

**FACTORS THAT DETERMINE SUCCESS OF CROWDFUNDING
INITIATIVES IN KENYA**

BY

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DECLARATION

I declare that this dissertation is my own original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged

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Date.....

I do hereby confirm that I have examined the master’s dissertation of

Kiende Diana

And have approved it for examination.

Sign.....

Date.....

Name : Dr. Abraham Rotich

DEDICATION

I dedicate this research project to my dear parents, family members, relatives, friends and fellow students. May the Almighty God Bless you all.

ACKNOWLEDGEMENT

I acknowledge my Supervisor Dr. Rotich for his timely feedback and support throughout the dissertation period. My classmate for the motivation, my employer for giving me time to work on this dissertation, my family for offering moral support and above all the Almighty God for safety and protection.

ABSTRACT

Crowdfunding has been observed to a phenomenon that disrupts conventional financing. However, the success rate of crowdfunding initiatives has been low. Understanding factors that influence success of crowdfunding is important given the growing role and popularity of crowdfunding as an alternative source of financing. This would provide an insight on how entrepreneurs can develop crowdfunding initiatives that are successful. Thus, the study sought to establish factors that determine success of crowdfunding initiatives in Kenya. The specific objectives were; to establish impact of crowdfunding platform on crowdfunding initiatives success, to find the impact of social networks on crowdfunding initiatives success and to find out influence of project quality on crowdfunding initiatives success. The study literatures captured several theories that supports crowdfunding namely social capital theory, game theory and signaling theory. The study adopted qualitative research approach evaluating projects raised in M-changa platform. The study involved a census population of 45 businesses listed in M-Changa platform. The study used questionnaire for data collection and they were analyzed using spss. The study achieved a response level of 91.1%. The results showed that crowdfunding platform was positively associated with crowdfunding success with $r = 0.714$, social networks was directly associated with crowdfunding success with a correlation of $r = 0.565$ and strong association between quality of the projects and crowdfunding success with $r = 0.683$. The study recommendations emphasized on the need for founders to make sure that they study the crowdfunding platform well before deciding where to pitch their project. There is need for project founders to use numerous social networking platforms to advertise their projects and to attract friends and other social conducts to back the project. There is also need to have clear and quality videos and adverts so as to enhance the appeal of the projects pitched. Regarding project quality, there is need for project founders to do good research before formulating their projects. They should come up with quality business plans that are easy to pitch to investors.

TABLE OF CONTENTS

| | |
|--|------------|
| DECLARATION | ii |
| DEDICATION | iii |
| ACKNOWLEDGEMENT | iv |
| ABSTRACT | v |
| TABLE OF CONTENTS | vi |
| LIST OF TABLES | ix |
| LIST OF FIGURES | x |
| ACRONYMS AND ABBREVIATIONS | xi |
| OPERATIONAL DEFINATION OF TERMS | xii |
| CHAPTER ONE | 1 |
| INTRODUCTION | 1 |
| 1.1 Background of the Study..... | 1 |
| 1.1.1 Factors Affecting Crowdfunding..... | 2 |
| 1.1.2 The Concept of Crowdfunding | 3 |
| 1.1.3 Crowdfunding in Kenya | 6 |
| 1.2 Statement of the Problem | 7 |
| 1.3 Research Objectives | 9 |
| 1.4 Research Questions..... | 9 |
| 1.5 Significance of the Study | 9 |
| 1.6 Justification of the Study..... | 10 |
| 1.7 Scope of the Study..... | 10 |
| CHAPTER TWO | 11 |
| LITERATURE REVIEW | 11 |
| 2.1 Introduction | 11 |
| 2.2 Theoretical Review | 11 |
| 2.2.1 Signaling Theory | 11 |
| 2.2.2 Social Capital Theory..... | 12 |
| 2.2.3 Game theory | 13 |
| 2.3 Empirical Review..... | 14 |
| 2.3.1 Influence of Crowdfunding platform on Crowdfunding Initiatives Success | 14 |
| 2.3.2 Role of Social Networks on crowdfunding Initiatives Success..... | 22 |
| 2.3.3 Influence of Quality Project on Crowdfunding Initiatives Success | 27 |
| 2.4 Conceptual Framework | 32 |
| 2.5 Operationalization of Variables | 33 |
| CHAPTER THREE | 35 |

| | |
|---|-----------|
| RESEARCH METHODOLOGY | 35 |
| 3.1 Introduction | 35 |
| 3.2 Research Design | 35 |
| 3.3 Census Population | 36 |
| 3.4 Research Instrumentation | 36 |
| 3.5 Validity and Reliability of Instrument | 37 |
| 3.6 Data Collection Procedure | 38 |
| 3.7 Data Processing and Analysis | 38 |
| CHAPTER FOUR..... | 40 |
| RESEARCH FINDINGS AND DISCUSSIONS | 40 |
| 4.1 Introduction | 40 |
| 4.1.1 General Information | 40 |
| Table 4.0.3 Age of the respondents | 42 |
| 4.2 Descriptive analysis of the study variables | 47 |
| 4.2.1 Crowdfunding platforms and crowdfunding success initiatives. | 47 |
| 4.2.2 Social networks and crowdfunding success initiatives | 49 |
| 4.2.3 Quality of projects and crowdfunding success initiatives | 51 |
| 4.2.4 Crowdfunding success initiatives | 53 |
| 4.3 Diagnostic Tests | 54 |
| 4.3.1 Normality Test..... | 54 |
| 4.3.2 Test for multicollinearity | 55 |
| 4.3.3 Heteroscedasticity..... | 56 |
| 4.4 Inferential Statistical Analysis | 58 |
| 4.4.1 Pearson Correlation | 58 |
| 4.4.2 Coefficient of Determination..... | 59 |
| 4.4.3 Analysis of variance | 59 |
| 4.4.4 Regression Coefficients..... | 60 |
| CHAPTER FIVE | 62 |
| SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS | 62 |
| 5.1 Introduction | 62 |
| 5.2 Summary of Findings | 62 |
| 5.2.1 Findings on crowdfunding platform and crowdfunding initiative success . | 62 |
| 5.2.2 Findings on social networks and crowdfunding initiative success..... | 63 |
| 5.2.3 Finding on project quality and crowdfunding initiative success | 65 |
| 5.3 Conclusions | 66 |
| 5.4 Recommendation..... | 67 |
| 5.5 Areas for further Research | 68 |

REFERENCES.....69
Appendix I: Letter of Introduction78
Appendix II: Questionnaire79

LIST OF TABLES

| | |
|--|-----------|
| Table 2.0.1 Operationalization of variables..... | 33 |
| Table 4.0.1 Response Level | 40 |
| Table 4.0.2 Gender of Respondents..... | 41 |
| Table 4.0.3 Age of the respondents..... | 42 |
| Table 4.0.4 Level of education | 43 |
| Table 4.0.5 Category of the project | 44 |
| Table 4.0.6 Alternative method of funding..... | 45 |
| Table 4.0.7 Target funding amount..... | 46 |
| Table 4.0.8 Crowdfunding platforms and crowdfunding success initiatives..... | 47 |
| Table 4.0.9 Social networks and crowdfunding success initiatives | 49 |
| Table 4.0.10 Quality of projects and crowdfunding success initiatives | 51 |
| Table 4.0.11 Crowdfunding success initiatives..... | 53 |
| Table 4.0.12 Multicollinearity test | 55 |
| Table 4.0.13 Pearson Correlation | 58 |
| Table 4.0.14 Coefficient of determination..... | 59 |
| Table 4.0.15 Analysis of Variance | 59 |
| Table 4.0.16 Regression Coefficients..... | 60 |

LIST OF FIGURES

| | |
|--|----|
| Figure 2.0.1 Conceptual Framework | 33 |
| Figure 4.0.1 Response Level..... | 40 |
| Figure 4.0.2 Gender of respondents | 41 |
| Figure 4.0.3 Age of the respondents | 42 |
| Figure 4.0.4 Level of education..... | 43 |
| Figure 4.0.5 Category of the project..... | 44 |
| Figure 4.0.6 Alternative method of funding | 45 |
| Figure 4.0.7 Target funding amount | 46 |
| Figure 4.0.8 Normality test..... | 55 |
| Figure 4.0.9 Heteroscedasticity test..... | 57 |

ACRONYMS AND ABBREVIATIONS

| | |
|---------------|----------------------------|
| ANOVA: | Analysis of Variance |
| AON: | All or Nothing |
| KIA: | Keep It All |
| USA: | United States of America |
| VIFs: | Variance Inflation Factors |

OPERATIONAL DEFINATION OF TERMS

Platform: Crowdfunding is technologically enabled and therefore, website providers are very important. Website providers are also referred to crowdfunding platforms that create and control the crowdfunding process and ensure its smooth operation for both the founders and the backers and act as an interface with all stakeholders (Ordanini, Miceli, Pizzetti, & Parasuraman, 2011).

Founder: This refers to those individuals who founds or establishes communities, charitable organizations and business. Their role is to visualize a product or project and present the idea distinctly to potential backers through crowdfunding platform (Dingman, 2013).

Backer: They are individuals/ institutions that contribute finances towards a project, test market and provide judgment toward what is a good idea and whether a concept is worthy to engage in (Gerber et al., 2012).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Access to capital has been identified as one of the major challenges facing start-up businesses while growing businesses have challenges getting enough operating capital (Kerr & Nanda, 2009). This is because startups don't have, credit history worthiness, no collateral, are unable to indicate their value potential and are usually seen as risky by investors (Golic, 2014). On the other hand, Small and medium enterprises find it difficult to be financed because they are too large for micro financing or too small to attract any financier due to lack of collateral hence the missing middle (Rashid, 2012). To address such issues, new innovations in financial market have been developed to cater for such demands. Crowdfunding has been vouched has a new phenomenon in the market to finance startups and sustainable projects (De Buysere, Gajda, Kleverlaan, Marom, & Klaes, 2012). This phenomenon can be disruptive by replacing the main conventional methods as a main source of financing since the traditional intermediaries are hesitant to provide financing for startup thus propelling the growth of crowd funding platforms (Christensen & Raynor, 2003).

Moreover, over recent years, crowdfunding has been found to be an effective funding source for startups, in developed countries such as the United States and China (Zheng, Li, Wu, & Xu, 2014). According to Tu, Anh and Thu (2018), Crowdfunding is still a new source of funding for startups in Vietnam and needs to be interrogated and studied in various aspects before being applied as a means of financing enterprises. Dynamic development of crowdfunding platforms and development of the whole market segment has the potential to improve the financial environment for entrepreneurs, business owners of microenterprises and start-ups

(Pazowski & Czudec, 2014). Moreover, the Crowdfunding is a potential method of financing projects or business ventures and becomes an alternative dependable channel of capital acquisition to the existing ways of funding (Abdullah, 2016).

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1.1.1 Factors Affecting Crowdfunding

Traditionally, raising capital for the start up businesses is one of the most challenging aspect based on the resources required to manage the operations. Through the new technologies and availability of the funding platforms has enhanced new ways of funding to the businesses with list of mixed results and endorsements (Saluzzo & Alegre, 2021). Crowd funding is a source of financing which often occurs through internet based crowdfunding platforms where a large group of potential investors contributes small amounts (Belleflamme, Lambert, & Schwienbacher 2014). It can also be defined as a public call through internet to provide financial resources through donations, in exchange of reward or to gain voting right in support of a specific idea. As a result, the project founders gain from information, innovative ideas given by the financiers (Larralde & Schwienbacher, 2010). Crowdfunding can be seen as a method of sourcing for funds from many financiers over the internet who contribute small amounts for a common project (Almerud *et al.*, 2013). Belleflamme *et al.*, (2010) defines crowdfunding as a method of raising funds for small projects and business startups that are ordinarily financed by venture capitalists or business.

The growth of Crowdfunding can be attributed to exponential growth in information and technologies, emergence of web 2.0 that enabled social media interaction (Peyankov, 2013), data analysis software, the platform economy, social media and financial crisis in 2008 that made it difficult for entrepreneurs to access conventional sources of financing. There are several players in the process of crowdfunding who include lenders, entrepreneurs and the platform linking the two.

Entrepreneurs pitch their initiatives and business ideas on initiatives platform and financiers show their interest of investing in those ideas. Crowdfunding platforms are not financial institutions rather they act as intermediaries that link the borrower and the lender by acting as an endorsing platform. They also promote interaction and transaction between the lender and borrower (Mollick, 2013). The level of interaction is dependent on fundraising type, rewards to be given to investors while the motive to participate in a fundraising depends on model adopted by crowdfunding platform (Tomczak & Brem, 2013).

1.1.2 The Concept of Crowdfunding

Crowdfunding is drawn from the concept of crowdsourcing which is a group of investors who pool together their resources to invest in ideas raised by people or organizations. It also means that consumers not only purchase goods but collaborate in product development such that they give ideas on what they would want in a product (Kleemann *et al.*, 2008). The concept is already established and gained acceptance by large organizations which use it to get feedback and opinions about their products from the crowd whereas crowdfunding is purely for funding of ventures (Burtch *et al.*, 2013). In recent years crowdfunding has grown gradually into a \$16 billion market. It is growing exponentially around 300 percent per year and is concentrated in Europe and North America. Crowdfunding market is composed of lending, equity, donations and rewards crowdfunding. Lending crowdfunding has over the past few years, has been the growing the fastest. In 2015 crowdfunding market in developing world was about \$327 million about 2 percent of the total global market. Africa was among the lowest performing in the world in terms of utilizing crowdfunding. At about \$70 million, this accounted for less than half of one percent of global crowdfunding activity (Massolutions, 2015).

Crowdfunding Platforms differ in terms of crowdfunding period, where entrepreneurs have between 30 to 120 days to initiatives and depending with platform, they are given an extension (Hemer, 2011). Platforms charges a fee to get initiatives published this differs from platform to platform. Entrepreneurs have to consider platforms that have friendly rates with rates differing with business model adopted (Tomczak & Brem, 2013), minimum amount to be invested, crowdfunding contract duration, screening and risk analysis which by the platforms to find out whether the project is viable or not which gives investors the level of risk associated with that particular project (Hemer, 2011) and regulations where investors are required to conform to a certain form of law which is mainly regulations meant for anybody participating in the capital markets (Noordam, 2014). These differences among platforms show the reason why entrepreneurs choose what fits their business idea and also preference of a certain platform.

