

CHAPTER II

LITERATURE REVIEW

Crowdfunding

The dynamic of crowdfunding support will affect the intention of reaching the project's goal. Creators of the project should have the supporters' trust and interest to join and commit to crowdfunding. Therefore, creators will do everything to convince "the crowd" by doing some campaigns to promote their project or charity. Thus, the attention given entirely focuses on what are the goals of the project and what is the main aspect of the project's needs.

As cited from Belleflamme, Lambert, & Schwienbacher (2014) crowdfunding takes several forms, such as equity-based, reward-based, lending-based and donation-based. Cholakova and Clarysse (2015) mentioned that equity-based in crowdfunding is determined by extrinsic (financial) motivation (Collins and Pierrakis, 2012) or combination of both extrinsic and intrinsic motivation (Hermer, 2011). The supporters in equity-based crowdfunding are also known as investors because they can buy and sell a specified amount of equity or bond (shares) in a company (Ahlers, Cumming, Gunther & Schweizer, 2015). In the reward-based crowdfunding, depending on the agreement, the amount of money that they invest in the project will be returned as a product. Supporters in reward-based crowdfunding are looking for reward but also intangible benefit. The traditional model is challenged by reward-based crowdfunding because it may represent a mechanism for generating 'pre-production sales', reducing or eliminating the venture's initial working capital deficit (Frydrych, Bock, Kinder & Koeck, 2014). Lending-based is when supporters give their money and expect higher interest returns (Zheng, Hung, Qi, & Xu, 2016). Supporters in lending-based are lending their money to the creator in a certain period of time. There are two different types of lending in crowdfunding; peer-to-peer (P2P) or peer-to-business (P2B). As stated by Paschen (2016), there are three

forms of lending: (1) the presales model, (2) the traditional lending model, and (3) the forgivable loan (NCFA, 2012). In donation-based, a supporter has a low desire to have their money back. Kuppuswamy and Bayus (2013) stated that donation-based crowdfunding communities draw on the extensive literature involving philanthropy and public goods (as cited from Andreoni 2006; Vesterlund 2006). There is no tangible, return or reward for their support in donation-based.

Previous Research on Crowdfunding

Gerber and Hui (2013) defined that one of the elements in crowdfunding is online philanthropy, while this element is the way to promote human welfare by online giving of financial and social capital. Bekkers and Wiepking (2011) stated the motivations of philanthropic and identified the effectiveness of the project as one of the drivers that increase charitable contributions. Researchers found that supporters are encouraged to give because of feelings of sympathy and empathy toward the cause (Rick and Loewenstein, 2008). Meanwhile, other than online philanthropic (non-philanthropic) crowdfunding projects, empathy and guilt will be hardly relevant, but the social identity and social status concerns may figure more dominantly.

Allison, Davis, Short, & Webb (2015) discussed the extrinsic and intrinsic factors influencing prosocial lending in crowdfunding. They found that lenders weigh both the extrinsic factors and traditional investments (potential future rewards, whether for themselves or others) this means that the intention whether in the future they will collect reward or return, as well as the intrinsic factors related to prosocial and charitable decisions (the desire to help others, whether altruistically or to feel good about oneself).

Crowdfunding phenomenon has affected the academic research on several events. Crowdsourcing is known first before crowdfunding, which describes the financial help in

getting public or crowd support their ideas or project. the concept of crowdfunding comes from the wider concept of crowdsourcing, to obtain ideas, feedback, and solutions to develop corporate activities. In the case of crowdfunding, the objective is to gain online funding (Belleflamme et al. 2014). Online funding in crowdfunding used is existing web-based payment systems (e.g. Amazon Payments) to facilitate the exchange of resources between creators and supporters using social media (e.g. Facebook) and video sharing platforms (e.g. YouTube) to raise awareness (Hui et al. 2013).

As stated above, the previous study found motivation in participating for creators and supporters in crowdfunding. The focus of this research is on the supporters' points of view. According to Gerber and Hui (2013), supporter motivations are helping others, being a part of the community and supporting the idea. Cholakova and Clarysse (2015) mentioned that the intrinsic factors (helping others, being a part of the community and supporting ideas) do not significantly influence the motivation to pledge in crowdfunding. Therefore, both research mentioned the influence of intrinsic motivations (Helping others, being a part of the community and supporting the idea). Meanwhile, the extrinsic motivations stated by Harms (2007) are immediate payoffs, delayed payoffs and social motivation. This research only focuses on the philanthropy motivation from supporters. Other than that, such as lending, equity and reward based crowdfunding are not be discussed.

