

# **DETERMINANTS OF FUNDERS' INVESTMENT INTENTION TOWARDS EQUITY CROWDFUNDING IN MALAYSIA**

---

**Heng Xiao Qing**

Asia Pacific University of Technology and Innovation, Kuala Lumpur, Malaysia.

[TP059860@mail.apu.edu.my](mailto:TP059860@mail.apu.edu.my)

**Ng Hui Chen**

Asia Pacific University of Technology and Innovation, Kuala Lumpur, Malaysia.

[huichen.ng@apu.edu.my](mailto:huichen.ng@apu.edu.my)

## **ABSTRACT**

This research aims to study the impact of several risk factors, including investment risk (IR), legal risk (LR), and technology risk (TR), as well as perceived benefits, including financial return (FR) and social value (SV) on the funders' investment intention (II) towards equity crowdfunding (ECF) in Malaysia. 107 valid responses out of 155 questionnaires were collected from individuals with prior knowledge of equity crowdfunding. Multiple linear regression was used to test the relationships based on the data collected using the SPSS software. Investigating the factors affecting funders' investment intention towards equity crowdfunding showed that investment risk, legal risk, and financial return are statistically significant to the willingness of funders to invest in equity crowdfunding. However, technology risks and social values are not. However, legal risk negatively affects the funders' investment intention towards equity crowdfunding, while investment risk and financial return positively affect the funders' investment intention. This research is important for further research as it is a novel empirical study that examines the relationship between perceived risks and benefits of ECF and the intention to invest. This research also provides suggestions for platform providers and campaign creators to enhance the quality of crowdfunding platforms and projects based on understanding funders' intention to invest in Malaysia by strengthening security and providing transparency. Besides, the laws and regulations are considered well-regulated, and the terms and conditions of the ECF platforms should be amended to attract more investors to contribute to ECF platforms.

**Keywords:** Equity crowdfunding, investment risk, legal risk, technology risk, financial return, social value

**Reference** to this paper should be made as follows: Qing, H.X. & Chen N. H. (2023). Determinants of Funders' Investment Intention Towards Equity Crowdfunding in Malaysia. *Asia Pacific Journal of Emerging Markets*, 7(1), 64-81.

**Biographical Notes:** Heng Xiao Qing is a Research Scholar at the Asia Pacific University of Technology and Innovation, Malaysia.

Ng Hui Chen is a Research Scholar at the Asia Pacific University of Technology and Innovation, Malaysia.

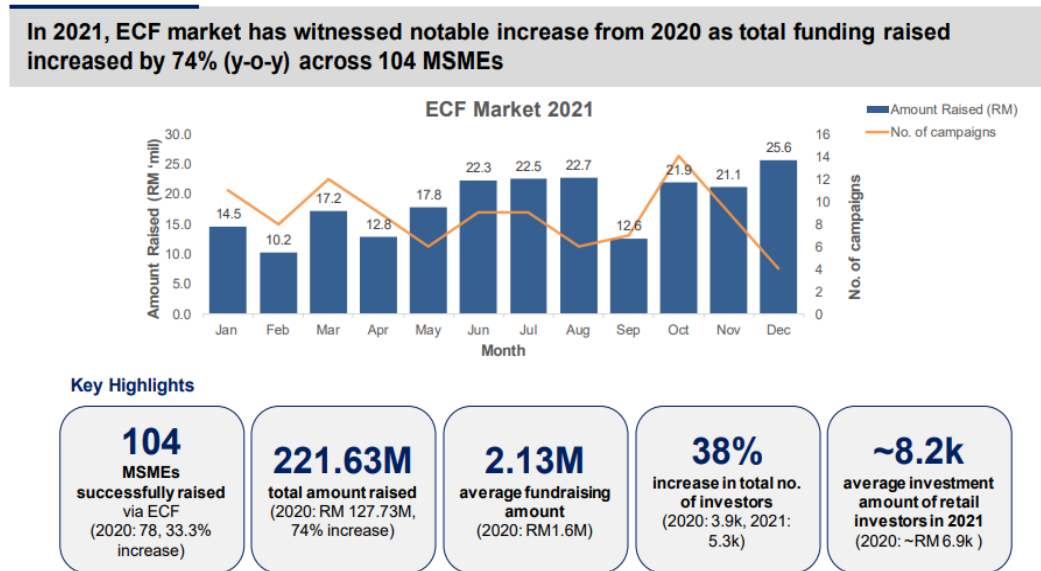
---

## 1. INTRODUCTION

Crowdfunding, a platform that allows the individual or an organisation needing money and a group of individuals or entities willing to pool their resources in exchange for rewards, has disrupted the venture capital industry. There are 4 types of crowdfunding, i.e. rewards-based, donation-based, debt-based, and equity-based. Equity crowdfunding (ECF) is an alternative for start-ups, early-stage companies, and small businesses to raise capital from the public through online crowdfunding platforms (CFPs). Through ECF, investors would receive the company's securities as a return for financing. ECF will be the focus of this study. The development of the crowdfunding industry can be attributed to the difficulties encountered by new businesses in soliciting funding. According to Rao in Forbes (2013), among the 600,000 new businesses started in the United States, approximately 99.95% failed to obtain venture capital funding. The emergence of crowdfunding has become an alternative lending platform for small businesses to eliminate traditional funding methods' long waiting periods, collateral requirements, and creditworthiness records (Zakaria, 2020).

According to the Research and Markets (2022) in Global Crowdfunding Market 2023-2027, the global crowdfunding market share is predicted to expand by USD 264.09 billion from 2023 to 2027, with a 15.86% compound annual growth rate (CAGR). There were 6,455,080 crowdfunding campaigns worldwide, and the amount of money generated via crowdfunding increased by 33.7% last year, according to Shepherd (2023). In Southern Asia, the projected CAGR of the crowdfunding market is 0.94% between 2023 and 2027, resulting in an estimated total value of USD 5.43 million by the year 2027 (Statista, 2023). In Malaysia, crowdfunding saw a 43% increase, and ECF and P2P lending are on the rise, with 74% and 122% increases in total capital raising for both markets, respectively, based on the report published by Securities Commission Malaysia (2022). The success rate of campaigns and participating issuers grew in ECF and P2P lending by 33.3% and 48.6%, respectively.