The crowdfunding concept is built on the business models that includes; reward, donation, loan and equity based. Reward based the financiers get rewards in form of product or they can also get money get a share of the profit. The reward is based on one's contribution towards the idea. Kickstarter platform is known for this kind of funding and was founded in 2009 (Giudici et al., 2012). The reward-based concept usually works with all or nothing implying that the fundraiser will only access the funds if he reaches target within a specified time otherwise the initiatives is deemed to have failed and the money is paid back to the idea backers. Donation based crowdfunding does not receive any kind of reward. These are mostly personal initiatives where they fundraise without specific timeframe and they spend the funds almost immediately however initiatives that are focused on a certain idea or product products are accessed after fulfilling the set specifications on the other hand charity

initiatives funds are given to specific not for profit organization on monthly basis (Harkonen, 2014).

Lending based crowdfunding backers receive interest on principal amount. Example of such platform is Zidisha and Kiva. These platforms are designed for entrepreneurs in developing countries where they are able to access loans at lower interest. However, the aim of this model is to back social ideas rather than returns (Mollick, 2013). On the other hand, equity based crowdfunding investors get a stake in the enterprise if it becomes successful. However, investors are not protected from adverse selection, risk of fraud, moral hazard and information asymmetry (Varian, 2010). However, with clear legislation investors can be protected as in the case of USA where they have enacted JOBS Act.

Crowdfunding models have their own unique goals. Therefore, crowdfunding initiative is said to be successful if it meets the goals set by each project. Other than provision of finances crowdfunding offers marketing platform, to get product first or access the limited edition, social factors, Participation of public in development of product prototype, feedback, creation of relationships with other creators and backers in order to get advice, validation, replicating successful experiences for inspiration and motivation. Giudici, Guerini and Rossi-Lamastra (2013), Gerber et al. (2012). The relationship of backers and founders is determined by the context of and goals of a project. Donation model mostly is philanthropic and follows the patronage model since the backers expect no form of reward, lending model will expect some rate of return from the money loaned but in case of micro financing the lenders are interested with the good idea and the good it's promoting over the returns hence an element of patronage model.

The financing of entrepreneurial ventures as well policy-making, has been at the forefront of academic debate as discussion for decades. In general, there seems to be an agreement that the risks associated with business startups are higher than for mature firms, hence, these ventures will have to pay a higher interest rate than more mature and large firms (Silver, Berggren & Fili, 2016). Improving the domestic capital supply will require making existing sources of capital more accessible and creating additional opportunities to provide funding through online crowdfunding platforms (Cholakova & Clarysse, 2015).

Reward based model, the backers receive some form of reward for backing the idea in form of giving ideas in the development of the product, opportunity to attend the launch of a product and meet the project owners, backers are treated as early customers and other privileges associated with product development whereas equity model backers are given a chance to own a stake in the company, share profits however it is highly regulated by capital markets (Belleflamme et al. 2012). From the discussion it's evident that platforms, goals, crowdfunding models, visibility in the social media and quality of project, plays a significant role in the success of crowdfunding initiatives.

1.1.3 Crowdfunding in Kenya

The Kenya Vision 2030 is geared towards economic integration and recognition of the information communication and technology as a pillar that steers development in all sectors of the economy. The expanding role of ICT sector in Kenya has enhanced financial inclusion, increased financial services and emergence of new models of funding to potential businesses (Matanji, 2019). This is linked to the spheres where the use of WhatsApp as a social media technology and the M-Pesa for mobile money

services with the two linking in sharing information and placing money services for crowdfunding becoming very effective.

Over the last ten years, a number of new business start ups embedded in technology have emerged with competitive concepts for both the local and international markets. The number of the new tech service providers' firms in Kenya is above as compared to the rest of the African countries (Vries, 2019). Wachira and Wachira (2012), acknowledges the factors associated with successful crowdfunding campaign in Kenya are still new owing to minimal publicity, acceptability and little research studies presented. The few platforms that exist are not much known to the public, M-Changa is the largest donation based crowdfunding in Kenya. The platform was founded in 2011 and has supported a number of projects in education, business, farming, health and community welfare. The platform has approximately 40,081 fundraisers and 877,744 supporters currently (Wachira & Wachira, 2021).

1.2 Statement of the Problem

Crowdfunding is the newest and most recent initiatives that helps to avail financial support through a technology based platforms where investors, fundraisers, supporters and beneficiaries can meet and exchange ideas for creative and worthy projects (Vries, 2019). Despite the opportunities provided by crowdfunding as an alternative source of financing, success rate of crowdfunding has not been impressive more so in the developing nations. It's estimated there are 19 active crowdfunding platforms in Africa as per African Crowdfunding Association membership who promote social causes, business and entrepreneur's projects and creative and innovative projects. In 2015, 618 projects were launched in Africa of which 79 were fully funded representing 13% of successful projects in comparison to Europe with 35% success rate in the same period (Afrikstart.com 2015).

A research by (Strickler & Benenson, 2012) shows that few crowdfunding initiatives are successful while others hardly raise enough funding to continue or are not successful at all. As a result, it will be difficult to understand the relevance of crowdfunding and its impact in bridging financing gap.

Studies carried by Mitra and Gilbert, (2014) on success factors of crowdfunding projects was predictive analytics of crowdfunding success. The study focused on project description, text mining techniques, language and phrase used. But did not look at the history of project founder whether they were active on the platform as a backer or project creator. The presence of creator in crowdfunding platform is important because theory of signaling (Spence 1974) states that proper signaling can attract people to use a product even where no proper information on the product is provided.

In another study by Zvilichovsky et al. (2013) investigated whether funding success is influenced by either project creator or backer. It was found that history of project backing has positive influence of success of crowdfunding as but project created does not have an influence. The study failed to look at the project characteristics which entails project information depth and additional images which other studies have shown positive impact which is important in project initiatives. Mollick (2013) found that projects succeed by a small margin or fail completely. The study points that success of crowdfunding is connected to quality and community building. Quality projects attract more backers and presence of the project creator in social media important in determining whether a project will fail or succeed. From the studies highlighted above on factors affecting crowdfunding success they were was mainly conducted in Europe and Asia. From the foregoing presentations, it is clear that little has been done on factors that determine success of crowdfunding initiatives

and the current study bridges the gap by specifically considering crowdfunding platform, social networks, project quality and crowdfunding success.

1.3 Research Objectives

The general objective of the study was to establish factors that determine success of crowdfunding initiatives.

- i. To establish the impact of crowdfunding platform on crowdfunding initiatives success
- ii. To analyze the effect of social networks on crowdfunding initiatives success.
- iii. To establish the impact of project quality on crowdfunding initiatives success.

1.4 Research Questions

- i. What is the impact of crowdfunding platform on crowdfunding initiatives success?
- ii. What is the effect of social networks on crowdfunding initiatives success?
- iii. What is the impact of project quality on crowdfunding initiatives success?

1.5 Significance of the Study

The study is significant in understanding alternative financing for entrepreneurs. The significance can be evaluated in terms of Entrepreneurs, theoretical and policy maker's perspective. Theoretically it would add knowledge in the field of crowdfunding especially in Africa and bring out areas of further research for in-depth understanding of how to crowdfund successfully.

Entrepreneurs can use recommendations given to build their knowledge of crowdfunding more so the techniques to apply in order to have successful crowdfunding initiatives which would in effect actualize their business idea funding needs.

Policy makers would appreciate the need to embrace crowdfunding as an alternative form of financing which would cause them to lay down regulations that would regulate the industry to protect crowdfunding stakeholders. Crowdfunding Platform owners would be able to offer more customized and comprehensive crowdfunding solutions in order to better facilitate such things as better backer-funder interaction and overall crowdfunding initiative success.

1.6 Justification of the Study

Crowdfunding has emerged as the best alternative for sourcing project success as it provides a platform where financiers, beneficiaries, investors, supporter and providers can freely interact and share ideas and resources. The platform is supported by new technology and it has proved to be very effective in delivering results. New models such as M-Changa, WhatsApp and M-Pesa are providing an effective support system where the requests can be placed and transactions generated in real-time.

1.7 Scope of the Study

The study determines success of crowdfunding initiatives. Variable that were used in the study included crowdfunding platform, social networks and project quality to on the influence success of crowdfunding initiatives. Crowdfunding represents a two-sided market, which consist of entrepreneurs, investors and crowdfunding platforms. The study considered business-based projects pitched on M-Changa platform which is the only crowdfunding platform based in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews theories that underlie factors determining crowdfunding initiatives. Empirical review is conducted to find out what other researchers have found. A conceptual framework was developed to demonstrate variables relationships and operationalize the variables.

2.2 Theoretical Review

It's a collection of interrelated concepts that is used to make give an understanding of relationships of variables that are important to the topic at hand. The theories discussed are meant to bring an understanding of underlying factors that determining crowdfunding initiatives success. The theories include: Signaling theory, Game theory, Social capital theory and Network Externalities theory.

2.2.1 Signaling Theory

Signaling theory is premised in the idea that Agents in a contract will give the right information to the Principal where the principal interprets the information the way they deem fit (Connelly et al., 2011). This therefore reduces information gap hence low information asymmetry cost. Spence (1970) demonstrated information asymmetry using a job seeker who has his capability but the employer doesn't know of the jobseeker's intangible attribute. To signal the employer the job seeker obtains education which shows his level of quality which is desirable and beneficial to both of them. The distinguishing characteristic in signaling models is the hidden capability of the signaler in fulfilling the demands of the signal observer. The theory has been used in crowdfunding to explain how mitigating asymmetries can lead to project success.

An entrepreneur will use signaling persuade potential backers of his high-quality product hence attracting more fund (Belleflamme et al. 2014).

Quality signals attracts investors who in effect introduces the project to other backers or even increase awareness of the project through various media platforms thus arousing interest of potential investors. Signal that demonstrate the quality of a project which by showing well prepared concept with less mistakes, completeness, a catchy introduction video, frequent updates and good description of the project have high impact on success of fundraising (Mollick, 2014). The more details that are given reduce chances of information asymmetry therefore increasing chances of getting investors (Dorfleitner et al., 2016).

Empirically fundraising initiatives results have been linked to project quality signals. The more signals a project has the higher the chances of success. A study carried by Chen et al. (2009) on Impact of preparedness shows that projects that had less mistakes, used video, updated investors frequently had high success rates. In another study by Bi et al (2017) on impact of description and videos and dof reward base initiatives showed a positive impact. In peer to Peer lending (Dorfleitner et al. 2016) found out that the more the words used and few spelling mistakes are more successful with projects that provide sufficient information to the investors recording high success rate.

2.2.2 Social Capital Theory

Social capital is a wealth of fundamental characteristics that enable collective action. These characteristics are trust norms and networks of association that form for a particular objective. The fundamental aspect for reward-based crowdfunding is social dynamics which develops from social networks (Frydrych, Kinder, & Koeck, 2014). A fundamental aspect of crowdfunding is not only raising funds but getting advice

and opinions from the crowd hence the need to develop relationship and grouping on crowdfunding platform or through own social networks (Bellefalmme, Lambert, & Schwienbacher, 2014).

Social capital is an aggregate of resources that are available now or in the future that are obtained from individuals who have a relationship in a network Nahapiet and Ghosal (1998). Social capital is built on structural dimension which is an important aspect of development and use of social capital, which shows the linkages within the network, relational dimension features trust norms expectations obtained from reciprocal behavior obtained within the network whereas cognitive dimension develops social capital between individuals in a network who have close relationship and shared language. Due to various interpretations, social capital should have social structure, common goals, interdependence and proximity.

The multidimensional social capital theory is important to crowdfunding because it promotes capacity to create online community for purposes of raising funds to meet the project targets. The two types of social networking are solicitor's personal networks and networks availed by the crowdfunding platform owners which are meant to give the solicitor a chance to actively interact with potential backers to boost relationship and communicate project quality for purposes of convincing them to contribute to the initiatives (Zheng et al. (2014)

2.2.3 Game theory

The game theoretic model is used to show the strategic interaction between two players. In this regard, the behavior of the revivals is assessed within the process of finding out how to best anticipate their likely action (Furrer & Thomas, 2000). The game theory is based on the assumptions that players act based on rational behavior.

Game theory analyses the strategic behavior of participant by putting into consideration the expected action to be taken by the opponent. It finds optimal results from a set of options through analyzing cost benefit of the parties involved in the competition. It's a study conflict and collaborations between players. Equilibrium selection explains why a participant chooses equilibrium over another (Corazzini et al., 2015). Similar multiple choices on a crowdfunding platform affect level of fundraising and chances of crowdfunding success because coordination between players becomes difficult due to multiplicity of choices.

This theory has been applied as part of microeconomic models “to assess strategic intent” (Saloner, 1991). The game theory, which is basically “a mathematical theory of decision making” (Netessine & Shumsky, 2001), can be applied by fundraisers and backers of crowdfunding projects. This can be done by assessing the level to which the three factors under investigation in this current study such as social network, platform and project quality influence backers to support a project, leading to success of the crowdfunding initiative.

2.3 Empirical Review

2.3.1 Influence of Crowdfunding platform on Crowdfunding Initiatives Success

Crowdfunding platforms performs an important role in crowdfunding initiatives by linking the main seekers of capital and project backers who are the principal players in crowdfunding. The main role of the platform is to standardize procedures, provide information, manage portal thereby reducing information asymmetries hence reduction in risks (Lesner, 2013). Platform can also be used to build trust amongst the participant therefore motivating backers to give more (Burch et al., 2013). Wash and Solomon (2014) studied funding designs that are preferred by platforms. This study

found out that backers have a tendency to contribute more in all or nothing design as compared to keep what you get design.

To affirm the above recommendation, Doshi (2014) studied the impact of project timings on the platforms and found out that platforms should distribute the timings of the projects in order to get optimal results. Maeschle (2012b) examined whether competitive pressure of platforms affect need for disclosure. He recommended that in order to reduce information asymmetry the capital seekers should provide company information and management structure.

