

Exploring Success Factors in Indonesian Equity Crowdfunding

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Abstract

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In Indonesia, Micro, Small, and Medium Enterprises (MSMEs) contributed to more than 60 percent of the country's total GDP. One of the prime hurdles that MSMEs commonly face is financing access. With the development of Fintech, Equity Crowdfunding (ECF) has been seen as potential alternative financing for many entrepreneurs since ECF allows them to finance their ventures by raising capital from large pools of individuals, bypassing the conventional financial intermediaries. This research examines various factors that are significant for the success of crowdfunding campaigns using data from the equity crowdfunding platforms in Indonesia. The result shows that the number of investors, the fund's targets, minimum of investment, understandability, and provision of the video have a significant and positive effect. At the same time, social media networks and projected rate of return negatively correlate with the success of Indonesian equity crowdfunding. This article sheds light on the opportunity and challenges of crowdfunding in Indonesia and proposes insights for entrepreneurs participating in the ECF system.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy. Data from the Indonesian Ministry of Cooperatives and SMEs show in 2018 that 99.9 percent of enterprises are MSMEs. In addition, Indonesian MSMEs contributed 60 percent to the GDP. However, it has become common knowledge that capital insufficiency is one of the main obstacles to SMEs' growth and expansion.

Many financial technologies have been introduced in Indonesia in the past few years, including crowdfunding. There are four types of crowdfunding categories commonly used in financing new ventures: donation-based, equity-based, reward-based, and equity-based crowdfunding. Among those four types of crowdfunding, the latter, equity-based crowdfunding, has become a new source of external equity finance that plays a vital role in financing start-ups and small companies (Walthoff-Borm et al., 2018). In Indonesia, the term "equity crowdfunding" is relatively new, as the Financial Services Authority (FSA) issued Equity Crowdfunding (ECF) regulations on December 31, 2018.

ECF does offer many benefits to SMEs, such as inward benefits (practical knowledge/expertise, future funding, and strategic functions) and outward benefits (media exposure and social connection) (Wald et al., 2019). On the other hand, ECF also offers benefits for investors like (1) being part of the investors' community and personal growth (Wald et al., 2019). With such benefits, ECF is a win-win solution for both investors and SMEs. However, like any other investments that provide returns, ECF also contains some risks. Since the majority of businesses that issue ECF are still in the developing stage, the company is prone to face several risks such as (1) credit risk; (2) legal risk; (3) property risk (Liu, 2016)

Equity crowdfunding as alternative financing for start-ups and SMEs in Indonesia has grown considerably over time. Many have seen crowdfunding as an effective alternative to traditional funding, especially for start-ups and SMEs. However, the development of ECF in Indonesia is still considered as infancy. Previous studies related to equity crowdfunding in Indonesia mainly discussed regulations in Indonesia (Chang, 2018; Harianto, 2020), Islamic equity crowdfunding in Indonesia (Hendratmi et al., 2019; Mustafida et al., 2021; Thaker et al., 2020), and ECF as an alternative for financing in general (Hutomo, 2019; Widawati et al., 2021).

Despite the growing trends in ECF, many entrepreneurs are not successful in raising money on equity crowdfunding platforms. Investors need to have adequate information about the issuers for evaluation and give an initial idea about the company's value. In signaling theory, actions done by management are believed to reflect the companies' stock value. Similarly, in ECF, the signal refers to the company's information that leads investors to invest. However, research regarding signaling in SMEs and start-ups are very few. This study aims to help ECF investors understand effective signals for SMEs and start-ups. Also, to help SMEs obtain the funds needed to develop their business.

Through this study, we tried to explore the possible success factors of the ECF campaign in Indonesia. Li et al. (2018) study several factors that affect the success of obtaining equity crowdfunding in China. They reveal that the fund's targets, return on investment, and the number of inquiries significantly impact investors' willingness to invest. Using data from Northern Europe, Lukkarinen et al. (2016) find that predetermined campaign characteristics such as funding target, minimum investment, campaign duration, provision of financials, the availability of networks, and understandability of the product, are relevant to the equity crowdfunding success.

A more recent study in the United States found that video as the media to communicate information about a business or project to the potential investor is positively correlated to the success of equity crowdfunding campaigns (Mamonov & Malaga, 2019). This study aims to examine the possible success factors of Indonesian equity crowdfunding by analyzing the success factors documented by the previous studies, including the number of investors, target of the fund, minimum of investment, the availability of financial data, social media networks, understandability, provision of video, and rate of return. Meanwhile, in measuring the success of equity crowdfunding, this study uses the amount raised by each campaign.

This study explores the data from Indonesia's two biggest equity crowdfunding platforms. As of November 2019, Indonesia only has two licensed ECF platforms, namely Santara and Bizhare, and a relatively small percentage of companies could be listed and sell their shares. In Santara, as of August 27, 2020, out of 5,857 companies

registered to sell their shares, only 63 could be listed. A similar situation occurred in Bizhare, where only 36 companies could get funding.

