



# Crowdfunding: The Two Sided Financing Alternative

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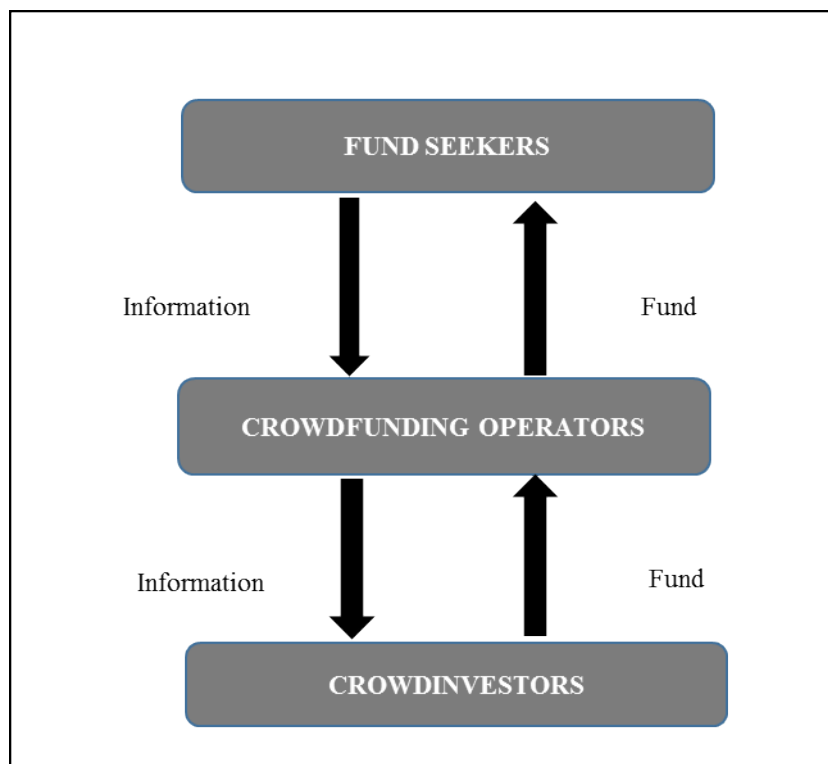
**Abstract:** This paper examines crowdfunding, an internet-based source of financing and investment tool, which is gaining popularity due to its simpler and faster process compared to the traditional financing and investment tools. Although it has a handful of benefits and potentials, the threats associated with it should not be ignored. Information asymmetry is one of the problems identified. High information asymmetry may exist when the fund seekers intentionally do not fully disclose some information in order to protect their own interest. Consequently, the limited information disclosure could result in adverse wealth effect to the contributors or investors. This paper contributes to the extant literature by providing thematic discussions about the crowdfunding's practices, threats and opportunities based on the information gathered from a desktop research. The findings would be able to provide insights to the fund seekers looking for funding and to the potential investors looking for an alternative investment product.

**Keywords:** Alternative financing, alternative investment, crowdfunding

## 1. Introduction

The aim of this paper is to discuss the threats and opportunities posed by crowdfunding, an alternative financing and investment product. The discussion is based on the information gathered from a desktop research. Crowdfunding is the act of raising fund from the public using social media. It provides a platform to obtain quick fund by sharing information, pictures, videos and details about a project on the internet. A typical crowdfunding process involves three parties. They are the fund seekers, the funders or crowdfunders and the platform operators (see Fig. 1). Crowdfunding platform operators are responsible to monitor the activities done on a crowdfunding platform. It serves as a venue to bring the fund seekers to the contributors or investors (Lacan & Desmet, 2017). Funder or crowdfunder will usually contribute a small amount of money to raise the targeted amount, enough to finance the project. "Backers" is frequently used interchangeably with crowdfunders to refer to those who contribute to the campaign. Mollick (2014) defines crowdfunding as efforts of fund seekers to raise fund from a large group of people using the internet without the involvement of conventional financial intermediaries. Thus, making the process becomes simpler and faster. In brief, crowdfunding is an internet-based financing platform through which money is collected from the crowd to fund a project, given a specific time frame. According to Borst, Moser, and Ferguson (2018), the use of social media such as Facebook and Twitter adds economic value to attract more people to participate. Thus, contributing to the success of a crowdfunding campaign.