A study by Hemingway (2014) indicates that it's important for capital seekers to provide information that will enable the participants to evaluate risk involved. Therefore, the need to come with standardized means of evaluating these risks to avoid business ideas being imitated by competitors (Agrawal et al., 2013). Mollick (2014) found out there is a positive influence on funding goals on the success of crowdfunding. The study indicates that if goals are set high there is a high likelihood of failure but in contrast funding goals for complex and huge projects should not be put too low since they will be untenable.

A study by Stern (2013) found out that the reputation of a crowdfunding platform, such as Indiegogo, determines the level to which people result to it. If a platform is well known and success rates of fundraising initiatives through it have been well documented, the propensity of more and more people resulting to it takes place. Since more and more people visit its site, it can be argued that projects that are pitched in it could easily succeed is enhanced.

Thuy (2017) undertook a study titled, "crowdfunding in Vietnam: the impact of project and founder quality on funding success." The findings of the study obtained data from a sample of 122 crowdfunding projects in Vietnam. The findings obtained

concluded that success of a project is correlated with the platform reputation. However, since this study was not based on Kenya or an African country, the findings may not be reflective of this current study. The study by Hendricks (2014) on “reasons why crowdfunding is the next big investing trend” show that “brand awareness and attract more contributors.” As such, the more reputable a brand is, the more likely it is to attract backers.

Based on the findings therefore funding goals can be seen to be set commensurate to project size and complexity (Müllerleile & Joenssen 2015). The studies reviewed were done for platforms registered mainly in Europe and no study that has been done in Africa. This study therefore, will contribute to the knowledge gap of success factors of crowdfunding initiatives in Africa.

Massolutions (2012) investigated the factors that influence the successful crowdfunding initiatives of micro, small medium enterprises. The findings of the study established the success rate of a crowdfunding platform campaign is measured by achievement of the entrepreneur’s campaign target. The campaign target is normally assumed to be the funding gap that exists for the micro small medium enterprises that have decided to get the funding of their business from the crowdfunding. Thus, the primary obstacles facing the micro small medium enterprises sourcing of funds from the crowdfunding is the weak platform and size of micro small & medium enterprises networks

Onyango (2018) sought to investigate the effect of crowdfunding platforms in enhancing the financing sources for micro, small and medium enterprises. The study used a sample of 30 respondents which was equal to the population size and exploratory research design was adopted. The findings of the study established that effective and visible crowdfunding platforms enhances the financing opportunities for

the micro, small and medium enterprises and could provide the much-needed solution to reduce financing gap that is affecting their sustainability and growth.

The success and growth of crowdfunding initiatives have been driven by effective and reliable platforms. According to a research by Dushnitsky, Guerini, Piva and Rossi (2016) on the determinants of platform creation across countries established effective success of a project is positively correlated with the reputation of the platform, as well as the success rates of the projects pitched in the platform. platforms provide an option of interaction between funders and project owners. Moreover, the study found European and North American platforms represent more than 85% of the worldwide funding volume. Therefore, the availability of the platforms were the key reasons behind the success of the crowdfunding initiatives based in Europe and North America.

Beier and Wagner (2016) conducted a study to establish behavior in Crowdfunding Platforms in Switzerland. The study used the data from the crowdfunding platform 100-days.net, which is one of the Switzerland's dominant crowdfunding platforms. The conclusions of the study established that services offered in the crowdfunding platforms are not given for free and greatly differ in the amounts they ask and the payment of the registration fee is compulsory to members and the amounts vary and do not depend on the level of deposits.

Yi, Pei and Gerber (2012) on the study titled crowdfunding as a creativity Support tool established that the crowdfunding platforms motivates the people to get their creative ideas validated exposed, supported and recognized. These platforms generate a positive pressure which brings discipline to the project and putting an idea online, agreeing to a deadline for funding, exhibiting it to a critical mass, and accepting the all or nothing (Damus,2014).

A study by Macht and Weatherston (2014) investigated the benefits of online crowdfunding for business ventures seeking funding. Based on the findings, crowdfunding platforms offer special opportunities in reducing the gap for small enterprises particularly due to the lack of restrictions on the nature of the firms that can get involved. The companies that are seeking for funds to overcome funding difficulties and the platform facilitates the more and easy access to further funding, provide publicity and contacts and enable fundraising with only limited or no loss of control and ownership.

A study by Nucciarelli, Fernandes, Goumagias, Cabras, Devlin and Cowling (2017) conducted a study on the effects of crowdfunding in the digital game industry. The findings of the study demonstrated that some entrepreneurial projects become world famous because of reaching enormous amounts of funding and media coverage from many participants. For the viewer, however, those platforms focused on the cultural industry may be the most interesting. They can reach gallery like levels and status, allowing artists to showcase a sample of their product, their stories, and their business plans.

A study by Gossel, Brüntje and Will (2016) examined the research programme on the societal relevance and the potential of crowdfunding. The study concluded that the existence of platforms in the process of crowdfunding give lee way for a differentiating between direct and indirect fundraising and also a reasonable targeted amount of money are key determinants of the success of projects as it presents transparency and accountability. The direct fundraising illustrates that the project owners seek direct contact with their potential crowd, while in indirect fundraising a facilitating platform to some degree assists the project owners in their funding process.

A study by Valančienė and Jegelevičiūtė (2014) pinpointed the influence of crowdfunding for creating value in Kaunas, Lithuania. The findings of the study established that the availability of the crowdfunding platforms gives startups business a chance to present their ideas to the general public to see and thus, request for the funding. Additionally, the crowdfunding platforms presents out the different ideas from the entrepreneurs and enhances an investment opportunity to the investors to decide to fund the project or not (Paschen, 2017)

A study by Light and Briggs (2017) conducted a study on crowdfunding platforms and the design of paying public. The study used primary data from the interviews. The study findings pointed out that mobilizing people and generating ideas through the crowdfunding platforms makes it be ahead in comparison with the other financing options. The platforms increase the visibility of the project ideas to the large public, which include backers or investors, who express their suggestions, and opinions of the product, idea or project might be modified and perfected with their help.

A study by Feola, Parente, D'Onofrio, Marinato and Pellegrino (2017) studied a case of Paulownia Social Project on the evolution of crowdfunding towards an impact investing logic: The case of. The study findings highlighted that the crowdfunding platform allows the potential investors to invest in different projects like public-private partnership opportunities supported by the government, funds, bonds and non-governmental organizations. The platforms give an opportunity to the donors of the project to have a clear picture on the utilization of their donations and voice their own views, preferences, and support (Kukurba & Waszkiewicz,2018).

A study by Jenik, Lyman and Nava (2017) conducted a study on crowdfunding and financial inclusion. The analysis of the study revealed that

crowdfunding platforms have initiated a lot of funding to raise out the capital to the startup business and could in future out-compete the traditional lenders as the transactions are faster, quick and cheap. The poor members in the society who are unable to access loans from the formal lenders can use the platform to access financial assistance. However, easy availability of loans can be a burden in the future to the borrowers and can really struggle to pay back the money that can lead the donors to loss of confidence on them thus lose a lot of investment (Ramos, 2014).

A study by Abushaban (2014) analyzed the influence of crowdfunding in the middle east as a propeller for innovation. The study used donation-based crowdfunding, crowdfunding investing, internal crowdfunding and hybrid crowdfunding as the study variables. It was established that an efficient and trusted platform of crowdfunding was responsible for an increase of funding to many of the entrepreneurs. Moreover, the revealed that the entrepreneurs have to disclose all the personal information of the project to the donors. This disclose of important data to the donors makes the project not to be so confidential and very important matters that are very confidential be readily available to the enemies who might work on bringing down your business idea so to avoid any form of the competition (Abdalhakeem & Mostafa, 2018).

A study by Aitamurto (2011) investigated the impact of crowdfunding on journalism in the United States of America. The study was conducted in non-organization known for crowdfunding called Spot. The US. The findings of the study revealed that the journalists perceived donors as investors who were in a position to help them during any time of financial crisis. Moreover, from the perspective of the donors, donating of the fund to the journalists does not generate a firm relationship from donor to the journalist, or to the story to which they contributed. The

fundamental objective of donating is to contribute to the common good and social change to the entire society.

The research investigating why people are motivated to post and fund projects on crowdfunding platforms by Gerber, Hui, and Kuo (2012) established that people participate in the process of crowdfunding because they have trust and believe in enhancing a positive and desirable value to other people. Financiers of crowdfunding are inspired to participate in raising funds, connect with others, receive validation, expand awareness of work through social media, and replicate successful experiences of others. Moreover, platforms ensure the entrepreneur only engage in the primary activities and the project is done as per the agreement.

The effective platform of crowdfunding has enabled to create a sustainable social capital between the entrepreneurs and the financiers. According to Zvilichovsky, Inbar, and Barzilai (2015), the crowdfunding platforms establish a long-lasting understanding between the entrepreneurs and the supporters of the project. The rate of the success and support of the project will be determined by increasing the numbers of backing actions undertaken by the owner of the project. Moreover, the platforms ensure the project started is not abandoned on the way and mostly, the crowdfunding guarantees full implementation of the project until the final stage (Belleflamme, Lambert & Schwienbacher, 2014).

A study Hui, Gerber and Gergle (2014,) investigated social networks for crowdfunding. The study established that crowdfunding provides a new way for creatives to share their work and acquire resources from their social network to influence what new ideas are realized. The study used the primary data and interviewed 58 crowdfunding project creators to investigate how crowd funders use their social network to reach their campaign goals. The study identified three main

challenges, which include understanding network capabilities, activating network connections, and expanding network reach. The conclusions of the study established that the initial design implications for support tools help crowdfunding project creators better understand and leverage their social network.

The crowdfunding platforms are perceived to generally provide two fundamental ways to pitch the project and the ways are the narrative and a short video. According to a research by Wheat, Wang, Byrnes and Ranganathan (2013) titled, raising money for scientific research through crowdfunding established that the role of the narrative is purposively to outline the proposed research content and the video aids the to introduce the researchers and the study to the donors. Moreover, the contributors to the crowdfunding generally aims at some systems of rewards. The primary goals of the crowdfunding rewards are for the donors to feel connected to the entire project that they took part from the beginning to the end (Koch & Siering, 2015).

2.3.2 Role of Social Networks on crowdfunding Initiatives Success

The wish to be involved in social networks has been famed as a main motivator for backers to be involved in crowdfunding initiatives. Studies have been carried out on effect of social networks in making decision by the backers. It has been found out that information asymmetries are reduced thus increasing chances of crowdfunding success (Everett, 2010; Freedman & Jin, 2008).

A study by Zhang and Liu (2012) on herding behavior found out that default rate is low due to herding behavior is rational and strategic in crowdfunding. Another study by Kuppuswamy and Bayus (2013) on herding behavior in reward based crowdfunding model by analyzing data from Kickstarter platform indicated that they follow a u-shaped pattern. Backers will finance projects that are near to their funding

goals since they are likely to be more successful. They also found out that backing from family, friends and publicity has a positive impact in the funding process mostly at the end of funding. Hekman and Brussee (2013) studied “the influence of a social network and media activities on the success of a crowdfunding campaign at Kickstarter.” The findings obtained show that social networks are vital determinants of the probability of a project to succeed.

Publicity at the beginning of a project is important but the main driver for successful crowdfunding is the level of interaction of both participants (Lu et al. 2014). Ramachandran (2010) found out that blog posts, media coverage, features in the publicity materials in the platforms have an impact in crowdfunding success to affirm the importance of video. In this regard, video has a significance in appealing potential project backers since they tell project owner story that individuals want to relate to. Further Wheat et al (2013) affirms that video give a good chance of project owners to market themselves. But on the other hand, a study by Chalakova and Clarysse (2015) found out that the identification of the project founder has no positive impact.

A study by Zheng et al (2014) encourages use of various communication methods to enhance communication and understanding among crowdfunding participants. More so information about the project owner enhances the backers' trust hence enhancing chances of success (Boeuf et.al (2014). To crown crowdfunding concept is drawn from a social environment where the project owner picture forms part of social component therefore increasing chances of success. Social networking in early stages of the project is paramount to have successful initiatives (LU et.al 2014). A study by (Mollick 2014) shows that project owner social influence on social networks has a big impact on success of initiatives. Belleflamme et al. (2014) points

out on the significance of web 2.0 and social networks in spreading out information about the project thereby reaching a large number of potential backers however the study also found out that strong engagement does not necessarily raise the targeted amount. Further Frydrych et al. (2014) points the more information is provided about the founder legitimizes the project therefore increasing chances of success.

Signals are relevant in equity markets and found out that ventures which have a good structure and a well-educated board have an elaborate exit strategy are likely to succeed in their goals Ahlers et al. (2013) Likewise, geographical location attracts backers within the area since the project reflect repressed cultural product (Agrawal et al. 2011). Zvilichovsky et al. (2015) studied reciprocity effect on crowdfunding and observed that project owners who have backed other projects before stand a chance of being successful in their initiatives.

Trust in social networks and association is very important. A study by (Meadows, 2007) found out that the synergies of online presence are as a result of trust and size of the network. Communication crowns the importance of crowdfunding since a misrepresentation of facts, appeal, and relationship can affect the performance of crowdfunding initiatives. (Hui et al., 2014). The studies reviewed indicate that social capital is necessary for a successful initiative. The study on importance of social capital was carried out in Europe and Asia but none in Africa. Therefore, this study will make contribution on the knowledge gap of success factors of crowdfunding initiatives in Africa.

Social capital increases the crowdfunding initiatives which is enhanced by the process of social networks that can be mobilized or accessed through ties in the networks (Moritz & Block, 2014). Large networks are more connected with many people and the donors are many who are capable and willing to offer loans and other

financial support to those with insufficient capital. Thus, the strong social network that promotes togetherness of all parties and everyone is appreciated and supported fully tends to have a very successful platform for the purpose of crowdfunding.

Borst, Moser and Ferguson (2018) conducted a study on the relevance of relationships between the platform activities, crowdfunding performance and social media, and the. Study established that crowdfunding involves raising small amounts of money from a large number of people, typically through the Internet and social networks, to fund a project. To study how project creators, seek to attract funding from more distant/potential resources in addition to existing networks, the study examined usage of social media (Facebook and Twitter) and the crowdfunding platform (website). Study analyzed 10 cultural projects hosted on the Dutch crowdfunding platform “Voordekunst.” The findings of the study revealed that latent tie funders, namely, people unknown to project creators, are positively associated with project performance. Also, the findings indicate that online activities shape the effect of tie strength on project performance in different ways. Online communication extends the reach of the request for funding, and herding behavior resulting from peer influence in social networks seems to enhance project performance.

