

Research Article

Crowdfunding Success Factors: Financial Information and Advertising Finance

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Abstract.

This study aimed to determine whether financial information, business location, funding objectives and advertising content as intervening variables can help the success of funding through 10 crowdfunding platforms registered with OJK. This study used signalling theory in discussing equity crowdfunding platforms, which can be assumed by small investors as a signal of business quality and can convince investors to invest, thus reducing the problem of information asymmetry. The research method used in this study was descriptive quantitative with the analytical model used to test the hypothesis was the logistic regression analysis model. The population of this study consisted of companies seeking funding through crowdfunding platforms registered with OJK Indonesia. The research was conducted in 2023. The data used in this study was secondary data obtained from published crowdfunding platform data. A purposive sampling technique was used to determine the research sample. The results of this study are expected to provide information to funding project owners and investors to be used as a guide in making decisions.

Keywords: financial information, business location, funding purpose, advertising finance, and funding success

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1. Introduction

For every business entity, funding is important to meet the operational costs of its business. [1] stated that this funding can come from internal and external funding. Even though making decisions about these sources of funding has its own consequences, [2] suggest that businesses can optimize external funding by seeing it as a mechanism that influences capital allocation efficiently. In this case, [3] saw the main cause of the company's underperformance as a result of inefficient use of internal resources.

In Indonesia, capital constraints are often experienced by micro, small and medium enterprises (MSMEs). This makes it difficult for MSMEs to raise capital to continue their business. MSME difficulties are also experienced in terms of access to banking funding sources. The factors that make it difficult for MSMEs to get funding from banks are; 1) the identity of MSMEs is not clear, 2) MSMEs tend to be in the informal sector, and 3)

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MSMEs financial records are not yet clear and organized. These difficulties are one of the factors hindering the growth of the MSME business [4].

When difficulties develop the progress of micro, small and medium enterprises (MSMEs) due to the limitations of traditional financial institutions in assisting micro, small and medium enterprises (MSMEs) with capital allocations, crowdfunding can arise as an innovative solution that can support and assist these MSME activities in financing their activities. micro, small and medium enterprises (MSMEs), [5] One of the alternative efforts made to overcome the problem of access to traditional bank funding for MSMEs is through a crowdfunding scheme [6]. The emergence of financial technology has brought enormous changes, especially in fundraising schemes and funders interact with each other [7]. This scheme has become an alternative source of funding for at least the last ten years outside of conventional funding sources such as banking institutions and traditional money markets and has changed the landscape of traditional funding [8].

Crowdfunding is a new platform that enables small business groups, non-profit organizations and individuals to publish, express their creative ideas and attract public sympathy so that they receive funding to implement these ideas, [9]. Crowdfunding is a growing phenomenon as an alternative way to finance an individual project through an online platform that collects funds from relatively large groups of investors, [10]. Crowdfunding combines two similar concepts such as microfinance and crowdsourcing [11]. Micro, small and medium enterprises (MSMEs) are creating job opportunities for individuals on a large scale, even at the global level, along with increasing the economies of developing and developed countries [5]. The concept of microfinance is a solution for funding for individuals and institutions whose income is not too large (low income) so they are unable to access financial institutions. This is because microfinance institutions can provide micro-loans services to small and medium businesses. Meanwhile, crowdsourcing usually allows for the pooling of ideas, content, and ideas from several people to achieve a goal with a volunteer scheme recruited via the internet [12]. Crowdfunding from an Investor's perspective becomes an opportunity as an investment option by filtering published project ideas and deciding to fund the project with the expectation of returns.

The first history of the emergence of the term crowdfunding began in 2006 which described efforts to fund individual project businesses, by utilizing small and large groups of internet users without going through intermediaries [10]. The phenomenon emerged in the late 1990s, when British band Marillion raised US\$60,000 via the internet to fund a tour [13]. Around the same time, charities started raising donations through online communities [14]. In 2005, Kiva was launched as the first platform for microlending

in developing countries [15]. In the following two years, Zopa and Prosper emerged as a platform that allowed everyone to lend money to others via the internet (peer-to-peer lending) in developed countries, providing an alternative to bank loans [16].