Using the data from both platforms, we found that Indonesian equity crowdfunding is dominated by the trade, hotel, and restaurant sectors. We also found that the average amount raised in one campaign was around 1.1 billion rupiahs. The number of equity crowdfunding projects that provide videos for the investor is more than 50 percent, increasing the awareness of using video in a campaign. We also find that the average rate of return in Indonesian equity crowdfunding is 21.5 percent, which makes equity crowdfunding could be an alternative instrument for investors.

Using a Spearman correlation test, we found that the number of investors, the target fund, financial data availability, understandability, and provision of the video have a significant and positive effect on the success of the equity crowdfunding campaign in Indonesia. Meanwhile, unlike previous studies, the minimum investment, social media networks, and the rate of return does not significantly affect equity crowdfunding success in Indonesia. Our findings provide valuable insights for Indonesian SMEs as the most significant contributor to the local GDP. This article could help SMEs prepare the campaign materials before issuing their shares on equity crowdfunding platforms by understanding the success factors in equity crowdfunding. The remainder of the article is structured as follows: Section 2 presents the previous studies and our research hypotheses, Section 3 describes the data and methodology used in this study, section 4 presents the findings, and section 5 concludes the article.

2. Literature Review

Crowdfunding is defined as an open call, mainly via the internet, to raise funds, either in the form of donation or in return for a product or some reward to support projects (Belleflamme et al., 2013). Other scholars defined crowdfunding as an Internet-based funding method to execute projects such as donations, rewards, lending, and investment (Hossain & Oparaocha, 2017).

The history of crowdfunding first started in 1886, when Joseph Pulitzer inspired New York citizens to construct the base for the Statue of Liberty (Zhao et al., 2019). Then, in 2003, a Boston musician and computer programmer launched ArtistShare. At first, the musicians used ArtistShare's website to get funds or donations from their fans to produce digital recordings. After some time, the website grew into a general fundraising platform for artists (Freedman & Nutting, 2015). In 2018, the value of the crowdfunding market worldwide reached 10.2 billion USD and was expected to triple in 2025 (Szmigiera, 2019).

Based on the types of benefits received by the founders, there are four types of crowdfunding: donation-based crowdfunding, reward-based crowdfunding, debt-based crowdfunding, and equity crowdfunding. In donation-based crowdfunding, individuals can donate a small amount of money to fulfill the fund's targets without return in exchange. Platforms that employ the donation model allow fundraisers to create a crowdfunding campaign (Zhao et al., 2019). In Southeast Asia countries, donation-based crowdfunding reached 12 percent of total crowdfunding. A study in 2018 found that in Indonesia, most social activities correlate with fundraising success (Rijanto, 2018).

Reward-based crowdfunding is a type of crowdfunding where people give a monetary contribution in return for non-monetary rewards (Zhao et al., 2019). According to a crowdfunding platform survey in France, reward-based crowdfunding has the most significant percentage compared to other types of crowdfunding (Belleflamme et al., 2015). In 2015, a famous French reward-based crowdfunding platform, Kickstarter, raised 27 million euros for more than 12,000 projects (Belleflamme et al., 2015).

Another type of crowdfunding is lending-based or debt-based crowdfunding. The debt-based crowdfunding platform is media that people use to borrow money from a group of lenders. In other words, the platforms provide a place for individuals to lend and borrow money from each other (Zhao et al., 2019).

The last type of crowdfunding is equity crowdfunding, and it is a crowdfunding model where investors or funders expect a financial return (Hossain & Oparaocha, 2017). In Indonesia, equity crowdfunding has been regulated by the financial services authority (FSA) regulation since 2018. Currently, only two equity crowdfunding platforms have the license to operate from FSA, including Santara and Bizhare. According to the FSA regulation, the equity crowdfunding policy in Indonesia is considered the 'all or nothing' model, where the total investment will only be transferred if the fund's target is fulfilled.

The success of crowdfunding can be measured by whether it has reached its funding goal within a certain period or not, with the maximum period for a campaign being 60 days. However, other variables, such as the number of investors and funding financing speed, may also indicate the accomplishments (Ahlers et al., 2015). To improve its performance, a company needs to set a difficult yet attainable target within a specific duration. Hence, the period required to achieve targeted investment can act as a signal that reflects the investors' confidence and seriousness towards the projects. This research also employs the number of investors to measure success. This is based on the Social Influence Theory that postulates herding behavior, suggesting that the crowd can influence decision-making. Hence, the number of investors can reflect the confidence level of the investors towards a specific project.

