AN INSIGHT TO MALAYSIAN CROWDFUNDING SUCCESS

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DECLARATION

We hereby declare that:

(1) This undergraduate FYP is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

(2) No portion of this FYP has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) Equal contribution has been made by each group member in completing the FYP.

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DEDICATION

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LIST OF ABBREVIATIONS

AON	All-or-Nothing
EV	Expected Value
FDA	Functional Data Analysis
IT	Information Technology
LOGIT	Logistic Regression
LPM	Linear Probability Model
MLE	Maximum-Likelihood Estimation
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
PROBIT	Probability Unit Regression
SME	Small-Medium Enterprises
TIA	Take-it-all
USD	United States Dollars

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PREFACE

Crowdfunding in today's world can be defined as a means of funding through the Internet by raising small amounts of money from a large number of people. Since the first crowdfunding campaign held during the 1700s in Ireland, it has emerged and evolved slowly as one of the alternative financing methods for existing entrepreneurs and start-ups. Undeniably, it has grown in size over the years, but one issue that can be deadly with crowdfunding is still existent up to date – unbelievable low success rate across projects.

This study is conducted to establish a further understanding with crowdfunding, particularly what decides the success of a crowdfunding project, and contribute our findings to the existing literature. The areas that a project owner should focus during a crowdfunding campaign to maximize the probability of succeeding in achieving sufficient funding would be clearer and revealed after this study.

The objectives of this study are to examine the common traits affecting crowdfunding success in Malaysia, and investigate the relationship between two uncommonly explored variates, minimum investment and policy.

ABSTRACT

In this study, we attempt to determine the factors affecting crowdfunding success in the context of Malaysia, with special look into the variates minimum investment and policy by using secondary data from the reward-based crowdfunding platform, Mystatr. Three types of binary model specifications, which includes Linear Probability Model, Logistic Regression, Probit Regression were employed in this study to ensure robustness of results. We find that project goal, minimum investment, number of backers can predict the success of projects listed on the Malaysian crowdfunding platform, while number of comments and duration does not influence crowdfunding success. This study proposes that policymakers start providing more education to Malaysians about both crowdfunding and reward-based crowdfunding projects in Malaysia, crowdfunding platforms limit the ability of having a choice of crowdfunding policy to the project owner, and start examining the possibilities of regulating reward-based crowdfunding to protect the interests of investors.

CHAPTER 1: INTRODUCTION

1.1 Background of study

Crowdfunding Basics

It is often challenging for starter entrepreneurs to obtain initial funding for their initial entrepreneurial activity from outside funding or alternative funding. The common reason causing the difficulty in obtaining funding is due to issues such as inadequate cash flows and information asymmetry with investors regarding the venture's sustainability (Cosh, Cumming, & Hughes, 2009). The deficiency in the history of the venture and/or reliable track record further increases the difficulty in receiving credit (Stemler, 2013).

The remaining choice for entrepreneurs which they often turn to would be external capital sources, such as venture capitalist funds, banks, leasing firms, and private individuals (Cosh et al., 2009), including their friends and family (Agrawal, Catalini, & Goldfarb, 2014). Most ventures fail in this last resort funding process due to failure in convincing investors, the absence of sufficiently large sums from investors, and the absence of concrete specification of industries or the objective behind the fund raising (Belleflamme, Lambert & Schwienbacher, 2014). This creates a problem- many entrepreneurs have many brilliant and creative business ideas, but they lack the means to obtain funding for it. A potential remedy might be crowdfunding.

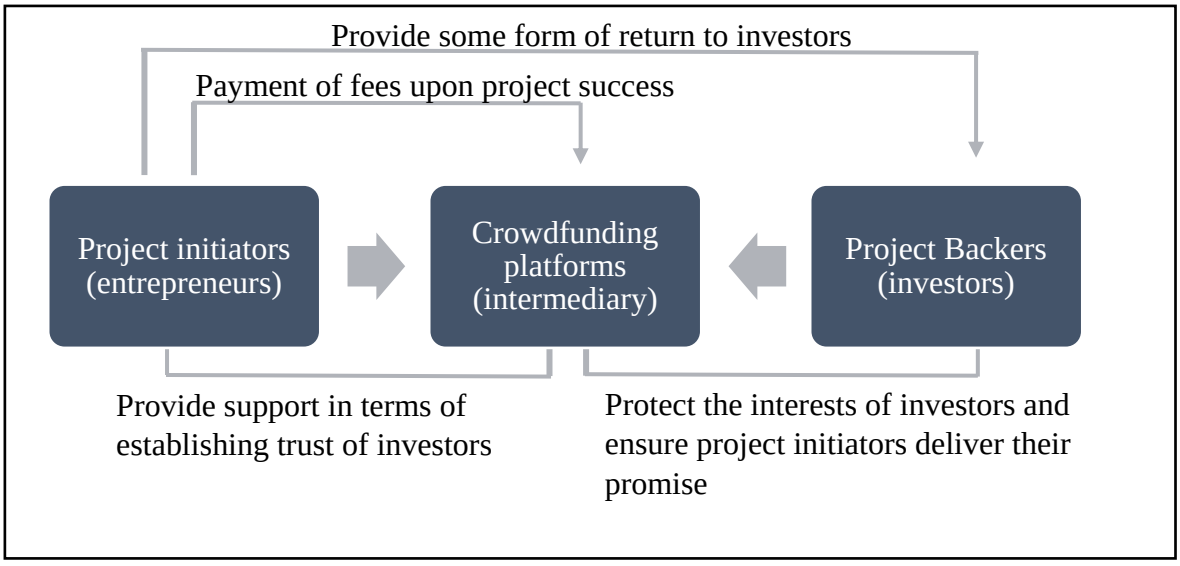
Crowdfunding, which is defined as an open call through the Internet for the supply for funds, often as a donation or in exchange for a reward to achieve a specific objective, (Davis, Hmieleski, Webb, & Coombs, 2017), potentially solves the problem (Bradford, 2012). This is because crowdfunding serves as a method of

obtaining funding from the global market without having the need of a good credit track record through the utilization of the Internet. The term originates from the concept of crowdsourcing, defined as the open call for the outsource of a task originally performed by an agent, to an anonymous large group of people (Good & Su, 2013). In other word, Crowdfunding is the convergence of crowdsourcing and microfinance (Mollick, 2014), a term that is defined as the provision of financial resources to individuals who are unable to obtain financing from commercial credit institutions (Boateng, Boateng, & Bampoe, 2015).

The Crowdfunding Process & The Roles of Crowdfunding Players

A crowdfunding project comprises of three participants, which are the entrepreneur (project initiator), crowdfunding platform, and the investor (project backers). Each of the participants have their own role to play in the crowdfunding process, and it is shown in Figure 1.0 below.

Figure 1.0: The Roles of the Respective Crowdfunding Players

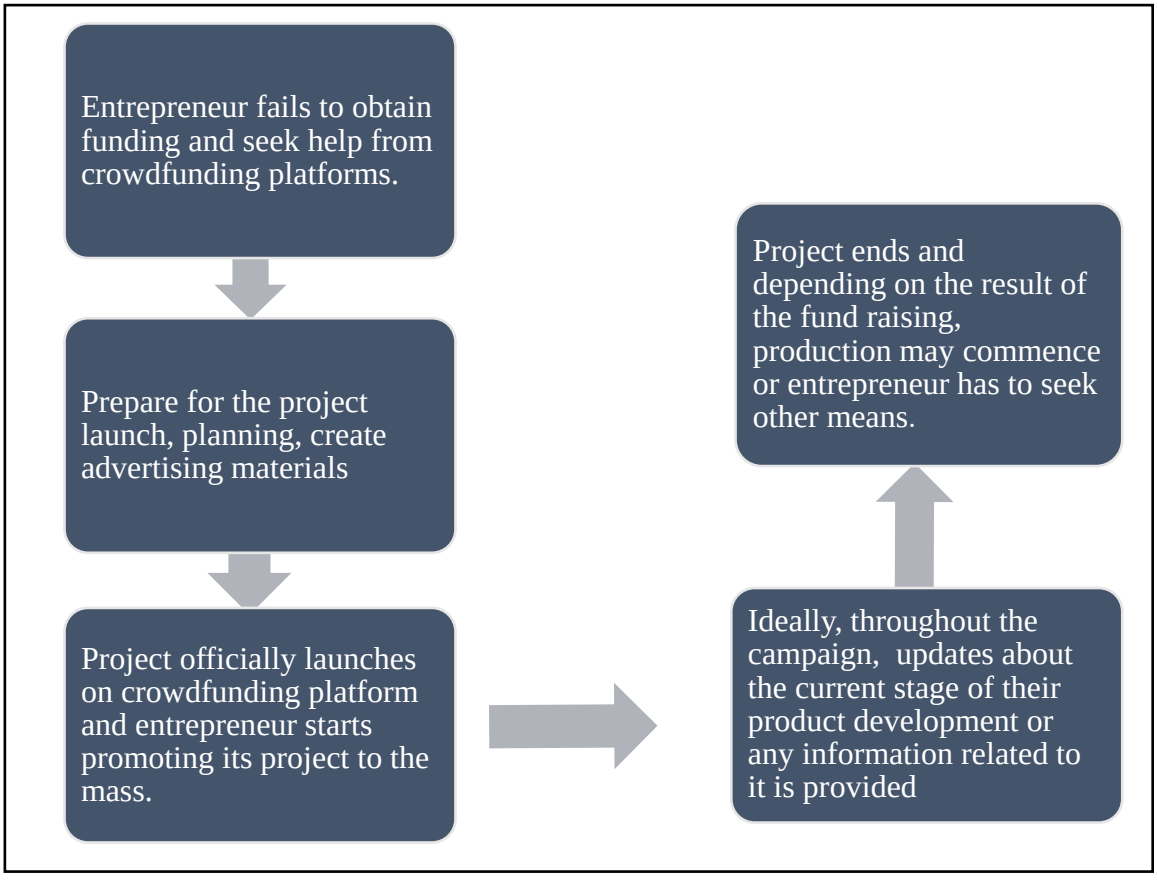


Here, what are crowdfunding platforms and the purpose that they serve can easily be understood. They are an intermediary that is vital in the process of a crowdfunding project, as they act as the party that facilitates trust in project

initiators from project backers. Without them, there is no reason for investors to trust project initiators to deliver promises, which is crucial for crowdfunding to work. Hence, crowdfunding project usually starts with crowdfunding platforms, and platforms are usually based of one type of crowdfunding.

The process of how a crowdfunding project starts from the beginning till the end is fairly intuitive, and can be seen most clearly through the eyes of the entrepreneur, as it is completer and more thorough. The entrepreneur goes through most of the processes of the crowdfunding project, while the project backer experiences the least. Figure 1.1 describes the general process of crowdfunding.

Figure 1.1: The Crowdfunding Process in Entrepreneur's Perspective



In general, the process of crowdfunding starts with the entrepreneur seeking help from crowdfunding as the last resort by selecting one crowdfunding platform (usually a website) to launch their fundraising project on, depending on several factors such as the fee imposed upon successful fundraising, platform policy (or terms), and the type of crowdfunding the platform specializes in.

Before blindly launching the fundraising campaign immediately, entrepreneurs or project initiators now usually makes preparation and planning about how they want to launch the project, especially the information about the business idea, current stage of development, and how they want to advertise their idea to the netizens to have more potential investors.

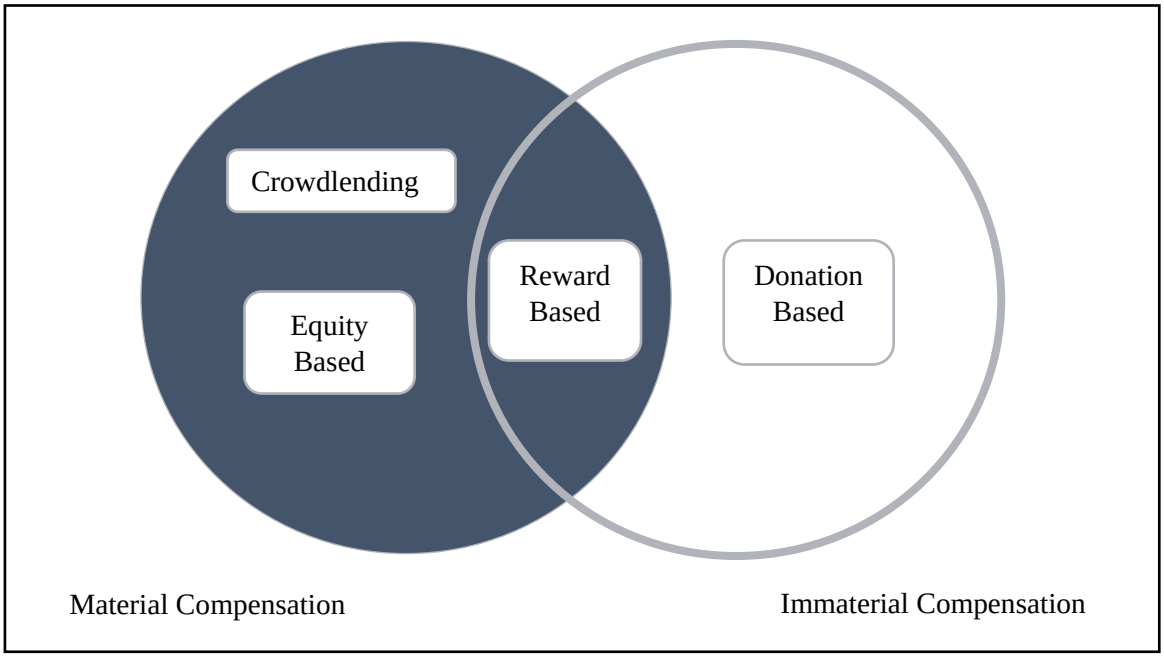
Next, being fully prepared, project initiators would launch their fundraising campaign and the project is finally open to receive funding for interesting parties. People who are interested in the project or business idea would be able to provide funding to the project initiators by giving their money to crowdfunding platforms temporarily, and depending on the crowdfunding policy (more on this later), the money would be provided to the project initiators after the end of the project.