Theory Related to Crowdfunding

2.3.1 Self Determination Theory

Deci and Ryan (2008) stated that Self Determination Theory (SDT) is about the traditional empirical method used for human motivation and personality that specified the importance of personality development and behavioral self-regulation (cited from Ryan, Kuhl & Deci, 1997). Individuals are more likely to experience a wide range of positive psychological

outcomes when they are autonomously motivated and feel competent (Trepanier, Fernet & Austin, 2012). Self-determination theory has three types of motivations which are; amotivation, extrinsic motivation, and intrinsic motivation. Amotivation is on the non-self determination, there is a lack of intention to act. The concern of this study is in the extrinsic and intrinsic study. The most basic distinction is between intrinsic motivation, which refers to doing something because it is inherently interesting or enjoyable, and extrinsic motivation, which refers to doing something because it leads to a separable outcome (Ryan and Deci, 2000).

Based on Deci and Ryan (2000), extrinsic motivation and intrinsic motivation are as follows:

1. Extrinsic motivation consists of external regulation (compliance, gaining rewards and avoiding punishment), introjected regulation (self control, ego-involvement, internal rewards and gaining externally referenced approval), identified regulation (personal importance, conscious valuing and internally referenced contingency) and integrated regulation (congruence, awareness, behaviors that satisfy psychological needs and synthesis with self)
2. Intrinsic motivation is about interest, enjoyment, inherent satisfaction, no discernible reinforcement or reward.

2.3.2 Cognitive Evaluation Theory

Cognitive Evaluation Theory (CET) is an extension of the Self-determination theory. Ryan and Deci (2000) explained that there are three innate psychological needs; the need for competence (in this research, the need for competence is represented by supporting idea), the need for autonomy and the need for relatedness such a sense of belonging and connectedness to other persons, group of people, or culture and this one is represented by being a part of community. Harter (1978) stated that the need for competence is about performing a task in

self-efficacy. Need for relatedness is about valued by others to whom the individual feels connected, in this research it is represented by helping others (cited from Ryan and Deci, 2000).

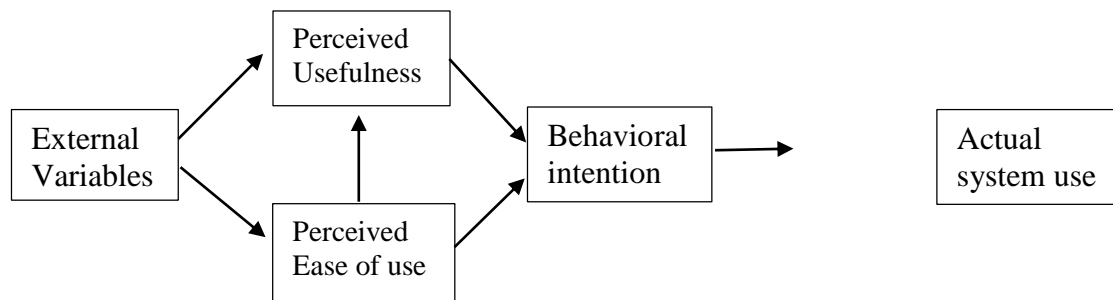
2.3.3. Technology Acceptance Model

The Theory Acceptance Model is adopted from the Theory of Reasoned Action (TRA) proposed by Fishbein and Ajzen (Legris, Ingham and Colletette, 2002). Venkatesh and Bala (2008) stated that Technology Acceptance Model consists of perceived usefulness and perceived ease of use to determine behavioral intention to use information technology. Perceived usefulness means to enhance their performance by using information technology. The improvement of performance will affect the use of technology. Ease of use means when the technology is easy to use, the more useful it can be. People find to operate the information technology through the application because it will be easier to get or accessible. The application is the way to obtain any information as fast as possible. In this research, perceived ease of use is represented by the variable of easy use of information technology.

The motivation in behavioral intention to use information technology came from the external variable stated by Venkatesh and Bala (2008) which are individual references (personality), system characteristics (helping individuals to decide favorable or unfavorable toward the systems such as user participation in design and the implementation process nature) (Taherdoost, 2017), social influence (a process and mechanism in social that guide individuals to formulate perceptions of various aspects of an information technology), and facilitating conditions (the use of information technology that was facilitated by organizational support). Therefore, the use of information technology in recent day is usually related to the internet. In this research, the easy use of information technology is the way for supporter to use the technology to access the crowdfunding's projects. By using smartphones, tablets, laptop and other technologies, supporter of crowdfunding will get a better information about crowdfunding. This is also supported by Wechsler (2013) stated that social networks of

supporters play an important role in crowdfunding. In social network, supporters are used the technologies to get a better information to accessed it as easy as possible. Then, this behavior becoming their habit to obtain any information through internet and social media.

figure 2.1 Technology Acceptance Model



2.4 Hypothesis Development

This research would like to examine the influence of Helping Others to supporters' intrinsic motivation, being a part of community to supporters' intrinsic motivation, supporting ideas to supporters' intrinsic motivation, easy use of information technology to supporters' extrinsic motivation, extrinsic motivation to supporter of crowdfunding and extrinsic motivation to supporter of crowdfunding.

