanakan soal selidik pada 384 responden, kami mendedahkan pemandu pemfaktoran crowdfunding, yang merangkumi motivasi, kesedaran, nilai emosi dan pembangunan internet. Berdasarkan penemuan ini, kami menyediakan penentu utama untuk semua pemandu crowdfunding

Kata kunci: Pembiayaan orang ramai, motivasi, kesedaran mengenai penyertaan pembiayaan orang ramai

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter describes the background of the study and then follows by the problems statement, research questions, research objectives, scope and limitation and important of study.

1.2 Background of study

Nowadays, fast and global spread technology innovation influence our daily lives. This has change people communicate, conduct business and obtain information. Crowdfunding is seen as alternative way to raise funds in order to gain money to do some project. According to Kuppuswamy & Bayus (2014), in the recent years, crowdfunding which is individual's collectively contributing money to back different goals and project has proven to be an alternative way for raising fund by using an internet.

According to Julian Mora (2017), Crowdfunding has recently emerged as an alternative channel to access economic resources to overcome barrier in the current financial markets. This mechanism has been developed especially around creative industries, entrepreneurial ventures and donation.

Crowdfunding has become popular as a successful alternative in traditional financing practices. It is important to understand the driver of success or failure of crowdfunding. Online crowdfunding is a rapid growing sector of charitable giving. According to Mollick (2013), crowdfunding allows those seeking funds to use the Internet to produce funding without standard financial intermediaries. People can participate in crowdfunding through platform of Kickstarter and Indiegogo.

In addition, crowdfunding can be used for a group purchase, political, start up business and support of artist. Crowdfunding outcome will be material or immaterial nature, the intent of this project can be commercial or non-profit. Hence, there is important to know the extent of crowdfunding in participation of community.

1.3 Research Problem

Crowdfunding is the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet. According to Ignaceo De leon (2017), state that Asia has experienced the increasing annual growth of rate which is 210 percent, with other region around the world showing growth of 50 percent or more. This growth of crowdfunding is in impressive level, unfortunately the awareness and information about crowdfunding is not yet widely known in Malaysia. Due to this reason, the studied of crowdfunding is chosen to be a topic in this research.

The crucial about crowdfunding is to attract community who are willing to invest their money in particular project. To attract these people's it is necessary to know how they value the participation in a crowdfunding project. This research follows the definition of crowdfunding but it focuses solely on those crowdfunding project which aim to realize the creation of something new. Hence, this research focuses to identify the key drivers a participation of crowdfunding in community.

The concept of crowdfunding is relevant in present days. To begin a crowdfunding, a project or an entrepreneur need to know the factor that can contribute to the participation of crowdfunding. In order to identify the determinant,

it is important to understand key determinant of this crowdfunding factor to approaching success.

1.4 Objective of the study

The main study objectives have been constructed as per below:

1. To study the factors that drive community to participate in crowdfunding.
2. To determine the key determinant of crowdfunding participation.

1.5 Research Questions of the study

The main study question has been constructed as per below:

1. What are the factors that drive community to participate in crowdfunding?
2. What is the key determinant of crowdfunding participation?

1.6 Scope of the study

The scope of this research is focus on determinant of participation in crowdfunding. There is several determinants that enhance participation of crowdfunding. This research study about crowdfunding because the researcher want to know the key determinant of all factor that can contribute to crowdfunding in community.

For the geographic research was carried in Malacca. The researcher choose this place because want to know the key drivers of crowdfunding participation in this state. The researcher decides to distribute questionnaire to a target respondent among the

people who have their own income and can contribute something to the crowdfunding. The total number of respondent is 384.

1.7 Limitation

According to this research, there are a few limitations that face by researcher. This questionnaire was distributed to people who have income around Melacca. The lack of time cause this research faced some challenges. The researcher needs to face the variety of attitude of the people in order to get the answer of the questionnaire. Some of them were not give a cooperation to answer the questionnaire.

1.7 Significant of the study

This study may help the start-up business, entrepreneur and others to know the determinant that contributes to the participation of crowdfunding. The certainty and reliability of the result are able to act as a guideline for future research in crowdfunding participation. Last but not least, this research paper may be benefit universities and authorities who are conducting the service-base business.