These days, this type of financing alternative has gained popularity and has successfully raised fund for many projects. Not only the process of raising fund becomes less complicated for the fund seekers, it also offers a convenient way for investors especially retail investors to diversify their portfolio. Its existence has resulted in a significant impact on the society and economy. The advancement of financial technology or fintech and the internet have driven the fast development of crowdfunding. Over the past few years, fintech has evolved and created an overwhelming influence on people’s lifestyles. Fintech through crowdfunding offers a better way for the fund seekers to reach out to more potential funders worldwide, at a lower cost and with greater efficiency. In other words, the interaction between both parties has been made easier with the progression of technology especially the internet. For that reason, crowdfunding has become a popular choice of financing not only for businesses but also for social purposes such as health care and free education projects.



**Fig. 1 – Typical crowdfunding structure**

Evidently, crowdfunding has emerged as an important financial tool. Therefore, it is not only important to understand the mechanism of a crowdfunding, but it is also crucial to evaluate its strengths and weaknesses so that the related parties can take advantage of the opportunities and at the same time protect themselves against the threats. Better regulated crowdfunding may help the platforms to improve the services provided, thus influencing more investors to contribute (Lacan & Desmet, 2017). One of the weaknesses of crowdfunding is, fund is usually raised beforehand without any definitive legal obligation from the project creator or fund seekers to deliver the promised rewards. This obviously provides room for fraud. Although there has been an increase number of studies regarding crowdfunding for the past few years, crowdfunding as an alternative way of raising fund is still relatively unfamiliar to many people (Bergamini, Navarro, & Hilliard, 2017; Mokhtarrudin, Masrurah, & Muhamad, 2017; Vergara, 2015). Therefore, information about crowdfunding needs to be disseminated in order to attract the fund seekers to choose this fund-raising method and to attract more investors to invest. In particular, reliable explanation about what is crowdfunding needs to be distributed in order to help the fund seekers especially the start-ups in making decision to choose crowdfunding as one way to get capital (Mokhtarrudin et al., 2017). In addition to that, not many studies examine the possibility of fraud as a result of information asymmetry between fund seekers and funders. This paper is concerned with the threats and opportunities of crowdfunding. Specifically, it fills the gap in extant literature by examining how crowdfunding’s attributes and practices may benefit and provide challenges to both the fund seekers and the crowdfunders.

This paper is organized as follows: Section 2 presents the overview of crowdfunding, followed by Section 3 and Section 4 that discuss the threats and opportunities of crowdfunding respectively. Finally, Section 5 concludes this paper.

## 2. Overview of Crowdfunding

Indiegogo (<https://www.indiegogo.com>), Kickstarter (<https://www.kickstarter.com>) and MyMajorCompany (<https://www.mymajorcompany.com>) are three examples of crowdfunding platforms which have successfully facilitated the fund seekers to raise fund. Indiegogo and Kickstarter which are headquartered in the United States started their operation in 2008 and 2009 respectively. MyMajorCompany is the leading crowdfunding platform based in France. Since its establishment in 2007, MyMajorCompany has successfully raised fund for many young artists to develop their talent. Kickstarter charges a 5 percent fee on every successfully funded project. If a project does not reach its funding goal, no fees are collected and the fund will not be transferred to the fund seekers (Kickstarter, 2019). Unlike Kickstarter, Indiegogo which focusses more on creating campaigns for technology innovations, creative works, and community projects, practices flexible funding (Indiegogo, 2019). Flexible funding means the fund seekers will get their funds regardless of the funding goal is achieved or not. There are quite a number of mega projects that managed to raise funds through crowdfunding platforms. For example, the biggest campaign on Indiegogo in 2015 was Flow Hive, which had managed to raise up to USD12 million. Flow Hive was a project to develop a new way to harvest honey without disturbing or getting stung by the bees. Another high-profile campaign in 2015 was the one on Kickstarter where they managed to raise more than USD20 million. The project called Pebble Time Smartwatch was a project that developed a smartwatch that manages calls and e-mails as well as tracks one's steps and sleep patterns.