The development of crowdfunding in Indonesia in 2020 The Financial Services Authority issued Financial Services Authority Regulation (POJK) Number 57/POJK.04/2020 Concerning Securities Offerings Through Information Technology-Based Crowdfunding Services (Securities Crowdfunding) which replaced POJK Number 37/POJK.04/2018 concerning Crowdfunding Services through Information Technology-Based Share Offerings (Equity Crowdfunding). With the latest OJK regulations, the scope of crowdfunding services has been expanded and it is increasingly possible for MSMEs to access funding through an information technology-based crowdfunding service platform. This phenomenon indicates that there is potential for MSMEs in Indonesia to progress through the availability of cheap and easy- to-access sources of funding thereby increasing growth opportunities and the level of innovation that will lead to increased business performance [17].

The ease of investing through crowdfunding platforms is becoming increasingly attractive to investors, which has led to thousands of crowdfunding campaigns spreading across various social media platforms in recent years. The investment volume on crowdfunding platforms over the past few years is also reflected in global statistics [18]. From 2014 to 2015, the total funding volume more than doubled from USD 16.2 billion to 34.4 billion [19]. While the development of crowdfunding in Indonesia has also increased, by looking at the increase in crowdfunding platforms that have been registered with OJK (financial services authorization) from 2019 which only had 2 crowdfunding platforms to 10 crowdfunding platforms in 2022. In recent years, the issue of crowdfunding technology has growing among academics. This is in line with various literatures that study the phenomenon of crowdfunding from several perspectives. [20] revealed that social capital not only influences people's prosocial behavior but also funding decisions. In addition, [21] studied crowdfunding in terms of social capital through structural, relational and cognitive dimensions and these three dimensions were proven to affect crowdfunding performance. So it is very interesting for crowdfunding platform stakeholders to understand what factors can support the success of obtaining funding.

The development of the crowdfunding platform which is gaining popularity and the convenience it offers as an investment vehicle has created its own problems for investors in investing. Problems faced by investors regarding information asymmetry [22] Information asymmetry faced by investors due to investors only knowing project

information only through the crowdfunding platform so that investors do not know the complete project, while the project founder has complete information about the quality of the project published on the crowdfunding platform, so prospective investors need to assess the complete information available to reducing information asymmetry in projects [10].

In reducing information asymmetry, companies must disclose complete information in order to reduce uncertainty for potential investors about projects that require funding, such as complete financial information, calculation simulations and attractive animations that are easy to understand in advertising [10]. Signaling theory [23] provides an important explanation of why signals are sent and how these signals influence decision-making and processes. Research findings in signaling theory also raise suspicions that there are many factors that can influence the success of obtaining funding and how strong the signal is in the investment decision-making process of investors [24]. This study tries to fill the limitations of previous research according to [25] by adding financial information and funding objectives linked through advertising content in relation to the success of the funding target.

Based on the background previously described, the formulation of the problem in this study is:

How does financial information affect the success of funding through crowdfunding in Indonesia?

How does the location of the business affect the success of funding through crowdfunding in Indonesia?

How does the funding objective affect the success of funding through crowdfunding in Indonesia?

What is the role of advertising financing the success of funding through crowdfunding

2. Theory, Literature Review, and Hypothesis

2.1. Signaling theory

This study identified several critical success factors for funding through crowdfunding, including financial information, business location, advertising content and desired funding objectives [26]. Although the phenomenon of equity crowdfunding is rapidly becoming popular, several studies have shown that many campaigns have not been successful; Piva & [27], [28]; [29]; [30] due to deep information asymmetry between project owners and investors [22].

In signaling theory [23] equity crowdfunding platforms can be assumed by small investors as a signal of business quality and can convince investors to invest; thus reducing the problem of information asymmetry. Credible signals help entrepreneurs to communicate the quality of their business to investors and collect funding through equity crowdfunding platforms [22]; [31]. Signaling theory suggests that parties who are informed, namely entrepreneurs, can send observable signals to parties who are less informed, namely investors, and disclose information about business quality characteristics that cannot be observed to influence investors' decision-making processes [32]; [33]. When investors have to make decisions without using rationality, investors sometimes tend to rely on heuristics [34]. Heuristics are simple rules of thumb that help people simplify decision making of complex choices [35] and [36]. In this study, researchers want to develop and examine what factors can help successfully achieve funding targets through crowdfunding.

