

Article

Towards Crowdfunding Performance through Crowdfunding Digital Platforms: Investigation of Social Capital and Innovation Performance in Emerging Economies

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Abstract: The current study aims to explore how different owners and investors use digital crowdfunding platforms for advertisement and selection of different projects. This connection enhances the number of effective projects and attracts the attention of various entrepreneurs for investment. This research examines the direct impact of the crowdfunding digital-platform on crowdfunding performance as well as the role of the social capital as a mediating variable and innovative performance as a moderating variable. A quantitative approach was used for data collection and analysis. The findings show that digital crowdfunding platforms can be predicted through crowdfunding performance. The outcomes show that innovative performance strengthens the relationship between crowdfunding digital platforms and crowdfunding performance. This research reveals how fundraisers can improve crowdfunding performance through crowdfunding digital platforms, social capital, and innovative performance. Social capital plays a critical role in the enhancement of crowdfunding performance.

Keywords: crowdfunding performance; crowdfunding digital platforms; social capital; innovation performance



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1. Introduction

Crowdfunding digital platforms can facilitate fundraising and accrual of resources from a substantial number of supporters via internet [1]. The digital crowdfunding platform industry is growing globally and has attracted the attention of the scholars and researcher toward various aspects of substitute funding and financing in digital society [2]. In earlier periods crowdfunders used social media, for instance, emails and online social networks, to attain their objectives [3]. Nowadays, the advancement in technologies make crowdfunding a particular concern for entrepreneurs and investors, and they are able to use crowdfunding digital platforms such as Kickstarter, and Facebook that bring potential entrepreneurs and the backers together and assist them in the flow of transactions, details, and information [4]. Each crowdfunding digital platform describes project information that frequently includes video and photo, which can help in the fundraising process [5]. Crowdfunding digital platforms have been found to be a recently emerging funding technology which can facilitate both entrepreneurs and investors, providing affordable tool to entrepreneurs for the management of fundraising campaigns to assist in money transfer and helps in communication with potential investors [6]. Crowdfunding digital platforms facilitate outsourcing of interior business activities and tasks through crowdfunding performance [7]. The crowd can invest and provide funds for business ideas started by entrepreneurs and firms that do not have traditional ways to achieve monetary resources, for instance

from investment agencies and banks, for implementation of their projects and ideas [8]. These firms pledge the funds and financial resources raised from the crowd, and this emerging phenomenon of raising funds through the internet is called a crowdfunding digital platform [9]. Crowdfunding digital platforms offer various reward-based websites; about 57% of entrepreneurs have obtained USD 950 million funds for running 12 million different projects, 40% of which raised money effectively [10]. Recently, digital platforms have become an important component of survival in the digital world. Twenty-four years ago, however, this was not the case [11]. The development history of crowdfunding can be traced back to the 1800s. In 1997, British band Marillion managed their tour through crowd funded digital donations [12]. Motivated by the success of this campaign, in 2001 Brian Camelio from the US created the Artist share platform, where musicians could collect donations from their fans through digital recordings [13]. This was the first fundraising platform in history of crowdfunding digital platforms for musicians, photography, and film projects. After two years, jazz artist Maria Schneider won a record sponsored Grammy award through her fans' funding on Artistshare [14]. This was first Grammy award with no sales in normal stores. Taking into consideration the quick growth in crowdfunding performance and its significance to the business in recent years, our study attempts to provide an overview of the development and history of this industry [15].

The trend of fundraising from different crowdfunding digital platforms has attracted the scholars' attention. In the contemporary era, crowdfunding performance has grown to be a popular source of fundraising in different industries. Various researchers have placed emphasis on crowdfunding digital platforms as a means of crowdsourcing, which has great history with origins going back to the 1800s [16]. Crowdfunding digital platforms were primarily designed for central firms that help others in accessing knowledge from relevant areas and support in solving problems which improve crowdfunding performance where normally these firms cannot get access [17]. Crowdfunding digital platforms are an open call over the internet for the exchange of financial funds regarding information on the donation of funds to in turn support a project for particular purposes [18].