1.8 Summary

The first chapter of the study discussed the background of the study, the research problem, the objectives, research questions and also the significance of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The purpose of review literature is to understand better the subject in research. This chapter consists of literature review, review of the relevant theoretical model, conceptual framework, hypothesis development and overall conclusion for Chapter 2.

2.2 Definition of Crowdfunding

According to Imam Wahjono, (2015), crowdfunding is a method of raising capital through the collective effort of family, friend, customer and individual investors. Start-up face one of the biggest challenges when involving raising capital, but fortunately, there are more than one option that entrepreneurs can have for getting the funding they need. As stated by (Rebecca lake 2016), that seeking out angle investors has its advantages, but crowdfunding is redefining how new companies rise. This research state that crowdfunding help the new business to get a start-up and give an opportunity to entrepreneur to seek the money through funding participation activity.

In addition, according to Piotr Pazowski (2014), crowdfunding is a form of financing of variety project or venture by the community which is group of individuals instead of professional parties like banks, venture capitalist or business angle. Crowdfunding allows those with limited access to tradional sources of financial banking, such as banks or venture capitalist, to acquire the necessary

financial resources to pursue their project (Elizabeth Gerber 2013). Crowdfunding also gives people disposable income a new way through online transaction to give to others and “invest” in project that might not happen without their financial support. Therefore, with the development of technology, people tend to take initiative by take an easy way to participate in crowdfunding.

2.3 Participation in community

According to Hui (2014), position community as something created by the creators in their crowdfunding project is to ensure success and make profitable option for the creator. In other word, the important of participation in community give opportunity for creator to make sure the successful of their project. In addition, the structure of crowdfunding help to assist in community development in communities in common goals, goal motives as laid out on the platform, as well as people involved through a common story for crowdfunding.(Duggal & Sassoon, 2015).

Community within crowdfunding defined as the linking of people with a common cause or shared interest. This linking is expressed through emotional as well as behavioural investment. Furthermore, active community refers to groups pre-dating the crowdfunding project who have channels in place through which they are already communicating and coordinating activity. According to Stiver et al., (2015), dormant community refers to groups that have the ability to display the characteristic and undertake the activity common to community, but that are inactive, or have never been active, preceding crowdfunding.

According to Gerber et al (2012), community can act as a motivation to participate in crowdfunding as it helps forge “connectedness to a community with similar interests and ideals”. Engagement with, and community contribution is a core incentive for supporter to participate in crowdfunding activities. Hence according to Belleflamme & Lambert (2014), crowdfunding provides potential for social benefits.

The work that involved in crowdfunding including cultivating community is commonly presented from the perspective of creators. According to Hui, Gerber (2014), the challenges that the creator of a project to get a participation of

crowdfunding focuss on three, understanding them, activating them, and expanding their reach. Hence, this challenges need to overcome by know the successful factor that can attract participation in community.

2.4 Key drivers of crowdfunding

This section discuss on factors that contribute to this participation in community and the key determinant of crowd funding participation in community.

2.4.1 Motivation

According to Evers et al (2012), the reason why a potential donor is willing to make a donation can identified by his motives. The interaction between motives incentives such as situational factors and personal factor result in current motivation. This motivation causes the participation in crowdfunding. According to Alam and Campbell (2012), there is two dimension concern of motivation which is individual vs. social motivations and intrinsic versus extrinsic motivation. Individual motivation refers to motivation cause by from the desire of an individual and regardless of the presence of a social group. While social motivation is a result of the present of a social group.

Intrinsic motivation

Intrinsic motivation refers to motivation stemming from an individual's inherent enjoyment (Katherine Choy, 2015). Fun and enjoyment of an activity as well as interest and curiosity is included in intrinsic motivation.

Individual-intrinsic motivation refers to motivation related to a donor's self-enjoyment or individual satisfaction in supporting the project, regardless of the presence of crowd. According to Katherine Choy (2015), states that one of the example

for individual-intrinsic is the donor was “passionate” about the project. Hence, this concludes that participation of crowdfunding based on individual decision and not influence by other people. According to Jessica Ryan (2011), there are several studies that support “fun” notions as the main motive for individual involvement in certain tasks as behaviours, which includes but not limited to the following study.