In general, there are four types of crowdfunding available, which include both monetary and non-monetary motives. They are: (i) donation, (ii) reward, (iii) equity and (iv) peer to peer lending or P2P. The first type, donation, refers to a campaign which calls for public to donate some money to support a specific occasion, incident or project. The crowdfunder contributes without expecting any material or financial return. Donations may be used for example, to support the unfortunate people who are sick, involve in an accident or natural disaster. In addition, it is also used to support other projects like music, art and education programs. Since no financial reward or return involved, those who contribute only participate for the satisfaction of donating to a worthy cause. The second type, a reward-based crowdfunding gives the opportunity to crowdfunders to try new product and provide feedback to the entrepreneurs. Consumption, altruism and social belonging are three main motives identified for the crowdfunders to participate in this type of crowdfunding (Steigenberger, 2017). Due to the nature of this crowdfunding where people might be attracted to participate in return for a reward, the campaigns usually involve new projects that are still under research and development stage. An entrepreneur with good idea but inadequate fund to proceed with the production may raise fund through this platform. The reward may be in the form of a token gift or an exclusive release or a limited edition of a product or service. The biggest advantage of participating in this type of crowdfunding is the entrepreneurs can freely share their ideas to persuade the crowd to contribute without the burden of repaying a loan.

The third type is known as equity crowdfunding. This one calls for the crowd to fund the start-up of a company and get the shares of the newly formed company. This means the crowdfunder purchases equity in a company. These ordinary shares give the funder equal right in the company as any common shareholders would have. Unfortunately, becoming a shareholder of this company means that the investor cannot simply sell the shares whenever he or she wants. Since the stocks are not traded in the open market, they are highly illiquid. For that reason, buyers of the stocks will have to wait until the company is listed on an exchange or someone is willing to buy them. The fourth type is peer to peer lending or commonly known as P2P. Its mechanism relates to the lending of money by the crowd in return for interest payment. In short, the crowd is promised interest payments together with principal repayment. The interest rate is normally set based on credit assessment of the fund seeker. One advantage to the funders is that the principal amount is guaranteed to be recovered. However, if the project or company fails, the crowdfunders' money vanishes all together.

Gedda et al. (2016) classify crowdfunding into three categories which are no reward, financial, and non-financial. They further divide these three categories into seven types of crowdfunding. Specifically, no reward consists of donation and lending without interest. Financial comprises of lending with interest and equity while non-financial contains reward, sponsorship and pre-order. Crowdfunders participate in sponsorship in return for a publicly visible connection to the project. In pre-order, they get the pre-order privilege of a product or service.

The use of crowdfunding has increased especially after the 2008 financial crisis. Many have turned to crowdfunding as a solution to the difficulty to raise fund (Bruton, Khavul, Siegel, & Wright, 2015; Fanea-Ivanovici, 2019). Although start-ups play important role in creating jobs and increasing economic growth, they frequently face difficulty to obtain financing due to several reasons such as lack of collateral, credit history, reputation and connections (Bade, 2018; Beck, Demirgüç-Kunt, & Peria, 2007). Financial crisis and recessions have made the situation worse as banks are becoming more selective and reluctant to give loans. Crowdfunding has become one of the important sources of finance for start-ups and small businesses (Cox & Nguyen, 2018). It offers these entrepreneurs an opportunity to start their ventures, to turn their dreams into reality (Nordin, Ismail, & Zainuddin, 2017). In addition, it is more efficient, has lower transaction cost and higher flexibility in today's challenging financial market (Fanea-Ivanovici, 2019) due to no intermediaries and complicated requirements needed. The application of crowdfunding is expanding for various reasons and activities. It is used in various industries such as video game production (Smith, 2015), sports (Huth, 2018) and filmmaking (Fanea-Ivanovici, 2019). Technology and creative cultural projects are among popular projects that receive support from the crowd. According to Cox and Nguyen (2018), projects from artistic and creative industries receive good support from investors of reward-based crowdfunding.