Throughout the project, which usually lasts around 60 days from the initiation of the campaign, the project initiators have to maintain their fundraising project by providing updates about their current stage of product development, such as new breakthroughs, modified product features based on the feedback from interested parties, pictures of product prototypes, or latest financial statements, depending on the type of crowdfunding chosen, to maintain investor confidence and potentially attract more investors. Lastly, the project comes to an end and hopefully the project initiators hit their funding goal and can start production or deliver their promise to the investors that provided them with funds.

Types of Crowdfunding Models

There are many variants of crowdfunding offered in the market today, and crowdfunding model refers to the nature of the crowdfunding project, specifically the type of reward that the project backer can expect for pledging a project. There are four main types of crowdfunding model and the return of the different types of crowdfunding models to investors are different (Tomczak & Bram, 2013). The potential return differs in two forms namely: material compensation (monetary) (Vukovic, Mariana, & Laredo, 2009), and immaterial compensation (social acknowledgement) (Kazai, 2011). Based of the two types of returns, crowdfunding is categorized into four models, which are: donation-based crowdfunding, reward-based crowdfunding, crowdlending, and equity-based crowdfunding (Leimeister, 2012). Figure 1.3 provides a summary of the four types of crowdfunding, and the corresponding rewards that should be expected from the type of crowdfunding.

Figure 1.3: Types of Reward Expected From Crowdfunding Models



i. Donation based crowdfunding is related to a traditional fundraising purpose, with the difference between the two being the donations arrive through a

specific intermediary. In this model, instead of expecting material rewards, investors expect for social rewards as a return for their contribution (Leimeister & Zogaj, 2013).

ii. Reward based crowdfunding, which is currently the most prevalent model, provides returns in both forms of material and immaterial compensation (Mollick, 2014).

iii. Crowdlending provides investors with the return of contractually signed interest payment in return for providing small loans (Allison, Davis, Short, & Webb, 2015).

iv. Equity-based crowdfunding grants the status of equity stakeholders to investors as the return for providing funds (Mollick, 2014), with potential profit available for sharing in mind in the future (Brem & Wassong, 2014 as cited in Kraus, Richter, Brem, Cheng, & Chang, 2016).

It is important to make distinction between the types of crowdfunding as upon being aware of the crowdfunding model of the project, investors would have an expectation of how the project is going to be like and what kind of return to expect.

Types of Crowdfunding Policies

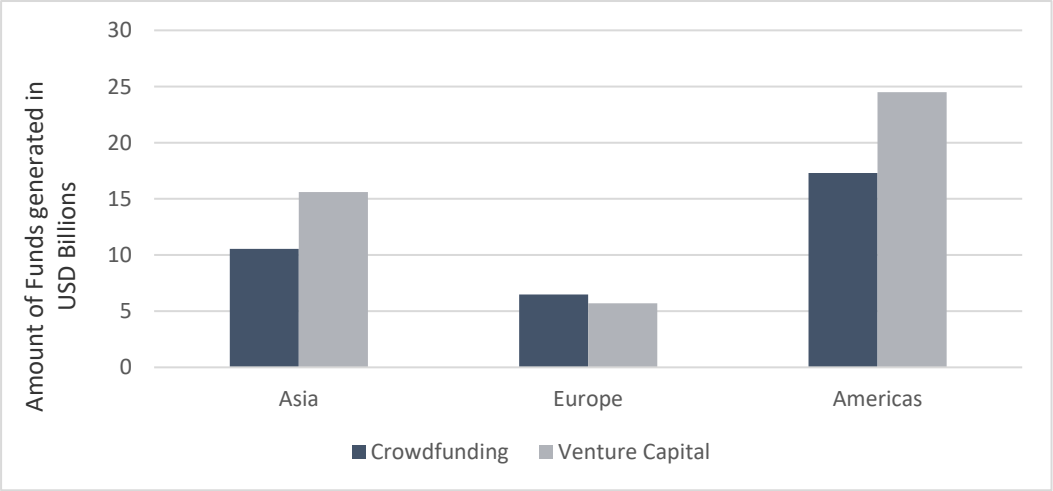
There are two main types of crowdfunding policy, which are Take-it-All and All-or-Nothing. They refer to whether the project initiators would receive the funding invested by investors upon project success or failure. For projects that choose the Take-it-All policy, when the fundraising project ends, regardless whether the target funding to be obtained is achieved or not, money invested is provided to the project initiators. For All-or-Nothing, as the name suggests, projects must achieve funding goals at the end of the campaign for project initiators to receive investors' funding. Upon project failure to achieve funding goal, funds would be refunded to investors.

It should be noted that there should be a clear distinction between crowdfunding policies and crowdfunding models. Crowdfunding models as explained above relate to the different returns that the project is able to be provided to the investors for their funding. On the other hand, crowdfunding policy relate to the degree of risk that investors are willing to take upon participating in the project. The noun "policy" is used here by us to resemble the concept above as there is no exact common terminology for it to our knowledge, and different nouns may be used elsewhere.

1.2 Why Crowdfunding?

Many might be skeptical about whether crowdfunding deserve time to be spent on discussing, observing, evaluating, and researching. There are a few reasons why crowdfunding is a territory worthy to have time to be spent on understanding. The first reason is due to the size that crowdfunding that has grown into over the past few years.

Figure 1.3: Comparison of Value of Funds Generated by Crowdfunding and Venture Capital Activities Respectively in 2017



Source: KPMG. (2017). Venture pulse Q4 2017 ; Fundly. (2017) Regional crowdfunding statistics

Referring to Figure 1.3, the amount of money raised by crowdfunding is 67.56%, 113.68%, and 70.61% of what was invested in venture capital during 2017 for Asia,

Europe, and Americas respectively. Crowdfunding is slowly growing into a potential substitute or alternative means of funding if entrepreneurs fail to obtain funding through traditional means, such as venture capital. It is also noteworthy that the amount of funds raised through crowdfunding in Europe exceeded the amount invested in venture capital.

Moreover, since almost everything is done online, crowdfunding potentially changes the way that new startups or entrepreneurs can obtain funding. Through the use of Internet, a large number of users can be exposed to the project within a short period of time, especially with the function of "viral networking and marketing" (Hemer, 2011). Entrepreneurs can save money and time by advertising to potential customers and obtain funding at the same time, while funding through traditional means requires advertising and obtaining funding to be done in two separate instances, not to mention the extra funding cost. Geographical constraints that hinder investment can be eliminated as well (Agrawal et al., 2014). Hence, similar to other funding means, crowdfunding ought to be given attention as well.

In addition, crowdfunding can be used as a means to "test the waters" as well. It can be used to test the viability of products or markets (Belleflamme, Lambert, & Schwienbacher, 2013). With almost no cost, entrepreneurs can test their ideas out using crowdfunding platforms, and depending on the responses received, they are able to identify whether if their idea would be accepted by the public. Feedback received from people in the comments section can also be utilized as feedback to improve their product idea so that their customers can be more satisfied with the product in the first generation.

Crowdfunding can also benefit entrepreneurs and corporations by providing feedback and creative solutions to business problems, and gain access to the excess resources of individuals, such as financial resources (Zheng, Li, Wu, & Xu, 2014). A great example of the most successful projects on one of the most prevalent crowdfunding platforms, Kickstarter, is the fidget cube. Similar to the fidget spinner, it is a product designed to help with people that are unable to sit still and focus to

focus better, through the use of the mechanisms on the cube, which can include buttons, a rolling ball, switches and etc. The fidget cube is an example of creative ideas that would have been impossible to be created and made known to the world without the use of crowdfunding.

Apart from funding creative ideas, there are crowdfunding projects to solve real-life problems with current available products as well. One fantastic example would be the well-known pebble smartwatches, a smartwatch that is created using e-paper and the purpose of the creation of it is to create an affordable, user-friendly smartwatch without being restrained by your smartphone's operating system as it can be used by both iOS or Android operating systems, while conventional smartwatches are usually binded to one operating system. It solved many problems of previous smartwatches as well, such as having to turn on screen to check time, high price, fast power drain. To date, it has launched three crowdfunding projects for three generations of watches, and has successfully obtained funding amounting to 10 million USD, 20 million USD, and 12 million USD respectively approximately, where it can be crowned as the most funded crowdfunding projects to date.

1.3 Crowdfunding in Malaysia

The two currently most prevalent crowdfunding models in Malaysia are reward-based and equity-based crowdfunding. For reward-based crowdfunding, similar to other countries, it is not regulated as much as compared to equity-based crowdfunding. One of the largest and oldest reward-based crowdfunding platform in Malaysia is Mystartr. The website launched in 2012, and has successfully funded projects worth more than 1 million Malaysian Ringgit as of 2017 (Fintechnews Singapore, 2017). One of the other largest crowdfunding platforms in Malaysia is PitchIn, also founded in 2012 (Pitchin, n.d.). Unlike Mystartr, it offers both reward-based crowdfunding and equity-based crowdfunding to Malaysians. It is recognized as one of the most successful crowdfunding platforms established in Southeast Asia,

successfully funding projects such as the first Indie festival in Penang, TAPAUfest, and TeeSomethingNice, a project initiated in conjunction with Hari Malaysia and Merdeka in 2014 (Top 10 of Malaysia, 2017). Other crowdfunding platforms, such as Skolafund, Peoplender, ATA PLUS, Netrove Ventures, Alix global, Ethis Kapital, Edspace Projects, and GIVE.MY do not operate in a scale as large as the two former platforms.

For equity-based crowdfunding, on 10th February 2015, Securities Commission of Malaysia has issued a new set of Guidelines under the Capital Markets and Services Act 2007, as a measure for regulation of the equity crowdfunding platforms (The Star, 2015). Six equity crowdfunding platforms were approved, which are FundedByMe, Crowdo, Eureeca, Equity.pitchIn, and Crowdplus.Asia (Toh, 2017). Upon the issuance of the regulation, Malaysia was officially the first country in all ASEAN countries to set up legislation for equity crowdfunding platforms which allows for entrepreneurs in Malaysia to enjoy an alternative platform to acquire.

The government of Malaysia, in cooperation with Edge Prop Sdn. Bhd., has set up an online crowdfunding platform in hopes to resolve the issue of rising house prices and help first time home buyers to own a home (Kana, 2018). The scheme merely requires the homebuyer to pay an upfront of 20%, and have the remaining 80% funded by institutions and the public, requiring no interest payments from the homebuyer (Tan, 2018). After staying five years, the homebuyer has to decide to continue staying or having the property sold (FundMyHome, 2019); If the homebuyer choses to stay, the remaining 80% along with the appreciation in value of the house has to be paid u (Kana, 2018); If the homebuyer choses to sell the house, any losses in the value of the house has to be borne by the homebuyer, but any appreciation in value would be shared with the people financing the purchase according to the financed amount (Lim, 2018). The potential of crowdfunding is promising on its face, but there are several problems with it.

1.4 Problem Statement

For the past few years, the market for crowdfunding (measured by volume in currency) has grown rapidly, with the total estimated global volume of crowdfunding industry being US$34 billion (Massolution, 2015). Forecasts have been made that global crowdfunding market is to grow by approximately 26% every year from 2016 to 2020 (Technavio, 2016). Despite the rapid growth in the crowdfunding market, there has been a relatively low success rate for reward-based crowdfunding project proposals. For example, there was only a 35.40% success rate for the projects in Kickstarter, one of the largest crowdfunding platform in the United States, with only 127, 825 projects have their goals successfully funded (Kickstarter, 2018). 192,765 projects out of 228,853 of the unsuccessful projects received less than 20% of their funding goal, which is around 84.23%.