Prior studies highlight crowdfunding performance improvement in highly positive language [19] and relevance of relationships [20], but barely enlighten in banking sector in Arabic through social capital. Various research has been conducted in Arabic, focusing on variables such as crowdfunding rewards, campaigns, and cultures that facilitate improvement in firm performance; however, crowdfunding digital platforms have not been considered as a mechanism for increasing crowdfunding performance of the investors in the Arab banking sector. Thus, this research model is unique and focused into three different constructs, namely, crowdfunding digital platforms as an independent variable, innovative performance as a moderator of the link between them, and social capital as a mediator of the association between dependent and independent variable. We experimentally test the effect and results of these variables in boosting of crowding performance in the emerging Arab economy. Emerging markets support the overall economy to grow up and develop, which eventually directs developing nation to grow rapidly and engage with the worldwide marketplace, particularly those that are regarded as more advanced. However, previous studies have investigated the conditions under which entrepreneurs obtain funds and found that how crowdfunding digital platforms successfully appeal to crowds for funding and enhance crowdfunding performance by knowledgeable and skillful set of technologies and request smaller funding amount for projects. Advancement in digital technologies has transformed the way of crowdfunding of the firms and owners [6]. The firms require crowdfunding digital platforms for the advertisement of innovative products, which shows their innovativeness to the potential investors so they provide funds to them. The crowdfunding digital platform facilitates firms in acquiring funds, raising money, and communicating with other entrepreneurs by means of the internet. The crowdfunding digital platforms play a critical role for the backers and entrepreneurs that put their prints into social capital, which leads to high crowdfunding performance for projects. The crowdfunding digital platforms show the innovative idea and performance of

the firm to potential investors. The preceding studies have proposed distinctive features that play a critical role in the improvement of crowdfunding performance. One major element of crowdfunding digital platforms is the social capital that successively affects crowdfunding performance. In the current study, our main objective is to investigate the direct link between crowdfunding digital platforms and crowdfunding performance. Secondly, we examine the mediating role of social capital between crowdfunding digital platforms and the crowdfunding performance link. Thirdly, we put emphasis on the outcomes of moderating variable innovation performance between crowdfunding digital platforms and crowdfunding performance. Numerous studies have suggested that entrepreneurs face different challenges in the achievement of funding from crowds due to lack of innovative performance. Therefore, we used innovative performance as a moderating variable between crowdfunding digital platforms and crowdfunding performance link. The innovative performance of firms attracts and motivates investors for funding and investment in specific firms. Therefore, the innovative performance of a firm plays a vital role in improvement of crowdfunding performance. In the current research, we use these three variables for the enhancement of crowdfunding performance. This paper is arranged in the following pattern. The second part consists of a literature review, the third section contains our methodology, and the next section comprises data analysis. The last section contains discussion. Figure 1 shows theoretical Framework.

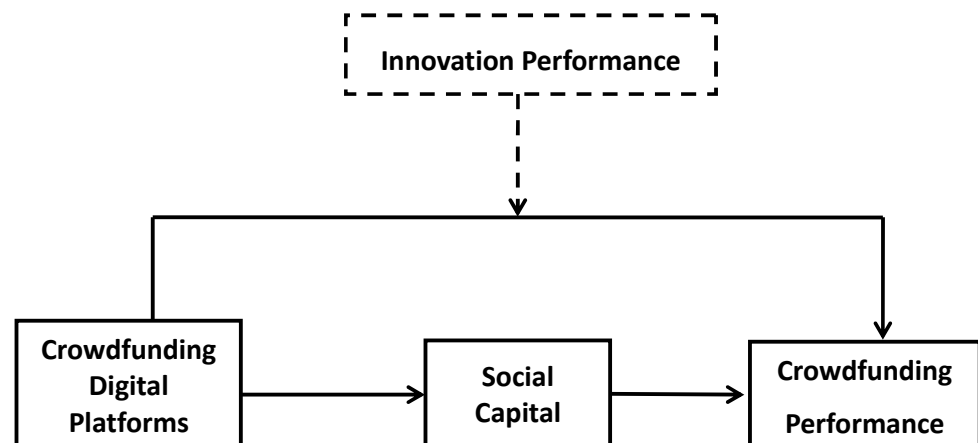


Figure 1. Theoretical Framework.