Li et al. (2018) explain that a successful equity crowdfunding project depends on the financing objectives, the number of shares assigned, and the number of inquiries. The financing objective is the estimation of funds needed for the project. The number of shares assigned represents the willingness to invest by investors. Meanwhile, the number of inquiries illustrates the number of people who browse and ask on the website. Therefore, companies must set a reasonable level for the financing objectives, issue an optimum number of shares, and maintain investors' trust to gain investors' willingness to invest.

Meanwhile, Mamonov & Malaga (2019) give evidence on the critical factors that influenced the success of equity crowdfunding, which includes demonstrating market traction, successful procurement of funds from investors, and the availability of promotional videos as a means of communication with potential investors. On the other hand, in Vietnamese crowdfunding, the key factors of successful crowdfunding are the project quality index, the availability of additional information of the founder, and the project's goal (Thuy, 2017). The project quality index is used to help investors understand the overall quality of the project through video, product demo, update, spelling mistake-free, and project website. The availability of additional information

regarding the founder is also essential as it could help increase investors' trustworthiness. The funding goal also plays a significant role in the success of equity crowdfunding in Vietnam since they used the 'all-or-nothing' model.

Wald et al. (2019) conducted a similar study in Northern Europe. They proposed that the success factors of ECF are classified into: (1) campaign characteristics, including the fund's targets, minimum investments, campaign duration, and the availability of financial data; (2) the role of private networks and social media networks; and (3) the understandability of the company's project. As for the success of equity crowdfunding, it is measured by the amount raised. The amount raised measurement illustrates the amount of money that attracts investors. For campaigns that meet the funding target, it represents the amount of money that the company can achieve. At the same time, the unsuccessful projects portray investors' willingness to invest.

This research studied several factors that have been examined before as the reasons for success in Indonesia's equity crowdfunding, including

2.1. Number of Investors

Herding is a phenomenon where individuals decide to follow others or to imitate group actions rather than deciding independently based on their private information. As a start-up, the company may face so much uncertainty, and to avoid that, investors may get influenced by other investors' decisions. So, when the crowd herds, the project with many risks still has the opportunity to get funded, and vice versa (Baddeley, 2010). Therefore, according to the herding effect, a high number of investors in a project is preferable. However, a previous study stated that further analysis was needed to understand individual investors' points of view (Ahlers et al., 2015). Hence, this study will examine the relationship between the number of investors to equity crowdfunding success in Indonesia.

2.2. Fund's targets

The previous study in Northern Europe regarding success factors of ECF uses four campaign characteristics, including the fund's targets, minimum investments, campaign duration, and the availability of financial data. According to ECF regulation in Indonesia, if the minimum fund's targets cannot be fulfilled within a certain period, the share offering through ECF would be canceled. As Indonesia uses the 'all-or-nothing' model, the minimum fund's target is crucial. Therefore, issuers need to find a middle ground between seeking enough funds and ensuring that the minimum fund's target is achieved. According to Hakenes & Schlegel (2014), the large fund's targets in ECF are preferable as investors' money would only be drawn if many people react positively to the campaign. Nevertheless, a study found that this variable is not significantly related to the amount raised in ECF (Lukkarinen et al., 2016). Therefore, we need to analyze the fund's targets further to understand this variable, especially in Indonesia's ECF market.

2.3 Minimum Investment

The minimum investment in equity crowdfunding is the minimum amount of money required to start the investment in an equity crowdfunding campaign. Based on previous findings, the minimum investment is negatively associated with the

success of equity crowdfunding (Lukkarinen et al., 2016). A smaller amount of minimum investment is preferable to investors because of the lower demand for available capital and relatively lower risk of losing money. However, another study expressed that the minimum investment does not significantly correlate with the amount raised in ECF (Ahlers et al., 2015).

2.4 The Availability of Financial Data

The availability of financial data, such as historical financial reports, could help investors consider whether the campaign is worth investing in. The financial report could benefit potential investors in predicting the company's future performance. Financial data also lessen the information gap between the investors and the entrepreneur. According to Lukkarinen et al. (2016), the availability of financial data positively impacts the equity crowdfunding campaign's success. In line with that, Ahlers et al. (2015) found that campaigns that do not publish financial data collect less funding. This study examined whether the results in Indonesia's ECF are similar to both studies' results.

2.5 Social Media Networks

Another variable that influences crowdfunding success is a network. This statement is aligned with findings from Kuppuswamy & Bayus (2013), which find that the majority of funds raised in reward-based crowdfunding is from the issuer's social networks and social media followers. Social media is used as a communication platform between parties involved in the projects, and social media networks can give entrepreneurs access to their audience. Furthermore, according to Lukkarinen et al. (2016), most early funding through crowdfunding campaigns usually comes from a private social media network. In addition, the high amount of social media posts regarding crowdfunding campaigns can reflect a successful campaign (Etter et al., 2013). The issuer's social media network size is a significant predictor of crowdfunding campaign success since it could be used to predict future performance (Zheng et al., 2014). The sentiments posted on the entrepreneurs' social media can give positive or negative feedback about the idea of business or product/service offered and make a project more legitimate and attract more investors. We also examined the relationship between social media networks and the amount raised in Indonesia's ECF.