Taking the view into Malaysia's standpoint, the success rate is even lower. In Mystartr for example, taking all ended projects from the website's inception to February 2018, only 44 out of 288 projects have been able to achieve its funding goal, only 15.28%. Despite the low success rate in the reward-based crowdfunding projects, we observe a lack of literature studying on the probability of success for projects in developing countries, while crowdfunding could prove to be a useful alternative for small-medium enterprises (SME) to obtain funding while SME can potentially boost economic growth. In the Malaysian case, at the time of conducting this study, we managed to only find four studies (For US studies see Mollick, 2014; Courtney, Dutta, & Li ,2017; Parhankangas and Renko, 2017; Colombo, Frazoni, & Rossi-Lamastra, 2014; Buttice, Colombo, & Wright, 2017; Josefy, Dean, Albert, & Fitza, 2016; Lukkarinen, Teich, Wallenius, & Wallenius, 2016; Frydyrch, Bock, Kinder, & Koeck, 2014; For Malaysian studies see Lau & Chew, 2016; Thaker, Thaker, & Pitchay, 2017; Mokhtarrudin, Masrurah, & Muhamad, 2017; Rahman, Kamil, & Duasa, 2016; For Korean Studies see Cho & Kim, 2017; Moon & Hwang, 2017; For Vietnamese study see Tu, Anh, & Thu, 2018; For Thai studies see Wonglimpiyarat, 2017; Guelich & Guelich, 2017; For Filipino studies see Vergara, 2015; Vergara, 2016; For Indonesian studies see Ibrahim & Verliyantina, 2012;

Achsien & Purnamasari, 2016; Hidajat, Primiana, Nidar, & Febrian, 2016; Winarno & Wati, 2018).

In addition, we noticed that two researchers have contradicting results for the unexplored variable, minimum investment (Ahlers et al, 2015; Lukkarinen et al., 2016). Ahlers et al. (2015) were able to identify that there was no significant relationship between minimum investment and crowdfunding success, but Lukkarinen et al. (2016) was later able to identify that there was a significant relationship between the two variables. Therefore, following their footsteps, this paper will attempt to identify whether there is a significant relationship between crowdfunding success and minimum investment.

Moreover, unlike other major platforms, such as Kickstarter or Fundedbyme that only allows for projects to undertake All-or-nothing policy, the subject crowdfunding platform of our study allows project owners to choose between an All-or-nothing (AON), or Take-it-All policy (TIA). This creates uncertainty regarding the effects that this decision would bring to the success of the crowdfunding projects, as only one past study specifically on the effects of policy towards crowdfunding success (See Cumming, Leboeuf, & Schwienbacher, 2015). More views on the effects of policy are required to achieve a common consensus regarding the variate.

Lastly, as discussed earlier, recent announcements from the government of Malaysia suggests that there is interest from the government in utilizing crowdfunding as an alternative means for funding to aid needy people to own a house. However, it is yet unclear in regards to how the government intends to launch the campaign, so that investors would trust the random people that they are giving loan to. In our opinion, trust is especially important in crowdfunding projects, and if trust is unable to be established then crowdfunding itself would be a failure from the very beginning. Hence, it has become more important to establish a deeper understanding towards crowdfunding as a whole, so that we are able to find factors

that increases the success rate of crowdfunding projects, especially factors that are able to gain investors trust. Hopefully, our research is able to serve as a beneficial reference material for the government since there is a deficiency in the literature of crowdfunding.

1.5 Research Question

1.5.1 What are the common traits that influence the success of a reward-based crowdfunding project in Malaysia?

1.5.2 Does minimum investment have a significant relationship with crowdfunding success?

1.5.3 Does different type of crowdfunding platform policy affects crowdfunding success?

1.6 Research Objective

1.6.1 Examine the common traits that influence the success of a reward-based crowdfunding projects in Malaysia.

1.6.2 Investigate whether minimum investment has a significant relationship with crowdfunding success for reward-based crowdfunding projects in Malaysia.

1.6.3 Investigate the effect of different policies towards the success rate of crowdfunding projects

1.7 Scope of Study

Malaysia is selected as the subject country for this study because crowdfunding in Malaysia is still in infancy stage and there is limited research paper examining the probability of crowdfunding success in Malaysia. Mystartr is selected it is the largest reward-based crowdfunding platform in Malaysia. The time period selected is year 2018 because the most projects are initiated in 2018. This study will provide a reasonable estimate for the probability of crowdfunding success for the case in Malaysia. All projects are selected regardless of the categories assigned under the project. Variables selected for this study include goal, comment/update, duration, policy, number of backers, minimum investment.

1.8 Significance of Study

Our study focuses on the common traits of successful crowdfunding projects in Malaysia and verifying the relationship between minimum investment and crowdfunding success. Previous empirical studies focusing on the determinants of success of crowdfunding projects employed data in the context of United States only (For example, Mollick, 2014; Courtney, Dutta, & Li ,2017; Parhankangas and Renko, 2017; Colombo, Frazoni, & Rossi-Lamastra, 2014; Buttice, Colombo, & Wright, 2017; Josefy, Dean, Albert, & Fitza, 2016; Lukkarinen, Teich, Wallenius, & Wallenius, 2016; Frydyrch, Bock, Kinder, & Koeck, 2014). In addition, there has been little focus on the developing countries to our knowledge, except for Cho and Kim, (2017) who studied South Korea, and Tu, Anh, and Thu, (2018) who studied Vietnam.

Moreover, upon surveying the present literature, it has been noticed that empirical research done studying the common traits affecting the success of crowdfunding in Malaysia is insufficient. For the case of Malaysia, Lau and Chew (2016) studied the effectiveness of academic crowdfunding practice in Malaysia, Thaker, Thaker, and

Pitchay (2017) provided a model of source of financing for waqf institutions to meet their liquidity constraint in Malaysia, Mokhtarrudin, Masrurah, and Muhamad (2017) examined on the types of crowdfunding offered and which ones are most suitable for young entrepreneurs in Malaysia.

Our research therefore fills the research gaps of previous researchers, shedding light into the variables that contribute to the success of crowdfunding projects in the context of Malaysia. Malaysia was chosen instead of other countries because it has huge potential to grow, since the total transaction value for crowdfunding amounts to only USD 0.7 million, while countries such as China (USD 7477 million), United States (USD 1041.3million), and Japan (USD 94 milllion) has crowdfunding far developed compared to Malaysia. (Statista, n.d.). We also contribute by examining the relationship between minimum investment and policy with crowdfunding success, enriching the existing literature by providing a view on the effects of the two variables using the case of Malaysia.

Crowdfunding can potentially act as a catalyzer to present efforts to generate entrepreneurial cultures and ecosystems in developing nations (World Bank, 2013), and finance is a major catalyst for small-medium enterprises growth (Pekmezovic & Walker, 2016; Ilegbinosa & Jumbo, 2015) which is beneficial to a country's economic growth (Ilegbinosa & Jumbo, 2015). Hence, crowdfunding is important can potentially contribute to the economic growth of Malaysia. The work done by us can benefit entrepreneurs, investors, researchers, and the country. Entrepreneurs and investors can take our work as a reference to what are the quality indicators applicable for successful crowdfunding projects in Malaysia. Entrepreneurs can then be better prepared before initiating their crowdfunding projects to increase the success rate in their projects by fulfilling the significant indicators as found in this study.

For investors, it can help them identify what projects have a higher rate of success and have a higher probability of enjoying a return from successful crowdfunding projects. For the country, it can potentially indirectly contribute to the economic

growth as success rates of crowdfunding projects increase as entrepreneurs refer to our work. For the government, our research is able to provide an idea of what basic preparation entrepreneurs need when they are trying to begin their business venture, and start to implement policies in favour of entrepreneurs to aid them in their venture.

1.9 Organization of Study

This study consists of five chapters in total. The first chapter provided an overview of the research paper, consisting of background of study, the statement of our research problem, questions, and objectives, the scope of our study, and the significance and contributions of our study. Chapter two provides a literature review discussing about the previous studies regarding crowdfunding. The development of theoretical framework along with the relevant theoretical model to be used in this research will also be provided.

For Chapter three, the methodology to be used in this research paper will be discussed, as well as the decision of source of data to be used will be determined, and the selected variables will be defined. Chapter four consists of the empirical analysis of our data and the results of it for each of the tests. Chapter five concludes the paper and it discusses about the limitations faced in this research, potential policy implications, and recommendation.

CHAPTER 2: REVIEW OF LITERATURE

2.1 An Overview of Previous Literature

Success in crowdfunding is generally measured by whether if it has reached its monetary goal within a prespecified time period, but alternatives such as number of investors, funding, and funding speed can serve as a decent measure as well (Ahlers, Cumming, Günther, & Schweizer, 2015). Previous research done has identified that the most influencing factors towards a crowdfunding project's success include period of funding and the goal amount, which represents the practicality of a project proposal (Belleflamme, Lambert, & Schwienbacher, 2013; Bouncken, Komorek, & Kraus, 2015; Kwon, Lee, & Na, 2014; Park, 2013). Other researchers propose that geographical location of a crowdfunding project affects the success rate of the project. It is known that in a traditional business setting, geographical location is a significant factor to be put into consideration (Feldman, 2001; Stuart & Sorenson, 2007), and researchers have found that the claim is still valid for crowdfunding success (Agrawal et al., 2014; Mollick, 2014).

Of all suggestions for the factors that lead to a crowdfunding campaigns success, policy is an uncommon variable that is less explored by researchers. Reply length and reply speed suggested by Wang et al. (2018) are also rarely seen in application, though it is confirmed by Wang that reply length resembles communication quality and reply speed resembles founder's commitment to the project, both of which contributes to a successful project. Founders having successful experience is another unseen variable that is proposed by Yao and Zhang (2014) as it boosts backer confidence in the project.

2.2 Review of Determinants of Crowdfunding Success

Social-Specific Characteristics

The foundation of the crowdfunding process lies upon acquiring funds from the 'crowd' or the mass public through online crowdfunding platforms. Hence, the way to obtain the crowd's attention towards the entrepreneur's project out of others is one of the critical criteria influencing success of project. A study by Hsieh, Hsieh and Vu (2019) focusing on the relationship between social movements and crowdfunding success found that social movement related projects exhibit a higher success rate than other general projects, and during periods of social movements, crowdfunding projects demonstrated a lower success rate. They concluded that the crowd's attention span is little, and the existence of a social movement related project directs their attention to it, and little attention would be left for other projects.

It has also been found that consistent communication between backers and founders of crowdfunding projects is vital for it to achieve success. Frequent updates on project progress, encouragement of participation of backers using embedded social media links often lead to positive project results (Park, 2013; Zheng, Li, Wu, & Xu, 2014). Beier and Wagner (2014) found that for a project to succeed, high level communication between parties involved in a project using frequent and extensive updates is crucial. Wang et al. (2018) concluded that the quantity and sentiment of comment is directly related to the success of crowdfunding projects. Entrepreneur's education level also influences the project success (Allison et al., 2017). Belleflame et al. (2014) states that Web 2.0 and social networking sites allow founders to access its audience with less difficulty, providing a website with more information to potential backers of a project should influence the success of a project. Frydrych, Bock, and Kinder (2014) verifies this as they find that information relating to the founder allows a project to appear more legitimate, attracting more funders as a result. Kraus et al. (2016) also argues that number of backers influence the success of crowdfunding project, which confirms the results of Colombo et al. (2014).

Besides, Mollick (2014) stated that if the project's founder has a constant social interaction and keep on updating the information, pictures and progress of the project, the successful rate of the project will be higher. Also Xu et al. (2014) suggested that in order for the campaign to success, the project initiator must plan for a project that is able to capture everyone's attention. An effective communication message to promote the campaign, being very attentive to reply the backer questions and keep the campaign updated also are a must as it will affect potential backer funding's decisions.

Third-Party Specific Characteristics

For a crowdfunding platform to function properly, it requires external agents to assist in its operations, especially when obtaining payment from backers, such as banks, IT companies, and accountants. One of the studies focusing on the role of trust, risk on the decision making of online consumers found that while factors directly related to the company (reputation, website security, etc) strongly affects consumers' trust towards the company, having a third-party seal interestingly has no effect on consumer trust (Kim et al., 2008).

However, a study conducted specifically on crowdfunding platforms, regarding the investors' intention to invest in projects in the trust-based perspective found contradicting results (Kang, Gao, Wang & Zheng, 2016). The researchers found that having a third-party seal positively influences investors' intention to invest, by avoiding moral hazard and proving third-party assurance, which increases perceived trust towards the project.

Platform Specific Characteristics

In crowdfunding, the usual practice of platforms is that they specialize in one of crowdfunding instead of offering all four crowdfunding types available on their platform. Platforms also offer a set of their own rules and terms of use, restricting certain aspects of the projects such as maximum duration allowed for a project to last. Hence, platform related traits may also affect crowdfunding success. A study

conducted by Dushnitsky and Fitza (2018) emphasizing on establishing further understanding of multiple crowdfunding platforms concluded that success traits of different platforms are different, lacking generalizability. Therefore, the choice and understanding of platform can affect a project's success.

Lacan & Desmet (2017) presented similar findings. In their study, they sought to examine the effects of crowdfunding platforms towards the willingness of an investor to invest in a project. What they were able to conclude was that investors' attitude towards crowdfunding platform regulates their willingness to participate due to factors influencing the platform's perceived ease of use and usefulness, which overwhelms the positive effects of word-of-mouth.