Malaysia for example, its peer-to-peer (P2P) platforms have managed to raise RM159.56 million of fund in 2018 compared to RM17 million in 2017 (Tariq, 2018a). In particular, the P2P platforms have managed to carry out 1,958 successful campaigns for 497 companies. This kind of investment alternative has attracted the youngsters, especially those under 35 years old to participate. This might be due to the reason that they are more attached to their smartphones and computers (Tariq, 2018a). It is recorded that as of October 2018, RM43.34 million fund has been raised by ECF (equity crowdfunding) platforms through 48 successful campaigns (Tariq, 2018b). Malaysia was the first country in Asia which introduced equity crowdfunding in 2015. The first six Malaysian equity crowdfunding platforms approved by Securities Commission were AtaPlus, Crowdplus, Crowdo, Eurecca, and PitchIN. P2P platforms in Malaysia include Fundaztic, B2B FinPal, Kapital, FundedByMe Malaysia, ManagePay Services, and Modalku Ventures (Funding Societies Malaysia). According to Mokhtarrudin et al. (2017), start-ups in Malaysia prefer donation and reward-based crowdfunding. This is because compared to equity crowdfunding, these two models provide more opportunities for them to raise capital (Mokhtarrudin et al., 2017).

### 3. Threats

One of the major concerns of investors to involve in crowdfunding is the problem of information asymmetry. The problem may emerge as a result of misinformation and fraud by fund seekers and the inability of the investors to fully evaluate the project. This is especially true when most of the projects are at the early stage. High level of uncertainty and risk intensify the problem. To make matter worse, crowdfunders usually comprise of individuals who have little or in some cases might not have investment experience and knowledge at all (Wilson & Testoni, 2014). Normally, they do not have enough information and there is no public information about the projects. Specifically, information asymmetry refers to a situation when one party has more or better information than the other. This asymmetric information problem or unequal knowledge between parties involved will frequently result in an unusual advantage to the party with better knowledge. Akerlof (1970) explains information asymmetry using an example of how a car is found to be defective only after it has been bought. Termed as “lemon problem”, this situation happens because people who buy cars have less information about them than car salesmen do. For that reason, salesmen tend to sell less-than-average quality cars. Having less information, buyers cannot differentiate between good cars and bad cars (lemons). As a result, sellers of good cars are not able to sell them at the fair market value.

Similar to the goods and services markets, asymmetric information exists in financial markets when one party has more information and will be able to make a better-informed decision compared to the other party. This is an imperfect knowledge situation which may lead to moral hazard and adverse selection. According to Armstrong, Core, Taylor, and Verrecchia (2011), a firm’s cost of capital increases as information asymmetry increases when the markets are imperfect. Nevertheless, when the market is perfect, information asymmetry has no significant impact on the cost of capital. In the case of crowdfunding, information asymmetry problem is quite prevalent as it is usually used by start-ups that do not have enough fund and are not eligible to obtain fund from traditional financing institutions. Obviously, this type of company possesses high degree of information asymmetry. For instance, the fund seekers have more information about their financial situation than the crowdfunders do. Thus, exposing the crowdfunders to higher degree of default risk. Existing literature provides evidence on the information asymmetry that exists between the fund seekers and crowdfunders (Firoozi, Jalilvand, & Lien, 2016; Giudici, Nava, Rossi Lamastra, & Verecondo, 2012). More often than not, the crowdfunders do not have the ability and knowledge to correctly assess the true risk and value of the projects (Firoozi et al., 2016). They only rely on the information provided by the fund seekers on the platform.