A. Helping Others

The creators create their projects on crowdfunding by learning about the supporter's point of view. The strong desire of a supporter is not only to gain benefits; it could happen if the supporter has a strong desire and interest in personal connection related to who and what is the project be given. Helping others is a non-monetary benefit such as feedback, a warm thank you, or an official naming as co-developer (Fuller, 2010). Others prefer to give their money in helping someone by not seeing the personal connection, but they give their support to everyone who needs it as long as they thought the impact is meaningful. Help others is the desire to help people and allow them to realize their purposes (Cholakova and Clarysse, 2015).

H1: Helping others has a positive influence to motivate supporters in crowdfunding participation.

B. Being a Part of a Community

Crowdfunding is not only supporting individual creators but also opening the gate for some people to feel being a part of the community. The supporters are easier to check their supports in the community because the community (creator) usually updates the supports on their websites by displaying some pictures of the supporters on the home page. As stated by Provatilov, et al. (2014) as a financial instrument, crowdfunding mechanism is a group of people who voluntarily unite their resources on a crowdfunding-platform to support other people's or organizations' projects. In donation-based crowdfunding, Smith, Windmeijer & Wright (2012) stated that there are positive effects on other community member's funding decision on contributions. Lu et al. (2014) mentioned that the success of the project in crowdfunding would target specific communities that have the same interest.

H2: Being a part of a community has a positive influence to motivate supporters in crowdfunding participation.

C. Supporting ideas

The way for supporters to choose projects in crowdfunding is different. Each supporter has his/her perspective and point of view as the motivations for their giving based on the important list (primary needs-based). When supporters involved in a crowdfunding project, they will feel relieved to help them. Therefore, supporting ideas are affected by identity influenced by supporters. Supporters in supporting ideas will support if the project is for an innovative product (Profatilov et al. 2014) and supporters give founders the chance to maintain their ventures (Cholakova and Clarysse, 2015). For example, supporters are motivated to support non-traditional means of production that allow creators to maintain creative control (Gerber & Hui, 2013).

H3: Supporting ideas has a positive influence to motivate supporters in crowdfunding participation

D. Easy Use of Information Technology

Nowadays, information technology is very important to support our activities. Information can be obtained easily and effectively by using technology. People will use an application if the application will help them to perform their job better (Davis, 1989). In crowdfunding, the business's development cannot be considered effective without making use of internet-technologies (Provatilov et al. 2014). Therefore, the development of technology makes everyone easier to obtain any information because information technology is a relative advantage, compatibility, complexity, observability, and trialability (Moore and Benbasat, 1991). Crowdfunding is usually described as being online funding. Forbes and Schaefer (2017), stated that creators of crowdfunding project, will send them information as their feedback to supporters. Therefore, Venkatesh (2000) stated in Technology Acceptance Model, the easier a technology is to use, the more useful it can be.

H4: Easy use of information technology has a positive influence to motivate supporters in crowdfunding participation.

E. Motivation in Crowdfunding

In crowdfunding, motivation from supporters to take part in the project is important. Buckley's study (as cited in Allison et al. 2015) mentioned that supporters are informal financial outlets, such as family members, individuals in their social networks, or moneylenders. Supporters' motivations are humanitarian projects, philanthropists, who do not expect any returns for their donations or they expect a return on capital invested, those are classified as intrinsic motivations (Mollick & Kuppaswamy, 2014). According to Gerber and Hui (2013), what drives supporters' motivation in crowdfunding are helping others, being a part of the community and supporting ideas. In the Technology Acceptance Model stated by

Venkatesh and Bala (2008), they described extrinsic motivation (individual differences, system characteristics, social influence, and facilitating conditions) to become behavioral intention.

H5: Intrinsic motivation in crowdfunding has a positive influence to become a supporter of crowdfunding

H6: Extrinsic motivation in crowdfunding has a positive influence to become a supporter of crowdfunding

figure 2.2: The relationship between the dependent mediating and independent variable