Founder's Specific Characteristics

Traits of a project founder can also affect the success of crowdfunding. In a study by Parhankangas and Renko (2017), they focused on the effects of linguistic styles of the project owner towards the success of crowdfunding projects, and found that linguistic styles that is able to make their campaign more understandable and relatable to the potential investors (crowd) yield a higher success rate.

The extent of financial commitment of the project owner is also found to be important in determining the success of crowdfunding. Löher, Schneck, and Werner (2018) found that it is not only vital, but most important than any other variable that the project owner invests their own financial means during a campaign. Projects that has a comparatively higher financial commitment by the owners in their venture has been found to achieve significantly higher crowdfunding success. Studies have also documented that the experience and skillset of a project owner influences the type of opportunity that they identify and the amount of value that can be extracted from it (Marvel & Lumpkin 2007; Shane, 2001; Zhao & Seibert, 2006; Janku & Kucerova, 2018). These studies find that entrepreneurs play an important role in shaping the outcome of crowdfunding campaigns, where entrepreneurs with different characteristics often initiate different projects and obtain different values

even though faced with the same set of opportunities.

Serial entrepreneur or entrepreneurs that have held crowdfunding projects before has been found to yield a higher success rate compared to others, as a having successful track record helps to outperform others (Gompers, Kovner, Lerner, & Scharfstein, 2010), and previous internal social capital developed through the platform that novice entrepreneurs would not enjoy allows serial entrepreneurs to yield a greater success (Butticè, Colombo, & Wright, 2017; Colombo et al., 2015; Skirnevskiy & Brettel, 2017). Female entrepreneurs have also been found to have a higher success rates in funding projects compared to male entrepreneurs (Ahlers et al., 2015; Marom, Robb, & Sade, 2014).

Backer's Specific Characteristics

The role of backers or investors has also been found to affect the success of crowdfunding projects. Ordanini, Miceli, Pizzetti, and Parasumaran (2011) found that in the path of crowdfunding success, the backers not only plays the role of provision of financial resources, but they also bear the risk of a project initiated by others. In a study conducted by Cornelius and Gokpinar (2018), with a similar argument with Ordanini et al. (2011), they find that when backers attempt to influence product development, entrepreneurs benefit from it, as the influence provided is usually only received from institutional investors. The greater the involvement, the higher the probability of success. Another study by Kleinert and Volkmann (2019) that attempted to analyse the role of investor-initiated discussions towards crowdfunding success found that investors are generally concerned with information asymmetries and agency risks, and discussions overall positively influences investments, which fuels crowdfunding success.

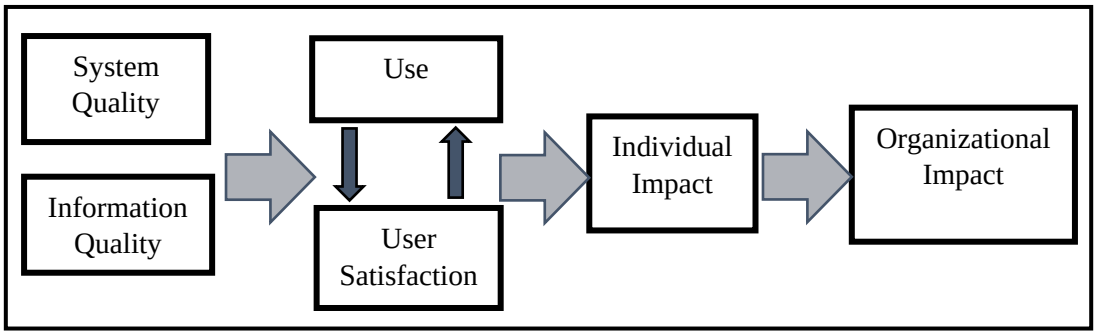
2.3 Theories Established by Previous Literature

There are several theories established by previous literature that provides explanation of the success of crowdfunding projects which is discussed as follows:

2.3.1 E-Commerce Success Theory

The E-Commerce Success Theory, also known as the Information system success theory was pioneered by DeLone and Mclean, and the inspiration behind the development of the model was to evaluate the success of e-commerce systems invested by companies.

Figure 2.1: DeLone & Mclean's Model of Information Systems Success



Source: DeLone & Mclean (1992)

The initial success dimensions first identified by DeLone and Mclean (1992) were system quality, information quality, use, user satisfaction, individual impact, and organizational impact. System quality was referring to measures of information processing system, such as system accessibility, flexibility of the system, response time, system reliability and ease of use. Information quality referred to information obtained from information system that can be measured (DeLone & Mclean, 1992). For instance, measures such as accuracy, currency, reliability, relevance, and timeliness.

Use refers to the use of information that is extracted from the information system, such as use in decision making, use frequency, extent of use, and motivation to use the data. User Satisfaction refers to the user's response of using the output of an information system. Individual impact refers to the effects of information received by the user, such as user confidence, decision quality. The last measure is organizational impact. It was defined as effect

of information produced by the system on the organization's performance as a whole. Referring to figure 2.1, the model should be interpreted in the following manner:

i. Systems Quality and Information Quality both individually and jointly affects Use and User Satisfaction.

ii. The frequency of usage will either positively or negatively influence user satisfaction, vice versa.

iii. Use and User satisfaction directly affects individual impact, and this chain of causation continues to create some organizational impact.

The first four dimensions of the model, System Quality, Information Quality, Use and User Satisfaction has been proven to be effective in demonstrating the interdependencies among the different variates measuring Information system success. A corresponding study done by Seddon and Kiew (1996) identified empirical evidence supporting the relationships assumed by the model. In addition, two of the most widely used Information System success trait (Molla & Licker, 2001), allowing the model to be recognized as a major breakthrough and the central study for authors in the field of researching Information System success (Pitt et al. 1995; Ballantine et al., 1996; Seddon, 1997; Myers et al, 1998; Rai et al. 2002).

This theory provides a general explanation of how a crowdfunding project as an e-commerce entity may succeed. It provides a general guidance towards the formation of our empirical model, with which factors representing information quality, system quality, use or user satisfaction should be used.

2.3.2 Goal-Setting Theory

The goal setting theory postulates certain characteristics of a goal determines the effectiveness of a goal. Characteristics include:

(i) A Goal Must Be Difficult but Attainable

If a goal is too easy to achieve, it will not bring any desired increments in performance. To improve the performance, it is a must to set a difficult and specific goal. However, if the goal is too difficult, it will reduce the motivation for people to achieve it since it is unattainable. Therefore, a goal must be difficult as well as attainable. Applying this theory to our research, it is okay for founder to set a high goal (high required funded amount) but the amount must be reasonable and appropriate (Lunenburg, 2011).

(ii) Effectiveness of Goals Can Be Improved by Setting Deadlines

There is a saying that a goal will be more effective if there is a deadline. Deadline acts as a time-control mechanism and it can increase the motivation for people to complete the goal. According to Lunenburg, people will put more effort in order to complete their tasks when the deadline is approaching. Yet, if the deadline is still far away, people are more likely to slow down their pace to complete their tasks. However, the deadline cannot be set too tight also especially with complex goal. If there is, then the quality of the work is not guaranteed (2011). Applying this theory to crowdfunding,

there are some researchers mentioned that longer duration for fund raising will decrease the success rate because it shows a lack of confidence (Liu & Liu, 2016; Marelli & Ordanini, 2016; Mollick, 2014).

The goal setting theory relates to our variable, goal and duration. It relates to the magnitude of the goal that is to be set, and the project duration that should be set.

2.3.3 Signaling Theory

According to Connelly, Certo, Ireland and Reutzel (2011), information can affect the decision-making process used by individual such as households, business and government. Thus, it is very important for people to get symmetric information so they can make a right decision. However, it is normal that people will face information asymmetry problem. According to Stiglitz (2002), this is because "different people know different things." Thus, signaling theory is used to describe the behavior between two parties who have access to different information. Fundamentally, signaling theory is concerned with reducing the information asymmetry problem between two parties (Spence 2002).

There are three key elements in a signaling environment which are signaler, signal and receiver. Signaler is the person who process to private information about an organization or a product which is not available to information outsider. After that, signaler will purposely send out a positive signal to information outsider to reduce the information asymmetry problem and receiver will respond to this (Connelly et al, 2011). An effective signal must fulfill two main characteristics which are it must be observable and costly. If a signal is not observable, then receiver will not be able to perceive it. Other than that, if a signal is not costly, then it will be easily imitated by

others which means receiver might have chance to receive a fake signal (Spence,1973). From the viewpoint of crowdfunding, if a project founder keeps updating his project information or replying to backers' comments. It shows that the founder has an active attitude on reducing the information asymmetry problem between him and the backers. As mentioned before, information can affect an individual's decision making process. Thus, it will affect a backer on making decision whether want to invest in or not (Block, Hornuf, & Moritz, 2018).

2.3.4 Theory of Social and Organizational Networks

According to George, McGahan, and Prabhu (2012), theories of social and organizational networks indicates that the performance of a firm can be improved if an individual able to form a relationship or connect with people who are able to provide capital, access, advice and other valuable resources which are important to an entrepreneur (Drakopoulou Dodd, Jack, & Anderson, 2006; Kotha & George, 2012).

Applying this theory to our research, it represents the relevance of our variate, number of comments as number of comments represents communication between the backer and project initiator.

2.3.5 Risk Aversion

Risk aversion means that the certainty equivalent (selling price of an asset) for a risky activity is lower than the expected value (estimated future gains calculated with the formula $EV = pX + (1 - p)$). A risk averse person may give up his expected possible gain in order to minimize or get rid of the risk. This is why the certainty equivalent is always lower than the expected value in risk aversion. The difference between the expected value and certainty

equivalent is risk premium. A risk premium can be defined as the maximum amount of money that a person accepts to be lost in order to avoid risk. From the perspective of risk aversion, the risk premium is always a positive figure (Concina, 2014).

The risk aversion theory relates to variates minimum investment and platform policy. A higher level of minimum investment requires more commitment from the investor, which increases perceived risk. Similarly, the type of platform policy determines the risk level of a project, which may affect the success of a project.

2.3.6 Social Influence theory

Social influence theory means that an individual's behaviour will be changed when he is influenced by others. There are three types of social influence that have been identified by Herbert Kelman which are Compliance, Identification, and Internalization. Compliance is when people tend to hide their own dissenting opinions and they just agree with others. For identification, it happens when people are influenced by someone they liked or respected. The common example given is celebrity. Internalization is when people totally agree with a belief or behaviour. It is distinct with compliance. Internalization is where the belief or behaviour is totally accepted by people internally.

This theory explains the relation of our variate, number of backers towards the success of crowdfunding project, as the present number of backers may instil herding behaviour in new potential investors.

2.4 A Review of Previous Research Methodology

There are various methods had been used by past researchers to predict the success and failure of a crowdfunding project. One of the methods that used by Fan-Osuala, Zantedeschi and Jank (2017) is Functional data analysis (FDA). Functional data analysis can be considered as a new statistical technique which come with an ability to examine functional observations such as space, time and etc (Silverman & Ramsay, 2005). There are different forms of dynamic exhibited in Crowdfunding such as contribution, online buzz and backers and these can affect the outcome. According to Kuppuswamy and Bayus (2013), the contribution in a crowdfunding project are vary over the time. In different period, it might get different contribution from funders. Osuala, Zantedeschi and Jank used contribution dynamics as a forecasting measure in their research.

Another method used to predict the succeed of the crowdfunding project is Binary classification. This method was conducted by Li, Chen, Zhang and Hai (2018). In their research, they have carried out three types of forecasting model which are Logistic regression, Back-propagation neural network and Support Vector Machines. Logistic regression. The study by Mollick (2014) looked into the various factors that influences crowdfunding success. Deploying exploratory empirical study methods, variables such as amount funded, goal, amount funded in percentage, number of backers, amount pledged vs backers ratio, number of updates, number of comments, and duration. In the study of Levin (2015) that attempted to identify the effect of network's willingness to help and project initiator's past behaviour, such as attitude and gambling. With survey questionnaire analysis, and OLS regression model to predict success with variables such as project category, goal, number of backers, and amount pledged, both of the research questions were looked into.

On the other hand, Moy, Chan, and Torgler (2018) analyzed the effects of quantity of information on crowdfunding success, using an OLS model with variables such as total word count, total word count squared, project charateristics(goal, category, duration, duration squared, latitude, longitude, edits), creator experience, and

external characteristic, which is the number of competitors with similar category. Lastly, a study by Janku and Kucerova (2018) attempted to identify the basic determinants of crowdfunding success and explore new unexplored variables using a logistic regression. Variables used include goal, duration, preparation time before project initiation, the number of projects initiated monthly, number of projects in the similar state of the country, timing of the project launch, and project owner experience.