In general, the risk of asymmetric information can come from two sources. One is the entrepreneur and the other source is the project or the product itself. Usually, the crowdfunders are not fully informed about the entrepreneur’s skills and abilities and the product’s strengths and weaknesses. Unlike crowdfunders, angel investors and venture capitalists are typically high net worth individuals or commonly known as sophisticated investors who will perform due diligence in order to make the right investment decision. In the case of crowdfunders, they have less incentive to perform due diligence due to lack of knowledge and small amount of investment (Wilson & Testoni, 2014). Frequently, the crowdfunders just rely on the information provided by the entrepreneurs. A study carried out by Ahlers, Cumming, Günther, and Schweizer (2015) finds that retail investors, who are usually the primary target of start-ups on equity crowdfunding platforms, do not have the ability to assess the companies’ or projects’ true value. The likelihood of information asymmetry to increase is closely linked to the investors’ financial literacy. A survey by Standard & Poor’s shows that only one in three adults globally is financially literate (Klapper, Lusardi, & Oudheusden, 2014). In other words, merely one out of three people understands basic financial concepts. This reflects that majority of people are unready to deal with today’s financial landscape which has changed drastically due to technology advancement. Obviously, they will not be able to make wise investment decision especially when it involves the new alternatives product like crowdfunding. For that reason, the entrepreneurs need to clearly communicate their value to these investors by providing detailed information about the risk (Ahlers et al., 2015). This will also help to increase the success rate of raising fund. In addition to that, the entrepreneurs also need to update their campaign as updates signal and reflect their true value as well as establishing their credibility and legitimacy (Block, Hornuf, & Moritz, 2018).

Past studies show that companies that involve in crowdfunding are high risk companies. They do not make much profit and have high level of debt (Walthoff-Borm, Schwienbacher, & Vanacker, 2018). Besides that, they also have more intangible assets which make them more vulnerable. Utilizing 277 companies listed on the equity crowdfunding platform, Crowdcube, their findings are consistent with Pecking Order Theory that companies prefer to use internal funds over external funds. When the internal fund is not enough, they will go for debt financing first. Only when they cannot obtain debt financing, they will choose equity financing which include equity crowdfunding. This makes crowdfunding as the last resort for obtaining fund. The findings of this study clearly indicate risk investment for the investors who invest in these risky companies. According to Cox and Nguyen (2018), although the number of start-ups and small businesses that participate in reward-based crowdfunding is high, the success rate is not encouraging. Instead of supporting small business, they find that reward-based crowdfunding is more appropriate to fund campaigns which are related to artistic and creative projects.

Not all successful crowdfunding campaigns lead to the productive development of products. Indeed, the major issue in investing in crowdfunding is whether the successful crowdfunding campaign leads to successful product or project. For instance, despite the successful campaign of Pebble Time Smartwatch which was launched on Kickstarter in 2015, the company did not survive due to high debt and sluggish sales (Tan, 2017). Insufficient information may lead to bad decision, thus result in negative outcomes. Nevertheless, too much information is not necessarily good. Too much information may distract one's ability to process all the available data. This may result in negative result as insufficient information does. One may face difficulty to distinguish between relevant and irrelevant data. Although information provided is important in facilitating the investors or contributors to make decision, too much information may also give negative impact (Moy, Chan, & Torgler, 2018). In particular, their study indicates an inverted U-shaped relationship between word count and success rate. There exists an optimal number of words that positively affects the amount of fund raised. Beyond the optimal number of word count, the success rate decreases. Plausible reason is the readers or investors are bored and tired to read as it requires much of their attention and time. Nevertheless, Block et al. (2018) find that updating information about the project influences the amount of investment made by the investors. In addition to that, their study also indicates that language used plays an important role in attracting the crowd's participation. Easier language increases the likelihood of potential investors to participate. It is observed that updates about campaign development, new funding, business development, and cooperation projects have a positive impact while updates in regard with start-up team, business model, product developments, and promotional campaigns have no significant impact (Block et al., 2018).