Social-intrinsic motivation refers to motivation related to a donor’s self-enjoyment or personal satisfaction in supporting the project in the participation of a crowd or community. According to Katherine Choy (2015), example of this motivation is the funder take part on crowdfunding because the funder wanted to be “a team-player” and to be part of a “community of like-minded people”. Hence, the participation of crowd and community encourage and give motivations for other people to participate in crowdfunding.

Extrinsic motivation

Extrinsic motivation refers the expectation of realizing a separable outcome. Contrary to intrinsic motivation in which performance is driven by inherent satisfaction through performing the task itself, extrinsic motivation feels motivation through the use of external factors such as promised reward, praise, critical feedback, deadline, supervision or specification of how work is to be. According to Jessica Ryan (2011), state that, although the factor or reward may be based on the work itself, these motivators are external both to the task or job, as well as the individual performing it.

Next, individual-extrinsic motivation is motivation related to a donor’s willingness to realize a particular outcome in order to supporting the project. Hence, this can motivate community to participate of crowdfunding due to motivation by tangible reward. According to Knaub et al (2014), behaviour is not only determined by motives but also providing incentives and expectations of a person. Hence, this situation factors influence the creation of expectations and can give effect on investment motives and finally investment behaviour.

Social-extrinsic motivation refers to motivation related to a willingness of people to realize a particular result in order to supporting the campaign in the presence

of crowd and community. Hence, by having social-extrinsic motivation, they get awareness and gain credibility for their participation in crowdfunding.

2.4.2 Awareness

According to De Leon (2016), the importance of ICT infrastructure, economic and business regulations, financial services is to enhance crowdfunding development in the long term. However, crowdfunding has gained traction in low performing countries against these indicators and has proven to overcome traditional financial and traditional barriers to accessing funds (Giudici et al., 2012). These facts suggested that there are other more factors that contribution toward the development of crowdfunding. Crowdfunding is a financial alternative that relies so much on social interaction.

According to Leonardi and Meyer (2015), awareness of other's interactions serves as a social lubricant that facilitates transfer of knowledge and encourages people to interact or communicate. Hence, the population's awareness is a factor of crowdfunding development since the creation and growth of crowdfunding community depend on the awareness. According to Ignacio De Leon (2017), there is three major components that may influence crowdfunding awareness which is entrepreneurial culture, participation of population in social media activity, and the reliability of e-commerce.

Entrepreneurial culture, in other word, entrepreneur are people that creative and smart in finding ways to add their own prestige, power and wealth. Indeed, Naude (2013) state that entrepreneurship is not only related to business-related effort, but also with respect to subjective well-being. Therefore, an entrepreneurial culture facilitates and promotes action, activity, or method that enhances wealth and personal income. For the reason, a developed entrepreneurial culture is needed to raise the awareness participation of crowdfunding since it is a financial alternative that overcomes traditional barriers to funding for entrepreneur (Julian Mora, 2017). This shows that the involvement of entrepreneur play important role in crowdfunding success.

Next, participation of population in social media create an awareness for since they provide the channels through which private and public information flows and a common place to monitor others' activities (Leonardi and Meyer, 2015). Moreover, nowadays people are exposed to social media and get information through that. According to Mollick (2014), the number of Facebook contacts has been found to be positively related to the probability of successful campaign. In addition, social bonding which is friend or family is one of the key element that contribute to the success of fundraising for start-up, usually in beginner of entrepreneurial stages (Agrawal, Catalini, and Goldfarb, 2015)

Next, E-commerce Reliability through online transactions and their functionality are the critical trustworthiness in when doing a crowdfunding. Therefore, in the era of globalization, developing trust around electronic payments is essential for crowdfunding's positioning since it is the only payment channel that can be trust (Agrawal et al., 2013). According to Gerber and Hui(2013), alternative financial mechanism closely resembles e-commerce since its operation relies on exchanging financial resources for tangible and intangible goods through online channel.

2.4.3 Emotional value

According to Kenn Burnett (2016), state that emotion is the key for success and long-term sustainable relationship with funder. Emotionally satisfied donors are more worth it than rationally satisfied. Emotion not just only drives actions but also contribution toward memory formation. Hence, every time the donor participates in crowdfunding, they are expecting to be engaged by the same emotions. Furthermore, people usually make their decision based on positive or negative feelings toward a subject, rather than on objective analysis (Bill and Melinda, 2016). Therefore, different kinds of information speaking about various emotion level, and strong positive emotions seem to encourage prosocial behaviour.