Common limitations of the researches stated above include the limitation of scope to only one country (Kang, Gao, Wang, & Zheng, 2016; Cho & Kim, 2017; Kraus et al., 2016; Yuan, Lau, & Xu, 2016), only one platform is used which limits generalizability (Lukkarinen et al., 2016; Wang et al., 2018; Allison et al., 2017), focus on reward-based crowdfunding instead of equity crowdfunding (Mollick, 2014; Kraus et al., 2016) and endogeneity (Allison et al., 2017; Wang, et al., 2018; Roma, Petruzzelli, & Perrone, 2017).

CHAPTER 3: METHODOLOGY

3.1 Theoretical Framework

As discussed in the previous section, the e-commerce success theory postulates that the individual impact that an organization wishes to receive is influenced by user satisfaction, and that individual impact further leads to organizational impact. The factors that can affect user satisfaction are information quality, systems quality, and user's use of information. In other words, applying it into the crowdfunding context, for an investor to be attracted to invest in a crowdfunding project that eventually leads to the success of crowdfunding. Thus, the following function can be derived:

Crowdfunding success = *f*(user satisfaction) (1)

and that:

User satisfaction = *f*(information quality, systems quality, use of information) (2)

To determine the relevant proxies for user satisfaction, we integrate a number of other theories established by previous literature to obtain our theoretical model. The e-commerce success theory defines information quality as the standard of measure of information that can be obtained from the information system, such as the accuracy and reliability of the information. Systems quality referred to the responsiveness, timeliness, ease of use, and other relevant measures about the information processing system used. Use of information refers to the use of information in decision making, motivation of use, use frequency, and extent of use. For the purpose of this study, we emphasize on proxies related to use of information as we intend to observe the type of information the user uses in their investment

decision making process such that we are able to answer the question of what influences the success of crowdfunding projects.

In a crowdfunding project, there are several information sources that an investor can to retrieve and evaluate. Figure 3.1 is a snapshot of an ongoing project listed on the crowdfunding platform that we intend to use as the subject of our study.

Figure 3.1: Example of an Ended Crowdfunding Project on Mystartr

As shown in Figure 3.1, there are many information available at the disposal of an investors' fingertips at the page of a crowdfunding project. As we wish to observe the effects of minimum investment and project policy as information to the investor, we include these two measures as a proxy to information used in decision making.

Signaling theory, which suggests that information available on a webpage of a crowdfunding project are different sources of signals that are able to assist investors in their decision making. If we integrate the e-commerce success theory with the signaling theory, it will become apparent that many of the other information can be serve as meaningful proxies as well. Firstly, referring to the goal setting theory, the goal that the project intends to achieve within a specified time frame resembles a signal of commitment, confidence, and seriousness of the project founder towards it. Setting a challenging and attainable goal within a reasonable time frame would then be able to serve as a quality signal to the investor. Hence, we take both duration and goal as a proxy.

Next, information that is perceived as risk signals can also be found. Project policy, and minimum investment, are risk signals to investors as they relate to the commitment of the investor towards the project. Risk aversion theory states that risk averse investors tend to avoid risky investments, while risk seeking investors tend to lean towards risky investments. This led to our selection of these two information as a measure of use of information. It should be noted that Mystartr using a different naming convention for project policy compared to other platforms. Flexible funding is the equivalent of Take-it-All, while fixed funding is the equivalent of All-or-Nothing.

Another possible information source would be the number of backers. Social influence theory posits that an individual's behaviour would be influenced by the behaviour of others, otherwise known as "herding behaviour". Number of backers resemble a signal of the confidence of others towards the project. An investor can be influenced by the decision of others as suggested by the Signaling theory, which leads to our selection of it to represent a measure of use of information.

The number of comments within a project serves as a signal to the investor too. As stated by the theory of organizational networks and social exchange, a project founder that is able to build relationship with individuals able to provide them with capital would have performance improvements. From the number of comments, an investor would be able to evaluate how successfully and willingly the entrepreneur is building relationship with other investors, which provides another signal or information to the investor for use in decision making. This again guides us to the selection of the variable, number of comments.

Summarizing the discussion above, the following functions can be derived:

Use of information = *f*(minimum investment, project policy, goal, duration, number of backers, number of comments) (3)

Substituting (3) into (2) gives:

User satisfaction = *f*(minimum investment, project policy, goal, duration, number of backers, number of comments)

Since Crowdfunding success = *f*(user satisfaction)

Crowdfunding success = *f*(minimum investment, project policy, goal, duration, number of backers, number of comments) (4)

3.2 Empirical Model

To quantify the function derived from (4), we define the function as follows:

$$SUCCESS_{\mathrm{i}} = \beta_0 + \beta_1 COM_i + \beta_2 BACKER_i + \beta_3 GOAL_i + \beta_4 MININV_i + \beta_5 POL_i + \beta_6 DUR_i + \varepsilon_i$$

Where:

$SUCCESS_{\mathrm{i}}$ = 1 if the crowdfunding project is successful, 0 otherwise.

$GOAL_i$ = The total amount fund desired by the starter of project, measured in Ringgit Malaysia.

$MININV_i$ = The minimum contribution required to support a project, measured in Ringgit Malaysia.

COM_i = The number of comments/update by the project founder throughout the campaign.

DUR_i = The duration that the project took, in days.

POL_i = Policy undertaken by the project, 1 if the policy is All-or-Nothing, 0 if the policy is Take-it-All.

$BACKER_i$= The number of people that supported the project

The variate, success is the predictor of the status of project, which is either success or failure. 1 represents success, 0 represents project failure. We consider a project as "successful" only if the project has achieved its funding goal at the end of its funding period (Mitra and Gilbert, 2014).

The first exogenous variable, goal describes the amount of funding that the project initiator wishes to achieve to start the development of products or reward for the funders. An unrealistically high goal set by project initiators is expected to make the project unfeasible. The significancy of the variate has been confirmed by a number of researchers (Mollick, 2014; Belleflamme, Lambert, and Schwienbacher, 2013; Ahlers et al. 2015)

Next, minimum investment represents the minimum amount of fund that is required for backers to participate in the project. Crowdfunding campaigns are usually assigned with prespecified minimum level of investment required before investors can join. Ahlers et al. (2015) results showed that there was no statistically significant relationship between minimum investment and crowdfunding success, but Lukkarinen (2016) was able to identify a significant relationship between the two variables.

The third variate, number of comments represents the communication between the project founder and backer. It has been found that number of comments, reply length and reply speed have a positive relationship on crowdfunding success (Wang, Li, Liang, Ye and Ge, 2018). Park (2013) also stated that frequent update on project and interact with backers will lead to a positive impact on crowdfunding success.

Furthermore, duration represents the time that the project has to achieve its funding goal. One of the most renowned crowdfunding platform, Kickstarter, states that that the longer the duration of fund raising campaign, the higher the chance for the campaign to success. This statement had been supported by Burtch, Ghose & Wattal (2013). Wang, Li, Liang, Ye & Ge (2018) has also found out that there was positive and significant relationship between project duration and crowdfunding success.

As discussed in the previous section, there are two types of "policy" that a project initiator can opt for, which are "All-or-Nothing" and "Take-it-All". All-or-nothing refers to the situation where a project has to achieve its funding goal before the

project initiators would receive their funding. If the funding fails, money invested would be refunded to the investors. Take-it-All is the exact opposite of All-or-Nothing, where the initiators receive funding without the need of the project achieving its funding goal. The finding of Cumming et al. (2015) suggested projects that select an All-or-Nothing policy has 3 times greater success compared to Take-it- All projects, although most projects use Take-it-All.

The last variable, number of backers refers to the total number of investors that participated in the funding of the project, regardless of their investment amount. It was found to be positively influencing the success of crowdfunding projects (Ahlers et al., 2015; Kraus et al., 2016; Colombo et al., 2014; Bouncken, Komorek, & Kraus, 2015).

3.3 Research Methodology

Since our dependent variable is dichotomous in nature, we apply not one but three binary model specifications, namely Linear Probability Model, Logisitic (Logit) Regression, and Probit Model, to show the reliability and robustness of our results.

3.3.1 Linear Probability Model (LPM)

Linear Probability Model is one of the simplest techniques used in estimating a binary response dependent variable, where Ordinary Least Squares (OLS) is applied to a dichotomous variable instead of a continuous variable. In our study, we specify y as the state of the project at the end of its campaign.

$$Y = \beta_0 + \beta_1 X_i + \mu_i$$

Where Y = Success of crowdfunding project

X_i = Variable that has marginal effect on success $(COM_i BACKER_i GOAL_i\ MININV_i POL_i\ DUR_i)$

μ_i = Error term

This model states that for each unit increase in our variates, probability of crowdfunding success = 1 increases by β_1. LPM is widely used due to its simplicity compared to Logit or probit models, where estimation and interpretation of results can be conveniently conducted. For instance, LPM requires only OLS estimation, compared to the more complicated Maximum Likelihood which is used in Probit and Logit models. In addition, since Y represents the probability of belonging to a category (in our study, whether crowdfunding is successful or not) instead of ratios or index, interpretation of results is fairly simpler and intuitive. However, it is often criticized due to its nature to provide results beyond 0 and 1, since it assumes a linear relationship between X and Y. Moreover, although deriving $\beta's$ are through OLS, it often does not fulfill the Classical Normal Linear Regression Model assumptions, such as assumption of normality of error term and homoscedasticity since error terms are usually comprised of 0 and 1s.

3.3.2 Logistic Regression Estimation

The Logistic regression is used as standard mathematical method for years. Logistic regression is defined as an estimation technique for equations with qualitative dependent variable that the conditional probability falls between 0 and 1 by using a variant of cumulative distribution function (CDF) (Gujarati, 2013). It is a technique specifically designed for dichotomous response dependent variable, meaning it can only take two values. It is mostly qualitative in nature, such as whether a political party will the general election.

For this reason, the 'classicical' regression could not be used, but adjusted regression analysis, either logit or probit models are used (Adekannmbi, 2017). It can be specified as the following:

$$\ln\left(\frac{P}{1-P}\right) = \beta_0 + \beta_1 X_i + \mu_i$$

Where $\ln\left(\frac{P}{1-P}\right) =$ Log odds Ratio

X_i= Variable that has marginal effect on success
($COM_i BACKER_i GOAL_i\ MININV_i POL_i\ DUR_i$)
μ_i = Error term

The logit model is characterised by the prediction of the state of the dependent variable, whether it will occur or not. The calculated probability is either 1 or 0, and therefore it is vital to realize the logit transformation to achieve this condition. The aim of the logistic regression is having expressed dependence of magnitude Y on the variable X_i instead of linear dependence. By defining the model, it is apparent that interpretation is slightly difficult, as instead of being able to interpret Y, in our case, the probability of project being successful, the logistic regression defines y as the natural log of the ratio of probabilities of project being successful.

Advantages of logistic regression estimation include it allows probability of outcome to be limited between the range of 0 and 1 whereas in Ordinary Least Squares, "impossible results" may be obtained, where the probability is more than 1 (Gujarati, 2013). Logistic regression also eliminates the disadvantages of linear discriminant analysis, where it does not assume normal distribution of the independent variables and homogeneity of variance-covariance matrices (Hahn & Soyer, 2005).

Ordinary Least Squares require the dependent variable to be interval or ratio in nature for level of measurement, whereas the more popular method when the level of measurement is nominal or ordinal is logit model (Williams, 2016). In addition, the covariance matrix of Ordinary Least Squares is inconsistent compared to Logistic regression (Pohlman & Leitner, 2003). Lastly, Logistic regression is suitable in ascertaining the probability of occurrence of an event, whereas Ordinary Least Sqaures is used to estimate the relationship between the underlying dependent and independent variable (Michael, Mark, & Luiz, 1998).

Main disadvantages of the Logit model include the log odds ratio is undefined when the value of p is equal to 0 or 1. In addition, when the value of p is close to either 0 or 1, logistic regression has the tendency to suffer from complete separation, quasi-complete separation, and rare events bias, especially in small samples (King & Zeng, 2001). There are also cases where LPM and logit provide practically indistinguishable results, except that logit results are harder to interpret than LPM (Hellevik, 2007).

3.3.3 Probit Model

Similar to the logit model, the probit model is a function that limits the conditional probability between 0 and 1, resembling a cumulative distribution function of a probability distribution of a uniform distribution which is S-shaped curve. In contrast to logit, the probit model is the cumulative normal distribution function, which has a similar distribution shape with the logit model, except that the logistic distribution has a fatter tail, with both models yielding similar results except extreme ends. It is typically estimated using Maximum Likelihood because estimators estimated using Maximum Likelihood typically has good properties given that samples are large enough. It has similar advantages with the logit model over the LPM. In general cases, the logit and probit model present highly similar results, but in situations where

the dependent variable is examined at extreme values of the independent variable, it has been shown that the logistic regression model provides better predictions (Horowitz & Savin, 2001; Ayatollahi, Poorahmad, Vakili, & Heydari, 2005). It is also intuitively harder to interpret the results. It can be specified as follows:

P (Success=1|X) = P($Z \leq \beta_0 + \beta_1 X_i + \mu_i$)

Where P($Z \leq \beta_0 + \beta_1 X_i + \mu_i$) = Utility index

X_i= Variable that has marginal effect on crowdfunding success ($COM_i BACKER_i GOAL_i\ MININV_i POL_i\ DUR_i$)

μ_i = Error term

P(Y=1|X) should be interpreted as probability of y equals to 1 given x, or in our situation, the probability of crowdfunding being successful, given the current values of our variates, such as number of comments.