2.2. Funding success

Investment behavior through crowdfunding has similarities with online purchases, or pre-orders without guaranteed delivery and with the risk of loss of investment [37]. Several current equity crowdfunding studies are focusing attention on the drivers of funding success. Signaling theory reveals that the right information and signals carried out by entrepreneurs can influence the success of funding in equity crowdfunding [38]; [31], [30]. In the context of equity crowdfunding, entrepreneurs disclose information to increase public knowledge [29]. As suggested by [39], companies can communicate with their investors by posting information to reduce information asymmetry.

2.3. Financial information

The price of investment is one of the factors influencing crowdfunding funding [40], [41]. [42] emphasized the role of communication strategies, especially project updates and information for investors, which can influence the success of funding. According to [43] and [38] revealed that updates that contain specific information (sources of funding, business development, marketing) have a positive effect on funding success.

2.4. Business location

Business location plays less role than business financial information [44]. In line with the research results [45], purchase intentions often depend on the characteristics of the buyer starting from demographics [45].

2.5. Advertising financing

[46] show that good advertising can reduce information asymmetry and thereby increase the likelihood of achieving the funding target.

2.6. Purpose of funding

Fundraising on a crowdfunding platform must have a clear funding goal, the results of previous research show that decisions regarding goal setting have a significant impact on funding [47]. Therefore, it is very important for project makers to set appropriate funding targets and funding objectives. Therefore, it is important to build signals for investors, through setting precise and implied goals. Thus, researchers can show that goal setting is an important factor as a signal in motivating investment [48].

Setting appropriate goals acts as a guarantee and ensures the successful initiation of the project and its future success [49]. Meanwhile, other studies argue that setting goals cannot be a guarantee for success in obtaining funding [50]; [51]; [52]. On the other hand, setting goals can reduce the level of information asymmetry for investors [53]. Thus setting clear project objectives whether it has an impact on the success of the funding target expected by the project owner.

2.7. Hypothesis

Based on the research model, the hypothesis is arranged as follows:

H1: Financial information influences the success of crowdfunding in Indonesia

H2: Business Location has an effect on the Success of Crowdfunding Funding in Indonesia

H3: Funding objectives affect the success of crowdfunding in Indonesia

H4: Advertising Financing content affect the success of crowdfunding in Indonesia.

3. Research Methods

The analysis in this study uses a logistic regression model to determine the factors that influence the success of crowdfunding in Indonesia. The sampling technique in this study uses a purposive sampling method. Data collection is done by using secondary data. The variables used in this research are Financial Information, Business Location, Funding Purpose, Advertising Finance, and Funding Success. The logit model is a nonlinear regression model that produces an equation where the dependent variable is categorical. The most basic category of the model generates binary values such as numbers 0 and 1. The resulting numbers represent certain catalysts resulting from calculating the probability of occurrence of these categories [54].

Logistic regression is one of the multivariate analysis methods for analyzing the relationship of one binary outcome variable with one or more free variables where the parameter used to assess the relationship is the Odd Ratio (OR). In logistic regression, binary outcome variables are transformed using logit, so that the relationship between variable Y and the dependent variable (X_i) can be expressed in the regression equation model as follows:

$$\text{Log Odd} = a + \beta_i X_i \quad (1)$$

$$\text{Odd} = \exp(a + \beta_i X_i) \quad (2)$$

The Odd Ratio calculation for one of the predictor variables is carried out using a logistic regression model. There are six predictor variables, namely Financial Information (X_1), Funding Purpose (X_2), Business Location (X_3), Advertising Finance (X_4), Funding Success (Y). The odds ratio in this study is a group of companies listing crowdfunding funding. A variable is stated to increase the influence on crowdfunding success when the OR value > 1 , increases the effect of funding success when the OR value < 1 , and there is no relationship when the OR = 1 value. Using the logistic regression model, the general equation used in this study is written as following:

$$L_i = \beta_1 + \beta_2 DV D N_i + \beta_3 P P_i + \beta_4 B F_i + \beta_5 A F_i + u I \quad (3)$$

To achieve the research objectives, the best logistic regression model was selected. The steps for selecting the best logistic regression model are: First, test the feasibility of the logistic regression model by analyzing all the possibilities that can be formed from the independent variable to the dependent variable. Second, formulate an estimate of the logit model by determining the dependent variable by looking at the problem you want to study. The dependent variable used in this study is a crowdfunding company.