Li, Cao, and Zhao (2018) find that financing objectives, number of shares assigned, and number of inquiries have a significant impact on investors' willingness to invest. Hence, it is crucial for the fund seekers to carefully look at these factors as that may increase the success rate of the campaign. In other words, setting a reasonable level in terms of financing objectives, properly assigning shares, and displaying confidence in the project may help to attract the investors to invest. An effective communication plan may help to reduce the asymmetry information problem. Not only to the investors, crowdfunding may also pose risk to the entrepreneurs as their product or the idea may be stolen. This is because the product and idea have not been patented or copyrighted. To raise fund, the entrepreneurs need to disclose the unpatented precious commercial information about their projects. Publishing the idea on public platform may cause someone to steal the concept or idea and come out with similar product or project. Another problem related to crowdfunding is the advancement of technology itself. Internet access may not be a problem to certain countries but may be a major problem for many developing countries or third world countries (Nordin et al., 2017).

To summarize, there are a few major threats that can affect those involve in crowdfunding. The investors face high probability of default risk due to the asymmetric information while the fund seekers or entrepreneurs face the risk of their ideas might be stolen.

#### 4. Opportunities

Difficulty to obtain capital is one of the negative consequences faced by small businesses due to financial crises. Banks' reluctance to provide loan to small businesses has given the opportunity to crowdfunding to assume the role of these traditional financial intermediaries. It offers a platform to match the fund seekers with the potential investors. According to Hendratmi et al. (2019), crowdfunding offers easier access to financing compared to banks. Their study indicates an increase in assets, sales turnover, and the capacity of the companies that obtain fund through this channel. Not only becoming the substitute of banks, it is also now a competitor to other entrepreneurial financing alternatives like venture capital and business angels. Analyzing 636 campaigns, comprising 17,188 investors and 64,831 investments between 2012 and 2015, from one of the leading European equity crowdfunding platforms, Vulkan, Astebro, and Sierra (2016) find that equity crowdfunding brings great challenges to venture capital and business angel financiers. Although crowdfunding may not be able to completely substitute venture capital and other entrepreneurial financing, it is for sure plays an important role at the very start of an entrepreneurial project's life-cycle (Giudici et al., 2012). According to Giudici et al. (2012), crowdfunding provides social and emotional values. They claim that people will decide to fund an entrepreneurial project if (i) the amount invested is small enough to consider negligible any subsequent loss, (ii) the project has a strong emotional content, and (iii) returns create an exclusive non-monetary

benefit. People are usually attracted to participate because they want to get an exclusive release of the product before it is available in the open market. Additionally, it is observed that usually social and environmental sustainability orientations of technology projects positively influence the success of the campaign (Calic & Mosakowski, 2016).

In addition to serve as a source of financing, crowdfunding also provides platform for people to interact and share their thoughts and interests. It is a platform for social interactions and community connections (Bade, 2018; Belleflamme, Lambert, & Schwienbacher, 2014; Gerber & Hui, 2013; Rodriguez-Ricardo, Sicilia, & López, 2018; Steigenberger, 2017). According to Gerber and Hui (2013), among the motivations for individuals to involve in crowdfunding are to increase awareness of work, connect with others, gain approval, maintain control, and learn. Other motivations include they are attracted to the reward offered, be helpful and supportive and also just want to be part of the community. Crowdfunding provides the opportunity to the investors or the backers to involve in the project development process. Thus, giving them a sense of belonging which cannot be obtained if they participate in traditional funding channels. They take the risks and feel satisfied to see the project's completion and achievement (Colistra & Duvall, 2017). Huth (2018) indicates that those who participate in a crowdfunding project which are related to sports are those who support the traditional values in sport. Another good attribute of crowdfunding platform is it provides a good platform to test the potential of a new product. It gives opportunity to the entrepreneurs to test their ideas or concepts, provides the opportunity for them to introduce the new product. According to Bade (2018) crowdfunding enables the entrepreneurs to receive feedback about their products. Basically, if people are interested to invest in the product, then it is a good sign that the product might be accepted in the market. In other words, it allows the entrepreneurs to validate ideas or test the market before introducing the product to the market. Crowdfunding creates a win-win situation where the investors are given the chance to be the first owner to a new product in return for the capital invested. Usually, people support crowdfunding in order to benefit from the consumption value from the product and love to be part of entrepreneurial initiatives (Bade, 2018). A study by Boylan, Nesson, and Philipps (2018) further differentiates the motives between investors of P2P and reward-based crowdfunding. The findings of the study indicate that the motives are different. The P2P investors are mainly driven by the investment return while the reward-based funders are influenced by the reward, philanthropy and community development (Boylan et al., 2018).

