

# Motivation Play A Major Role In The Success Of Crowdfunding Campaign: A Study Of Select Literature.

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## Abstract

Crowdfunding is becoming increasingly popular as an alternative and creative source of funding. A successful crowdfunding campaign is defined as those that motivate the investor to invest in the proposed project. To motivate investors to invest in a crowdfunding campaign, it is essential to understand the motivational factors that motivate them to invest. This study seeks to identify the factors that affect the success of a crowdfunding campaign. Selected research papers and articles from reputable journals and conferences are selected for the purpose of study and review.

**Keywords:** Crowdfunding, Crowdfunding Campaign, Motivational factors, Funding goal, Finance.

## Introduction

In the post-2008 crisis, artists and musicians faced a large funding gap. They needed modern tools to fill this gap. This was made possible by crowdfunding (Agrawal, Catalini, & Goldfarb, 2014) (Turan, 2015). There are several factors that not only drive investors to invest through crowdfunding, but also motivate entrepreneurs and project creators to achieve their funding target through crowdfunding. Researchers focus on the factors that drive crowdfunding.

Crowdfunding is a novel and contemporary form of financing in which a large number of investors, commonly referred to as 'Crowds', pool their funds in small amounts and lend, invest, or donate them to entrepreneurs, businesses, or individuals in need, in exchange for a financial or other reward. The entire process is carried out through intermediaries, which are typically referred to as 'Platforms'. In simple terms, the project creator presents their business concept or requirement for the fund through a web-based platform, and potential investors are informed of the proposal and invest accordingly, depending on their will and capacity. In return, they receive monetary or other benefits, depending on the characteristics of the proposal and investment.

Crowdfunding campaigns that are successful in influencing the investor and inducing them to invest in a proposal are referred to as successful campaigns. Campaigns that receive funding up to the required amount within the specified time frame are considered successful. In order for a campaign to be successful, it is highly necessary for the investor to be motivated. The motivation of the investor contributes to the achievement of the funding objective of the issuer. High-motivated issuers not only finance the project, but also influence and persuade their peer groups to fund the proposal.

## Research methodology

This research paper draws on the existing literature on crowdfunding and the motivating factors behind it. It is essential to understand the factors that motivate investors to invest in a crowdfunding campaign in order to motivate them to do so. The aim of the study is to identify the factors that affect the success of a crowdfunding campaign. In order to achieve the desired goal, 35 literatures based on crowdfunding and motivating factors is taken into account when selecting research papers and articles to be studied and reviewed.

## Motivations in Crowdfunding

Motivations play a major role in the success rate of crowdfunding proposals. Factors that contribute to the success of crowdfunding campaign are the financial plan and the strategies of the venture and the turnaround strategy. (Ahlers, Cumming, Guenther, & Schweizer, 2015) Strong business plan influence investors to invest in crowdfunding projects. To have a successful financial plan, venture needs a good number of experienced and qualified managers and their network in the external environment. Experienced, skilled and talented managerial workforce contribute their knowledge and expertise toward the success of the business plan and work toward the achievement of organizational goal. Adding novelty to the project also increase the chance of success. (Xu, Zheng, Xu, & Wang, 2016)

Studies emphasize the importance of collaboration to achieve the financial objective. Strong collaboration can help to achieve the desired financial target. (Bercovich, 2011) Disclosure of essential facts and figures, full expression of the project idea and plan, and required narration plays a significant role in determining the success rate of the financial plan. The project initiator needs to disclose updates regarding funds, events, the plan and business in order to achieve the funding goal. (Michels 2012; Cho & Kim, 2017).

Research shown that people who lend money to others are more likely to do so out of altruism rather than because of the money they get in return. (Burtch, Ghose, & Wattal, 2013) Social connections between borrowers and their friends and their friends' friends are also important for the success of a crowdfunding campaign. (Vismara S. , 2016) (Zheng, Li, Wu, & Xu, 2014). For example, in a study of the Chinese market, it was found that the social relationship of the project initiator was the most important factor in the success of the project. (Hui, Gerber, & Gergle, 2014) (Mollick, 2014) (Liu, Brass, Lu, & Chen, 2015) It was also found that people who live in the same area as the borrower or the funder contributed to the success of the crowdfunding campaign. Other studies have also shown that people living in the same area contribute to the success of reward-based campaigns (Agrawal, Catalini, & Goldfarb, 2010) (Giudici, Guerini, & Rossi-

Lamastra, 2017).