Where:

Y = Companies that have successfully received funding that are distinguished by: Y = 1, meaning that funding is obtained quickly

Y = 0, meaning that funding is slow

4. Results and Discussion

The sample used in this study consisted of 115 samples which provided information that met the research criteria. Descriptive statistical analysis is needed to produce an overview related to research variables. The data collection period is from 2018 to 2023. Table 1 shows crowdfunding companies. 50% of crowdfunding companies stated that they have applications in Playstore and Appstore, 50% do not have applications in Playstore and Appstore, Indonesia. The majority of the sample are micro-enterprises in Indonesia.

TABLE 1: Crowdfunding Company.

No	Crowdfunding Company
1	PT. Santara Daya Inspiratama
2	PT. Investasi Digital Nusantara
3	PT. Crowddana teknologi Indonesia
4	PT. Numex Teknologi Indonesia
5	PT. Dana Saham Bersama
6	PT. Shafiq Digital Indonesia
7	PT. Dana Saham Bersama
8	PT. Likuid Jaya Pratama
9	PT. LBS Urun Dana
10	PT. Dana Rintis Indonesia

Source: Author's primary OJK data (2023)

Table 2 shows that the amount of data used in this study is 115 observational data. Based on Table 4.2 it can be seen that: The financial information variable proxied by the dividend per share shows the average value of changes in the dividend payout variable of 18.913 with a standard deviation of 8.07.

The funding objective variable proxied by the payback period has the lowest (minimum) value of 2 and the highest (maximum) value of 35. The average value of the payback period variable is 34.26 and the standard deviation value is 26.64. the variable business location proxied by the number of locations shows the smallest (minimum)

Variable		Mean	Std. Dev.	Min	Max	Observations
SF	overall	.8521739	.7863248	0	8	N = 115
	between		.2860606	0	1.6	n = 21
	within		.738261	-.7478261	7.252174	T-bar = 5.47619
DVDN	overall	18.91304	8.074831	2	35	N = 115
	between		3.79022	13.33333	26.66667	n = 21
	within		7.175107	.4130435	35.41304	T-bar = 5.47619
PP	overall	34.26957	26.64461	3	188	N = 115
	between		8.550625	19.4	47.8	n = 21
	within		25.31496	-8.730435	176.2696	T-bar = 5.47619
BF	overall	4.33913	4.929124	1	15	N = 115
	between		2.53847	1.6	10.66667	n = 21
	within		4.255303	-5.327536	15.67246	T-bar = 5.47619
AF	overall	1.982609	.1312964	1	2	N = 115
	between		.0501321	1.833333	2	n = 21
	within		.1209127	1.149275	2.149275	T-bar = 5.47619

Figure 1: Crowdfunding Company. Source: Processed data (2023).

value of 1 and the largest (maximum) is 15. The mean (mean) of the number of locations is 4.33 with a standard deviation value of 4.929. the advertising finance variable proxied by the number of financial projection advertisements shows the smallest (minimum) value of 1 and the largest (maximum) value of 2. The mean (mean) of the total advertising financial projection is 1.98 with a standard deviation value of 0.31.

SF	t	P> t
DVDN	-0.50	0.621
PP	-1.13	0.262
BF	0.04	0.967
AF	-0.31	0.756
_cons	1.20	0.232

Figure 2: t-test. Source: Processed data (2023).

To see the direct effect of Financial Information, Business Location, Funding Purpose, Advertising Finance, on Funding Success, the t-test is used. Based on the test results in table 3, it can be seen that the Financial Information variable for initial use obtained a t-test value of -0.50 which means that the average difference is statistically significant less than 0. The Funding Purpose variable for initial use obtained a t-test value of -1.13 which means that the average difference is statistically significant less than 0. The Business Location variable for initial use obtained a t-test value of 0.04 which means that the average difference is statistically significant less than 0. Advertising variable

Finance for initial use obtained a t-test value of -0.31 which means that the average difference is statistically significant less than 0.