3.4 The Structure of Mystartr

Mystartr was launched in 2012, and it has become the largest reward-based crowdfunding platform in Malaysia with 287 projects listed followed by Pitchin reward with 145 projects listed as of March 2019. It offers entrepreneurs to launch their projects in 14 categories, which includes Art, Comics, Community, Dance, Design, Dream factory, Events, Film/video, INXO arts fund, Music, Product, Theater, Writing/Publishing, and Other. The website offers three languages most common in Malaysia, which is English, Chinese, and Malay. Mystartr requires that the project owners to be a Malaysian that is 18 years old or above and owns a Malaysian bank account, and investments/pledges are made through the Malaysian Ringgit. The maximum days that a project can last is 60 days, and the minimum investment to participate in the project should be at least RM 10. There is no

restriction set in the funding goal of the project.

As discussed earlier, Mystartr offers both Take-it-All (TIA) and All-Or-Nothing (AON) policies, which is different from other usual platforms, and they are named in a different convention than other platforms. TIA is called as flexible funding, while AON is called as fixed funding. A fee of 10% will be charged upon successful funding, but for AON if the funding goal is not achieved no fees will be charged and all funds invested will be refunded to the respective investors. Some form of reward must be provided, but prohibited goods such as weapons, drugs, raffles, lotteries, alcohol are not allowed. Each project also consists of a reward scale. The project owner must set at least one or more pledge levels (based on minimum amount to be invested) for which different rewards will be offered to the pledgers/backers. Rewards can simply be a "thank you" message sent through email, but it usually involves the project's main product with some extras (dedication, personalization,) or its offered in limited quantities (limited editions, discounts in price). A tentative date of product delivery must also be stated, and the delivery of the product is the responsibility of the project owner. No legal obligation is also offered by the rewards for the entrepreneur or guarantee for the backers, even when the project successfully achieves its funding goal (Cumming et al., 2015).

3.5 Sample

This study comprises of secondary data collected from the rewards-based crowdfunding projects in Malaysia. The sample of this study is defined as follows: We select the largest reward-based crowdfunding platform based in Malaysia, Mystartr. Secondly, we included all projects that ended in 2018, including projects that initiated in 2017 and ended in early 2018. Projects of all categories (i.e. film, art, music, etc) are collected so as if the time frame criteria is met. Data will be hand collected and a total of 92 projects was retrieved from website of Mystartr.

CHAPTER 4: DATA ANALYSIS

4.1 Descriptive Statistics

Table 4.1 represents a summary of the descriptive statistics of our sample data. It can be directly observed that quantitative variables, goal, number of backers, minimum investment, duration, has a huge gap between their maximum and minimum values. For instance, the maximum for goal is RM120000, while the minimum is RM240, a difference of 500x.

Table 4.1: Descriptive Statistics of Sample Data

Variable	Unit	Mean	Std. Dev.	Max	Min
Project Goal	RM	15764.51	21252.78	120000.00	240.00
Number of backers	N	28.62	81.82	600.00	0.00
Minimum Investment	RM	46.78	72.88	500.00	0.00
Project Duration	Days	41.78	23.77	111.00	3.00
Project Policy		0.65	0.48	1.00	0.00
Number of Comments	N	0.20	0.81	6.00	0.00

Note: This table shows the Mean, Standard Deviation (Std. Dev.), Maximum, Minimum values of our sample data which consists of 92 projects based on reward-based crowdfunding projects. Policy takes the value of 1 if project is an All-or-Nothing project.

Another example would be the number of backers, with the maximum being 600 people, while the minimum being as low as 0 people. This brings up questions such as why some projects are enjoying great success, while others fail to the extent of

having completely no funders interested in supporting the project? What is the factors influencing the number of investors?

Next, about the success rate of projects, from the sample of 92 projects collected, only 14 projects were successful in achieving their funding goal (14.89%). Here, we refer success rate as the extent of funding the crowdfunding project has achieved at the end of the funding campaign. The mean success rate of all projects is around 31%; The highest success rate out of all projects is 310%, 3 projects exceeded the success rate of 200%, 50 projects has a success rate of less than 10%.

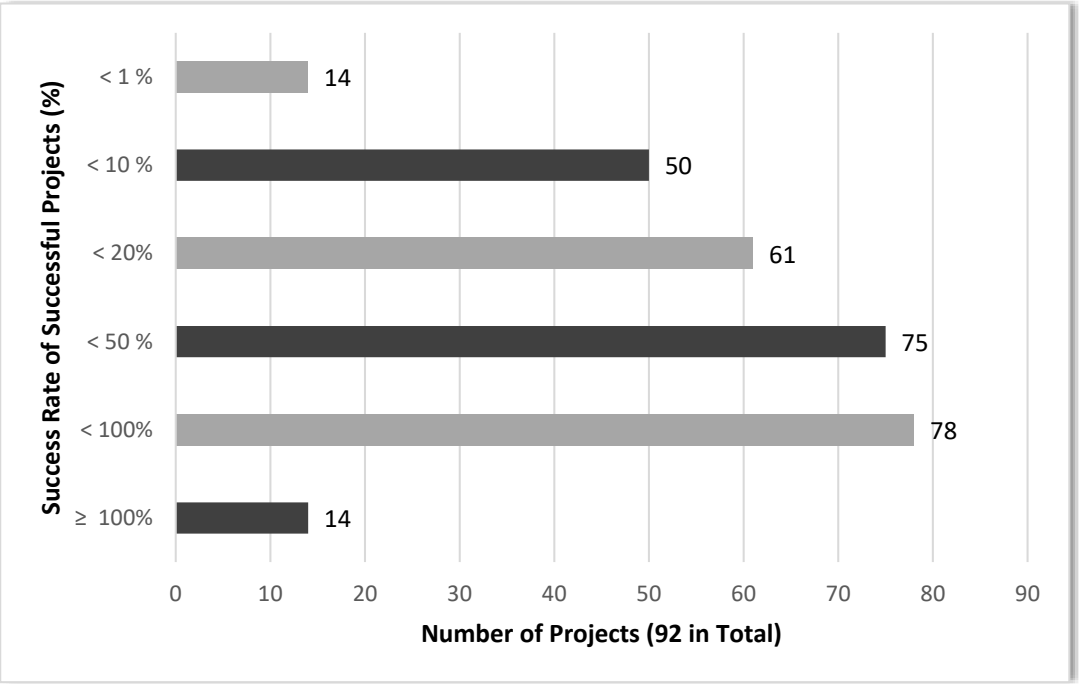
The statistics of minimum investment and duration are also intriguing. The maximum of minimum investment required to invest in a project is 500 while the minimum is 0. The maximum days for a project is 111 days, while the minimum time frame for a project is 3 days. It seems like entrepreneurs are having a different approach in attempting to attracting funds and have different beliefs regarding what amount they think would be optimal in attracting the most investments and how long should their fund raising take so that investors would not start becoming anxious and they are not waiting too long before their first production. Hence, it is especially interesting to observe which strategy is better in leading entrepreneurs to successful fund raising.

The number of comments are having wide variances as well. A mean of 0.20 illustrates that most of the projects are having little to no comments, while the maximum number of updates/comments being 6 is relatively low. Does this actually mean that in the Malaysian context, the project updates/comment from the project initiator is unimportant, or does it just mean that this is an aspect that has been omitted by project initiators and needs to be paid attention so that success rate of projects would increase.

In Mystartr, similar to other platforms, successes occur by small amounts, while failure of projects fail by large amounts. Figure 4.1 illustrates the success rates of all projects listed on Mystartr in 2018. Success rate is defined as the percentage of

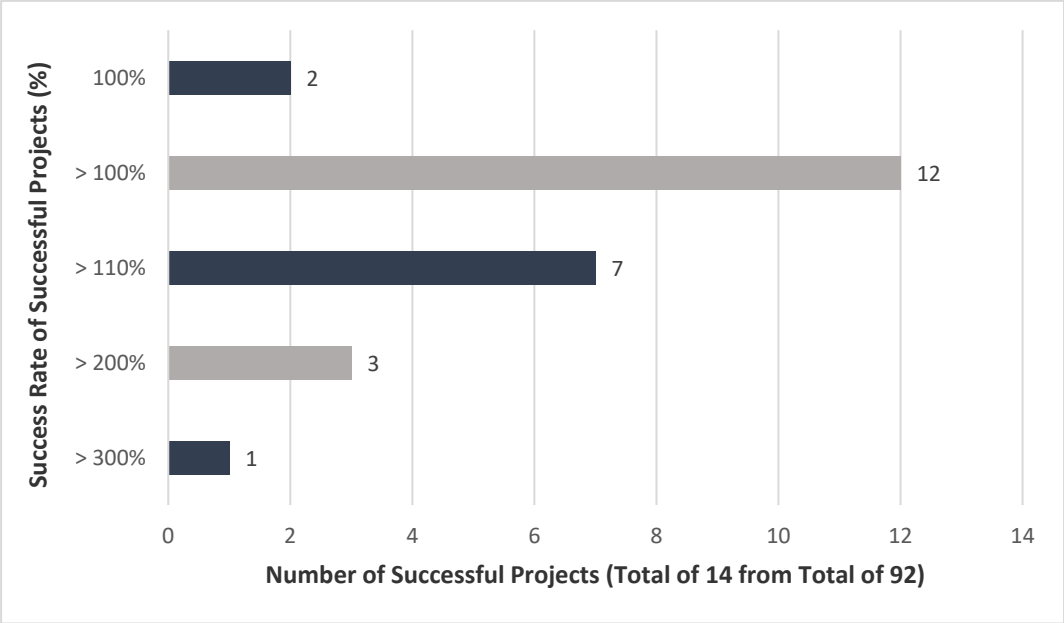
all projects listed on Mystartr in 2018. Success rate is defined as the percentage of funding obtained in relation to its goal at the end of the funding campaign.

Figure 4.1: Success Rate Across Projects Listed on Mystartr in 2018



The average success rate of projects that fail to achieve their funding is 12% of the goal. Only 18% of the projects that fail raise > 20% of their goal, and mere 3.3% raise more than 50% of their goal. The average amount pledged, or amount invested by investors for failed projects, is only RM 3077.11, compared to RM 32083.57 for projects that are successful. Refer to Appendix 4.1 for further insight to the amount pledged by all projects collected. Projects that are successful do not achieve success by significant margins as well. Figure 4.2 represents the success rate of successful projects listed on Mystartr in 2018.

Figure 4.2: Success Rate of Succesful Projects Listed on Mystartr in 2018



Only 7.6% of the total projects achieve a success rate of less than 10% of their goal, only 3 projects or 3.26 % achieve more than 200% of their goal, and 1 of the projects, which is a project intended to raise funds to provide free transport for voters to go back their hometown and cast their vote for the new government, obtained a funding of more than 300% of the original goal. Of the 14 successful projects, 7 were from the category of community, 2 from events and music respectively, and 1 from writing, art, and film each.

One possible reason for these patterns as documented by Kuppuswamy and Bayus (2013) is that funders can be affected by the actions of other backers, otherwise known as the "herding" behaviour. The more popularity and funding a project receives, the more potential funders and confidence the project can attract and establish, leading to a better chance of achieving funding. The alternative is that the nature of projects dictates the patterns of success, where projects that are perceived as of high quality are distinguishable to the investors (Mollick, 2014). In this perspective, investors play a role similar to venture capitalists or other traditional means of funding, and proceeds to evaluate the quality and feasibility of the product, team, along with the likelihood of success (Gorman & Sahlman, 1989; MacMillan, 1986).

4.2 Results Discussion

Table 4.2 represents the summary of our regression results for LPM, logit, and probit regressions. From here, we are able to unfold the truth of what influences crowdfunding success, and whether minimum and investment affects the success of crowdfunding projects in the context of Malaysia.