Overall, crowdfunding helps to cut cost and time spent in raising fund. This is because the fund seekers do not need to see face to face with the potential investors to explain their projects. Online platforms enable an enormous crowd to be reached worldwide, and even better the projects can be shared via other social media such as WhatsApp and email. Once it is blasted, the projects can be viewed by many people globally. All it needs is the idea presented through the platform, then it can be marketed via social networks and social media. In short, crowdfunding offers an efficient way to disseminate the information of the projects in a short period. As for the investors, crowdfunding makes it easier for the retail investors to invest. Crowdfunding reduces the barrier of entry to investing as the amount needed is usually small. In brief, crowdfunding helps to liberalize the finance sector, hence improving the efficiency of the financial system.

## 5. Conclusion

This paper contributes to enhancing knowledge on crowdfunding by offering inputs for both fund seekers and funders' perspectives. Crowdfunding is an alternative financial tool for people and organizations that lack access to formal form of financing. It has emerged as matching financing tool between fund seekers and potential investors. Crowdfunding is one of the innovative products that exists in today's digital world due to technology advancement. The use of crowdfunding is increasing exponentially, particularly after the era of global financial crisis. Crowdfunding fills the gap created by banks' reluctance to take risk of lending to small businesses. Its simple lending and borrowing procedure compared to traditional financing tools also contributes to its increasing popularity.

Despite its simplicity and matching ability, crowdfunding creates threats and brings opportunities to both fund seekers and investors. On one hand, crowdfunding is a convenient way to raise fund to the fund seekers. It is a cheap and fast alternative to raise capital. It also serves as a platform to test the prospect of a new product and to establish brand awareness. On the other hand, the entrepreneurs face the risk of someone may steal their ideas before the products are patented. As for investors, crowdfunding is an investment alternative. However, like any other investments, it comes with risks. The presence of imperfect or limited information may lead the investors to make a wrong decision. Information asymmetry appears to be the biggest threat to crowdfunders. Generally, crowdfunders are not fully informed about the entrepreneur's and project's specifics.

Therefore, tighter regulation is needed in order to protect both parties. Overseeing agencies need to find ways to protect crowdfunders against misinformation by fund seekers, and fund seekers against stolen ideas. A proper regulation, monitoring policy and framework are necessary to ensure all forms of crowdfunding (donation, reward, equity and peer-to-peer lending) can operate smoothly and efficiently. Hence, benefiting all participated parties. Regulated crowdfunding has the potential to attract more investors, by requiring relevant information to be made available to investors. Therefore, investors can then use the information to make better and wise investment decision. The crowdfunding operators may also be held more accountable to ensure the fund raised is used appropriately. On top of reducing information asymmetry, regulated crowdfunding should also protect fund seekers so that they are not reluctant to disclose full information about their project or business. In addition to tighter regulation, steps must also be

taken to educate or improve people's financial literacy. With proper regulation and financial literacy in place, investors are able to make better investment decision, and this may increase the crowdfunding success rate.

In a nutshell, crowdfunding helps businesses, especially the start-ups, to raise fund and promote their new products. It also offers investors an investment alternative. At the same time, it supports social and community interactions. This paper contributes insights on the threats and opportunities of crowdfunding. Nevertheless, it has limitations. First, due to the research methodology, this paper only discusses the issue based on analyzing and synthesizing past studies. Second, majority of past studies analyzed are carried out on established platforms in the developed countries. Therefore, this could cause problem to generalize the findings for all crowdfunding platforms. Nevertheless, this paper serves as a preliminary review of extant literature that identifies the issues that should be addressed in future empirical research. This paper proposes, future studies may be carried out by analyzing real crowdfunding practice in different countries. Results from the studies can be used to enhance understanding on roles of crowdfunding as both financing and investment tools.

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