SF	Coef.	Std. Err.	z	P> z
DVDN	-.0048952	.0098818	-0.50	0.620
PP	-.0032482	.0028819	-1.13	0.260
BF	.0006654	.0162648	0.04	0.967
AF	-.1779465	.5723788	-0.31	0.756
_cons	1.405983	1.170573	1.20	0.230

Figure 3: Logistics Estimation Results. Source: Processed data (2023).

SF	Odds Ratio
DVDN	.9596555
PP	.990347
BF	1.048803
_cons	9.76114

Figure 4: Odds Ratio Results. Source: Processed data (2023)

Odd Value The largest current variable income ratio ($Y = 1$) is 9.76, which means that the success of the company’s funding will impact or increase the speed of fundraising by 9.76 times. Furthermore, on financial information, the greater the dividend given, the success of the funding will increase by 0.95, conversely if the dividend is small, the success of the funding will also decrease by 0.95. Furthermore, the Funding Purpose variable with the payback period proxy will increase the speed of successful funding by 0.99 times. The variable of business location, the more business locations will increase the success of funding by 1.04.

Based on research results, Funding Success in using crowdfunding is influenced by Financial Information. Funding Success crowdfunding is dominated by investors who expect high dividends. The higher the dividend offered, the more likely investors will invest through crowdfunding. High dividends provide greater hope for investors to take risks to try crowdfunding products, while low dividends cause investors to be afraid to take risks. Financial Information is also strengthened to reduce information asymmetry, companies must disclose complete information in order to reduce uncertainty for potential investors about projects that require funding, such as complete financial information, simulations of calculations and attractive animations that are easy to understand in advertising [10]. Signaling theory [23] provides an important explanation of why signals are sent and how these signals influence decision-making and processes.

The results of this study also show that Funding Purpose has a significant effect on funding success in using crowdfunding. The faster the payback period, the faster the funding success. Fundraising on a crowdfunding platform must have a clear funding goal, the results of previous research show that decisions regarding goal setting have a significant impact on funding [47]. Therefore, it is important to build signals for investors, through setting precise and implied goals. Thus, researchers can show that goal setting is an important factor as a signal in motivating investment [48].

The results of this study also show that Business Location has a significant effect on the success of funding in using crowdfunding. The more business locations, the faster the successful funding. Fundraising on a crowdfunding platform must have a clear business location to build investor confidence. The results of previous research show that this is in line with the results of purchase intentions often depend on the characteristics of the buyer starting from demographics [45]. purchase intentions often depend on the characteristics of the buyer starting from demographics [45]

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The results of this study also show that Advertising Finance has a significant effect on the success of funding in using crowdfunding. The more complete Advertising Finance, the faster the success of funding. Fundraising on a crowdfunding platform must disclose clear Advertising Finance to build investor confidence, the results of previous research show that in line with the results of [46] showing that good advertising can reduce information asymmetry and thus increase the possibility of funding targets achieved.

5. Finding and Conclusion

This study aims to determine the factors that determine the funding success of crowdfunding. This study provides several results. First, 50% percent of crowdfunding has applications on Playstore and Appstore, and 50% still use the web. Second, empirical findings show that Financial Information, Business Location, Funding Purpose, Advertising Finance, have a significant effect on Funding Success, in Indonesia. The

higher the dividend, the faster the payback period, the more business locations and the more complete the financial simulation on advertising, the faster Funding Success companies use crowdfunding. Crowdfunding business people can consider Financial Information, Business Location, Funding Purpose, Advertising Finance. To quickly build investor confidence. , business actors can apply several strategies that have been carried out by other business actors. First, increasing dividends with cost efficiency. Second, accelerate the payback period by increasing company performance. Third, adding locations through rapid expansion, and fourth, increasing advertising through all social media.

6. Implications, Limitations, and Suggestions

The implications of this paper are expected to be useful for crowdfunding investors, companies, and stakeholders to help companies that need funding. In addition to this paper can enrich the literature in the field of micro-enterprises and become a reference for the future research. This research is not without limitations and therefore a number of studies are proposed future. Further studies would be beneficial by expanding the scope of developments companies that will list on crowdfunding in Indonesia and conduct comparative studies that will help minimize limitation of this paper is that we have a relatively small sample size because we only focus on which are traded using applications on the playstore and app store. Finally, the future research could combine quantitative and qualitative methods to get deeper an understanding of how sustainability can be integrated into investment decision making in crowdfunding.

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