**Figure 1:** Equity crowdfunding statistics 2019 & 2020 in Malaysia with an increasing trend



Note Adapted from 'ECF Market 2021' by Securities Commission Malaysia, Malaysia Co-investment (MyCIF) Annual Report 2021, p. 5, Copyright 2021 by Fintech News Malaysia.

Although ECF and P2P lending have seen tremendous growth, which is in keeping with the government's calls for a capital market that is more inclusive, innovative, and effective, ECF is still considered in its infancy in Malaysia. There are only 33.33% successful ECF campaigns in Malaysia (Securities Commission Malaysia, 2022), while in developed countries like the US, more than 50% of the campaigns successfully raised funds, and over 78% of them bypassed their initial funding goals (Sky Quest Technology Consulting Pvt. Ltd, 2022). Malaysia was one of the first countries in Southeast Asia to recognise equity crowdfunding in 2015 (Mohd et al., 2018). However, the success rate of ECF campaigns has not been encouraging after almost a decade. Hence, this gives rise to a need to study the investors' intention to fund ECF. However, most of the existing research is done within the context of developed countries such as the UK (Vulkan et al., 2016), the US (de la Viña & Black, 2018), and China (Xiao, 2019). Little attention has been paid to the intention of ECF to invest in developing countries, especially in Malaysia. Besides, any rational investor would weigh the investment's risk and return components when making an investment decision. This would allow them to maximize returns while minimizing losses. Wasiuzzaman et al. (2021) studied the influence of risk on investment decisions, specifically in ECF. However, to the best of our knowledge, there is minimal empirical research on both the benefit and risk side of ECF. To address the gap, this study investigates the intention of the funders to invest in equity crowdfunding regarding the different risks faced and the benefits they received in ECF.

This paper consists of Section 2, which presents a literature review; Section 3, which presents the research methodology; Section 4, which illustrates results and discusses them; and Section 5, which concludes with research implications, limitations, and suggestions for future researchers.

## **2. LITERATURE REVIEW**

### **2.1 The Theory of Cost-Benefit Analysis (CBA)**

Cost-benefit is a decision in which people usually pursue maximum benefits and minimize costs regarding the benefit created and the cost that must be incurred arising from the behavior that should be considered when making decisions (Lin et al., 2018). The cost-benefit analysis (CBA) is a typical instrument for weighting and comparing costs and benefits to make better decisions (Drèze & Stern, 1987). It has been widely used in many research fields. CBA finds, counts, and adds all the positive factors (benefit), and then all the negative factors (cost) are identified, measured, and subtracted.

Perceived benefit refers to the belief regarding the favourable effects of behaviour in response to a real or perceived threat (Chandon et al., 2000). Liu et al. (2012) stated that customers choose to take a risk to earn benefits or rewards rather than to take the risk itself. If there are significant advantages to employing new information technology, users are more likely to overcome the challenges. Li et al. (2019) noted various benefits of purchasing in reward-based crowdfunding markets, such as price concession and perceived innovation, in a study on purchase intention toward crowdfunding products. Li et al. (2019) work further revealed that perceived benefit significantly impacts consumer purchase intention in reward-based crowdfunding markets.

On the other hand, perceived risk refers to the spiritual cost entailed with investors' investment intention, which stands for a certain amount of future uncertainty (Zhang & Yu, 2020). This uncertainty directly impacts the investor's intent to invest. In the study by Zhao et al. (2017), backers' funding intention on crowdfunding was significantly influenced by perceived risk. Hence, CBA is employed as the underpinning theory of this study.

### **2.2 Review of Independent and Dependent Variables**

#### **a. Investment Intention on Equity Crowdfunding**

Investment intention refers to why the investors want to invest (Sashikala & Chitramani, 2018). The investment intentions of the investors to the ECF are extremely diverse and differ between investors and campaigns (Shneor et al., 2020). Investing in start-ups and small and medium companies comes with high risk; investors will balance their high risk with potentially high returns. Financial returns could motivate investors who intend to invest in ECF as the distribution of returns is similar to IPOs (Abdul Razak et al., 2021). Investing in ECF gained

funders more recognition from others as it will increase their visibility to the public. Investors frequently consider the risk and return before making the best decision-making. Washington et al. (2015) report that the lower the perceived risk of investing in a well-known brand, the greater the investment intention. These studies clearly show that returns and risks are the significant determinants of investment intention and path for this research.

### **b. Investment Risk**

Investment risk or financial risk is defined as the probability that something will occur because of losses for participants in the financial operation, including investors (Ransom, 2021). Any investment is exposed to some degree of investment risk. The same goes for ECF. Wasiuzzaman et al. (2021) unveiled that investment risk significantly impacts the decision to invest in equity crowdfunding ventures. Besides, the cost of capital increased due to the higher risk of disclosed financial information that ECF entrepreneurs have published (Ndou et al., 2021). Liu et al. (2018) also found that the perceived credibility of crowdfunding projects is the key factor in investors' decision to invest in crowdfunding. The increased cost of capital, the higher associated risk, and concerns about the project's credibility signify that investors are anxious about investment risk in their decision-making. Despite this, Wash & Solomon (2014) reached a different conclusion: contributors are more inclined to contribute money to projects, especially risky ones. In line with the past findings, the following hypothesis is developed.