2.6 Understandability

The understandability of the company's concept or product depicts the campaign's success. The part of a successful crowdfunding campaign is related to investors' ability to understand the idea conveyed by the companies (Härkönen, 2014). A similar study found that goods companies are relatively easier to raise funds than services companies (Belleflamme et al., 2013). One way to measure investors' understandability is by classifying whether the business is a business-to-business model or a business-to-consumer model. Most people are familiar with the business-to-consumer model rather than the business-to-business model. So, each company's business model would be able to depict investors' understandability towards their business model. A previous study also found that business-to-consumer companies tend to be more successful in obtaining funds than business-to-business since investors understand the B2C concept easier than B2B (Lukkarinen et al., 2016).

2.7 Provision of Video

Based on the study conducted on Kickstarter, one of the most popular crowdfunding platforms in the world, the success factors of crowdfunding include the provision of video material. The provision of video material could give a demonstration or descriptions of the project, and potential investors also got the chance to know better the people behind the project (Koch & Siering, 2015). Moreover, rational investors select investment opportunities by analyzing the project quality, and video is one of the tools for SMEs and start-ups to showcase their quality to potential investors (Nitani et al., 2019). Therefore, it is essential to analyze whether the provision of video could influence the success of obtaining funds in Indonesia's ECF or not.

2.8 Rate of Return

According to the dividend relevance theory by Myron J. Gordon and John Lintner in 1963, there is a direct relationship between the firm's dividend policy and its market value (Gitman & Zutter, 2015). The bird-in-the-hand argument supports this theory as it suggests that investors see current dividends as less risky than future dividends or capital gains. Previous studies have shown that significant changes in dividends do affect the stock price. If the dividends increase, the stock price will also increase. In contrast, the decrease in dividends will result in a reduction in the stock price. So, according to theory, investors view an increase in dividends as a positive signal, and they would buy the stock. Meanwhile, a decrease in dividends is considered a negative signal that causes investors to sell their shares (Gitman & Zutter, 2015). In this case, there is a possibility that a high dividend has a positive impact on the success of equity crowdfunding.

In addition, a previous study about equity crowdfunding in Germany in 2019 found that return on investment is one of the three reasons for investors to invest in start-ups via equity crowdfunding. The three reasons include the potential return, investors' willingness to support the team or idea, and investors' desire to participate in the project. Nevertheless, financial return remains the primary reason investors fund the equity crowdfunding campaign (Angerer et al., 2017). Since in equity crowdfunding, the return that investors get is through dividends, the rate of return may affect the success of the equity crowdfunding campaign. The previous study only discussed whether the provision of financial forecasting or projection is significantly associated with obtaining funds in ECF or not (Ahlers et al., 2015). However, in this research, we dive deeper into analyzing the financial forecasting, measured by the projected rate of return, to obtain funds in Indonesia's ECF.

Based on the literature review, this study has developed several hypotheses as follows:

- H1:** The number of investors has a positive relationship with the success of equity crowdfunding
- H2:** Fund's targets have a positive relationship with the success of equity crowdfunding.
- H3:** Minimum of investment has a negative relationship with the success of equity crowdfunding.

- H4:** The availability of the financial report has a positive relationship with the success of equity crowdfunding.
- H5:** Social media network has a positive relationship with the success of equity crowdfunding.
- H6:** Understandability has a positive relationship with the success of equity crowdfunding.
- H7:** The provision of the video has a positive relationship with the success of equity crowdfunding.
- H8:** Projected rate of return has a positive relationship with the success of equity crowdfunding.

3. Methodology

This research is a quantitative study, with the research objects being companies listed in Indonesia Equity Crowdfunding Platforms per August 12, 2020. The sample used in this research consists of 75 projects listed since the platforms were launched in 2018. Below are the criteria established to determine the sample in this study:

1. The companies are listed on the Indonesian equity crowdfunding platform (Bizhare and Santara) from 2018 to August 12, 2020.
2. The companies published their prospectus on the platform.
3. The companies listed stated their projected rate of return.
4. The companies have social media accounts.

The study is carried out by analyzing secondary data to determine the relationship of success factors with the dependent variable. The dependent variable used in this study followed the previous research conducted by Lukkarinen et al. (2016), the amount raised. The amount raised of successful campaigns depicts the number of funds transferred to the target company. In contrast, the amount raised by unsuccessful campaigns reflects the total amount investors are willing to invest.

The success factors or independent variables used in this research followed the previous study with some adjustments regarding the regulation and condition of equity crowdfunding in Indonesia. The first independent variable is the number of investors. It is measured by the number of people attracted to invest in the project, regardless of whether it can meet the targeted funding. The following variable is the fund's targets, measured by the targeted amount to achieve that issuers set. This proxy is used to determine how popular the campaign is. The third is the minimum investment measured by the minimum amount of money required to become a shareholder.