Research has highlighted the fundamental determinants of crowdfunding success, including project quality, networking, and geographical location. Funder's shared beliefs and values can create a strong social connection between them, which can be beneficial to crowdfunding in a variety of ways. (Mollick, 2014) To ensure the success of a project, the creator must involve their customer and enable them to take part in the project's execution (Gleasure & Feller, 2016) (Hossain & Oparaocha, 2017) (Ryu & Kim, 2016). Additionally, trust is a key factor in the success of a crowdfunding project, and the initiator must be able to resolve any doubts or issues the funder may have. This can be achieved by increasing interaction between the entrepreneur and the funder, disclosing financial success, and demonstrating the project creator's creditworthiness (Agrawal, Catalini, & Goldfarb, 2014) (Gerber & Hui, 2013) (Duarte, Siegel, & Young, 2012) (Jiang, 2014) (Wang, Liang, Ge, & Xue, 2015) (Zheng, Hung, Qi, & Xu, 2016) (Zhao, Chun, Wang, & Chen, 2017).

In addition to the social relationship and initiator experience, the quality of the content of the proposal also has an impact on the success rate (Shi & Guan, 2016) (Bi, Liu, & Usman, 2017) (Zaiyu, Candy, Sha, & Rob, 2018). Researchers suggest that promotional videos, genuine and transparent information about the project, increased use of images, clips, and videos, and a well-crafted introduction can make the proposal more compelling. The use of pictures and videos, as well as narrating the proposal through stories, can create a connection between the project and the funder (Herzenstein, Sonenshein, & Dholakia, 2011). For the success of the campaign, the creator communicates the project through appropriate language, which strengthens the connection between the funder and the initiator (Parhankangas & Renko, 2017) (Anglin, et al., 2018). According to research, a project that requires less money and has a lower goal has a higher chance of success than one with a higher goal (Kunz, Bretschneider, Erler, & Leimeister, 2017) (Zheng, Li, Wu, & Xu, 2014) (Hu, Li, & Shi, 2015) (Mollick, 2014).

Venture capital investors are predominantly located in metropolitan cities. Companies located in these peripheral locations face difficulties in raising funds. Similarly, minority entrepreneurs, such as women and ethnic entrepreneurs, face challenges in raising finance. The investment criteria of Crowd investors are driven by different logic, which may enhance the financial market integration (Colombo, Cumming, Guenther, & Schweizer, 2015) (Vismara S. , 2016). Equity crowdfunding does not discriminate between men and women or entrepreneurs in metropolitan cities or in peripheral areas. Women or peripheral innovators also perform better with crowdfunding. Research shows that companies with young blood in their senior management are not only more likely to raise funds via equity crowdfunding, but also more likely to succeed in the fund raising journey (Vismara S. , 2018).

Immigrant entrepreneurs who have relocated to a foreign country may find it difficult to access financial resources, however crowdfunding provides them with the opportunity to build a network with their home country and assists in bridging the gap in funding. This is due to the fact that investors are more likely to invest in and fund entrepreneurs who are drawn to the local environment, culture, and immigrant and local religious backgrounds (Agrawal, Catalini, & Goldfarb, 2015).

**Tabular representation of Literatures based on Motivations in Crowdfunding**

Serial number	Author(s)	Year	Motivational Factors
1.	Agrawal, Catalini, & Goldfarb	2010	Geographical location
2.	Bercovich	2011	Collaboration
3.	Herzenstein, Sonenshein, & Dholakia	2011	Promotional videos, correct project information, use of pictures, clips and videos, and elaborated introduction.
4.	Michels	2012	Disclosure of necessary facts and figures, comprehensive expression of project idea, updates related to funds, events, plan and business
5.	Duarte, Siegel, & Young	2012	Trust
6.	Burtch, Ghose, & Wattal	2013	Altruism
7.	Gerber & Hui	2013	Customer participation
8.	Agrawal, Catalini, & Goldfarb	2014	Creative and entertainment project.
9.	Agrawal, Catalini, & Goldfarb	2014	Customer participation
10.	Mollick E.	2014	Project quality, networking, geographical location
11.	Mollick E	2014	Project with minimum goal and maximum pledge count.
12.	Zheng, Li, Wu, & Xu	2014	Social connection of borrower
13.	Mollick E.	2014	Social connection of borrower