*H1: There is a negative relationship between investment risk and investment intention on equity crowdfunding.*

### **c. Legal Risk**

Legal risk refers to the potential loss from an investment arising from insufficient, improperly implemented, or unfavourable legal actions in the country where the investment is made (Wasiuzzaman et al., 2021). Since information asymmetry existed in the ECF market due to the inadequate disclosure requirement by the project organisers, there could be financial loss and security issues (Wasiuzzaman et al., 2021). Hence, this research concluded that legal risk significantly impacts investment intention to support ECF ventures. Liu et al. (2018) also drew a similar conclusion as Wasiuzzaman et al. (2021) that legal risk creates anxiety and negatively affects users' decisions on FinTech. The concern about legal risk could be attributed to the inadequate regulatory framework to protect the ECF's investors from money laundering, intellectual property theft, fraud, and business failure as argued by Stack et al. (2017). Concurring with Stack et al (2017)'s line of reasoning, Riswandi et al. (2023) also found that the level of legal protection in ECF has not reached an optimal state. Shalihah & Shariff (2022) also unveiled that investors still face greater legal risk because the ECF platform organizers fail to follow the Personal Data Protection Act 2010 regulations despite the regulations on ECF in Malaysia.

In contrast, some researchers believe no excessive regulation is needed to mitigate legal risk. Hornuf & Schwienbacher (2017) disputed the traditional ‘law and finance’ theory and argued that excessive investor protection might defeat the market’s intended purposes. ECF has allowed new start-up businesses to access the public, which they could not do in the traditional equity market without issuing a costly prospectus. Instead, the research found that robust investor protection can hurt start-ups’ business and entrepreneurial endeavours. Since most of the past research agrees that legal risk is of investors’ concern, the following hypothesis is developed:

*H2: There is a negative relationship between legal risk and investment intention toward equity crowdfunding.*

#### **d. Technology Risk**

Technology risk is the potential for any technology failure to disrupt crowdfunding procedures, such as fraud and hacking issues (Bento et al., 2019). ECF is carried out via a technology-based platform, including social media platforms, exposing investors to the risk of cyberattacks and losing personal data (Deloitte, 2016). Several types of cyberattacks include overloading a platform’s infrastructure, confusing accounts, etc. Deloitte (2016) also asserts that due to the information asymmetry and less transparency of ECF, fraudsters will use phishing tactics to deceive investors by illegitimately gaining personal and financial data such as credit cards and banking information. Even though investors can analyze campaign sites using the information provided by the platforms, fraudulent project organisers have a strong motive to create information asymmetry and make it more difficult for investors to identify fake projects (Cumming, et al, 2021). Up to 10% of Kickstarter campaigns suffered funding experience misappropriation (Hossain & Creek, 2021). Zhao & Ryu (2020) also report cybersecurity breaches as the most significant risk faced by investors and influence investors’ investment decisions in the APAC, European, and American markets. Despite this, Wasiuzzaman et al. (2021) failed to validate the significant influence of technology risk on the decision to support ECF.

The following hypothesis is created:

*H3: There is a negative relationship between technology risk and investment intention toward equity crowdfunding.*

#### **e. Financial Return**

Financial value is defined as the investor’s return on investment Wasiuzzaman et al. (2021). Bretschneider et al. (2014) stated that investors contribute to start-ups mainly to profit from capital gains on the funds invested. Investors’ financial return is partly based on the size of their shares invested in the company. According to Ferreira & Pereira (2018), the financial return from ECF is determined by the invested company’s strategy implemented—a sale to a

*FUNDERS' INVESTMENT INTENTION TOWARDS EQUITY CROWDFUNDING*

bigger company or an initial public offering —when the company decides to list on a stock exchange. Financial return from ECF is much higher than that from other deposits or bond investments due to the higher risk and insufficient information provided. Their findings showed that investors invest in ECF for high financial returns, recorded at 77.4%. Participants in various forms of crowdfunding have varying motivations underlying their desire to contribute (Lukkarinen et al., 2019). Economic benefit, particularly the potential for financial appreciation, is the only factor driving investors (Lukkarinen et al., 2019). On the other hand, Cecere et al. (2017) postulate that investors who contributed to crowdfunding mainly due to intrinsic motivations such as having fun when invested in ECF, monetary incentives offered could reduce their intrinsic motivation as well as decrease their propensity to contribute to the projects.

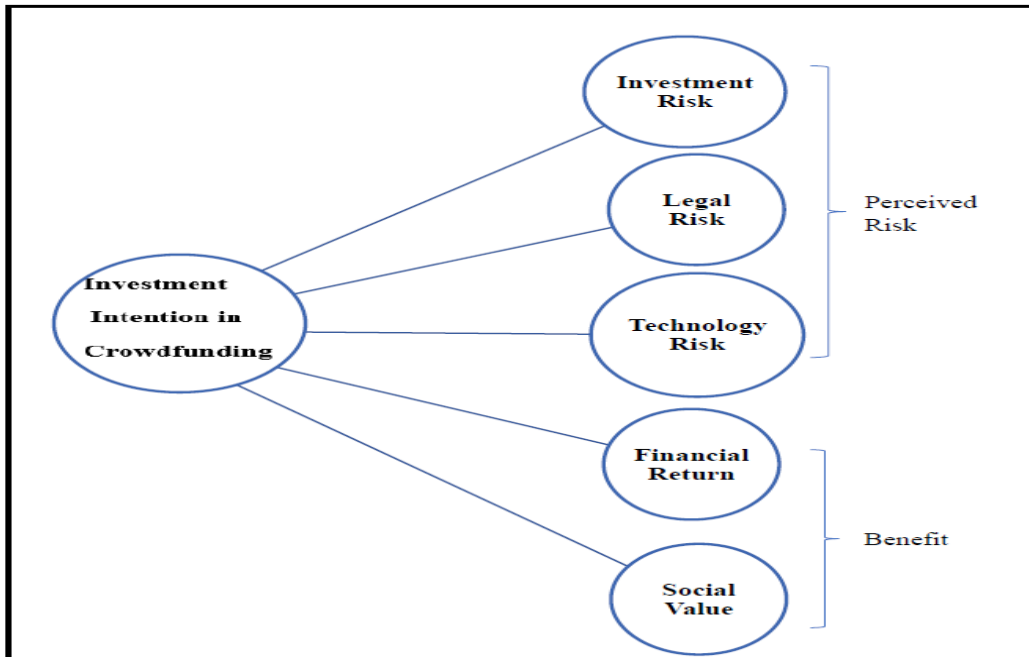
Given the above, the following hypothesis is generated:

*H4: A positive relationship exists between financial return and investment intention toward equity crowdfunding.*

**f. Social Value**

Social value refers to the benefit obtained from a good or service's capacity to improve social self-concept (Harms, 2007). The perceived utility resulting from affiliation with one or more particular social groups can raise a product or service's social value (Harms, 2007). Social value has a great potential to influence how investors perceive the world and their investment decisions. Investing in the ECF can assist investors in creating a visible, recognizable, and personal representation of themselves (Bretschneider et al., 2014). Cox et al. (2018) found that by participating in the ECF, one's online identity and self-presentation may be developed by connecting a dedication to crowdfunding activities to personal profiles on networks. Their research highlights that self-presentation has a significant positive impact on online funders' behaviour in crowdfunding as they are more likely to be image-conscious than those who do not self-present. Bretschneider and Leimeister (2017) also unveiled that backers are motivated by several self-interests, such as recognition from others in their contribution to crowdfunding. Bretschneider and Leimeister (2017) assert that investors contribute to crowdfunding projects to receive favourable responses such as thanks, praise, and recognition in comment columns on the platform from other investors or other project creators. Given this, the following hypothesis is formed:

*H5: There is a relationship between social value and investment intention toward equity crowdfunding in Malaysia.*

**Figure 2:** Conceptual Framework

### 3. METHODOLOGY

#### 3.1 Instruments and Measurement Items

This is quantitative research. Primary or first-hand data is to be gathered through a survey in this research (Aslam et al., 2022a; Aslam et al., 2018). The questionnaire was developed based on previous research. The measurement scales of the constructs were adapted to suit the crowdfunding context. The 5-point Likert Scale ranging from (1) strongly disagree, (2) disagree, (3) Neither agree nor disagree, (4) agree, and (5) strongly agree was used to measure respondents' level of agreement with the statements. The questionnaire was structured with two main sections, with the first section focusing on collecting demographic profiles of respondents and the second section collecting the responses on independent and dependent variables.

#### 3.2 Sample and Data Collection

This study used a non-probability sampling technique, snowball sampling, as the probability of each case being selected from the target population is unknown. This research attempts to examine the intention of funders to invest in crowdfunding. Thus, the participant in this study is focused on funders and anyone interested in contributing towards crowdfunding in Malaysia. According to Green's (1991) rules-of-thumb ( $N \geq 50+8m$ ) for multiple correlations, the sample size of this research is at least 82 ( $N=50+8(4)$ ); thus, a 100-sample size was used in this study. This self-administered questionnaire is an essential tool (Aslam et al., 2022b), conducted online using Google Forms from funders and anyone interested in contributing to crowdfunding projects in Malaysia. The 100



*FUNDERS' INVESTMENT INTENTION TOWARDS EQUITY CROWDFUNDING*

questionnaires were sent through WhatsApp and email. A self-administered questionnaire was selected as it is easier to collect the questionnaire. Busy respondents can complete it at their convenience, and it is easy to convince and follow up.

### 3.2 Data Analysis

IBM SPSS Statistics was used to analyse the descriptive, validity, reliability, and regression analyses. Multiple linear regression is used to predict the result of a response variable by combining explanatory variables. The response variable is known as the dependent variable, which Y represents. In contrast, the explanatory variable, known as the independent variable, is represented by X. The following regression model was used in this study:

$$y = b_0 + b_1x_1 + b_2x_2 + \dots + b_nx_n$$

In this research,

Y = Investment Intention towards Crowdfunding (Dependent Variable)

X1 = Investment Risk (Independent Variable)

X2 = Legal Risk (Independent Variable)

X3 = Technology Risk (Independent Variable)

X4 = Financial Return (Independent Variable)

X5 = Social Value (Independent Variable)

## 4. RESULTS AND DISCUSSION

### 4.1 Descriptive Statistics

A total of 107 responses were collected. Of the 107 respondents, 54% are male, and 46% are female. 42.1% of the respondents are aged 21-40, while 33.6% are aged 41-60. Most of them are employees (58.9%) and possess a Bachelor's degree (62.6%). 58.9% of them have experienced ECF before, while 41.1% have no experience before.

**Table 1:** Descriptive Statistics

Variables		Frequency	Percentage (%)
Gender	Male	58	54.2
	Female	49	45.8
Age	Below 20	21	19.6
	21 - 40	45	42.1
	41 - 60	36	33.6
	Above 61	5	4.7
Occupation	Employee	63	58.9
	Retiree	5	4.7
	Self-employed	18	16.8
	Student/ Unemployed	21	19.6
Education	High school or certificate	10	9.3
	Diploma	19	17.8
	Bachelor's degree	67	62.6
	Master's degree	11	10.3
Experience in Equity Crowdfunding	Yes	63	58.9
	No	44	41.1

#### 4.2 Reliability and Validity Analysis

A Variance Inflation Factor (VIF) test was conducted to determine whether the items contained multicollinearity issues. If the VIF value is below 10, the items are free from multicollinearity issues. Since all the VIF values, as shown in Table 2, are less than 10, there is no multicollinearity issue for the variables.