Another independent variable is the availability of financial data, which reflects whether historical data were published in the prospectus or not. The financial data is measured with a profit loss statement. The availability of financial data is a dummy variable that takes the value of one when the prospectus includes a profit loss statement and zero otherwise. The fifth variable is the social media networks, measured by the number of connections on the company's Instagram account. Instagram is used since it is one of Indonesia's most used social media (Statista, 2020). Hence, it can be used as a proxy in understanding more about social media's impact on equity crowdfunding success.

The sixth independent variable is the understandability of a company's concept. It takes a value of one when the company's products are mainly targeted at consumers and zero if its products are targeted at other businesses (Lukkarinen et al., 2016). This indicator

is used as it is easier for investors to understand consumer-oriented companies than business-to-business companies.

The seventh variable is the provision of video. It obtains a value of 1 if the company provides a video about the company or the project in the equity crowdfunding platform, and otherwise, it obtains 0. The last variable is the rate of return measured by each company's projected rate of return. The projected rate of return shown in the platform is in the form of a range. Therefore, we used the median of the range as the measurement.

We conducted a Spearman correlation test to examine the relationship of success factors with the dependent variable. The Spearman correlation test is used since it is calculated by using ranks of the value of each two variables instead of the actual values (Schober & Schwarte, 2018). Variables and data sources are presented in Table 1.

Table 1. Variables and Data Sources

Variable	Description	Data Sources
<i>Dependent Variables</i>		
Amount Raised	The natural logarithm of the amount raised in the equity crowdfunding campaign in rupiah.	Platforms
<i>Independent Variables</i>		
Number of Investors	The natural logarithm of total investors from each equity crowdfunding campaign.	Platforms
Fund's target	The target amount of funds desired by the issuer is measured in rupiah.	Prospectus
Minimum of Investment	The minimum amount of investment to become a shareholder is measured in rupiah.	Prospectus
Financial Data	The availability of financial data, 1 if the prospectus included a profit loss statement, 0 otherwise.	Prospectus
Social Media Network	The number of connections in the social media account is measured by the number of followers on the company's Instagram account.	Instagram
Understandability	The understandability of the company's concept, 1 if it is a business-to-consumer company, 0 if it is a business-to-business company.	Prospectus
Video	The provision of a video, 1 if the company provided a video about the company or the project, 0 otherwise	Platforms
Rate of Return	The rate of return, measured by the median of the projected rate of return	Platforms

Source: The authors (2020)

4. Result and Discussion

We examine the relationship among success factors in equity crowdfunding using the sample from Indonesia's two biggest equity crowdfunding platforms, namely Santara and Bizhare. Figure 1 shows the number of equity crowdfunding projects according to the sectors from 2018 to August 2020. The classification of sectors refers to the international standard classification of all economic activities (ISIC) used by the Ministry of Cooperatives and SMEs.

Figure 1 shows that the trade, hotel, and restaurant sectors dominate the Indonesian equity crowdfunding sector with 69.33 percent, followed by the agriculture, forestry, and fishing sector with 14.67 percent. Meanwhile, the percentage of the construction sector is the lowest at 1.33 percent.

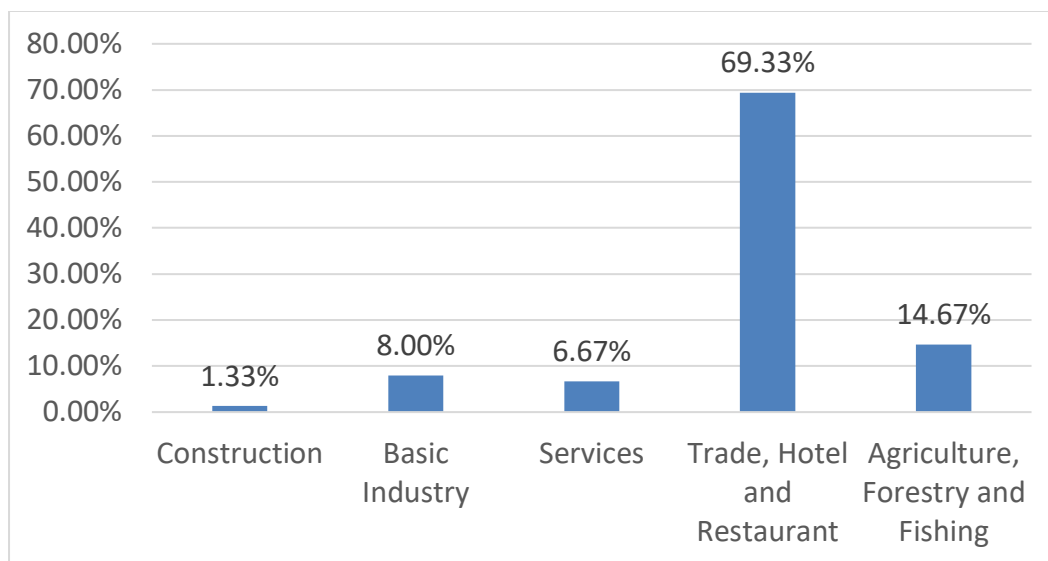


Figure 1. Sectors in Indonesian Equity Crowdfunding, May 2018-August 2020. (Authors, 2020)