Giudici, Guerini and Rossi (2013) explored a study on the role of proponents’ why crowdfunding projects can succeed: individual and territorial social capital. The conclusions of the study established that social information contributes a fundamental role in the success or failure of crowdfunded projects. Moreover, the research of Greenberg and Gerber (2014) on experiencing public failure online, learning to fail: through crowdfunding established that it is the social capital and not territorial or delocalized capital which increases the chance of founders reaching the crowd that is looking forward for the financial support to the proposed project. A study by Zheng et

al (2014) instituted that entrepreneurs' social network ties, obligations to fund other entrepreneurs and shared meaning of the crowdfunding project between entrepreneur and sponsors had a positive significant effect on performance developed nations particularly China and USA.

Moissejev (2013) conducted a research on the effect of social media on crowdfunding project results. The data collection process was completed in February 2013 and analyzed using the SAS 9.3 statistics package. The findings of the study established that there is a strong relationship between media seals of the approval the, size of the network coverage and the crowdfunding activities. Running a promotional campaign positively generated more following and likes thus increases transparency and project creators can apply to their followers and personally ask them to support the project (Siering & Muntermann, 2013).

Additionally, Kerkhof (2016) did research to investigate the influence of social interactions and social networks on the success of a crowdfunding campaign. The data was extracted from crowdfunding European platforms, www.doorgaan.nl, www.oneplanetcrowd.nl, and www.voordekunst.nlin located in the Netherlands. Besides, data from the France platform www.KissKissBankBank.nl was collected. For the purpose of the data analysis, the study tested whether there existed a relationship between the number of Facebook friends, likes, number of updates and number of comments and the success of the crowdfunding project. The study findings of the study confirmed that there existed a significant and positive relationship between social interactions and crowdfunding performance. Thus, entrepreneurs can use social interactions in the form of posting updates and interacting through the comments in order to increase the likelihood of succeeding in project loans and donations.

Moreover, social networks perform the role of promotion functions. According to Ambani (2014), social sites attract a wide community of backers, who study projects before supporting them. Further, these readers share information about projects in their social media, thus spreading it among their followers. This allows them to increase awareness about products and it can get a lot of funding from different participants.

The crowdfunding will only occur in areas that have access to reliable internet coverage in terms of broadband and mobile data networks. Availability of online social networks platforms to reach more followers enable investors to communicate with the entrepreneurs more efficiently (Bouncken, Komorek & Kraus, 2015). Moreover, the improved access to the Internet through the mobile phones and other devices, increasing use of social networks and the FinTech revolution made crowdfunding practical by ensuring reduction in operational costs and increasing the high chance of reaching crowdfunding platforms (Terry, Schwartz & Sun, 2015).

2.3.3 Influence of Quality Project on Crowdfunding Initiatives Success

Signals of frequent updates, good quality videos, have been linked to success while spelling mistakes have been associated with low success rates. Producing a video shows at least there is minimum preparation this indicates a sign of high-quality project. Since investors responds to quality projects to some extent it means that investing in an idea is based on premise that crowdfunding will succeed (Mollick, 2013). Cumming et al. (2015) found out that Keep It All (KIA) model signals quality in comparison to All or Nothing (AON) model. Initiatives using these signals send a message to backers on the project quality. Projects pitched on crowdfunding platform are usually unfinished product hence high prevalence of uncertainty and information asymmetry. Investors will rely on description a given by the founder on how the

product will look like. Therefore, the need to be transparent to gain potential backers trust (Belleflamme et al., 2013.)

Research has shown that projects succeed marginally or fail by large margins due to project quality (Mollick, 2014). Measurement project quality in crowdfunding platform is not easy since backers lack expertise; they instead rely on preference and feelings. Researchers have turned to indirect and direct factors that influence crowdfunding success. Chen et al. (2009) found that a good and elaborate business plan is an indicator of successful initiatives. This echoed by (Kickstarter 2016) who described the importance of business plan in traditional business environment as it is today.

Project description is seen as a major ingredient to convince backers to fund a project. This is because there is no factual information about quality of the project since ideas are in early stages new, unproven technologies and unfinished goods and services therefore making description the only available tool to market potential project to backers (Parhankangas & Ehrlich, 2014). Mollick (2014) found that due to high demand for backer's project owners have to use project description in order to attract backers. Dutta and Folta (2015) in a study titled "information asymmetry and entrepreneurship" argue that the propensity of a project to be funded in crowdfunding platforms was correlated with its quality in terms of its objectives and expected returns. In this regard, it was pertinent for entrepreneurs to ensure that their projects had the right appeal and that they were well organized as this could affect their likelihood to succeed or not.

Mollick (2014) argues that information on the amount to be collected upcoming project work load is important. This creates transparency and shows that the initiatives are well planned. The study measured quality of project based on

preparedness and has shown positive influence on backers in decision making. Several studies have shown that the length of text, pictures and videos have a notable impact on success of the initiatives. The researches concentrated on number of updates. The research found that video creation is assign of project quality since it engages the backers (Mollick 2014). From the reviews done no research has been done on factors of crowdfunding success in Africa and therefore this research will contribute to literature on crowdfunding in Africa.

Cordova, Dolcib and Gianfrate (2015) conducted a study on the determinants of crowdfunding success: evidence from technology projects. The conclusions of the study pointed out that the quality of the project positively influenced the funding capacity in the crowdfunding. The completed projects were very important to the entrepreneurs and were used to prove quality work done before and thus look for the extra financing from the crowd funders. Moreover, information describing the implementation and monitoring of the proposed project on the crowdfunding platform has a positive significant impact to the crowd funders awareness (Koch, 2015)

The crowdfunding campaigns are viewed to introduce unique products and services to the market. According to Roma, Gal and Chen (2018) it is very integral for entities to strategize on the crowdfunding approaches that are meant to have the reputation of all the involved parties so as to have the confidence of the donors. The funders are much interested in areas where there is promise and perceived directory of the project. Gerber, Hui and Kuo (2012) investigated the signals of quality that influence project funding success include. The research aimed at outlaying the extrinsic motivators associated with the procedure for securing finances and the experiences of the funders and creators.

According to a research findings on the influence of online information on decisions for investments based on crowdfunding by (Bi, Liu & Usman, 2017). The results established that crowdfunding necessitates companies that have resources constrained or poorly funded to have their request or the funding idea placed on social network even before securing copyright protections. This makes them lose the idea or easily being maneuvered by well established firms and have the opportunity of the idea with non or minimum benefits attached on.

Lax (2017) investigated the Success factors of game industry crowdfunding campaigns. The study variables used to determine the crowding success factors were goals, quality, rewards, community, preparation and team. The findings of the study established that the signals of quality can also be the materials used in the crowdfunding campaign. These campaign materials can range from separate project websites to high quality infographics and illustrations on the campaign page. Gerber et al. (2012) on the other hand list the following signals of quality that influence project funding success: the use of hard information in product detail, extended narratives and concrete descriptions, endorsements by group leaders, and building strong interpersonal connections

Ahlers, Cumming, Günther and Schweizer (2015) conducted a study on the signaling in Equity Crowdfunding. The finding of the study revealed that quality signals is positively related to funding success; while there is little evidence supporting the role of social capital and intellectual capital. Retaining equity and providing detailed financial forecasts can act as effective signals to decrease information asymmetry and therefore increase the probability of success.

Additionally, the study of Hörisch (2015) on Crowdfunding for environmental ventures: an empirical analysis of the influence of environmental orientation on the

success of crowdfunding initiatives established that there exists a positive relationship between fundraising result and project quality signals. Moreover, the study established high sufficient information disclosure about the project and clear meanings tend to have a higher possibility of success than those projects which lacks quality signals and there is information asymmetry.

Nevin, Gleasure, O'Reilly, Feller, Li and Cristoforo, (2017) did a study on the Social identity and social media activities in equity crowdfunding. The study revealed that existence of crowdfunding platforms has helped creators to bring their innovative products to market. In recent years, equity crowdfunding has increased in popularity as an alternative form of finance, and has helped thousands of innovating entrepreneurs to raise money, and join a broader conversation with large numbers of potential investors. Early-stage startup investment is no longer restricted to venture capital firms and high net worth angel investors. The study examined how different social media activities have an impact upon the funding of a crowdfunding campaign. The conclusions of the study established that fundraisers who want to utilize social media to increases their chances of a successful crowdfunding campaign. The study identified that being more active on social media, and having a higher level of engagement with the crowd have a positive impact on the overall funding of a crowdfunding campaign.

Mourao, Silveira and de Melo (2018) conducted a study in Brazil titled influence of crowdfunding projects by capturing on key attributes linked to the success of the crowd funded projects. The study findings showed that the projects involvements increased in value when the number of the investors increased. This was a reflection of the value invested and the rewards associated in the project linking to the category of the promoters. The promoters were founders, community group, peers,

new companies, friends, associates among many. Thus those that were very linked to the crowdfunding success in various projects showed their best performances to reflect onto the rewards and investment qualification chances.

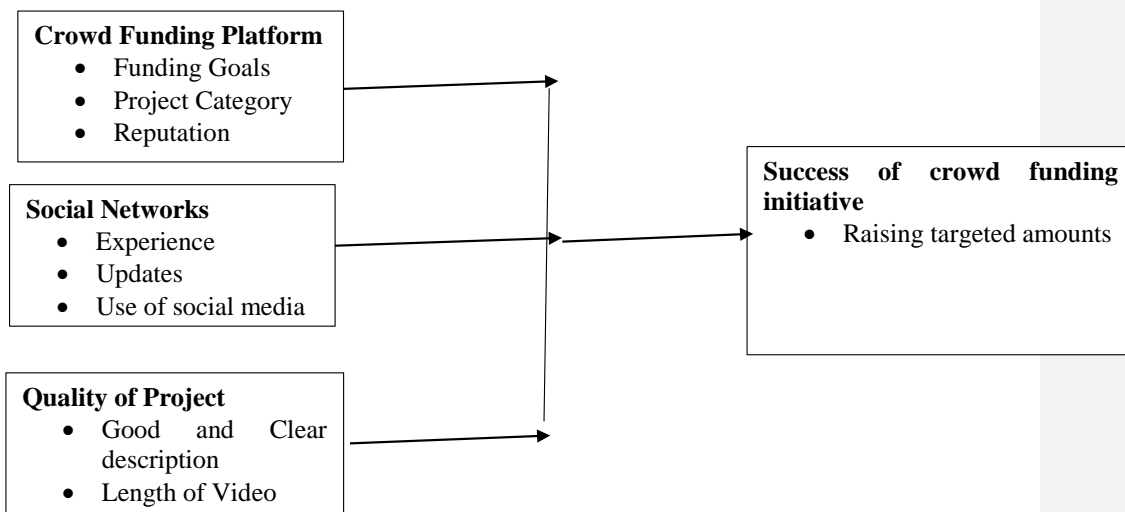
Kuppuswamy and Bayus (2017) investigated the dynamics of project backers in Kickstarter. The study revealed that more entrepreneurs are considering crowdfunding as a way to fund their creative ideas. Moreover, the study found the online crowdfunding communities, potential donors can see the level of support from other project backers as well as its timing before making their own funding decisions, suggesting that social information will play an important role in the ultimate success of a project. Many potential backers do not contribute to a project that has already received a lot of support because they assume that others will provide the necessary funding. Moreover, as the project deadline draws near, we find that project updates tend to increase as the project creators make a final plea for help to reach their funding goal. The study concluded that potential donors can see the level of support from other project backers as well as its timing before making their own funding decisions, suggesting that social information (i.e., others' funding decisions) will play an important role in the ultimate success of a crowdfunded project.

2.4 Conceptual Framework

The key variables in this study have been identified as Independent and dependent variables. Independent variables are seen as predictors since they predict the level of variation while dependent variables which the researcher wishes to explain is referred to as criterion variables since they influence or they are influenced by another variable (Mugenda, 2008). The dependent variable is Crowdfunding success which is defined

by achieving the targeted amount and completion of terms of exchange in terms of promised repayments while the independent variables are crowdfunding platforms social networks and quality of project.

Figure 2.0.1 Conceptual Framework



Source: Researcher (2018)

2.5 Operationalization of Variables

Table 2.0.1 Operationalization of variables

| Variable | Definition | Indicator | Measure |
|-----------------|--|---|---------|
| Social Networks | Belief that the project will succeed and the platform will perform its function for a successful initiative which include Information disclosure | <ul style="list-style-type: none"> • Crowdfunding platforms • Jurisdiction • Number of friends • Investor updates | ordinal |

| | | | |
|--------------------|---|---|---------|
| | and network fatigue | <ul style="list-style-type: none"> • and interaction • Relations • Use of Social media | |
| Quality of Project | The perceived quality of project in terms of interaction, completeness and information to the investors | <ul style="list-style-type: none"> • Project video • Interaction with investors • Usage of social media • Information Display • | ordinal |
| Platform | Effort of platform in attracting investors through formation of communities | <ul style="list-style-type: none"> • Risk analyses • Skills and knowledge • crowdfunding period Length • Screening • Reputation • Status and number of projects • Visibility • Cost • Management control | ordinal |

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology used for data collection and analysis. It comprises of research design, population and sampling Frame, Sample Size and Sampling Procedure, Instrumentation, validity and Reliability, data collection procedures and data analysis. The target group is all projects pitched on crowdfunding platforms available in Africa and investors who invested in those projects. Questionnaires were used to collect data where descriptive statistics were used to analyze data while observing research ethics.

3.2 Research Design

Research design is a presentation of the plan, the structure and the strategy of investigation, which seek to obtain or answer various research questions. It is the plan or framework that is utilized to create answers to examiners issues. The major purpose of descriptive research design is to describe the state of affairs as it is at the time. Cooper and Schindler (2014) observed that a descriptive research is a process of collecting data in order to answer questions concerning the current status of the subjects in the study. This study adopted descriptive research method since seeks to investigate factors that determine crowdfunding success. The uniqueness of descriptive research method it is able to apply multiple variables during analysis example use of correlation, simple or multiple regression. Therefore, the Descriptive studies report summary data such as measures of central tendency including but not limited to the mean, median, mode, deviance from the mean, variation, percentage, and correlation between variables. Descriptive statistics utilize data collection and

analysis techniques that yield reports concerning the measures of central tendency, variation, and correlation.