**Table 2:** Variance Inflation Factor

Variables	VIF
Investment Risk (IR)	3.673
Legal Risk (LR)	2.577
Technology Risk (TR)	1.656
Financial Returns (FR)	3.246
Social Value (SV)	1.138

Cronbach's Alpha was measured to determine whether all the items were reliable. According to Zikmund et al. (2013), if Cronbach's Alpha is between 0.80 and 0.90, the reliability is considered good, and if it is above 0.90, the reliability is considered excellent. Since all the variables have Cronbach's Alpha values above 0.80 (Table 3), this indicates that the items in the questionnaire are reliable overall.

**Table 3:** Cronbach's Alpha

Variables	Items	Cronbach's Alpha
Investment Intention (II)	4	0.901
Investment Risk (IR)	4	0.886
Legal Risk (LR)	4	0.876
Technology Risk (TR)	3	0.823
Financial Return (FR)	4	0.889
Social Value (SV)	4	0.912

#### 4.3 Regression Analysis

The variation in the investment intention can be explained well (87.1%) by the independent variables selected and shown in Table 4. Table 5 shows the ANOVA of the model. F-statistic has a value of 144.526 and a p-value less than 0.05 of significance level (p-value = <0.001). Since the F-statistic value is large and the p-value is lesser than 0.05, it can be concluded that there is a statistically significant relationship between investment intention and the independent

*FUNDERS' INVESTMENT INTENTION TOWARDS EQUITY CROWDFUNDING*

variables, including investment risk, legal risk, technology risk, financial return, and social value.

**Table 4:** Model Summary

Model	R	R Square	Adjusted Square	R Std. error of the Estimate
1	0.937	0.877	0.871	0.35945

**Table 5:** ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93.365	5	18.673	144.526	<.001
	Residual	13.049	101	0.129		
	Total	106.415	106			

a. *Dependent Variable: II*

b. *Predictors: (Constant), IR, LR, TR, FR, SV*

Table 6 depicts the regression analysis results. The table shows a significant relationship between IR, LR, FR, and investment intention, as the p-value is lower than 0.05. LR has a negative and significant relationship with II, supporting H2. IR and FR exert a positive and significant relationship with II. H4 is supported, but interestingly, no conclusive decision can be made on H1 since a positive relationship is found instead of a negative one. On the other hand, there is no significant relationship between TR, SV, and investment intention, as the p-value is greater than 0.05. Thus, H3 and H5 are rejected. From the beta coefficient, LR ( $\beta = -0.427$ ) is the strongest predictor of II, followed by IR ( $\beta = 0.344$ ) and FR ( $\beta = 0.267$ ).

**Table 6:** Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.153	0.325		6.631	<.001
IR	0.404	0.078	0.344	5.154	<.001
LR	-0.433	0.057	-0.427	-7.632	<.001
TR	-0.026	0.05	-0.023	-0.523	0.602
FR	0.277	0.065	0.267	4.258	<.001
SV	0.006	0.034	0.006	0.175	0.862

a. *Dependent Variable: II*

b. *\*Significance level at 95%*

c. *Note: II- Funders' Investment Intention, Cons- Constant, IR- Investment Risk, LR- Legal Risk, TR- Technology Risk, FR- Financial Return, SV- Social Value*

#### 4.4 Discussion

Among all the risk-related independent variables, investment risk positively influences the intention to invest in ECF in Malaysia. This is an interesting finding since previous studies established that investment risk negatively influences the willingness of investors to invest in ECF (Wasiuzzaman et al., 2021; Ndou et al., 2021), though it is consistent with Wash & Solomon's (2014) that investment risk has a positive relationship with investment intention. As most companies fundraised by ECF are SMEs or startups, investors are already aware of the high investment risk associated with ECF investment. High risk denotes high return as spelt out by traditional investment theory. This finding bespeaks the investors' willingness to take on higher levels of risk in exchange for the potential for higher returns. Legal risk hurts the willingness of investors to invest in ECF, implying that when there is a higher legal risk associated with the ECF platform, the investors tend to contribute less to the ECF project. The negative influence of legal risk on investment intention is consistent with the research (Liu et al., 2018; Stack et al., 2017; Shalihah & Shariff, 2022). ECF investors prefer a lower legal risk as it could minimize the possibility of losing their investment due to legal disputes or regulatory concerns. This finding also translates to the inadequate regulatory protection on ECF in Malaysia to mitigate legal risk. Nonetheless, this result contradicts the previous studies (Wasiuzzaman et al., 2021), which stated that legal risk positively impacts investors' intention to invest in ECF.

The result of this study suggests that technology risk has no impact on the intention of funders to invest in ECF in Malaysia, which is in line with the conclusion of Wasiuzzaman et al. (2021). Technology risk in ECF often refers to fraudulent or cybersecurity issues. As ECF is largely an internet phenomenon, it cannot be denied that ECF is perceived to have a higher likelihood of experiencing losses. However, technology risk is found to be insignificant to the investment intention of funders to contribute to the ECF, meaning even though there is a low or high technology risk, it does not impact the investor's decision in ECF campaigns. This outcome could be attributed to the respondents' experience since most respondents (42.1%) are millennials aged between 21-40 exposed to technology from a young age. According to Sidoti & Vogels (2023) in the Pew Research Centre, most millennials aged between 21 and 40 are better at recognising Internet security. Hence, technology risk is not a major concern in this study. The financial return is found to be positively influenced by the willingness of investors to invest in ECF consistent with previous studies (Ferreira & Pereira, 2018; Lukkarinen et al., 2017; Cholakova & Clarysse, 2015; Wasiuzzaman et al., 2021; Bretshneider et al., 2014), implying that when there is a higher financial return associated with the ECF campaigns, the investors tend to contribute more to the ECF project. Investing in ECF platforms is different from traditional investments like deposits or bond investments; there is a higher risk carried by investing in ECF platforms as most ECF campaigns are for startup ups or micro, small, and medium enterprises (MSMEs). It is consistent with the risk-return trade-off theory, which states that high risk draws a high return. The financial return from the ECF is much higher than from deposits or bond investments, as the theory states that the higher the risk, the higher the return.