Table 4.2: Regression Output of Three Models

Variables	Unit	LPM	Logit	Probit
Project Policy		0.2875 (0.0963)*	0.4973 (0.6395)	0.2826 (0.6655)**
Minimum Investment	RM	0.003284 (0.4019)	-2.056 (0.002)***	-1.2178 (0.0013)***
Log (Project Goal)	RM	-0.09758 (0.0085)***	-4.713 (0.0005)***	-2.736 (0.0001)***
Log (Project Duration)	Days	0.01015 (0.0075)***	-6.492 (0.6507)	-4.108 (0.5269)
Number of Comments	N	-0.04275 (0.0084)***	0.2036 (0.7019)	0.12 (0.7082)
Number of backers	N	0.00339 (0.0001)***	0.1592 (0.0000)***	0.0924 (0.0000)**
Duration	Days	0.0101 (0.181)	0.2743 (0.419)	(0.1643) (0.2937)
R^2 /Mc-Fadden R^2		0.4787	0.7852	0.7881

*Note: *** p<0.01, ** p<0.05, * p<0.1, LPM= Linear Probability Model, Policy takes the value of 1 if project adopts All-or-Nothing policy, 0 otherwise, minimum investment and goal measured in Ringgit Malaysia, and duration in number of days. Standard error of the respective models are stated in the parenthesis.*

The model to be used in the interpretation of results will now be selected. As discussed earlier, due to the shortcomings of the LPM, such as dependence on normality of variables, homogeneity of variance, it made the weakest predictions as

the result of those assumptions being not true (Ebrahimzadeh, Hajizadeh, Vahabi, Almasian, & Bakhteyar, 2015). One other problem is the inability to interpret the coefficients of the LPM function (Dreitseitl & Ohno-Machado, 2002; Harper, 2005; Kiang, 2003; Pohar, Blas, & Turk, 2004). Therefore, LPM will serve as a basic model for the results.

The Maximum likelihood estimation (MLE) used by both probit and logit in the estimation of coefficient is known to have a problem – small sample bias (Greenland, 2000; Schader & Schmid, 1988; Chen, Zhang, & Cui, 2017). The distinguishing factor affecting the decision between the two models would be the sample size. In a simulation study conducted, it was found that the major difference between logit and probit can be observed when the relationship between the dependent variable and independent variable is strong (Cakmakyapan & Goktas, 2013). In the case of the simulation study, where sample sizes is greater than 500, the Pearson residuals of the logit model is less than the probit model, resulting in a better fit. However, in cases where sample sizes is less than 100, the model probit have been documented to have a better fit. This finding has been supported by previous studies of Amemiya (1981) and Maddala (1983), as the logit model having a flatter tail allows it to have increased amount of observes in tails when the sample size increases, which makes it a better model than probit in larger sample sizes. In the view that a sample size of only 92 was available, along with the consideration that as previously discussed both logit and probit generally yields similar results, we select the probit model to interpret our results.

Firstly, constant communication with investors or potential investors is often thought to be one of the most effective way to build trust in investors, especially when investors are expecting to become consumers in projects they invest in (Belleflamme et al., 2014). However, contrary to (Wang, Li, Liang, Ye and Ge, 2018), our results report that number of comments does not significantly explain crowdfunding success, which is in line with Hou, Wang, and Ge (2015). A possible reason may be that number of comments does not sufficiently capture the effects of interaction between project founders and backers.

Moreover, in line with Lukkarinen (2016), challenging the findings of Ahlers et al. (2015), we find that minimum investment is a significant predictor of crowdfunding success, since minimum investment affects the group of people that is able to afford the investment. Consistent with the findings of Mollick, (2014), Belleflamme, Lambert, and Schwienbacher (2013), and Ahlers et al. (2015), project goal is highly significant with a p-value of less than 0.01 in predicting the success of crowdfunding. As suggested by Frydrych et al. (2014), Achleitner et al. (2013) and Sievers (2013), the project goal provides signals of legitimacy of the project towards the investors, where a high project goal without a convincing justification would decrease legitimacy. The project goal serves as a tool to combine the vague information that is available to the investor, and in the case of reward-based crowdfunding, goal plays an important role as it will limit the risk faced by investors if the project owner achieves sufficient funding to maximize the chances of delivery of the reward (Cumming et al., 2015).

One interesting result is that project duration is not influential in explaining crowdfunding success, which contradicts with the findings of Burtch, Ghose & Wattal (2013), and Wang, Li, Liang, Ye & Ge (2018). This is similar to the findings of Mollick (2014) and Muller et al. (2013), where they argued that the length of a project being available for investment does not guarantee project founders a project success. Instead, Muller et al. (2013) suggest that if early impressions were not well-made to potential investors, the length of funding campaign would not affect the funding outcome.

In addition, number of backers is found to be a significant predictor for crowdfunding success, which is consistent with the findings of Ahlers et al., (2015), Kraus et al., (2016), Colombo et al., (2014), and Bouncken, Komorek, and Kraus, (2015). This is within expectations as logically, the more the number of investors investing in a project, the more funding the project is potentially going to receive, and hence have a higher chance of succeeding.

Lastly, we find that the three model specifications do not suggest a consistent result regarding the influence of project policy towards crowdfunding success. We treat it as a significant predictor since in the more reliable model in small sample sizes, the probit model suggests that it is significant, which agrees to the findings of Cumming et al. (2015). A plausible reason is that the application of Take-it-All policy means that investors are forced to take the risk of the project does not meet the funding goal at the end of the funding campaign, which leads to lack of funding and the risk of not being able to start production. This adds unnecessary risk to the investors that they have to bear which yields no reasonable return.

CHAPTER 5: DISCUSSION, CONCLUSION, AND IMPLICATIONS

5.1 Discussion of Major Findings

Our research analyzed the Mystartr experience of crowdfunding, the largest reward based crowdfunding platform in Malaysia. We were able to reveal some vital insights into the traits of a successful crowdfunding campaign. As documented by previous studies, project goal is one of the key contributing factors in the success of a crowdfunding campaign (Mollick, 2014; Belleflamme, Lambert, & Schwienbacher 2013). In running a crowdfunding campaign, goal is not a representative of the amount of funding that you need, but it acts as a signal and source of information to the potential investors. A goal represents the seriousness, confidence, preparedness, and the project owner's commitment towards the project, which directly influences the success of a project. A higher goal has been shown to bring a negative effect to the path of success, where Mystartr also provided similar advice in their creator's handbook of guidelines to crowdfunding (Mystartr, n.d.).

It was also found that minimum investment significantly affects crowdfunding success, supported by findings of Lukkarinen (2016). Minimum investment, which is the minimum amount of money required to be invested to participate in the crowdfunding campaign and receive rewards, defines the crowd that can participate in the campaign. Essentially, the more the potential crowd that can participate in the project, the higher the likelihood of the crowds investing in the project, which can foster the success of crowdfunding. This is especially crucial in the context of Malaysia, as the bottom 40% of Malaysians has been reported to earn only RM 2848 monthly on average, while the Middle 40% earns RM 6502 on average

(Department of Statistics Malaysia, 2017). A minimum entry point set too high can affect the audience that can participate in the crowdfunding project.

Contradicting findings by Wang et al. (2018), we find that number of comments is not one of the underlying factors of crowdfunding success. If a project is successful in attracting the interest of potential backers, it is likely that they seek more information apart from the information already provided. Potential backers can also choose to leave positive or negative comments to as an act to express opinions or feelings (Wang et al., 2018). This later serves as a reference for other potential backers to review comments and obtain information from the comment section (Dennis et al., 2018), where the herding behaviour reported by Kuppuswamy and Bayus (2013) comes into play. As more information becomes available to the potential investors, they have a better ability to evaluate the feasibility of the investment, which reduces investment risk. However, one potential reason leading to our findings might be due to the fact that in the Malaysian case, the purposes or roles or comments are overwhelmed by the choice of backers or potential backers to leave comments that might be unrelatable to the project itself (Refer to Appendix 5.1 for examples).

The number of backers is also reported to influence the success of crowdfunding projects. Apart from the findings of Kuppuswamy and Bayus (2013), several consecutive studies also report the existence of herding behaviour, and how large investments provide positive signals to the other potential backers (Astebro, Fernandez, Lovo, & Vulkan, 2017; Dai & Zhang, 2017), supporting our present findings. We find that projects with more backers have a higher likelihood of succeeding in the end, the existing backers/investors does not only provide funds but also help boost confidence and influence other inexperienced backers to support the project.

Project policy, which is a choice only available in certain platforms, have also been found to affect the success of crowdfunding projects, with support of the findings We report that All-or-nothing (AON) projects positively influences crowdfunding

success, where the role of risk comes to play again. In an AON project the investor does not risk the failure of product delivery on the part of the entrepreneur due to the lack of sufficient funding for production, whereas Take-it-All (TIA) projects requires the investors to assume that risk with absence of incremental benefit. This is especially important as working adults in Malaysia has been reported to be risk averse (Karim, Wenceslas, & Mohd Shukri, 2016).

Lastly, we find no influence of duration towards the success of crowdfunding projects. This is interesting as some of the previous findings (Burtch, Ghose & Wattal, 2013; Wang, Li, Liang, Ye, & Ge, 2018) reported that duration can affect the outcome of a crowdfunding project. Mystartr also recommends project owners do not set a project set a campaign that undergoes for a long duration as generally duration is negatively correlated with crowdfunding success (Mystartr, n.d.). However, it can be possible that other factors reported above undermine the influence of project duration as a signal of project quality in the context of Malaysia, where Malaysians place a higher importance on other criteria in evaluating a project.

5.2 Policy Implications

This study provides several implications for the public and crowdfunding platform operators. Firstly, it is suggested that Mystartr implement a policy to just provide "All-or-Nothing" to project starters to increase the success rate of crowdfunding projects, which is currently being implemented by Kickstarter in the United States. This is to discourage crowdfunding project initiators from setting unrealistically high project goals, since they are still able to receive funding even if they fail to achieve their targeted level of funding. In addition, since Malaysians are considered to be a high uncertainty avoidance society, people may avoid investing in project with unattainable goals to prevent themselves from losing their investment with no returns, which would decrease the success rate of a crowdfunding project.

In addition, when an appropriate goal is set, it allows the project to deliver the product on time, since the goal is attainable, considering the fact that record of projects achieving significantly more than what their target was is rare. Policymakers and crowdfunding platforms should also consider about the possible courses of action that can help educate project initiators to create attainable plans and goals, so that the success rates of crowdfunding projects can be improved. Moreover, through our observation of the collected sample data, most of the projects listed on Mystartr are behaving more like donation based crowdfunding projects, as many projects are providing immaterial rewards such as a thank you email, a keychain as token of appreciation, etc. Our view is that Malaysians is yet to be fully aware of the uses and benefits of a reward-based crowdfunding platform can provide. Authorities should attempt educate Malaysians more on reward-based crowdfunding, particularly on how it works and how it can help, since it is very beneficial to Small-Medium Enterprises (SME), and SME is frequently regarded as one of the main contributors of economic growth.

Lastly, there can be a noteworthy policy implication for policymakers as well. Fraud in crowdfunding although is uncommon currently can happen eventually, and this requires regulations and policies to protect consumers. With most reward-based crowdfunding in the world having no regulatory supervision, it is inevitable that improper utilization of crowdfunding occur in the future. Hence, as what the government has done for equity crowdfunding, the government should also consider regulating reward-based crowdfunding as fraud can easily occur, especially in the Malaysian case with more donation based projects. Furthermore, crowdfunding platforms can also set stricter rules for project initiators, requiring them to include quality signals such as picture, video, frequent interaction, and detailed information about the project's initiators in their projects before they can be listed on the platforms. This can prove commitment of project initiators in fulfilling their promises, potentially reducing the number of fraud cases in crowdfunding.

5.3 Limitations

There are several limitations in our study. The first limitation is the inability in generalizing the results' findings to other countries since only one country has been studied, which is Malaysia.

Second, our data is very limited as it was only collected from one crowdfunding platform. Since different crowdfunding platforms have different sets of publishing policies, collecting crowdfunding data from one website may contain confounding aspects that affects both the depending variable and independent variable. In addition, this study is limited only to reward-based crowdfunding instead of other crowdfunding that are also popular, such as equity crowdfunding.

Third, many of the projects in our subject crowdfunding platform is learning more towards donation basis in nature as compared to other countries' platform which is teeming with interesting and creative projects. This may be a reason for the different results we obtained as to other researchers. Fourth, since crowdfunding is not as popular in Malaysia as compared to other countries, our sample size was relatively small, being limited to only 92 projects that were initiated in 2018.

5.4 Recommendation

In the future, scholars should also study other countries which are similar to Malaysia in the field of geographic and culture so that they able to compare and generate the result which is more accurate to be explained. The subject country of this study is limited to Malaysia only to learn more about how the determinants of crowdfunding projects differ/ are similar in the context of different countries. Other than that, cross-cultural study can also be applied by future scholars if they want to company the success rate of Malaysia with other western countries.

For the second limitation that we faced, it is recommended that researchers should take more platforms into consideration such as pitchIN rather than just study on one platform. Besides, it is also suggested to compare crowdfunding projects used for various fundraising purposes in different sectors, such as business and non-profit organizations. Furthermore, future studies should also include more crowdfunding platforms to obtain a larger number of sample size, given that the sample size of our study is limited to only 92 projects that are available at the time of data collection, and the data is used for logistic regression, which may not be sufficient for the most precise estimation of the model and to minimize concerns of different publication standards of crowdfunding platforms.

Lastly, more studies should explore on the variable minimum investment, given that there is a lack of current literature looking into the variable, and there are inconsistent results. This study provided one view, but there should be more so that generalization could be done. Researchers can also use variables that are commonly identified as influencers of crowdfunding success combined with minimum investment and observe the results. In addition, several unexplored variables, such as social media network connectivity and funder motivation should also be thoroughly studied to determine more accurate factors influencing the success rate of crowdfunding projects.