Table 2. Summary Statistics Source: (Authors, 2020)

	N	Mean	Std. Dev.	Minimum	Maximum
Amount Raised	75	20.47845	0.78477	18.92146	21.82189
Number of Investors	75	5.00828	1.33346	2.70805	7.38088
Fund's target	75	20.56092	0.82424	18.92146	22.51503
Minimum of Investment	75	14.92575	0.65690	13.74830	16.52356
Financial Data	75	0.72	0.45202	0	1
Social Media	75	8.71271	1.97805	4.15888	14.50866

Understandability	75	0.77333	0.42149	0	1
Provision of Video	75	0.56	0.49973	0	1
Rate of Return	75	21.08147	8.40379	11.5	43.6

Table 2 reports the summary statistics of all the variables, with the total observation of 75 projects. Based on the calculation, the average amount raised (in natural logarithm) in Indonesia is 20.47 or around 1.1 billion rupiah. The number shows that the average amount raised on each project is around 1.1 billion rupiahs. We also found that the average number of investors in one equity crowdfunding project is 5.008 (in natural logarithm), or around 300 investors. The number of investors in the equity crowdfunding project is quite varied since the minimum number of investors recorded is 15, and the most are 1605.

As for the fund's target, the highest was 22.515 (in natural logarithm) or three billion rupiahs. The maximum fund's target recorded is still in line with the SMEs criteria from the Ministry of Cooperatives and SMEs, which stated that the greatest asset of an SME company is ten billion rupiahs. It shows that equity crowdfunding in Indonesia is right on the target of SMEs.

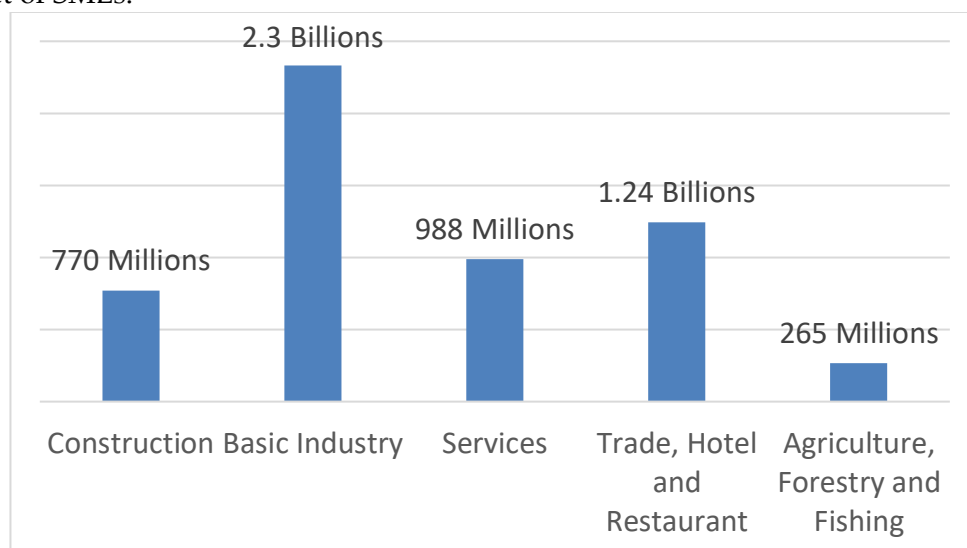


Figure 2. Average Fund's Target Based on Sectors, May 2018-August 2020. (Authors, 2020)

Figure 2 shows the average fund's target for each business sector. The average investments on basic industry projects have the highest fund target, while the average funding target of the agriculture, forestry, and fishing sector is the lowest compared to all sectors with 265 million rupiahs. The reason why agriculture, forestry, and fishing have the lowest fund target is possible because, in 2019, the Ministry of Marine Affairs and Fisheries gives easy access to get capital with lower interest (KKP, 2019).

The minimum amount of money required to start the investment in Indonesian Equity Crowdfunding depends on the platform and the project itself. The average minimum investment in Indonesian equity crowdfunding is 14.93 (in natural logarithm) or around 3.7 million rupiah. The lowest is from the fishery sector with 935,000 rupiahs, while the highest minimum investment is 15 million rupiahs.