2. Literature

2.1. Crowdfunding Digital Platforms Predicts Crowdfunding Performance

Crowdfunding digital platforms are the latest means of fund raising for projects through internet services. Its main target is to approach the diverse and vast crowd/audience [21]. Crowdfunding digital platforms provide a platform for the gathering of resources which is necessary for project development, and enhance crowdfunding performance [22]. The crowdfunding digital platform provides motivation to owners for fund raising for projects and to attract the attention of the people, and to obtain money and feedback on their services and products from the public. These platforms improve and increase the crowdfunding performance for project funding [23]. These platforms facilitate customers not only in the fund and access terms but also in resource exchange and multi-interactions by emotional support, which boosts the crowdfunding performance of the connected actors [24]. A crowdfunding digital platform will act as an alternative for the projects which face difficulties in fund raising through conventional ways, as it helps owners to collect funds easily through crowdfunding improved performance. In addition, these platforms can make peoples' emotions shared and visible [25]. These digital crowdfunding platforms have an affirmative and encouraging impact on crowdfunding performance due to their multimodality, congregation, and interactive nature, which enable investors to dedicate their deeper and longer attention [26]. Crowdfunding digital platforms act as a means of communication in the association between the campaigners and investors. After a

communication path is provided to the investors and customers, then crowdfunding performance will be boosted up for the project funding [27]. Owners and entrepreneurs interrelate with the funders and share information and details of the projects through the crowdfunding digital platform [28]. In succession, the process of the fundraising results from dynamic combinations of enhanced crowdfunding performance of the investors and entrepreneurs. These platforms provide an online space to users for interaction and drawing of contributions from various individuals [29]. Customers/users are usually located in these two categories: creators of projects who are looking for funding of their project or idea, and sponsors who are willing to contribute to projects which interest them. The project owners launch campaigns for fund raising, providing an opportunity to the investors to provide funds for the project and working on an idea by campaign page [30]. The project creators through the campaign will obtain funds, feedback, etc., and sponsors can receive award for the project backing. Prominent examples of crowdfunding digital platforms include Kickstarter and Facebook; in these, fans are influenced by different posts [31]. Crowdfunding digital platforms are places for sharing knowledge and business ideas among creators and investors. These platforms increase crowdfunding performance and people contribute more funding for projects [32].

Hypothesis 1 (H1). *Crowdfunding digital platform is linked with crowdfunding performance.*

2.2. Social Capital as Mediator between Crowdfunding Digital Platform and Crowdfunding Performance

Social capital is the social structure of an individual which aids in sharing of the information in these forms; easily accessible, timely, and give referrals [33]. Crowdfunding digital platforms help creators to share knowledge and information about projects, and social capital is the major factor in investment process that increases crowdfunding performance through amount of the friends [34]. Social capital facilitates individuals in sharing of information and financial resources exchange through crowdfunding digital platform; an entrepreneur obtains funds from sponsors and invests them in the future crowdfunding projects [35]. The crowdfunding digital platform facilitates creators/owners of projects to increase social capital through development of strong relationships with backers that build up strong social capital ties, which leads to higher crowdfunding performance and increases funding for project [36]. When investors build up high level social capital ties through crowdfunding digital platforms, the crowdfunding performance will be more likely and will provide funds for the project effectively [37]. These platforms increase the crowdfunding performance and increase investment for the project [33]. Crowdfunding digital platforms are used by owners to launch their crowdfunding projects for the audience and their social capital network or friends, which improves crowdfunding performance and customers invest more funds for the project [38]. The crowdfunding digital platform enables an entrepreneur to maintain and create their social capital and obtain investment funds for various projects [39]. Social capital acts as a bridge between the crowdfunding digital platform and the crowdfunding performance. Social capital is the summation of the actual and potential resources available and derived from within and through network association that an individual and social unit has [40]. Crowdfunding digital platform is the co-production platform where investors work directly with owners in the supportive manner, share ideas, generate social capital, and participate actively in improvement of crowdfunding performance that promotes projects through funding of the backers. Social capital plays a significant role in the success of the project [41]. A crowdfunding digital platform is a supportive means for owners to advertise their services and products and to obtain money and feedback from investors and customers about services and products. These platforms can increase crowdfunding performance, which results in an improved social reputation and financial return from business initiatives and project success [42].

Hypothesis 2 (H2). *Crowdfunding digital platforms and crowdfunding performance is mediated by social capital.*

2.3. Innovative Performance Moderates between Crowdfunding Digital Platforms and Crowdfunding Performance Link

Entrepreneurs or project owners start advertisement of the latest innovative products at crowdfunding digital platforms and describe advanced final products which are not offered on the market yet [43]. These platforms show innovative performance of the firm through its innovative product, which drives higher enhanced crowdfunding performance [44]. The inventor of the project presents the monetary and the non-monetary rewards list to investors through the crowdfunding digital platform and provides details about the uniqueness of their product and services. This innovative performance of the firm motivates the backers to invest funds for different projects in the firm [45]. Crowdfunding digital platforms provide benefits for customers and sponsor alike, and boost the firm's innovative performance by enhancement of their experience in the latest innovative product development process, which leads to improved crowdfunding performance that gives opportunities to backers for investment in future projects [46]. Crowdfunding digital platforms increase the chances of interaction between investors and other entrepreneurs for testing products and advancing innovative features and ideas. These innovative ideas lead to the innovative performance of the firm, which boosts crowdfunding performance positively [8]. The crowdfunding digital platform provides the opportunity to owners to post their highly innovative product list because investors want to fund those firms that design novel innovative products [47]. The innovative performance of the firm boosts crowdfunding performance because investors support those projects that have an innovative idea [48].