3.3 Census Population

Population is defined as a large group of all the participants which specific attributable characteristics that can be generalized (Lumley 1994). The population of this study consisted of all the 45 projects pitched to raise funds for business on M-changa crowdfunding platform which is donation based as at June 2018 were sampled. The study adopted a census hence all the population under the study were considered.

The platform is preferred since out of 19 crowdfunding platforms registered with crowdfunding Association of Africa it's the only platform that is based in Kenya that was available at the time the research was being conducted. The respondent were the project founders since project founder are the ones who owns the idea being funded and therefore understand their business well. On the other hand, the backers have the competence to respond to what they consider important when choosing a project to fund.

3.4 Research Instrumentation

There are many ways of data collection which vary due to costs, resources at the disposal of researcher and results expected (Orodho, 2008). Data was collected using questionnaires due to convenience, information can be collected from large samples, no opportunity for bias since it is presented in paper form, confidentiality is upheld, and it saves on time (Bryman, 2012). It contained close ended questions. The close ended were in 5point likert scale which is most popular scale for survey research (Carifio & Perla, 2007). This minimized response variance. The questionnaire was segmented into four parts. Section one was on background information; Section two

looked at platforms; part three was on social capital and; section four focused on quality of quality of project.

3.5 Validity and Reliability of Instrument

A pilot study was conducted to assess effectiveness of the research instruments. Pilot testing is done to detect flaws in design, instrumentation and to provide a representative data for probability sample (Cooper and Schindler 2011). Mugenda and Mugenda (2003) recommend 1 to 10% of target population. In this study the pilot study Questionnaire was administered to project owners on M-changa project have raised funds for other purposes like medical and education appeals other than for business financing.

The reliability of the instrument was conducted to ensure the instruments produces stable and results that are consistent. Methods that give an estimate of reliability in behavioral research include test-retest, alternative 61 forms, inter-rater and internal constancy (Drost, 2011). This study adopted internal consistency because of its stability (Bryman, 2012). Internal consistency was tested using Cronbach alpha statistics. A co-efficient of between of between 0.8 and 0.9 is acceptable as indicated by (Sekeran2009) and affirmed by Henderson and Marcia (2000) who gives a co-efficient of 0.8 as sufficient.

Validity refers to the degree in which data analysis is representative of the matter under study Mugenda & Mugenda, 2003). Test for validity are construct validity, statistical content validity, internal validity, and external validity. The study therefore adopted content validity because domain of the concept is clear and the analyst can judge whether the measure is representative (Bollen, 1989). Questionnaire was administered to four MSC Development Finance students who have under takes entrepreneur financing class.

3.6 Data Collection Procedure

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes (Kombo & Tromp, 2009). A questionnaire can be administered through email, telephone, internet or face to face (Malhotra et al., 2006). In this study the questionnaire was administered via email.

3.7 Data Processing and Analysis

Data analysis refers to examining what has been collected in a study and making deductions and inferences. Data organization is orderliness in research data (Bryman, 1995). It is putting data in a systematic form. According to the literature given by Sekaran (2003) as well as Somekh and Lewin (2005), editing involves checking and adjusting any errors or omissions on questionnaires. Its purpose ensures completeness, interpretation of ambiguous answers, consistence and elimination of unusable data (Mugenda and Mugenda, 1999). The study employed descriptive statistics, this allowed for data presentation in a way that was easy interpretation of data. Open ended questions were coded and cross tabulation was used to determine frequencies and also descriptive analysis noted any form of externalities (Cooper and Schindler 2003).

Normality test preceded data analysis with the aim of determining whether data is properly modelled by normal distribution (Székely & Rizzo, 2005). Normality is usually assessed using skewness and kurtosis. Skewness shows signs of asymmetry and deviation from normal distribution whereas Kurtosis is an indicator of flattening of data distribution. The two methods were used because they represent location and dispersion very well hence good indicator of data normality (Gujarati, 2002). Kurtosis and Skewness satisfied the assumption of normality if there between +2 and,-2.

Pearson correlation was used to check correlation amongst variables. Correlation is used to find out the relationships in a group of variables (Pallant, 2010), the variables would be said to have multicollinearity if the absolute value of Pearson correlation is more than 0.8.

Heteroscedasticity is where variability of variable is not equal across a range of values if a second variable predicts it (Vinod, 2008). Upon carrying out data organization, analysis was done using regression a model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where

Y = Crowd funding Success

β_0 = Constant

β_1, β_2 and β_3 = Beta co-efficient of the independent variables of X_1, X_2 and X_3

X_1 = Crowdfunding platform

X_2 = Social Networks

X_3 = Project Quality

e = Error

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The study provides a general review of the questionnaires assessments, computations and results on factors determining the success of crowdfunding initiatives with consideration to the objectives being; crowdfunding platform, social networks and project quality. The chapter enlisted the findings on demographic information, descriptive and inferential analysis through the use of statistical package for social sciences.

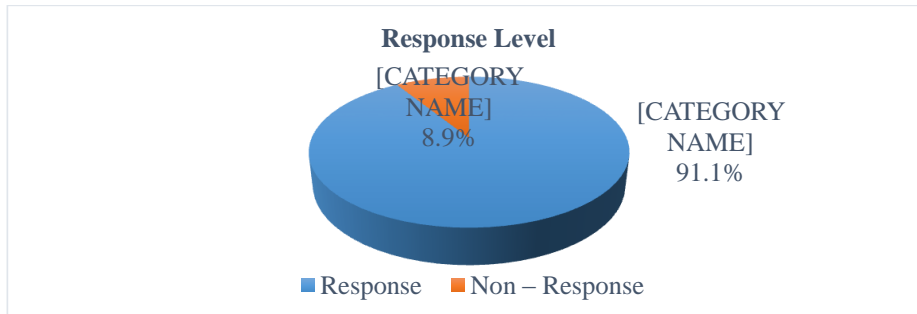
4.1.1 General Information

TABLE 4.0.1
Response Level

| Response | Frequency | Percent |
|-----------------|------------------|----------------|
| Response | 41 | 91.1 |
| Non – Response | 4 | 8.9 |
| Total | 45 | 100.0 |

Comment [U2]: Refer to article 4.4 on page 8 and apply the style throughout the document.

FIGURE 4.0.1
Response Level



The study sampled 45 respondents of which 41 respondents representing 91.1% were obtained while 4 respondents representing 8.9% was not obtained. The

response rate was considered ideal with excellent review on the information collected (Mugenda & Mugenda, 2013).

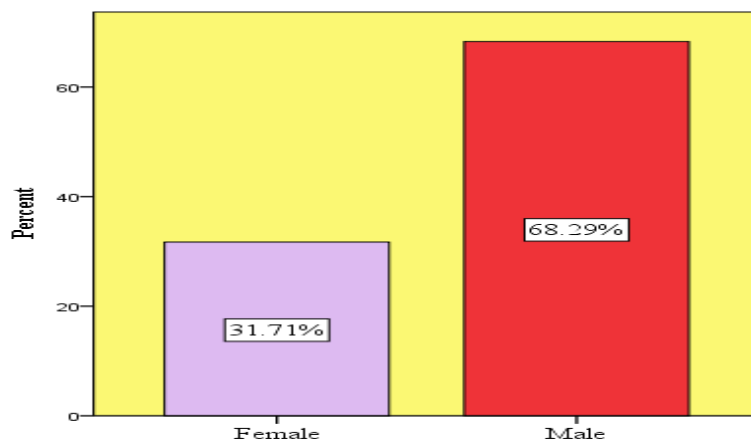
TABLE 4.0.2

Gender of Respondents

| Gender | Frequency | Percent |
|---------------|------------------|----------------|
| Male | 28 | 68.3 |
| Female | 13 | 31.7 |
| Total | 41 | 100.0 |

FIGURE 4.0.2

Gender of Respondents



The study findings on gender showed that 68.3% of the total respondents were males while 31.7% were females implying that the population involved in the study in area of crowdfunding initiatives attracted more males compared to females.

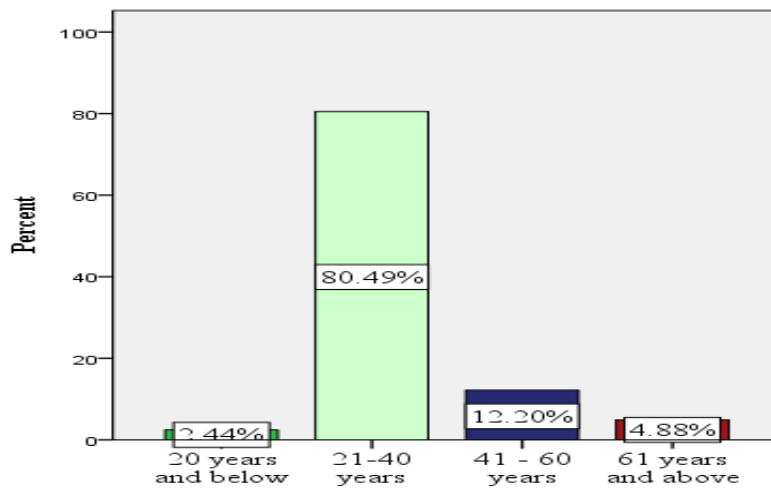
TABLE 4.0.3

Age of the Respondents

| Age of the Respondents | Frequency | Percent |
|-------------------------------|------------------|----------------|
| 20 Years and below | 1 | 2.4 |
| 21 – 40 Years | 33 | 80.5 |
| 41 – 60 Years | 5 | 12.2 |
| Above 61 Years | 2 | 4.9 |
| Total | 41 | 100.0 |

FIGURE 4.0.3

Age of the Respondents



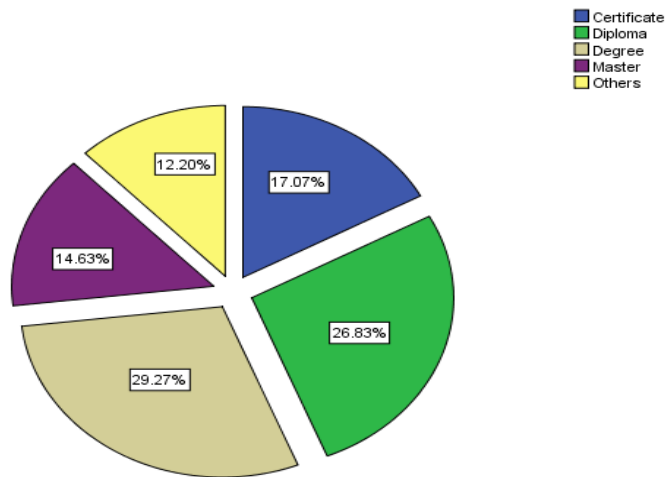
The respondents were asked to state their ages. As indicated in Figure 4.3 above, the findings obtained show that the vast majority of the respondents (80.5%) were aged between 21 and 40 years. Those aged 41 to 60 years followed at 12.2%. Only 1 respondent (2.4%) was aged less than 20 years. On their part, only 2 (4.9%) of the respondents were more than 61 years old. This shows that most of the persons who pitched projects in the M-Changa platform were from younger population groups with the age brackets of 21 – 40 years. This could be due to the fact that it was

persons from these age groups who were the most active in the cyberspace as argued by Belleflamme et al., (2014)

TABLE 4.0.4
Level of Education

| Level of education | Frequency | Percent |
|---------------------------|------------------|----------------|
| Certificate | 7 | 17.1 |
| Diploma | 11 | 26.8 |
| Degree | 12 | 29.3 |
| Master | 6 | 14.6 |
| Others | 5 | 12.2 |
| Total | 41 | 100.0 |

FIGURE 4.0.4
Level of Education



The above figure 4.3 sought to find out the level of education of the respondents. The findings show that 29.3% of the total respondents had degree, 26.8% had diploma, 17.1% had certificate, 14.6% had masters while 12.2% had other combinations. This shows that most of the respondents, by virtue of learning, could

easily comprehend issues related to crowdfunding as argued by Belleflamme et al. (2014) who are of the view that the requisite level of education plays a pivotal role in coming up with viable projects.