*FUNDERS' INVESTMENT INTENTION TOWARDS EQUITY CROWDFUNDING*

Hence, investors prefer a higher return when investing in ECF as they know the higher risk profiles associated with the ECF campaigns and require a longer period to realise returns.

Social value is insignificant to the investment intention of funders to contribute to the ECF, which is in line with Bretschneider and Leimeister (2017). It means that even though there is recognition gained from the third party where funders' names will be highlighted in the ECF platforms or social media platforms regardless of the amount of money they contributed, it does not impact the investor's investment portfolio whether to invest a high or low proportion of their investment in ECF campaigns. Investors in ECF typically make their own accord about investments and are not reliant on other investors to make their investment decisions. Since this study mainly focuses on ECF, in which individuals invest in a company in exchange for equity or ownership, most ECF investors focus on financial return rather than social impact. This is also the reason why the result generated is inconsistent with the past research (Rice et al., 2016; Bretschneider et al., 2014), which placed their focus on general crowdfunding platforms. We recommend future researchers investigate the model used in the current study in different sub-samples (see Shahid & Sattar, 2017; Shahid et al., 2019) and may investigate the same model using COVID-19-related sub-samples (Shahid, 2022).

## **5. CONCLUSION, IMPLICATIONS, AND SUGGESTIONS FOR FUTURE RESEARCH**

This study addressed the low success rate in ECF campaigns and the limited research on benefit-risk constructs in the area of ECF. Five independent variables were examined in this study, including investment risk (IR), legal risk (LR), technology risk (TR), financial return (FR), and social value (SV) on the investment intention. The research output presented that investment risk, legal risk, and financial return have statistical significance to the dependent variable, funders' intention to invest in ECF. In contrast, technology risk and social value have an insignificant impact on investor investment intention. Additionally, investment risk and financial return have been found to have a positive impact, while legal risk hurts the funders' investment intention towards ECF. The Beta value also denotes that legal risk is the most significant concern to the investors.

Given this, the platform operator of ECF should pay particular attention to managing investment risk and financial return. The Malaysian ECF platform operators have recently started offering Redeemable Convertible Preference Shares (RCPS) with cumulative dividends and intermediate maturity. Some ECF campaigns also offer vouchers to own the companies' products. In line with the findings of this study, this is a good move since dividends and vouchers provide an opportunity for the investors to reap some financial returns, and the intermediate maturity also reduces the investment risk. On the other hand, the regulator ie. Security Commission Malaysia should beef up its efforts in regulating the ECF industry so that investors will feel comfortable investing in ECF campaigns without any legal risk. The regulators should make disclosure

requirements for at least preliminary financial reports mandatory for investors interested in the company. With this, the information asymmetry issue can be addressed, ultimately lowering legal risk. Future researchers are encouraged to extend this research to other countries, especially emerging countries, as the findings might differ with different cultures. More variables can be included to unearth different influencing factors.

## REFERENCES

- Abdul Razak, D., Abdullah Othman, A. H., Zulmi, S. R., Ismail, I., & Sidiki, S. (2021). Determinant factors of equity-based crowdfunding in Malaysia. *Labuan Bulletin of International Business and Finance (LBIBF)*, 19(1), 33–48. <https://doi.org/10.51200/lbibf.v19i1.2859>
- Aslam, S., Shahid, M. N., & Aftab, F. (2022a). Role of Entrepreneurial Orientation in SMEs global performance: testing marketing strategies and technological orientation as mediators. *Journal of Marketing Strategies*, 4(1), 173-201.
- Aslam, S., Shahid, M. N., & Sattar, A. (2022b). Perceived overqualification as a determinant of proactive behavior and career success: The need for achievement as a moderator. *J Entre Manage Innovation*, 4(1), 167-187.
- Aslam, S., Shahid, M. N., Qureshi, M. H., & Qureshi, A. M. (2018). Investigating innovativeness and emotional intelligence as mediator to explore entrepreneurial marketing strategy focused on firm performance: a case in Pakistan. *J. Appl. Environ. Biol. Sci*, 8(1), 48-60.
- Bento, N., Gianfrate, G., & Groppo, S. V. (2019). Do crowdfunding returns reward risk? evidences from clean-tech projects. *Technological Forecasting and Social Change*, 141, 107–116. <https://doi.org/10.1016/j.techfore.2018.07.007>
- Bretschneider, U., Knaub, K., & Wieck, E. (2014). Motivations for crowdfunding: what drives the crowd to invest in start-ups? <https://core.ac.uk/download/pdf/301362411.pdf>
- Bretschneider, U., & Leimeister, J. M. (2017). Not just an ego-trip: Exploring backers' motivation for funding in incentive-based crowdfunding. *The Journal of Strategic Information Systems*, 26(4), 246–260. <https://doi.org/10.1016/j.jsis.2017.02.002>
- Bretschneider, U., Knaub, K., & Wieck, E. (2014). Motivations for crowdfunding: what drives the crowd to invest in start-ups?.
- Cecere, G., Le Guel, F., & Rochelandet, F. (2017). Crowdfunding and Social Influence: An empirical investigation. *Applied Economics*, 49(57), 5802–5813. <https://doi.org/10.1080/00036846.2017.1343450>
- Chandon, P., Wansink, B., & Laurent, G. (2000). A benefit congruency framework of sales promotion effectiveness. *Journal of Marketing*, 64(4), 65-81. [https://flora.insead.edu/fichiersti\\_wp/inseadwp2000/2000-22.pdf](https://flora.insead.edu/fichiersti_wp/inseadwp2000/2000-22.pdf)