Hypothesis 3 (H3). *Innovative performance plays a moderating role between crowdfunding digital platforms and crowdfunding performance.*

3. Methodology

3.1. Research Methods

We used a quantitative research approach in this study because it is focused to quickly gain data and information from large sample sizes through random sampling. In quantitative research, we can duplicate results; it is a flexible approach which enables participants to express their views when providing data.

We chose a quantitative method in our research because it produces numerical data which are reliable and factual data that are frequently generalizable to huge populations and used to change quantify opinions and attitudes of other variables.

In the current study, a quantitative research approach and questionnaires were used for data collection. The major potential of our study is that it is based upon on the few representative samples whose outcomes will be generalized to the entire population.

3.2. Data Collection

Data collection was done through questionnaires. Managers and CEOs were selected as a sample from Arab banks. Questionnaires were sent to respondents via email and with the aid of a research assistant. A concise description letter was attached with questionnaires to define the study purpose. After two months of efforts, 426 responses were received out of 725 total distributed questionnaires through email and hard copy. Out of 426 responses, only 324 questionnaires were used for analysis, creating a turn rate of 44.68%. Questionnaires were certified by experts before their distribution to respondents.

3.3. Measurement

The questionnaires contained two sections. The first section was composed of demographic constructs, i.e., business size, experience, and respondent's qualifications. The second section of the questionnaires contained items to compute, such as crowdfunding digital platform, social capital, innovation performance, and crowdfunding performance. A 5-point Likert scale was used to measure the items comprising value from 1–5.

Innovative performance

The innovative performance of the firm was measured through four item scales adapted from [49]. A sample item is “We improve innovation performance through continuous R&D”.

Crowdfunding digital platform

Four items were used to measure the crowdfunding digital platform, which were adapted from the scale designed by [50]. A sample item is “We provide an opportunity to know the status of fundraising on the basis of 24/7”.

Crowdfunding performance

For the measurement of crowdfunding performance, five items were adapted from [51]. A sample item is “We have achieved targeted goals of funds”.

Social capital

Social capital was measured through five items which were adapted from [52]. A sample item is “We believe that our community members are dedicated about collective missions and goals of the community”.

Analysis

Measurement Scale

SPSS 21 software was utilized to examine the data. The model was fitted to the data by the process of structural equation modeling. Ref. [53] Were used for checking the mediation effect of DI, while to examine the moderation effect, multiple moderated regression analysis was utilized. A four-factor model proved fitness ($\chi^2 = 2236.25$; RMSEA =0.05; CFI = 0.93; GFI = 0.92). Discriminant and convergent validity (CR) were checked as well. The AVE procedures were examined to test the convergent validity. We used the techniques of [54] to test the discriminant validity. Table 1 shows that all values were confirmed, and CR and AVE were higher than the cut-off points.

Table 1. Results of Alpha, CR, and AVE.

Variable Detail	FL	T-Value	Alpha	CR	AVE
Crowdfunding Digital Platform			0.85	0.92	0.73
CFDP-1	0.88	12.23			
CFDP-2	0.79	13.11			
CFDP-3	0.85	20.15			
CFDP-4	0.86	19.24			
Social Capital			0.86	0.94	0.72
SC-1	0.81	17.12			
SC-2	0.85	13.25			
SC-3	0.86	18.91			
SC-4	0.79	16.21			
Innovative Performance			0.88	0.96	0.74
InP-1	0.82	12.15			
InP-2	0.79	16.35			
InP-3	0.82	17.46			
InP-4	0.77	13.94			
InP-5	0.79	19.22			
Crowdfunding Performance			0.84	0.93	0.76
CFP-1	0.81	13.87			
CFP-2	0.79	15.92			
CFP-3	0.81	13.21			
CFP-4	0.83	18.17			
CFP-5	0.74	13.22			

Table 2 shows correlation results and all values support our developed theory as the variables were significantly related.