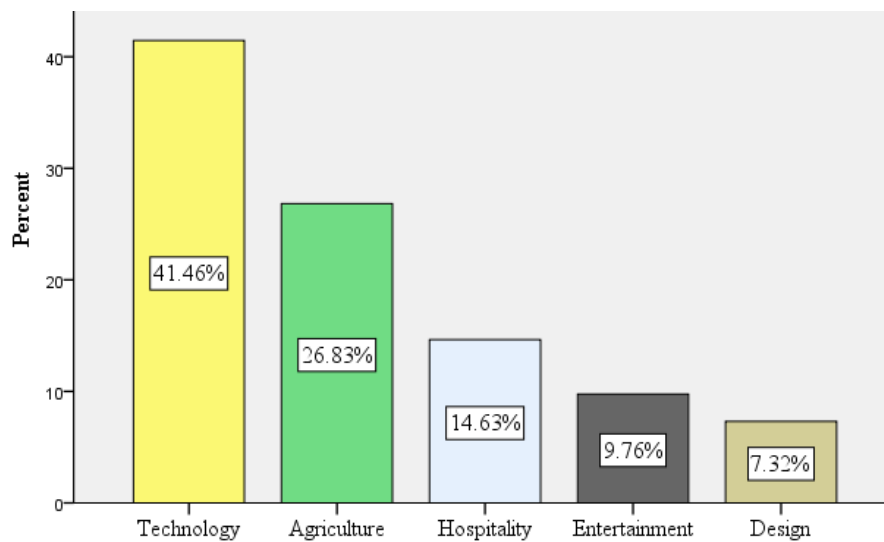
TABLE 4.0.5

Category of the Project

| Project category | Frequency | Percent |
|-------------------------|------------------|----------------|
| Technology | 17 | 41.5 |
| Agriculture | 11 | 26.8 |
| Hospitality | 6 | 14.6 |
| Entertainment | 4 | 9.8 |
| Design | 3 | 7.3 |
| Total | 41 | 100.0 |

FIGURE 4.0.5

Category of the Project



Reference to figure 4.5 to classify their projects category the findings obtained show that most of the projects were technology based 41.5%, followed by agriculture

based 26.83%, hospitality was third with 14.63%, entertainment was fourth with 9.76% and lastly was design with 7.32%. Thus the result concluded that crowdfunding on itself is a technology-based initiative as argued by Peyankov (2013)

TABLE 4.0.6

Alternative Method of Funding

| Funding method | Frequency | Percent |
|-----------------------|------------------|----------------|
| Bank | 11 | 26.8 |
| Micro Finance | 13 | 31.7 |
| Friends and Family | 12 | 29.3 |
| Others | 5 | 12.2 |
| Total | 41 | 100.0 |

Figure 4.0.6

Alternative Method of Funding

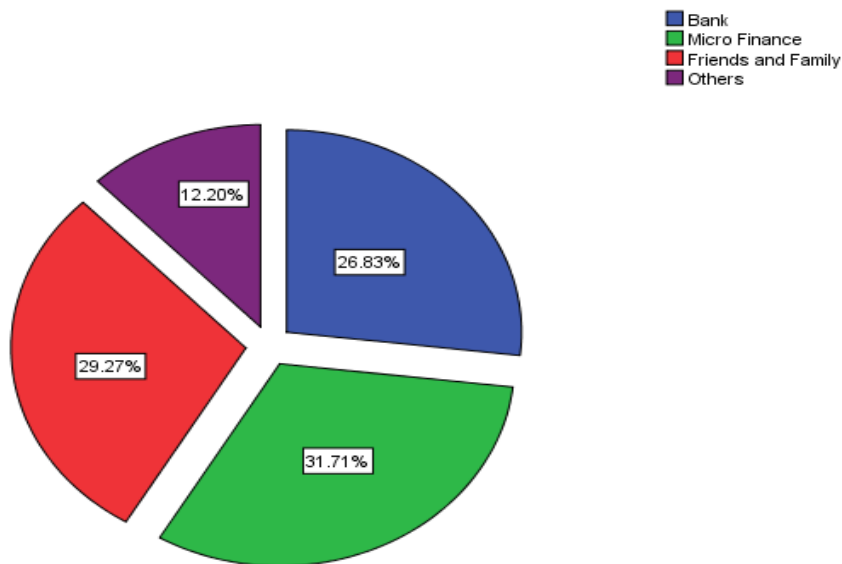


Figure 4.6 was on the assessment of the alternative method of funding with microfinance representing 31.7%, it was followed by friends and family at 29.3%, bank was third with 26.8% and lastly ware on other sources representing 12.2%.

TABLE 4.0.7

Target Funding Amount

| Amount | Frequency | Percent |
|-----------------------|------------------|----------------|
| 500,000 and below | 9 | 22.0 |
| 500,000 - 1,000,000 | 14 | 34.1 |
| 1,000,001 - 1,500,000 | 9 | 22.0 |
| 1,500,000 and above | 9 | 22.0 |
| Total | 41 | 100.0 |

FIGURE 4.0.7

Target Funding Amount

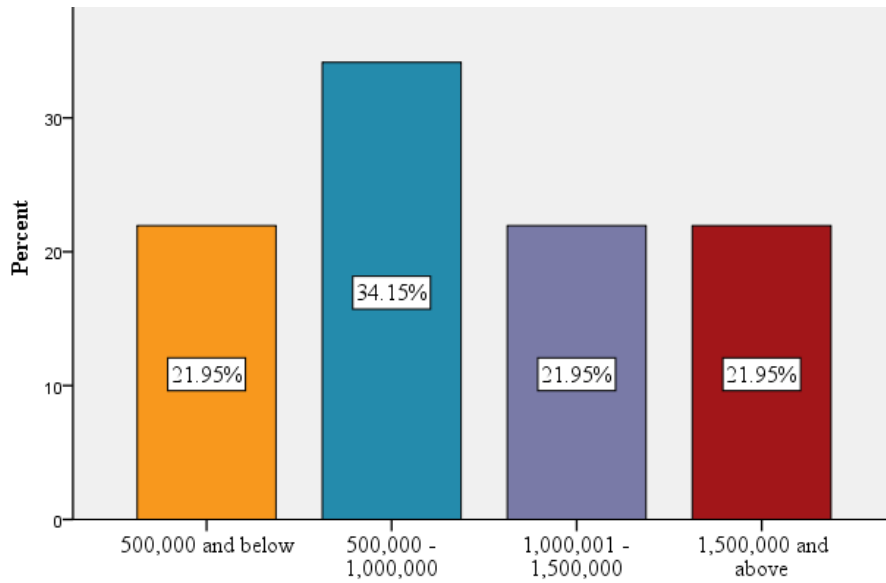


Figure 4.7 above was on target funding amount, the findings showed that 34.1% had applied for Ksh 500,000 – 1,000,000, this was followed by 22% from the rest in the three categories.

4.2 Descriptive analysis of the study variables

The study used descriptive statistics to construct an analysis of the study variables from the respondents in a meaningful way. The study descriptive analysis involved computation of the populations' frequency, minimum range maximum range, mean, standard deviation and variance.

4.2.1 Crowdfunding platforms and crowdfunding success initiatives.

TABLE 4.0.8
Crowdfunding Platforms and Crowdfunding Success Initiatives.

| Descriptive Statistics | | | | | | |
|---|----|----------|----------|------|----------------|----------|
| | N | Mini mum | Maxi mum | Mean | Std. Deviation | Variance |
| Display of successful projects by crowdfunding platform on their site | 41 | 1 | 5 | 2.73 | 1.450 | 2.101 |
| Number of competing projects placed on the platform | 41 | 1 | 5 | 2.88 | 1.382 | 1.910 |
| Guidance by crowdfunding platform on how to pitch a crowdfunding initiative | 41 | 1 | 5 | 3.00 | 1.245 | 1.550 |
| Reputation of crowdfunding platform | 41 | 1 | 5 | 3.07 | .932 | .870 |
| Risk analysis of the project | 41 | 1 | 5 | 3.29 | 1.123 | 1.262 |
| Length of crowdfunding period | 41 | 1 | 5 | 3.37 | 1.410 | 1.988 |
| Cost charged for using the platform | 41 | 2 | 5 | 3.51 | 1.052 | 1.106 |
| Large number of investors on Crowdfunding platform | 41 | 1 | 5 | 3.63 | 1.157 | 1.338 |
| Giving up some control of your project to investors. | 41 | 1 | 5 | 3.68 | 1.150 | 1.322 |
| Allowing investors in your project decision making | 41 | 2 | 5 | 3.73 | 1.025 | 1.051 |
| Constant interaction with investors. | 41 | 1 | 5 | 3.83 | .892 | .795 |
| Type of project placed on the platform | 41 | 1 | 5 | 3.85 | 1.038 | 1.078 |
| Display of successful projects by crowdfunding platform on their site | 41 | 1 | 5 | 3.85 | .937 | .878 |
| Realistic Targeted amount | 41 | 1 | 5 | 3.88 | 1.100 | 1.210 |
| Openness and transparency of the platform | 41 | 3 | 5 | 4.49 | .637 | .406 |
| Visibility of the Platform | 41 | 3 | 5 | 4.63 | .581 | .338 |

The study first objective was to establish the influence of crowdfunding platforms on crowdfunding success initiatives as represented in table 4.8. The study assessments relating to crowdfunding platforms aspects were tallied and represented in ranking via the mean score. The study with the highest level of support was on statement relating to the visibility of the platform that had the highest mean of 4.63 with standard deviation of 0.581. This was followed by statement on the openness and transparency of the platform with a record mean of 4.49 and standard deviation of 0.637. Realistic targeted amount was third with mean of 3.88 and standard deviation of 1.10. Display of successful projects by crowdfunding platform was fourth with a mean of 3.85 and standard deviation of 0.937. Type of project placed on the platform was fifth with mean of 3.85 and standard deviation of 1.038. Constant interactions with investors was sixth with mean of 3.83 and standard deviation of 0.892. The aspect of allowing investors in project decision making was seventh with a mean support of 3.73 and standard deviation of 1.025. Giving up some control of project to the investors was eighth with a mean of 3.68 and standard deviation of 1.150. Having large number of investors on crowdfunding platform was ranked ninth with a mean of 3.63 and standard deviation of 1.157. The tenth placed statement was on cost charged on using the platform with a mean support of 3.51 and standard deviation of 1.052. This was followed by statement on length of crowdfunding period which had a mean of 3.37 and standard deviation of 1.410. The statement on risk analysis of the project was ranked twelfth with a mean of 3.29 and standard deviation of 1.123. The statement on reputation of crowdfunding platform was followed with a mean of 3.07 and standard deviation of 0.932. The assessment guidance by crowdfunding platform

on how to pitch a crowdfunding initiative got a support with mean of 3.00 and standard deviation of 1.245. The second last position was on number of competing projects placed on the platform that had a mean of 2.88 and standard deviation of 1.382. The last assessment report rank was on the display of successful projects by crowdfunding platform on their site with a mean of 2.73 and standard deviation of 1.450.

4.2.2 Social networks and crowdfunding success initiatives

TABLE 4.0.9
Social Networks and Crowdfunding Success Initiatives

| Descriptive Statistics | | | | | | |
|--|----|----------|----------|------|----------------|-----------|
| | N | Mini mum | Maxi mum | Mean | Std. Deviation | Varia nce |
| Identification of target audience for crowdfunding initiative | 41 | 1 | 5 | 2.14 | 1.413 | 1.578 |
| Display of successful projects by crowdfunding platform on their site | 41 | 1 | 5 | 2.15 | 1.256 | 1.578 |
| Size of targeted social network | 41 | 1 | 5 | 2.22 | 1.174 | 1.426 |
| Advise on the best social media to use | 41 | 1 | 5 | 2.22 | 1.194 | 1.426 |
| Ability to manage the expectation of the contributors | 41 | 1 | 5 | 2.52 | 1.234 | 1.549 |
| Creation of a blog to give the latest update and also track older updates | 41 | 1 | 5 | 2.59 | 1.245 | 1.549 |
| Awareness of the project by investors | 41 | 1 | 5 | 2.90 | 1.428 | 2.040 |
| A good market research on competing projects in order to come up with ideal marketing strategy | 41 | 1 | 5 | 3.01 | 1.245 | 1.550 |
| Online marketing initiatives | 41 | 1 | 5 | 3.03 | 1.508 | 2.590 |
| Informing supporters about the campaign before its launched | 41 | 1 | 5 | 3.06 | 1.609 | 2.590 |
| Continual testing of adverts to see what small changes lead to clicks or open | 41 | 1 | 5 | 3.08 | 1.324 | 1.790 |
| Encouraging the most loyal supporters to contribute right at the start in order to create demand | 41 | 1 | 5 | 3.10 | 1.338 | 1.790 |
| Frequent updates about the project | 41 | 1 | 5 | 3.35 | 1.431 | 2.355 |

| | | | | | | |
|---|----|---|---|------|-------|-------|
| Encouraging supporters to share in about the initiatives on their social networks | 41 | 1 | 5 | 3.46 | 1.535 | 2.355 |
| Frequent interaction with the stakeholders | 41 | 1 | 5 | 3.61 | 1.222 | 1.494 |
| Endorsement and validation by social network | 41 | 1 | 5 | 3.81 | .877 | .878 |
| Ability to tap into media influencers with large engaged audience | 41 | 1 | 5 | 3.85 | .937 | .878 |
| Integration of crowdfunding campaign with many social media platforms to reach more followers | 41 | 1 | 5 | 3.87 | .926 | .878 |
| Valid N (listwise) | 41 | | | | | |

The study second objective was to make an assessment on the impact of social networks on crowdfunding success initiatives. The study findings are captured and presented in the above table 4.9. Evidently, the study statement on integration of crowdfunding campaign with many social media platforms to reach more followers had the highest mean of 3.87 and standard deviation of 0.926. This was followed by statement on the ability to tap into media influencers with large engaged audience that registered a mean of 3.85 and standard deviation of 0.937. The third was statement on endorsement and validation by social network that had a mean of 3.81 and standard deviation of 0.877. The fourth placement was a statement on frequent interactions with the stakeholders with a mean of 3.61 and standard deviation of 1.222. The fifth position was statement on encouraging supporters to share in about the initiatives on their social networks that had a mean of 3.46 and standard deviation of 1.535. The sixth was statement on the frequent updates about the project that had a mean of 3.35 and standard deviation of 1.431. This was followed by the fact that encouraging the most loyal supporters contribute right at the start in order to create demand with a mean of 3.1 and standard deviation of 1.338. The seventh placed rating was on continual testing of adverts to see small changes that lead to clicks or open with a

mean of 3.08 and standard deviation of 1.324. This was followed by statement on the informing supporters about the campaign before it is launched that had a mean of 3.06 and standard deviation of 1.609. The statement on the online marketing initiative came in ninth place with the mean of 3.03 and standard deviation of 1.508. The tenth position was statement on a good market research on competing projects in order to come up with ideal marketing strategy had a mean of 3.01 and standard deviation of 1.245. This was followed by study statement of awareness of the project by the investors with a mean of 2.9- and standard deviation of 1.428. The twelfth positioned was statement on creation of blog to give the latest update and track older updates with a mean of 2.59 and standard deviation of 1.245. The report on ability to manage the expectations of the contributors had a mean of 2.52 and standard deviation of 1.234. The study assessment report on advise on the best social media to use and the size of the targeted social network tallied with a mean of 2.22. The second last was statement on display of successful projects by crowdfunding platform on their site with a mean of 2.15 and standard deviation of 1.256. The last was statement on the identification of target audience for crowdfunding initiative that had a mean of 2.14 and standard deviation of 1.413.