Information is a crucial part of decision-making. The more detailed and transparent the information on the projects, the more valuable the information to the investors in assessing the risk of that particular project. The number of projects that provide video to attract more investors is 42 out of 75, slightly more than 50 percent of the total sample, which illustrates the increasing awareness of the issuer on the importance of video. Another way to communicate to the investors about the credibility of the entrepreneur's business is by publishing the financial report to the public. From Table 2, most equity crowdfunding projects (54 out of 75 projects) provide historical financial reports.

Social media, the trade, hotel, and restaurant have the most followers on Instagram, with an average of 110,609 followers. The basic industry sector becomes the second sector with the most followers, with an average of 43,777 followers. The range of social media networks in Indonesian equity crowdfunding is relatively wide, from 65 to 2 million followers.

As shown in Table 2, the average understandability in Indonesian equity crowdfunding is 0.773, indicating that most of the projects used the business-to-consumer (B2C) model. As the B2C model tends to be easier to understand, this could be why there are more B2C in Indonesian equity crowdfunding. Only 17 projects used the business-to-business model. Slightly more than 50 percent of the total sample provides video to attract more investors (42 out of 75), which illustrates the increasing awareness of the issuer on the importance of video.

Despite the COVID-19 pandemic, Indonesian investors are still optimistic. They expect an average return of 14.8% for the next five years (Executive, 2020). Since the average projected rate of return shown in Table 2 is 21.5 percent, equity crowdfunding could be an investment alternative for local investors. Moreover, the investors could choose the type of business or sectors they want to invest in based on the average projected rate of return. For the 2018 to 2020 period, the fishery sector offers the highest projected rate of return with 33.65 percent, as shown in Figure 3.

Table 3 shows the correlation between success factors, namely number of investors, the fund's target, minimum of investment, financial data, the social media network, understandability, video, and rate of return to the amount raised. According to Table 3, all the success factors are significantly correlated to the amount raised except for the minimum amount of investment that does not significantly correlate to the amount raised.

The number of investors has a significant positive relationship with the amount raised, which indicates a herding effect in Indonesian equity crowdfunding since the number of investors influences the success of equity crowdfunding. So, hypothesis H1, the number of investors has a positive relationship with the success of equity crowdfunding, is supported.

The value of 0.899 indicates a significant positive relationship between the fund's target and the amount raised. Since Indonesia uses the 'all-or-nothing' system, the fund's target becomes essential as the amount raised would not be given to the issuer if the fund's target is not achieved. This result supports hypothesis H2, the fund's target has a positive relationship with the success of equity crowdfunding.

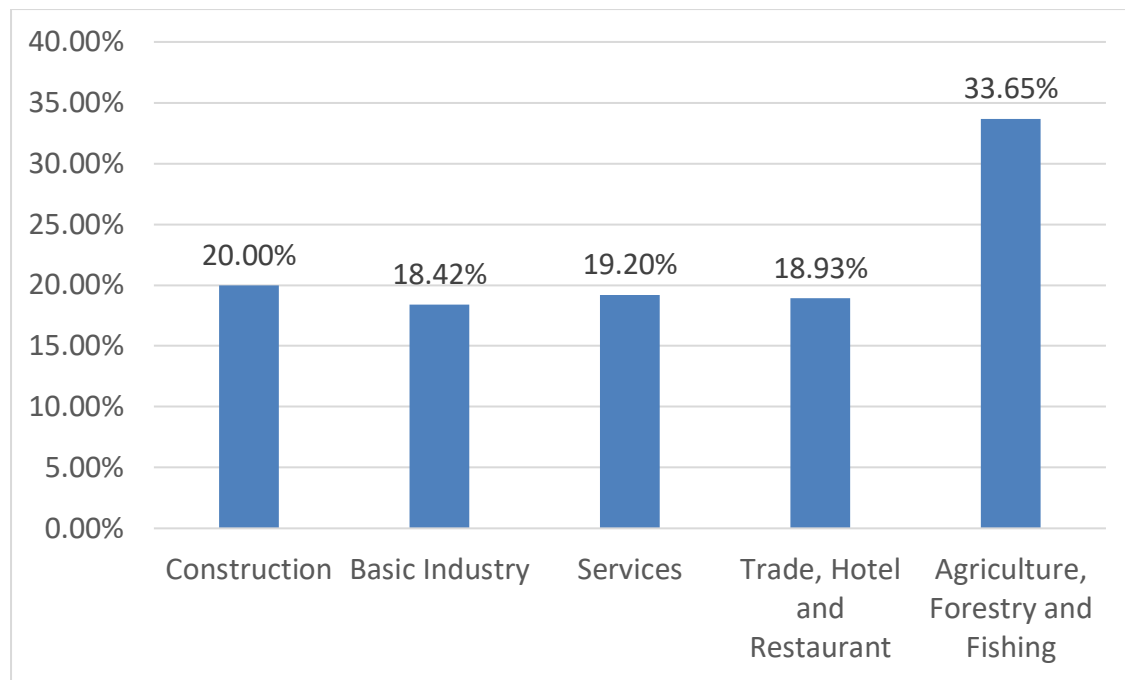


Figure 3. Average Projected Rate of Return Based on Sectors, May 2018-August 2020.
(Authors, 2020)