Table 2. Results of Mean, SD, and Correlations.

Variable	Mean	SD	1	2	3	4	5	6	7	8
1 B-Age	2.05	1.14	1.00							
2 B-Size	2.36	0.47	0.101**	1.00						
3 Exp	3.56	0.48	0.193**	0.66*	1.00					
4 Edu	2.89	0.58	-0.13	0.17	1.00	1.00				
5 Crwodfunding DP	3.11	0.54	-0.12	-0.08	0.01	-0.11	1.00			
6 Social Capital	23.43	0.36	0.14	-0.15	0.093*	-0.22	0.158*	1.00		
7 Innovation Performance	3.62	0.85	-0.19	-0.05	-0.04	0.025*	0.287**	0.335**	1.00	
8 Crowdfunding Performance	3.43	0.25	0.13	-0.02	-0.15	-0.11	0.320*	0.319**	0.336**	1.00

Note: * = significant at $p < 0.00$, ** = significant at $p < 0.05$.

Table 3 shows EM results and proved that crowdfunding digital platform positively predicts crowdfunding performance (Beta = 0.19.36, $t = 5.85$, $P = \text{sig}$).

Table 3. Crowdfunding Digital Platform Crowdfunding Performance.

Model Detail	Hypothesis Detail	Beta Value	F	T	Sig	Remarks
Model #1	IN→IP	0.18	19.36	5.85	0.000	Accepted

The mediating effect was tested through [53] analysis. Table 4 shows the results of, i.e., indirect effect social capital acts as mediator (Data = 0.19, Low =0.2235 to Up = 0.3618 Thus, H2 was proved, and it is proved that crowdfunding digital platform positively indirectly affects crowdfunding performance through the mediation of social capital.

Table 4. Mediating role of social capital.

Bootstrap with Indirect Effect “ab path”						
Model Detail	Data	Boot	SE	Lower	Upper	Sig
IN-DI-IP	0.1975	0.189	0.52	0.2235	0.3618	0.0000

Model: $R^2 = 0.195$; $F = 23.45$; $P = \text{sig}$.

H3 proposed that innovation performance strengthens the link between crowdfunding digital platform and crowdfunding performance. To test H3, multiple-moderated regression was used (See Table 5). We added control variables in step 1. In step 2, crowdfunding digital platform and innovation performance were added (CFDP*IP). In the last step, step 3, a relationship between CFDP and IP was entered. The result shows that the combined effect of CFDP and IP (Beta = 0.28, $p = <0.05$) on CFP is positive ($p = <0.05$). This result proves that IP strengthens the relationship between CFDP and CFP link, therefore, the H3 is proved.

Table 5. Hierarchal Regression testing IP as moderator.

Detail	Beta	T Value	IP		Beta	T Value
			Beta	T Value		
Step-1						
Bus-Age	0.11	0.52	0.15	1.22	0.41	0.14
Bus-Size	0.09	0.42	0.11	0.56	0.43	0.26
Education	0.11	0.24	0.12	0.42	1.23	1.32
Experience	0.14	0.14	0.16	0.24	0.35	0.74
Step 2						
CFDP			0.29*	6.36	0.28*	8.72
IP			0.32*	8.46	0.31*	9.18
Step 3						
CFDP*IP					0.27**	7.56
F		8.87**		18.16*		21.86*
R ²		0.16		0.24		0.22
R ²				0.23		0.18

Note: * = sig < 0.001; ** sig < 0.05.