4.2.3 Quality of projects and crowdfunding success initiatives

TABLE 4.0.10

Quality of Projects and Crowdfunding Success Initiatives

| Descriptive Statistics | | | | | | |
|--|----|----------|----------|------|----------------|-----------|
| | N | Mini mum | Maxi mum | Mean | Std. Deviation | Varian ce |
| Readers should understand the scope and objective of the project | 41 | 1 | 5 | 3.07 | .932 | .870 |
| Ability to spark power of emotional words in a logical way | 41 | 1 | 5 | 3.29 | 1.123 | 1.262 |

| | | | | | | |
|--|----|---|---|------|-------|-------|
| Provision of business plan | 41 | 1 | 5 | 3.37 | 1.410 | 1.988 |
| Length and quality of video posted should be clear, concise and capture attention | 41 | 2 | 5 | 3.51 | 1.052 | 1.106 |
| Good description of the project which provide audience with reason a to fund the project | 41 | 1 | 5 | 3.61 | 1.222 | 1.494 |
| Frequent updates attract investors to fund the project | 41 | 1 | 5 | 3.63 | 1.157 | 1.338 |
| Proper Display of project on the platform site | 41 | 1 | 5 | 3.68 | 1.150 | 1.322 |
| Level of information disclosure about the project | 41 | 2 | 5 | 3.73 | 1.025 | 1.051 |
| Preparedness by the project creator through proof reading updates posted | 41 | 1 | 5 | 3.83 | .892 | .795 |
| Blog posts should tell interesting and relevant story | 41 | 1 | 5 | 3.85 | 1.038 | 1.078 |
| Launching the project at the right time in order to avoid competing projects | 41 | 1 | 5 | 4.88 | 1.100 | 1.210 |
| Valid N (listwise) | 41 | | | | | |

The above table 4.10 was on study assessment on the quality of projects and the crowdfunding success initiatives. The statement on launching the project at the right time in order to avoid competing projects was ranked top with a mean of 4.88 and standard deviation of 1.10. This was followed by statement on the blog posts should tell the interesting and relevant story that had a mean of 3.85 and standard deviation of 1.038. The third placed was statement on preparedness by the project creator through proof reading updates posted with a mean of 3.83 and standard deviation of 0.892. The fourth was statement on the level of information disclosure about the project that had a mean of 3.73 and standard deviation of 1.025. This was followed by facts on proper display of the project on the platform site with a mean of 3.68 and standard deviation of 1.150. The sixth was statement on frequent updates attracts investors to fund the project with a mean of 3.63 and standard deviation of 1.157. The seventh placed was statement on the good description of the project which provides audience with reason to fund the project had a mean of 3.61 and standard

deviation of 1.222. The eighth placed was study statement on the length and quality of video posted being clear, concise and captures the attention with a mean of 3.51 and standard deviation of 1.052. The ninth position was statement on provision of the business plan with a mean of 3.37 and standard deviation of 1.410. The tenth position was on the ability to spark power of emotional words in a logical way with a mean of 3.29 and standard deviation of 1.123. The statement on the readers should understand the scope and objective of the project was ranked last with a mean of 3.07 and standard deviation of 0.932.

4.2.4 Crowdfunding success initiatives

TABLE 4.0.11
Crowdfunding Success Initiatives

| Descriptive Statistics | | | | | | |
|---|----|---------|---------|------|----------------|----------|
| | N | Minimum | Maximum | Mean | Std. Deviation | Variance |
| Business owners background history influences success of crowdfunding | 41 | 1 | 5 | 3.41 | 1.322 | 1.749 |
| Success of crowdfunding depends on reliable financial sources | 41 | 1 | 5 | 3.68 | 1.150 | 1.322 |
| Success of crowdfunding is based on fulfilment of funding requirements | 41 | 2 | 5 | 3.73 | 1.025 | 1.051 |
| Business owners must have required skills to have success in crowdfunding | 41 | 1 | 5 | 3.78 | 1.333 | 1.776 |
| Crowdfunding success is attached to solving some critical challenges | 41 | 1 | 5 | 3.98 | 1.151 | 1.324 |
| Valid N (listwise) | 41 | | | | | |

The above table 4.11 was on the study assessments on the aspects of the dependent variable being crowdfunding success initiatives. The study results indicated that crowdfunding success is attached to solving some critical challenges with the highest mean of 3.98. This was followed by the statement on the business owners must have the required skills to have success in crowdfunding with a mean of 3.78. The third placed was statement on the success of crowdfunding being based on the fulfilment of the funding requirements with a mean of 3.73 and standard deviation of 1.025. The fourth was statement on the success of crowdfunding depends on the reliable financial sources with a mean of 3.68 and standard deviation of 1.150. The last was statement on the business owners background history influences the success of crowdfunding with a mean of 3.41 and standard deviation of 1.322.

4.3 Diagnostic Tests

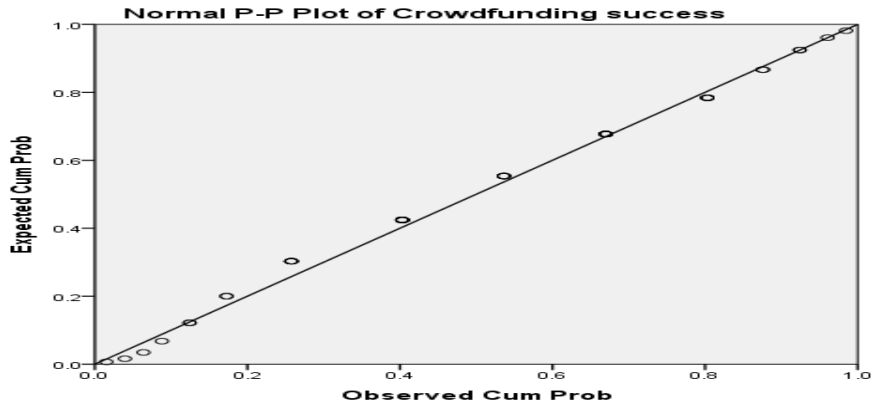
The chapter enlisted diagnostics tests with the objective of attaining the conformity of the data presentations to classical linear characteristics. The diagnostic tests that were multicollinearity test and normality test and heteroskedasticity

4.3.1 Normality Test

According to Field (2009), most statistical tests rest upon the assumption of normality. Deviations from normality, called non-normality, render those statistical tests inaccurate. In this regard, it is pertinent to find out if the data under analysis is normal or non-normal. The study used a PP plot graph to establish the distribution of the data as shown in the figure below.

FIGURE 4.0.8

Normality Test



Reference to the above figure, the study residuals are normally distributed in the plot with the linear estimate with indication that the data was normally distributed.

4.3.2 Test for multicollinearity

The study multicollinearity exists in situation where the determinant variables in the regression model has stronger linear association, the model is tested using the Variance Inflation factor (VIF).

TABLE 4.0.12

Multicollinearity Test

| Coefficients ^a | | Collinearity Statistics | |
|---------------------------|-----------------------|-------------------------|-------|
| | | Tolerance | VIF |
| 1 | Crowdfunding platform | .206 | 4.865 |
| | Social networks | .282 | 3.546 |
| | Quality projects | .397 | 2.520 |

a. Dependent Variable: Crowdfunding success

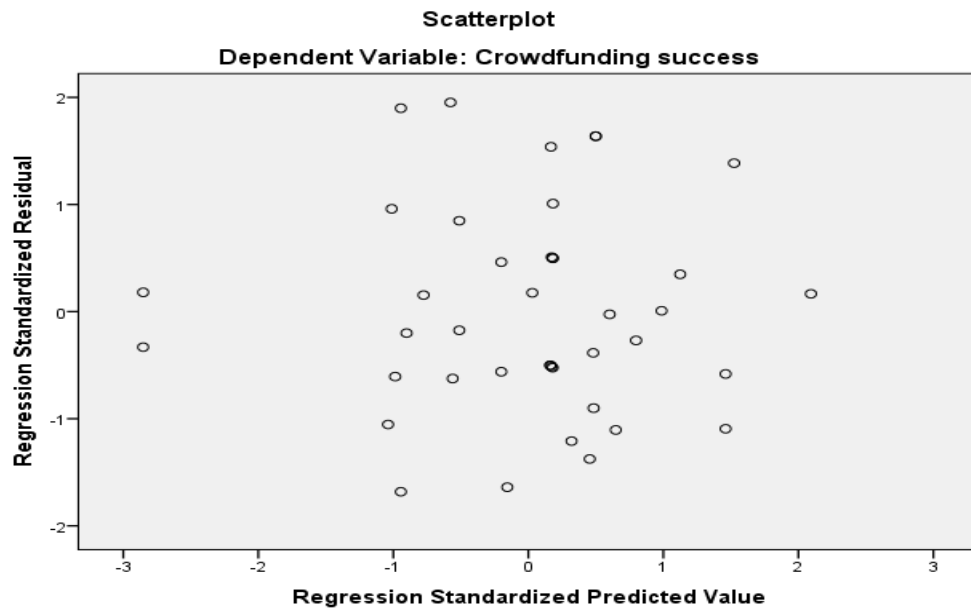
In order to find out if the multicollinearity levels could pose a challenge to the study. Multicollinearity occurs when independent variables in a regression model are

correlated. This correlation is a problem because independent variables should be independent. If the degree of correlation between variables is high enough, it can cause problems when fitted in the model and results interpreted (Bryman & Cramer, 2001). The Variance Inflation Factors (VIFs) were used to find out if the variables had multicollinearity. The findings, as presented shows that VIF values of less than 10 were obtained for the three independent variables. This shows that there was no multicollinearity.

4.3.3 Heteroscedasticity

Heteroskedasticity also referred to as heteroscedasticity, occurs when the standard deviations of a variable, monitored over a specific amount of time are non-constant. It is a major concern in the application of regression analysis since it can invalidate statistical tests of significance that assume that the modelling errors are uncorrelated and uniform and that their variances do not vary with the effects being modeled” (Long & Trivedi, 1993).

FIGURE 4.0.9
Heteroscedasticity Test



In this study, the scatterplot as shown in Figure 4.8 above shows that spots are distributed without clear pattern. This implies that there is no heteroscedasticity problem.

4.4 Inferential Statistical Analysis

The study inferential analysis is method of estimation for the population data with inferences to the percentages and probabilities. The study incorporated inferential analysis to give the nature of relationship that exists between the factors and the crowdfunding success initiatives. These consisted of; Pearson correlation, coefficient of determination, ANOVA and OLS.

4.4.1 Pearson Correlation

Pearson Correlation, also referred to as bivariate correlation, is “a measure of the linear correlation between two variables X and Y” (Immink, & Weber, 2010). In statistical tests, it gives information on the strength of association (correlation) and the direction of relationship between the two variables.

TABLE 4.0.13

| | | Correlations | | | |
|------------------------|-----------------------|--------------------------|---------------------------|--------------------|---------------------|
| | | Crowdfundi ng success | Crowdfundi ng platform | Social networks | Quality projects |
| Pearson Correlation | Crowdfunding success | 1.000 | .714 | .565 | .683 |
| | Crowdfunding platform | .714 | 1.000 | .541 | .934 |
| | Social networks | .565 | .541 | 1.000 | .295 |
| | Quality projects | .683 | .934 | .295 | 1.000 |

Pearson Correlation

The findings as shown in Table 4.8 above shows that there was positive and significant association between all the three independent variables and the dependent variables as follows. There was a strong positive correlation between crowdfunding platform and crowdfunding success ($r=0.714$, $p<0.05$). There was a strong positive correlation between social networks and crowdfunding success ($r=0.565$, $p<0.05$). There was a positive association between quality of projects and crowdfunding success ($r=0.683$, $p<0.05$).

4.4.2 Coefficient of Determination

TABLE 4.0.14
Coefficient of Determination

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .791 ^a | .626 | .596 | .39098 | 1.983 |

a. Predictors: (Constant), Quality projects, Social networks, Crowdfunding platform
b. Dependent Variable: Crowdfunding success

Table 4.9 above shows the model summary of how the study variables were suited for analysis in the study. From the results, an R Square of 0.626 was obtained showing that 62.6% of the variability in crowdfunding is jointly impacted by quality projects, social networks and crowdfunding platform. The remaining 37.4% is caused by other unstated factors not included in the study.

4.4.3 Analysis of variance

The F-ratio in the ANOVA table tests whether the overall regression model is a good and significant fit for the data. Table 4.10 below shows that the joint independent variables statistically significantly predict the dependent variable, $F = 20.632$, $p = 0.000$ which was less than $p < 0.05$ showing that the model was significant.

TABLE 4.0.15
Analysis of Variance

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 9.462 | 3 | 3.154 | 20.632 | .000 ^b |

| | | | |
|----------|--------|----|------|
| Residual | 5.656 | 37 | .153 |
| Total | 15.118 | 40 | |

a. Dependent Variable: Crowdfunding success
b. Predictors: (Constant), Quality projects, Social networks, Crowdfunding platform

4.4.4 Regression Coefficients

TABLE 4.0.16
Regression Coefficients
Coefficients

| Model | Unstandardized | | Standardized | T | Sig |
|------------------------------|----------------|------------|--------------|-------|------|
| | Coefficients | | Coefficients | | |
| | B | Std. Error | Beta | | |
| (Constant) | 5.053 | .530 | | 9.531 | .000 |
| Crowdfunding platform | 1.050 | .095 | .837 | .526 | .000 |
| ¹ Social networks | .521 | .184 | .540 | 4.747 | .002 |
| Quality projects | .550 | .195 | .447 | 4.798 | .004 |

- a. Dependent Variable: Crowdfunding success
b. Predictors: (Constant), Quality projects, Social networks, Crowdfunding platform

The above regression model showed that all the determinant variables had a positive impact to the dependent variable. The level of absorption of crowdfunding success is at 5.053 in absence of determinant variables. When holding all other factors constant (social networks and quality projects) crowdfunding platform will increase crowdfunding success by 1.050 units. When holding all factors constant (crowdfunding platform and quality projects) social networks increases crowdfunding success by 0.521 units. When holding all factors constant (crowdfunding and social networks) quality projects increases crowdfunding success by 0.550 units.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where

Y = Crowdfunding success

β_0 = Constant term

β_1 , β_2 , and β_3 = Coefficient of X_1 , X_2 and X_3

X_1 = Crowdfunding platform

X_2 = Social Networks

X_3 = Project Quality

E = Error

$$\text{Crowdfunding Success} = 5.053 + 1.050X_1 + 0.521X_2 + 0.550X_3 + e$$

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of research findings, conclusions and recommendations on factors that determine success of crowdfunding initiatives.