14.	Hui, Gerber, & Gergle	2014	Social connection of borrower on social sites
15.	Jiang	2014	Trust, solution to funders' problem.
16.	Turan	2015	Crowdfunding can be used to fill funding gap.
17.	Wang, Liang, Ge, & Xue	2015	Entrepreneur and funders interaction, disclosure of financial success and creditworthiness of project creator
18.	Ahlers, Cumming, Guenther, & Schweizer	2015	Financial plan, strategies of venture and turnaround strategy
19.	Liu, Brass, Lu, & Chen	2015	Friendship and social networking
20.	Colombo, Cumming, Guenther, & Schweizer	2015	Location and gender of issuer
21.	Hu, Li, & Shi	2015	Project with minimum goal and maximum pledge count.
22.	Agrawal, Catalini, & Goldfarb	2015	Social and cultural similarity
23.	Zheng, Hung, Qi, & Xu	2016	Entrepreneur and funders interaction, disclosure of financial success and creditworthiness of project creator
24.	Xu, Zheng, Xu, & Wang	2016	Qualification and experience of managers, Networking, social connection, novelty
25.	Shi & Guan	2016	Quality of content of proposal
26.	Gleasure & Feller	2016	Similar beliefs and values
27.	Ryu & Kim	2016	Similar beliefs and values
28.	Vismara S.	2016	Social connection of borrower

29.	Cho & Kim	2017	Disclosure of necessary facts and figures, comprehensive expression of project idea, updates related to funds, events, plan and business
30.	Giudici, Guerini, & Rossi-Lamastra	2017	Geographical location
31.	Parhankangas & Renko	2017	Language and Communication
32.	Kunz, Bretschneider, Erler, & Leimeister	2017	Project with minimum goal.
33.	Zhang, Yan, & Chen	2017	Project with minimum goal.
34.	Bi, Liu, & Usman	2017	Quality of content of proposal
35.	Hossain & Oparaocha	2017	Similar beliefs and values
36.	Zhao, Chun, Wang, & Chen	2017	Trust, entrepreneur and funders interaction, disclosure of financial success and creditworthiness of project creator
37.	Anglin, Short, Drover, Stevenson, McKenny, & Allison	2018	Language and Communication
38.	Vismara S	2018	Location and gender of issuer.
39.	Zaiyu, Candy, Sha, & Rob	2018	Quality of content of proposal & use of pictures, clips and videos

## Conclusion

The success of the crowdfunding campaign is reflected by the success of the funding goal. Campaigns that achieve the funding goal are considered to be successful. For being a campaign to be successful, influencing factors are highly required that support and motivate the crowdfunding participants to participate, invest, and make the campaign successful. As per the previous studies following are the motivational factors that influence the success rate of crowdfunding:

- Financial plan and strategies of venture and turnaround strategy.
- Number of highly qualified and experienced managers and their networking withoutside environment.
- Novelty features of the project.
- Strong collaboration.
- Disclosure of necessary facts and figures, comprehensive expression of project idea and plan and required narrations.
- Updates related to funds, events, plan and business to accomplish the funding goal.
- Philanthropic lenders are influenced by altruism and not by reward in terms of money.
- Social connection of borrower with their friends and mutual friends
- Social relationship of project initiator
- Friends on social media such as Twitter, Facebook, and YouTube
- Characteristics of geographical location, local people or funder living in neighboring area.
- Project quality.
- Geographical location that connects the business with social, economic, and cultural context.
- Customer participation in the project execution.
- Trust, build by more interaction between entrepreneur and funder, disclosure of financial success and creditworthiness of project
- Quality of content of proposal, promotional videos, authentic and transparent project information, more use of pictures, clips and videos, and elaborated introduction.
- Project that demands less and with minimum goal.
- Female or peripheral innovators also perform better with the help of crowdfunding.
- Companies having young blood in their top management.

A campaign requires motivational factors to influence the participants depending upon their nature, need, and preference. Hence, the study recommends that the project initiator should clearly understand the nature of the campaign and the nature of investors and take necessary steps to coordinate both for the attainment of funding goal and success of the crowdfunding campaign.

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