4. Discussion

This research proposed three hypotheses to investigate the results regarding crowdfunding digital platform, social capital, and innovative performance on crowdfunding performance. This study reveals these hypotheses first to examine how crowdfunding digital platforms influence crowdfunding performance. H2 is designed to test the mediating role of the social capital between crowdfunding digital platforms and crowdfunding performance. Finally, H3 examines how innovative performance moderates positively between crowdfunding digital platforms and crowdfunding performance. H1 of the current research investigates the effect of the crowdfunding digital platform directly on crowdfunding performance. Researchers and policy makers have been attracted to crowdfunding digital platforms because of their supportive financial intermediation role between backers and organizations looking for capital. The results of H1 confirm that Crowdfunding digital platforms provide a platform for the gathering of resources which is necessary for project development, and enhance crowdfunding performance [22]. The crowdfunding digital platform provides motivation to owners for fund raising for projects and to attract the attention of the people, and to obtain money and feedback on their services and products from the public. These platforms improve and increase the crowdfunding performance for project funding [23]. These platforms facilitate customers not only in the fund and access terms but also in resource exchange and multi-interactions by emotional support, which boosts the crowdfunding performance of the connected actors [24]. A crowdfunding digital platform will act as an alternative for the projects which face difficulties in fund raising through conventional ways, as it helps owners to collect funds easily through crowdfunding improved performance. In addition, these platforms can make peoples' emotions shared and visible [25]. These digital crowdfunding platforms have an affirmative and encouraging impact on crowdfunding performance due to their multimodality, congregation, and interactive nature, which enable investors to dedicate their deeper and longer attention [26]. Crowdfunding digital platforms act as a means of communication in the association between the campaigners and investors. After a communication path is provided to the investors and customers, then crowdfunding performance will be boosted up for the project funding [27]. Owners and entrepreneurs interrelate with the funders and share information and details of the projects through the crowdfunding digital platform [28]. In succession, the process of the fundraising results from dynamic combinations of enhanced crowdfunding performance of the investors and entrepreneurs. These platforms provide an online space to users for interaction and drawing of contributions from various individuals [29]. The H2 of this study examines the mediating role of social capital in the linkage between crowdfunding digital platforms and crowdfunding performance. The outcomes showed the significance of the social capital between independent and dependent variables. H2 supports previous research findings that Crowdfunding digital platforms help creators to share knowledge and information about projects, and social capital is the major factor in investment process that increases crowdfunding performance through amount of the friends [34]. Social capital facilitates individuals in sharing of information and financial resources exchange through crowdfunding digital platform; an entrepreneur obtains funds from sponsors and invests them in the future crowdfunding projects [35]. The crowdfunding digital platform facilitates creators/owners of projects to increase social capital through development of strong relationships with backers that build up strong social capital ties, which leads to higher crowdfunding performance and increases funding for project [36]. When investors build up high level social capital ties through crowdfunding digital platforms, the crowdfunding performance will be more likely and will provide funds for the project effectively [37]. These platforms increase the crowdfunding performance and increase investment for the project [33]. Crowdfunding digital platforms are used by owners to launch their crowdfunding projects for the audience and their social capital network or friends, which improves crowdfunding performance and customers invest more funds for the project [38]. The results of H3 are consistent with prior findings. The outcomes of the prior findings show that Crowdfunding digital platforms provide

benefits for customers and sponsor alike, and boost the firm's innovative performance by enhancement of their experience in the latest innovative product development process, which leads to improved crowdfunding performance that gives opportunities to backers for investment in future projects [46]. Crowdfunding digital platforms increase the chances of interaction between investors and other entrepreneurs for testing products and advancing innovative features and ideas. These innovative ideas lead to the innovative performance of the firm, which boosts crowdfunding performance positively [8]. The crowdfunding digital platform provides the opportunity to owners to post their highly innovative product list because investors want to fund those firms that design novel innovative products [47]. The innovative performance of the firm boosts crowdfunding performance because investors support those projects that have an innovative idea [48].

5. Theoretical Implications

The current study adds to the literature in these ways. First, we conducted a confirmatory investigation about positive outcome of the latest crowdfunding digital platforms into crowdfunding performance and give a solid basis for testing the role of crowdfunding digital platforms in the accomplishment of crowdfunding performance in the emerging Arab economy. Second, we are the first to explore the role of innovative performance as a moderating construct between crowdfunding digital platforms and crowdfunding performance. Third, we used social capital as a key mediating factor for the enhancement of crowdfunding performance on crowdfunding digital platforms. Furthermore, we studied the role of social capital in the process of fundraising.

6. Practical Implication

This research offers various practical implications for the providers of crowdfunding digital platforms as well as investors. First, for the promotion of crowdfunding digital platforms, we pay attention to the innovative performance of the firm, because this plays a critical role in boosting crowdfunding performance. Investors support those projects that have an innovative idea and share information about crowdfunding projects to backers in diverse formats.

Second, social capital is the key factor in crowdfunding performance. The crowdfunding digital platform facilitates project owners to motivate backers and investors to maintain their social capital for the successful achievement of funding for projects.

7. Limitations and Future Research

This study contains the following limitations. First, the sample size of this study is small compared with the trend of big data analysis, which catches consideration from the research community. Second, we did not regard other moderating variables in this study, such as uncertainty, culture, etc. Third, we used text description and no friends at crowdfunding digital platform as a means of measuring the social capital. The social capital may be in a different form, and project information can be shared with entrepreneurs through word of mouth and other channels.

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