5.2 Summary of Findings

The purpose of this study was to assess the factors that determine success of crowdfunding initiatives. To this end, the study sought to fulfill the following objectives: to establish whether crowdfunding platform influence crowdfunding initiatives success; to find out if social networks plays a role in crowdfunding initiatives success and; to find out if project quality influence success of crowdfunding initiatives.

The study attained a response level of 91.1% that was considered very excellent for the study analysis. This captured the demographic information of the respondents whereby 63.8% were males while 31.7 were females with majority of them within the age class of 21 – 40 years representing 80.5%. The respondents were well educated and they would provide reliable information on the study assessments with 41.5% being represented in the technology sector, 26.9% from the agricultural sector.

5.2.1 Findings on crowdfunding platform and crowdfunding initiative success

The first objective of the study which was to establish whether crowdfunding platform influence crowdfunding success initiatives, the findings obtained showed that that the most important factor influencing the success of crowding platforms was on the visibility of the platform that had the highest mean of 4.63 with standard deviation of 0.581. The study assessment showed that crowdfunding platform was positively

associated with crowdfunding success with $r = 0.714$ $p < 0.05$. When holding all other factors constant, that is social networks and quality projects, crowdfunding platform increases crowdfunding success by 1.050 units. The results agreed with the study of Nucciarelli, Fernandes, Goumagias, Cabras, Devlin and Cowling (2017) who established that entrepreneurial projects become world famous because of reaching enormous amounts of funding and media coverage from many supporters. This is through the enhanced success of the platforms where the visibility of the platform and openness and transparency of the platform are created. Dushnitsky, Guerini, Piva and Rossi (2016) who revealed that success and growth of crowdfunding initiatives have been driven by effective and reliable platforms. Also, Belleflamme et al. (2014) viewed that the numbers of investors as well as the intrinsic attributes of the platform such as its visibility have significant influences on the success rates of the projects pitched in such platforms.

In addition, the respondents agreed that other important factors affecting the success of projects were display of successful projects by crowdfunding platform on their site and guidance by crowdfunding platform on how to pitch a crowdfunding initiative. The findings agree with the study of Onyango (2018) who established that effective and visible crowdfunding platforms enhances the financing opportunities for the Micro, Small and Medium Enterprises. Moreover, Dushnitsky, Guerini, Piva and Rossi (2016) posited that the success of a project is correlated with the reputation of the platform, as well as, success rates of the projects pitched in the platform.

5.2.2 Findings on social networks and crowdfunding initiative success

The study second objective was to find out the relationship between social networks and crowdfunding success through a number of assessments related to the aspects of social networks. The social networks are broadly related to the social network, online

marketing initiatives, frequent updates about the project, continual testing of adverts to see what small changes lead to clicks or open, awareness of the project by investors and, ability to tap into media influencers with large engaged audience were pivotal in enhancing the success of crowdfunding initiatives success. These findings show the capacity of social media to enhance the success of crowdfunding initiatives. Furthermore, it was made manifest that integration of crowdfunding campaign with many social media platforms to reach more followers; informing supporters about the campaign before its launched and; encouraging supporters to share in about the initiatives on their social networks affected the success of such initiatives. The study statement on integration of crowdfunding campaign with many social media platforms to reach more followers had the highest mean of 3.87 and standard deviation of 0.926. The aspect of social networks was directly associated with crowdfunding success with a correlation of $r = 0.565$, $p < 0.05$. When holding all the factors constant social networks increases crowdfunding success by 0.521 units.

Evidently, a study presented by Moissejev (2013) that established a strong relationship between media seals of the approval, the size of the network coverage and the crowdfunding activities. This could be as a result of herding behavior as argued by Zhang and Liu (2012). The findings also agree with Ramachandran (2010) who found out that blog posts, media coverage, features in the publicity materials in the platforms have an impact in crowdfunding success. Additionally, findings agree with Kerkhof (2016) who revealed the entrepreneurs can use social interactions in the form of posting updates and interacting through the comments in order to increase the likelihood of succeeding in project loans and donations.

Furthermore, the respondents agreed that integration of crowdfunding campaign with many social media platforms to reach more followers; informing

supporters about the campaign before its launched and; encouraging supporters to share in about the initiatives on their social networks affected the success of such initiatives. This agrees with the Hekman and Brussee (2013); who show that social networks are vital determinants of the probability of a project to succeed. Also, it agrees with Ambani (2014) who established that social sites attract a wide community of backers, who study projects before supporting them and the study of Bouncken, Komorek and Kraus (2015) that revealed the availability of the online social networks platforms to reach more followers enable investors to communicate with the entrepreneurs.

5.2.3 Finding on project quality and crowdfunding initiative success

The researcher sought to find out if project quality influence crowdfunding success. To this, the respondents tended to agree to the statement on launching the project at the right time in order to avoid competing projects was ranked top with a mean of 4.88 and standard deviation of 1.10. The study showed presence of positive and strong association between quality of the projects and crowdfunding success with $r = 0.683$, $p < 0.05$. These findings corroborate with Gerber, Hui and Kuo (2012) who revealed the signals of quality that influence project funding success included the use of hard information in product detail, extended narratives and concrete descriptions, endorsements by group leaders and building strong interpersonal connections. Moreover, Xu *et al.* (2014.) suggested that campaign creators should focus on improving quality signals through the project representation. Additionally, Mollick (2013) posited that investors respond to quality projects, which demands one to come up with a quality project. Also, Dutta and Folta (2015) argued that the propensity of a project to be funded in crowdfunding platforms was correlated with its quality in terms of its objectives and expected returns. Furthermore, Cordovaa, Dolcib and

Gianfrate (2015) pointed out that the quality of the project positively influenced the funding capacity in the crowdfunding. Roma, Gal and Chen (2018) revealed the signals of quality can also be the materials used in the crowdfunding campaign.

The respondents also agree that the project has increased likelihood to be funded if, there is high level of information disclosure about the project, the project is launched at the right time in order to avoid competing projects and, it has the ability to set in a motion of powerful emotional words in a logical way.

5.3 Conclusions

In the recent past, businesses have sought alternative ways of funding their projects. Crowdfunding platform like M-Changa has emerged giving founders a platform to showcase their projects, consequently attracting funders who finance projects thus making founders realize their goals.

The question that lingers in the founder's mind is what information is needed to increase the chances of successful project funding since they only receive the find upon attaining the targeted amount. The study focused on the factors that founders should consider to ensure successful pitching of the project. It was evident that the platform in which a project is pitched is paramount. The presence of many investors in a platform will have a large number of options of funders who can buy your project idea. Further, the reputation of the platform in terms of transparency, success rate of projects pitched on the platform openness, visibility, and the guidance the platform gives to the founder in terms of how to display the project and risk analysis.

On the other hand, social networks will play a major role in making crowdfunding a success. The founders should ensure that the network is large, integrate crowdfunding campaign with many social media platforms and broadcast widely to in all social medias to inform supporters of upcoming project.

Importantly the founders should ensure the project pitched is appealing to the funders in term of good description of the project, the quality and length of the video or narrative should be short, concise and captivating while making the objective and scope of the project clear. The funder should ensure frequent updates and interaction with the users is followed through to give clarity of the project to the interested partners.

5.4 Recommendation

Since the various factors under investigation in this current study affect crowdfunding initiatives, this study recommends that there is need for founders to make sure that they study the crowdfunding platform well before deciding where to pitch their project. In this regard, they should carry out surveys, which are tenable seeing that there is a lot of data on such platforms online. The creators of crowdfunding platforms should make sure that their platforms are appealing to project founders and backers by constant upgrades and advertising.

Since social networks influenced the success rates of crowdfunding initiatives, there is need for project founders to use numerous social networking platforms to advertise their projects and to attract friends and other social conducts to back the project. There is also need to have clear and quality videos and adverts so as to enhance the appeal of the projects pitched.

Regarding project quality, there is need for project founders to do good research before formulating their projects. They should come up with quality business plans that are easy to pitch to investors. To this end, the project should be presented as simply as possible. In addition, the project should be viable and with realistic budgets. Once the project is pitched, they should be available at all times to give feedback on

their projects when information is sought. If this is done, the likelihood of the project to succeed would be enhanced.

5.5 Areas for further Research

This study was focused on only one crowdfunding platform, M-Changa. Similar studies should be done targeting other platforms for correlation purposes. There is also need for further studies targeting backers of projects also for comparative purposes.

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Appendix I: Letter of Introduction

Dear Sir/Madam

RE: INTRODUCTION LETTER

I am a postgraduate student from KCA University in the school of Business and Public Management. Am carrying out a research on “**Factors that Determine Success of Crowdfunding Initiatives**”. The attached questionnaires have been designed to assist to gather data for the purpose of the research only. Respondents will not be required to write their name. Respondents are kindly requested to respond to all items thoughtfully and honestly. You are hereby assured that the information you will give will be treated with confidentiality it deserves and used strictly and only for academic purposes.

Thank you in advance.

Yours faithfully

Kiende Diana

Researcher

Appendix II: Questionnaire

SECTION 1: BACKGROUND INFORMATION

(Fill in choices of all questions).

1. What is your business name------(Optional)?
2. What is your Gender
Male [] Female []
3. What is your age bracket?
Below 20 [] 21-40 [] 41-60 [] Above 61 []
4. What your highest level of education
Primary [] Secondary [] University []
5. Where do you classify your project?
Technology []
Agriculture []
Entertainment []
Hospitality []
Design []
6. What other alternative method of financing have you tried?
Bank [] Micro finance [] Friends and Family [] others []
7. What was your target amount? Below 500,000 [] 500,001 -1,000,000 []
1,000,001-1,500,000 [] Above 1,500,000 []

**SECTION 2: CROWDFUNDING PLATFORM INFLUENCE SUCCESS OF A
CROWDFUNDING INITIATIVES**

Do you think the variables listed below influenced the outcome of your crowdfunding initiative? Kindly indicate the importance of these variables Use scale of 1-5 where strongly agree = (5) Agree = (4) Neutral = (3) Disagree= (2) and strongly Disagree= (1)

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
|---|-------------------|----------|---------|-------|----------------|
| Visibility of the Platform | | | | | |
| Openness and transparency of the platform | | | | | |
| Cost charged for using the platform | | | | | |
| Reputation of crowdfunding platform | | | | | |
| Length of crowdfunding period | | | | | |
| Constant interaction with investors. | | | | | |
| Large number of investors on Crowdfunding platform | | | | | |
| Giving up some control of your project to investors. | | | | | |
| Allowing investors in your project decision making | | | | | |
| Realistic Targeted amount | | | | | |
| Risk analysis of the project | | | | | |
| Type of project placed on the platform | | | | | |
| Number of competing projects placed on the platform | | | | | |
| Display of successful projects by crowdfunding platform on their site | | | | | |
| Display of successful projects by crowdfunding platform on their site | | | | | |
| Guidance by crowdfunding platform on how to pitch a crowdfunding initiative | | | | | |

**SECTION 3: SOCIAL NETWORKS INFLUENCE AND SUCCESS OF
CROWDFUNDING INITIATIVES**

Do you think the variables listed below influenced the outcome of your crowdfunding initiative? Kindly indicate the importance of these variables Use scale of 1-5 where strongly agree = (5) Agree = (4) Neutral = (3) Disagree= (2) and strongly Disagree (1)

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
|--|-------------------|----------|---------|-------|----------------|
| Size of targeted social network | | | | | |
| Identification of target audience for crowdfunding initiative | | | | | |
| Ability to manage the expectation of the contributors | | | | | |
| Endorsement and validation by social network | | | | | |
| Online marketing initiatives | | | | | |
| Frequent updates about the project | | | | | |
| Continual testing of adverts to see what small changes lead to clicks or open | | | | | |
| Frequent interaction with the stakeholders | | | | | |
| Awareness of the Project by investors | | | | | |
| Ability to tap into media influencers with large engaged audience | | | | | |
| A good market research on competing projects in order to come up with ideal marketing strategy | | | | | |
| Advise on the best social media to use | | | | | |
| Display of successful projects by crowdfunding platform on their site | | | | | |
| Creation of a blog to give the latest update and also track older updates | | | | | |
| Integration of crowdfunding campaign with many social media platforms to reach more followers | | | | | |
| Informing supporters about the campaign before its launched | | | | | |
| Encouraging supporters to share in about the initiatives on their social networks | | | | | |
| Encouraging the most loyal supporters to contribute right at the start in order to create demand | | | | | |

SECTION 4: QUALITY PROJECTS AND CROWDFUNDING SUCCESS

1. Do you think the variables listed below influenced the outcome of your crowdfunding initiative? Kindly indicate the importance of these variables Use scale of 1-5 where Strongly agree = (5) Agree = (4) Neutral = (3) Disagree= (2) and strongly Disagree (1)

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
|--|-------------------|----------|---------|-------|----------------|
| Good description of the project which provide audience with reason a to fund the project | | | | | |
| Length and quality of video posted should be clear, concise and capture attention | | | | | |
| Readers should understand the scope and objective of the project | | | | | |
| Provision of business plan | | | | | |
| Preparedness by the project creator through proof reading updates posted | | | | | |
| Frequent updates attract investors to fund the project | | | | | |
| Proper Display of project on the platform site | | | | | |
| Level of information disclosure about the project | | | | | |
| Launching the project at the right time in order to avoid competing projects | | | | | |
| Ability to spark power of emotional words in a logical way | | | | | |
| Blog posts should tell interesting and relevant story | | | | | |

SECTION 5: CROWDFUNDING SUCCESS

2. Do you think the variables listed below are associated with crowdfunding initiative? Kindly indicate the importance of these variables Use scale of 1-5 where Strongly agree = (5) Agree = (4) Neutral = (3) Disagree= (2) and strongly Disagree (1)

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
|---|-------------------|----------|---------|-------|----------------|
| Success of crowdfunding depends on reliable financial sources | | | | | |
| Success of crowdfunding is based on fulfilment of funding requirements | | | | | |
| Business owners must have required skills to have success in crowdfunding | | | | | |
| Business owners background history influences the success of crowdfunding | | | | | |
| Crowdfunding success is attached to solving some critical challenges | | | | | |

Thank you for your corporation and time in filling this questionnaire