- Cholakova, M., & Clarysse, B. (2015). Does the possibility to make equity investments in crowdfunding projects crowd out reward-based investments? *Entrepreneurship Theory and Practice*, 39(1), 145–172. <https://doi.org/10.1111/etap.12139>
- Cox, J., Nguyen, T., Thorpe, A., Ishizaka, A., Chakhar, S., & Meech, L. (2018). Being seen to care: The relationship between self-presentation and contributions to online pro-social crowdfunding campaigns. *Computers in Human Behavior*, 83, 45–55. <https://doi.org/10.1016/j.chb.2018.01.014>
- Cumming, D., Hornuf, L., Karami, M., & Schweizer, D. (2021). Disentangling crowdfunding from fraudfunding. *Journal of Business Ethics*, 182(4), 1103–1128. <https://doi.org/10.1007/s10551-021-04942-w>
- De La Viña, L. Y., & Black, S. L. (2018). US equity crowdfunding: A review of current legislation and a conceptual model of the implications for equity funding. *The Journal of Entrepreneurship*, 27(1), 83–110. <https://doi.org/10.1177/0971355717738600>
- Deloitte. (2016). Crowdfunding 101: Understanding the associated fraud risks. *Forensic*. <https://www2.deloitte.com/content/dam/Deloitte/in/Documents/finance/in-fa-forensic-crowdfunding-101.pdf>
- Drèze, J., & Stern, N. (1987). The theory of cost-benefit analysis. In *Handbook of public economics* (Vol. 2, pp. 909-989). Elsevier. <https://personal.lse.ac.uk/sternn/040NHS.pdf>
- Ferreira, F. & Pereira, L. (2018). Success factors in a reward and equity based crowdfunding campaign. In *2018 IEEE International Conference on Engineering, Technology, and Innovation (ICE/ITMC)* (pp. 1-8). IEEE. [https://repositorio.iscte-iul.pt/bitstream/10071/15933/4/master\\_francisco\\_miranda\\_ferreira.pdf](https://repositorio.iscte-iul.pt/bitstream/10071/15933/4/master_francisco_miranda_ferreira.pdf)
- Green, S. B. (1991). How many subjects does it take to do a regression analysis. *Multivariate Behavioral Research*, 26(3), 499–510. [https://doi.org/10.1207/s15327906mbr2603\\_7](https://doi.org/10.1207/s15327906mbr2603_7)
- Hornuf, L., & Schwienbacher, A. (2017). Should securities regulation promote equity crowdfunding? *Small Business Economics*, 49(3), 579–593. <https://doi.org/10.1007/s11187-017-9839-9>
- Harms, M. (2007). What drives motivation to participate financially in a crowdfunding community? Available at SSRN 2269242. <https://www.crowdfunding.de/app/uploads/2019/09/Crowdfunding-Master-Thesis-Michel-Harms-2007.pdf>
- Hossain, M., & Creek, S. A. (2021). Unveiling and brightening the dark side of crowdfunding. *California Review Management*. <https://cmr.berkeley.edu/2021/09/unveiling-and-brightening-the-dark-side-of-crowdfunding/>

- Li, Y., Zhang, Z., Wang, R., & Chen, Y. (2019). Consumer purchase intention toward crowdfunding products/services: A cost–benefit perspective. *Sustainability*, *11*(13), 3579. <https://doi.org/10.3390/su11133579>
- Lin, K. Y., Wang, Y. T., & Huang, T. K. (2018). What drives continued intention for mobile payment? -an expectation cost-benefit theory with habit. <https://scholarspace.manoa.hawaii.edu/server/api/core/bitstreams/8cdd6e2d-fa2b-4dce-b54e-9ba87114c049/content>
- Liu, Y., Yang, Y., & Li, H. (2012). A unified risk-benefit analysis framework for investigating mobile payment adoption. <https://core.ac.uk/download/pdf/301356404.pdf>
- Liu, L., Suh, A., & Wagner, C. (2018). Empathy or perceived credibility? an empirical study on individual donation behavior in charitable crowdfunding. *Internet Research*, *28*(3), 623–651. <https://doi.org/10.1108/intr-06-2017-0240>
- Lukkarinen, A., Wallenius, J., & Seppälä, T. (2017). Investor motivations and decision criteria in equity crowdfunding. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3263434>
- Lukkarinen, A., Wallenius, J., & Seppälä, T. (2019). Investor motivations and decision criteria in equity crowdfunding. *Available at SSRN 3263434*.
- Mohd Thas Thaker, M. A., Mohd Thas Thaker, H., & Allah Pitchay, A. (2018). Modeling crowdfunders' behavioral intention to adopt the crowdfunding-waqf model (CWM) in Malaysia. *International Journal of Islamic and Middle Eastern Finance and Management*, *11*(2), 231–249. <https://doi.org/10.1108/imefm-06-2017-0157>
- Ndou, V., Scorrano, P., Mele, G., & Stefanizzi, P. (2021). Fundraising activities and digitalization: Defining risk indicators for evaluating equity crowdfunding campaigns. *Meditari Accountancy Research*, *30*(4), 1169–1190. <https://doi.org/10.1108/medar-03-2021-1237>
- Prive, T. (2021, December 10). *Top 10 benefits of crowdfunding*. Forbes. <https://www.forbes.com/sites/tanyaprive/2012/10/12/top-10-benefits-of-crowdfunding-2/?sh=17efd9482c5e>
- Ransom, N. (2021). Investment risks: definition & types. *Study.com*. <https://study.com/academy/lesson/investment-risks-definition-types.html>
- Rao, D. (2013, July 22). *Why 99.95% of entrepreneurs should stop wasting time seeking venture capital*. Forbes. <https://www.forbes.com/sites/dileeprao/2013/07/22/why-99-95-of-entrepreneurs-should-stop-wasting-time-seeking-venture-capital/?sh=4f6a0a9a46eb>
- Research and Markets. (2022, November). *Global crowdfunding market 2023-2027*. <https://www.researchandmarkets.com/reports/5031186/global-crowdfunding-market-2021-2025>