5.5 Summary of Our Study

Crowdfunding in general has grown significantly over the past years and it is almost certain to play a crucial role as a feasible alternative finance instrument available for all. As the OCED (2019) states Small-Medium Enterprises (SME) faces financing constraints, and Fintech, including crowdfunding, has the potential to alleviate some of the pressure for start-ups to obtain funding. Crowdfunding was initially introduced a decade ago, and has been studied by researchers to understand the underlying mechanism behind it (Howe, 2006). However, the total amount of studies studying the topic has been scarce, especially for developing countries.

This study set out to determine the traits of crowdfunding success in the context of Malaysia focusing on a reward-based platform, with a look into two unexplored variables, minimum investment and project policy, thus filling the research gaps. Number of backers, goal, and type of crowdfunding policy has been identified as the main factors affecting crowdfunding success in Malaysia. Project Duration, number of comments, and project policy were not significantly vital in determining the project success of Malaysian crowdfunding success. On an overall basis, most of the findings of our study were consistent with the previous literature, except for the variates duration and number of comments which are similar to the findings of Frydrych et al. (2014) and Hou, Wang, and Ge (2015).

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Appendices

Appendix 4.0: Data Collected from Mystartr

No	Project Short Name	Success/Failure (Success =1, Failure =0)	Backer (n)	Amount Pledged (RM)	Goal (RM)	Success Rate	Policy (1 =AON, 0 = TIA)	Duration (DAYS)	Comment (N)	MinINV (RM)
1	Rabak	1	9	615	300	205%	0	36	2	10
2	2017《团员红包封》	1	30	4010	2000	201%	1	60	1	30
3	UndiRabu	1	966	124020	40000	310%	0	14	48	10
4	送暖给老人计划	1	479	92760	80000	115%	0	60	3	50
5	The Winged Fruit Trees	1	101	23540	18200	129%	0	60	0	10
6	We and the Langurs	1	67	11,110	10000	111%	0	90	2	10
7	Global Street Mission	1	14	780	700	111%	1	41	0	10
8	2019 班级读书会漂书	1	191	22140	20000	110%	0	60	0	10
9	吴限 Two 台北音乐地图	1	109	37750	35000	108%	1	60	0	10
10	Beyond The Sea	1	92	8585	8000	107%	0	41	0	35
11	Malayisan Primates	1	59	7330	7000	104%	0	40	0	10
12	Jasmine Minori & CRESTFALL	1	76	15150	15000	101%	0	60	0	25
13	Yuddha Freedom	1	4	1000	1000	100%	0	30	0	15
14	黑心音乐会-让你在暗中	1	148	100380	100000	100%	0	74	0	150

15	送暖给失依老人计划	0	137	53520	65000	81%	0	60	0	300
16	UNGKA-SMALL APES	0	37	7850	10000	78%	0	68	0	20
17	International Dance Championship	0	41	1993	3000	66%	0	41	0	10
18	Teater Modular Set 3	0	18	2140	4350	49%	0	25	0	20
19	Malaysian Writers Anthology 2018	0	28	2320	5000	46%	0	48	2	10
20	Kantoi	0	60	7075	17000	42%	0	44	0	15
21	TEATER NORMCORE	0	11	1320	3500	38%	0	22	0	20
22	Medical event in Sarawak	0	43	1820	5000	36%	0	41	0	50
23	Ruang Kongsi	0	92	17050	50000	34%	0	25	1	100
24	小鼓手二十四节令鼓	0	24	9850	30000	32%	0	49	0	50
25	NatureWarrior	0	31	860	3000	28%	0	53	0	10
26	墨水 咖啡 殿 实体书	0	17	1168	5000	23%	0	60	0	17
27	VICCB Road to Taiwan	0	65	5973	25000	23%	0	39	0	10
28	Weeping Birds	0	13	3515	16000	22%	0	59	0	15
29	Support for Masterclass	0	20	1525	7000	21%	0	25	1	10
30	Konvee Parking APP	0	7	210	1000	21%	0	42	0	10
31	Hong Kong International dance Championship	0	8	620	3000	20%	0	37	0	20
32	东京青年奥运入围选手	0	34	2300	12000	19%	0	60	2	30
33	Play! Klang	0	87	9236	50000	18%	0	60	0	50
34	FLUX Delta+, personal 3d printer	0	16	49100	300000	16%	0	61	0	2990
35	SIGS Road to Taiwan for World Marching Band	0	134	7868	50000	15%	0	27	0	10

36	Clean our plate johor	0	33	761	5000	15%	0	62	0	10
37	Light up Kampung Chat,	0	12	750	5634	13%	0	33	0	35
38	KHILAF Short Film	0	14	1825	15000	12%	0	48	0	10
39	Co and Coal	0	1	500	5000	10%	0	29	0	500
40	首竹琴声	0	7	3050	30000	10%	0	60	0	350
41	希望阅读	0	30	8040	80000	10%	0	60	0	200
42	马来下教育大未来	0	14	2620	25000	10%	0	90	0	20
43	Adiwira Adiperkasa	0	47	2660	30000	9%	0	38	1	10
44	KitwaNA SHORT Film	0	11	1735	20000	8%	0	28	0	10
45	Online Book Exchange Platform	0	21	1225	18000	7%	0	60	0	20
46	移动网络时代求生手册	0	26	3590	50000	7%	0	60	0	10
47	Ladies of red chamber	0	8	770	10000	7%	0	60	0	100
48	Tuba Island Project	0	4	590	8000	7%	0	37	0	50
49	I GLOVE You	0	5	115	1500	7%	0	19	0	10
50	Continue dance work	0	5	600	10000	6%	0	68	0	50
51	KEMBARA	0	8	760	12000	6%	0	60	0	10
52	Free online finanical media for investor	0	4	3100	50000	6%	0	61	0	100
53	台湾版 One book ten life	0	2	90	1350	6%	0	23	0	45
54	Layang	0	8	710	15000	5%	0	30	0	50
55	Jaulah chingu di bumi seoul	0	3	110	2200	5%	0	20	0	10
56	Glowtopia festival	0	11	5656	100000	5%	0	55	0	414
57	Malaysian marching dream	0	20	1300	25000	5%	0	53	0	20

58	Harder than this the musical	0	58	1110	25000	4%	0	40	2	200
59	UTM 24 节令鼓	0	14	850	20000	4%	0	60	0	10
60	大乐乐 加拿大音乐	0	7	1280	40000	3%	0	60	0	10
61	Unnai kann Theduthey	0	5	360	10000	3%	0	60	0	50
62	孩子的快乐补习班	0	4	270	10500	3%	0	32	0	50
63	The Abandoned Soul	0	1	150	5000	3%	0	40	0	50
64	I Do yin yue she	0	1	100	5000	2%	0	37	0	50
65	IQ Rockk: Read thru loopholes	0	12	565	26000	2%	0	52	0	10
66	CC Excitement Charity	0	2	20	1000	2%	1	38	0	10
67	Janji Short Film	0	1	10	3000	1%	0	58	0	50
68	Xiao Sheng	0	1	50	4000	1%	0	9	2	50
69	First ever storybook themed event space	0	2	150	30000	1%	0	31	0	30
70	Fighting urban poverty	0	2	20	12000	1%	0	31	0	10
71	Pattern Creation kit	0	2	20	45000	1%	0	60	0	10
72	第一届华夏文化生活营	0	2	100	40000	1%	0	30	0	100
73	十二编舞	0	5	310	50000	1%	0	46	0	50
74	精炼剧社合唱团	0	3	60	10000	1%	0	37	0	10
75	抢救百年马华话剧	0	14	1620	150000	1%	0	60	0	50
76	大乐乐 乐居加拿大	0	4	350	20000	1%	0	43	0	50
77	Program Komuniti Kesihatan Pergigian "	0	1	30	6600	1%	0	46	0	20
78	Collision	0	1	20	19000	1%	0	26	0	10

79	Imprints short film	0	0	0	15000	0%	0	49	0	10
80	Engineering My future 1.0	0	0	0	700	0%	0	30	0	50
81	YDJ Marketplace	0	0	0	90000	0%	0	31	0	10
82	Rina Lee Wanita disayangi	0	1	20	10000	0%	0	40	0	10
83	Zapphand	0	0	0	8000	0%	0	42	0	10
84	Soul Window Album	0	0	0	4000	0%	0	28	0	10
85	35th Graduation film festival	0	0	0	20000	0%	0	46	0	150
86	Complex artwork printing	0	0	0	15000	0%	0	40	0	20
87	Malaysia Tales Magazine	0	0	0	7500	0%	1	30	0	50
88	Online Shopping platform	0	0	0	58000	0%	0	58	0	10
89	Around the world in two days	0	0	0	4000	0%	0	43	0	50
90	Elite event - 不一样的	0	0	0	50000	0%	0	48	0	50
91	Rekindle the joy of christmas party	0	0	0	5000	0%	1	35	0	100
92	The playmaker- short film about 90s football	0	0	0	20000	0%	0	42	0	100

Appendix 4.1: Logit Regression Results

Dependent Variable: Y
Method: ML – Binary Logit
Included observations: 92
QML (Huber/White) standard errors & covariance

Variable	Coefficient	Std. Error	z- Statistic	Prob.
C	43.91495	46.03136	0.954022	0.3401
MIN/100	-2.055976	0.665618	-3.088822	0.0020
LOG(GOAL)	-4.713275	1.348881	-3.494212	0.0005
LOG(DURATION)	-6.492052	14.33952	-0.452738	0.6507
BACKER	0.159156	0.035760	4.450709	0.0000
COMMENT	0.203564	0.531868	0.382733	0.7019
POLICY	0.497383	1.062000	0.468345	0.6395
DURATION	0.274279	0.339073	0.808908	0.4186

McFadden R-squared	0.785240	Mean dependent var	0.152174
S.D. dependent var	0.361158	S.E. of regression	0.178402
Akaike info criterion	0.357086	Sum squared resid	2.673486
Schwarz criterion	0.576372	Log likelihood	-8.425977
Hannan-Quinn criter.	0.445592	Deviance	16.85195
Restr. Deviance	78.46892	Restr. log likelihood	-39.23446
LR statistic	61.61696	Avg. log likelihood	-0.091587
Prob(LR statistic)	0.000000		

Appendix 4.2: Linear Probability Model Results

Dependent Variable: Y
Method: Least Squares
Included observations: 92
White heteroskedasticity-consistent standard errors & covariance

Variable	Coefficient	Std. Error	z- Statistic	Prob.
C	1.203633	0.605875	1.986603	0.0502
MIN/100	0.003284	0.003898	0.842520	0.4019
LOG(GOAL)	-0.097579	0.036183	-2.696834	0.0085
LOG(DURATION)	-0.192852	0.255985	-0.753370	0.4533
BACKER	0.003385	0.000795	4.259423	0.0001
COMMENT	-0.042745	0.015824	-2.701268	0.0084
POLICY	0.287543	0.170961	1.681926	0.0963
DURATION	0.010153	0.007524	1.349374	0.1808

R-squared	0.478716	Mean dependent var	0.152174
Adjusted R-squared	0.435275	S.D. dependent var	0.361158
S.E. of regression	0.271403	Akaike info criterion	0.312519
Sum squared resid	6.187417	Schwarz criterion	0.531805
Log likelihood	-6.375888	Hannan-Quinn criter.	0.401025
F- statistic	11.02007	Durbin-Watson stat	0.828442
Prob(F-statistic)	0.000000	Wald F-statistic	56.46407
Prob(Wald F-statistic)	0.000000		

Appendix 4.3: Probit Regression Results

Dependent Variable: Y
Method: ML – Binary Probit
Included observations: 92
QML (Huber/White) standard errors & covariance

Variable	Coefficient	Std. Error	z- Statistic	Prob.
C	26.60037	20.95570	1.269362	0.2043
MIN/100	-1.217777	0.378200	-3.219933	0.0013
LOG(GOAL)	-2.736419	0.707662	-3.866843	0.0001
LOG(DURATION)	-4.108446	6.493088	-0.632741	0.5269
BACKER	0.092426	0.018867	4.898947	0.0000
COMMENT	0.120010	0.320635	0.374288	0.7082
POLICY	0.282587	0.653726	0.432272	0.6655
DURATION	0.164287	0.156471	1.049953	0.2937

McFadden R-squared	0.788178	Mean dependent var	0.152174
S.D. dependent var	0.361158	S.E. of regression	0.180192
Akaike info criterion	0.354581	Sum squared resid	2.727404
Schwarz criterion	0.573867	Log likelihood	-8.310720
Hannan-Quinn criter.	0.443087	Deviance	16.62144
Restr. Deviance	78.46892	Restr. log likelihood	-39.23446
LR statistic	61.84748	Avg. log likelihood	-0.090334
Prob(LR statistic)	0.000000		

Appendix 5.1: Example Comments left on Product Page