On the other hand, the minimum investment is not significantly correlated to the amount raised. Thus, hypothesis H2, minimum of investment has a negative relationship with equity crowdfunding success, is not supported, which shows that the minimum of investment does not affect the success of equity crowdfunding in Indonesia

For the fourth variable, financial data availability, its relationship with the amount raised shows a significant positive relationship since it has a value of 0.474. The correlation between both variables also shows a significant result. The results show that the availability of financial data such as historical financial reports shows a positive relationship to equity crowdfunding success in Indonesia; thus, hypothesis H3 is supported. As investors could not always control the project's progress regularly, one of the proofs that could assure them that they invest in the right project is that the company has an excellent track record, which could be seen from its positive cash flow.

Unlike the previous research by Zheng et al. (2014), in Indonesia, we found that the relationship between social media networks and equity crowdfunding success is negative, so hypothesis H4 is not supported. As for the relationship between social media networks and the amount raised, we obtained a value of -0.312, which indicates a significant negative relationship. The result shows that in Indonesia, the number of social media networks does not matter to the success of equity crowdfunding. A project with a small number of networks in social media can still achieve its fund's target.

According to Härkönen (2014), investors tend to choose a business with a concept they understand. It can be seen from Table 3 that the relationship between understandability and amount raised obtained a value of 0.371, which indicates a significant positive relationship. So, based on the results in Indonesian equity

crowdfunding, we found that investors tend to choose business-to-consumer companies rather than business-to-business as it is easier to understand. The results show that hypothesis H5 is supported. Understandability does have a positive relationship with success in equity crowdfunding.

Nowadays, videos have become an essential matter in people's lives as it is more engaging, entertaining, and easy to understand. In this study, the video becomes a marketing tool to increase the potential of success in the equity crowdfunding campaign. As stated in Table 3, the relationship between video and amount raised obtained a value of 0.499, which means the relationship between the variables is significantly positive. So, the video may moderately influence the amount raised. Thus, hypothesis H6 is supported. Based on research in 2019, digital content marketing engagement is mainly developed from video-based content, which could be the reason for the strong relationship between video and the number of investors (Hollebeek & Macky, 2019).

The last variable, the projected rate of return, shows a negative relationship with equity crowdfunding success in Indonesia. It can be seen from Table 3, where the relationship between the rate of return and the amount raised got a value of -0.570. Based on the result, hypothesis H7 is rejected since the projected rate of return has a negative relationship with success on equity crowdfunding in Indonesia. The negative relationship could be because the rate of return in this study is a projection from the issuer. So, investors are more attracted to an achievable projected rate of return.

5. Conclusion

This study examined the relationship between success factors and the success of the equity crowdfunding project. The success factors consist of the fund's target, minimum investment, financial data, the social media network, understandability, video, and rate of return. The success of equity crowdfunding is measured by the amount raised.

The notable findings from this research are that the number of investors, fund's target, financial data availability, understandability, social media networks, video, and rate of return has significantly affected the success of equity crowdfunding in Indonesia. As for the minimum investment, it has a negative and non-significant effect on the success of equity crowdfunding.

Even though the result supports several factors from previous research about ECF, the result may not fully represent the ECF situation in Indonesia due to the limited sample. For future research, we suggest the researcher use a different methodology since this article only examined the correlation between the success factors and the success of ECF in Indonesia. Another dependent variable that could illustrate more of the success of ECF in Indonesia but was not analyzed in this study is financing speed. A more thorough analysis is necessary to get a complete understanding of success factors in Indonesian equity crowdfunding.

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Table 3. Correlation Matrix

	Amount Raised	Number of Investor	Fund's target	Minimum of Investment	Financial Data	Social Media Network	Understand ability	Video	Rate of Return
Amount Raised	1.000								
Number of Investor	0.743**	1.000							
Fund's target	0.899**	0.638**	1.000						
Minimum of Investment	-0.055	-0.512**	0.059	1.000					
Financial Data	0.474**	0.635**	0.497**	-0.247*	1.000				
Social Media Network	-0.312**	-0.314**	-0.313**	0.223	-0.159	1.000			
Understand ability	0.371**	0.405**	0.409**	-0.046	0.655**	-0.183	1.000		
Video	0.499**	0.859**	0.367**	-0.508**	0.584**	-0.308**	0.290**	1.000	
Rate of Return	-0.570**	-0.819**	-0.492**	0.418**	-0.651**	0.344**	-0.385**	-0.856**	1.000

Source: Authors (2020)

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