*FUNDERS' INVESTMENT INTENTION TOWARDS EQUITY CROWDFUNDING*

- Rice, E. S., Haynes, E., Royce, P., & Thompson, S. C. (2016). Social Media and digital technology use among indigenous young people in Australia: A literature review. *International Journal for Equity in Health, 15*(1). <https://doi.org/10.1186/s12939-016-0366-0>
- Riswandi, B. A., Alfaqih, A., & Wicaksono, L. S. (2023). Design of equity crowdfunding in the Digital age. *Laws, 12*(1), 8. <https://doi.org/10.3390/laws12010008>
- Sashikala, V., & Chitramani, P. (2018). The impact of behavioural factors on investment intention of equity investors. *Asian Journal of Management, 9*(1), 183. <https://doi.org/10.5958/2321-5763.2018.00028.8>
- Securities Commission Malaysia. (2022). *Malaysia Co-Investment Fund Annual Report 2021*. MyCIF Annual Report 2021. <https://www.sc.com.my/api/documentms/download.ashx?id=d8c181af-e34d-4184-a2e6-29f5e170de9b>
- Shahid, M. N., & Sattar, A. (2017). Behavior of calendar anomalies, market conditions and adaptive market hypothesis: evidence from Pakistan stock exchange. *Pakistan Journal of Commerce and Social Sciences (PJCSS), 11*(2), 471-504.
- Shahid, M. N., Coronado, S., & Sattar, A. (2019). Stock market behaviour: efficient or adaptive? Evidence from the Pakistan Stock Exchange. *Afro-Asian Journal of Finance and Accounting, 9*(2), 167-192.
- Shahid, M. N. (2022). COVID-19 and adaptive behavior of returns: evidence from commodity markets. *Humanities and Social Sciences Communications, 9*(1), 1-15.
- Shalihah, F., & Shariff, R. N. M. (2022). Identifying barriers to data protection and investor privacy in equity crowdfunding: Experiences from Indonesia and Malaysia. *UUM Journal of Legal Studies, 13*(2), 215-242. <https://doi.org/10.32890/uumjls2022.13.2.9>
- Shepherd, M. (2023, January 23). *Crowdfunding statistics: Market size and growth*. Fundera. <https://www.fundera.com/resources/crowdfunding-statistics>
- Shneor, R., Zhao, L., & Flåten, B.-T. (2020). *Advances in crowdfunding: Research and practice*. Palgrave Macmillan.
- Sidoti, O., & A. Vogels, E. (2023). *What Americans Know About AI, Cybersecurity and Big Tech*. Pew Research Center.
- SkyQuest Technology Consulting Pvt. Ltd. (2022, June). *Crowdfunding market to reach \$42.93 billion by 2028 as entrepreneurs are bypassing traditional banks and opting for modern finance solution*. Yahoo! Finance. <https://finance.yahoo.com/news/crowdfunding-market-reach-42-93-150700017.html>
- Stack, P., Feller, J., O'Reilly, P., Gleasure, R., Li, S., & Cristoforo, J. (2017). Managing risk in business centric crowdfunding platforms. *Proceedings of the 13th International Symposium on Open Collaboration*. <https://doi.org/10.1145/3125433.3125460>

- Statista. (2023). *Crowdfunding - Southern Asia: Statista market forecast*. <https://www.statista.com/outlook/dmo/fintech/digital-capital-raising/crowdfunding/southern-asia>
- Vulkan, N., Åstebro, T., & Sierra, M. F. (2016). Equity crowdfunding: A new phenomena. *Journal of Business Venturing Insights*, 5, 37–49. <https://doi.org/10.1016/j.jbvi.2016.02.001>
- Wash, R., & Solomon, J. (2014). Coordinating donors on crowdfunding websites. *Proceedings of the 17th ACM Conference on Computer Supported Cooperative Work & Social Computing*. <https://doi.org/10.1145/2531602.2531678>
- Washington, M., Shirley, E., Lisset, G., & Regina, R. (2015). Students' perceived risk and investment intention: The Effect of Brand Equity. *Management & Marketing*, 10(3), 208–225. <https://doi.org/10.1515/mmcks-2015-0015>
- Wasiuzzaman, S., Chong, L. L., & Ong, H. B. (2021). Influence of perceived risks on the decision to invest in equity crowdfunding: A study of Malaysian investors. *Journal of Entrepreneurship in Emerging Economies*, 14(2), 208–230. <https://doi.org/10.1108/jeee-11-2020-0431>
- Wasiuzzaman, S., Lee Lee, C., Hway Boon, O., & Pannir Chelvam, H. (2021). Examination of the motivations for equity-based crowdfunding in an emerging market. *Journal of Theoretical and Applied Electronic Commerce Research*, 16(2), 87–103. <https://doi.org/10.4067/s0718-18762021000200106>
- Xiao, L. (2019). How lead investors build trust in the specific context of a campaign. *International Journal of Entrepreneurial Behavior & Research*, 26(2), 203–223. <https://doi.org/10.1108/ijebr-05-2019-0265>
- Zakaria, I. (2020, May 6). *Why crowdfunding will be the “new normal” for Malaysian companies - izwan zakaria*. Malay Mail. <https://www.malaymail.com/news/what-you-think/2020/05/06/why-crowdfunding-will-be-the-new-normal-for-malaysian-companies-izwan-zakar/1863712>
- Zhang, X., & Yu, X. (2020). The impact of perceived risk on consumers' cross-platform buying behavior. *Frontiers in Psychology*, 11. <https://doi.org/10.3389/fpsyg.2020.592246>
- Zhao, L., & Ryu, S. (2020). Reward-based crowdfunding research and Practice. *Advances in Crowdfunding*, 119–143. [https://doi.org/10.1007/978-3-030-46309-0\\_6](https://doi.org/10.1007/978-3-030-46309-0_6)