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Pandemic Chaos: Equity-based Crowdfunding in Malaysia

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Abstract

Background: Malaysia, like the majority of other countries, has a system in place to ensure that SMEs do not continue to suffer as a result of the proliferation of Covid-19. Among the measures implemented is the assistance of crowdfunding sites to guarantee that SMEs have alternative financing channels even in the event of a calamity. Furthermore, the entrepreneur must work to solve the challenges that occur as a result of the pandemic.

Objectives: To investigate the ECF as an alternate source of capital throughout the Covid-19 chaos.

Methodology: The content on the Pitch Platforms Sdn Bhd's website from March 18, 2020, to April 5, 2021, as well as the relevant literature on the prospects of crowdfunding in assisting entrepreneurs in acquiring money amid the Covid-19 issue, were observed.

Findings/ Implications: The study focuses on the usage of online funding via equity-based platforms in Malaysia during the outbreak. The ECF has a significant impact on Malaysian entrepreneurial finance. ECF encourages the development of crisis-resistant business models and raises entrepreneurs' understanding of digitization, technology, and web financing for expansion plans, particularly in potential business concepts. This analysis also indicates some intriguing research directions.

Keywords: Covid-19, Alternative Financing, Web Fundraising, Digitalization, Technological

Introduction

The Covid-19 pandemic's effects have led to concerns with the world's economy (Maital & Barzani, 2020; Akbulaev et al., 2020; Ratten, 2020), as well as a fresh look at the world's entrepreneurial scene (Brammer et al., 2020). The entrepreneurial ecosystem is among the economic sectors that have reacted to the crisis, according to (Brown et al., 2020). Depending on many aspects such management attitude, founder leadership, size of the ventures, existing

policies, business strategy, and government interference, entrepreneurial factors react to the crisis differently.

Determining whether the crisis has a modest or severe impact on ventures where financial losses are the primary concern is crucial. The government's implementation and expansion of the stay at home order and lockdown restriction (MCO) have impacted not only individuals but also companies. Additional issues arise for the companies that must deal with their financial losses because banks and other businesses are unable to operate as usual during the MCO. The "demand shift" and the social distancing control make it worse (Fairlie, 2020). This disaster has altered entrepreneurship in many ways, including the rising funding gap, entrepreneur attitude, survival skills, entrepreneurship education, recovery plan, and the functions of entrepreneurial systems (Maritz et al., 2020). However, entrepreneurial dynamics and value creation must advance in accordance with the pandemic regardless of its incidence.

ECF is a relatively new phenomena in Malaysia. The statistic demonstrate that after its inception the number of issuers involvement is not much enticing. According to the Securities Commission Malaysia's report on ECF, from 2016 until the end of 2022, around 315 campaigns were launched, with more than MYR500,000,00 raised (Securities Commission Malaysia, 2023). It is the magnitude of the impact that ECF could have on entrepreneurs or SMEs. Regrettably, few current Firms are shifting their funding approach to the ECF. During the epidemic, the ECF generously consoled the participating issuers. The report also shows that from 2019 to 2022, 83 percent of the issuers contributed 91 percent of the total amount raised. ECF has far-reaching impacts. Furthermore, Cumming and Reardon (2022) feel that during a crisis, the ECF's operations in the United States become overpowering. The data from the US's Securities and Exchange Commission reveal that regional property values after COVID-19 are a significant predictor of the number of equity crowdfunding campaigns and the amount of cash raised from the first in 2016 Q2 to the first in 2021 Q1. It appears that even during the Covid-19, this market had enough clout to entice fund providers and capital seekers to participate aggressively.

In previous research, ECF looks to be a valid solution for start-up or early-stage firms with no verifiable financial records, as well as when the product falls short of VC or angel expectations and the initiative has less market viability (Levin et al., 2013; Macht & Weatherston, 2014; Manchanda & Muralidharan, 2014). As a result, the researcher's conscious goal is to provide credible information on ECF and analyse ECF operations in Malaysia especially during COVID-19, so that more individuals, whether businesses or academics, can benefit from this research.

Literature Review

Entrepreneurial Reaction towards Coronavirus Pandemic (Covid-19)

It's unusual to experience Covid-19. It entails transforming the current entrepreneurial ecosystem and modifying preferences for innovation (Leung et al., 2020; Maritz et al., 2020). Due to the crisis' abrupt start (Kuckertz et al., 2020), quick and thorough decisions must be made (Bogle & Sullivan, 2009). These could lower operating costs and lead to a divergence from usual procedures, which could harm the firms' overall results (Wenzel et al., 2020). businesses need to adapt as rapidly as possible to the new normal (Doern et al., 2019). As a result, the effects of the pandemic could be mitigated while also recognising the chance for emergence (Williams et al., 2017). It is undeniable that during this moment, the tendency of the mind to concentrate on difficulty rather than the realisation of opportunities during

the catastrophe (Buchanan & Denyer, 2013). The crisis does, according to Grewal and Tansuhaj (2001), create opportunities to new business dimensions.

Due to the pandemic's severe consequences, numerous organisations are ceasing operations, downsizing employees, battling for survival, and making changes (Deschryvere et al., 2020). Wenzel et al (2020) opine the consequences that result in decreased operational costs and a departure from customary practises, which could negatively impact the businesses' overall performance. Moreover, Ramadani et al (2017) suggest that a check-and-balance plan for causes and actions identification is essential to avert business loss during the crisis. These can entail seeking additional funding to continue functioning, embracing the new standard that better suits the current situation, or, in the worst case scenario, creating an exit strategy. The corporation can manage the crisis' immediate financial impact thanks to its exit strategy. Despite the fact that this strategy suggests that the business has abandoned the market, it may be the best method to introduce a new startup that is more resilient to the present circumstances (Giones et al., 2020; Ratten et al., 2017). It cannot be denied that phoney campaigns are now appearing and need to be screened (Chandler et al., 2021).

According to Stephan et al (2020), the pandemic has resulted in five possible post-Covid19 recovery plans in the UK. These plans are classified into internal and external factors. The internal factors are also known as "personal resilience" and "business resilience". Where the former related to the founders and employees mental health consciousness as they have to adopt the new normal WFH working styles and at the same time have to assist in business growth. The latter concerns the firms being proactive in exploring new opportunities. Meanwhile, the external factors include navigation to home-grown rather than macro supply chain, revolutionise existing business model to social-based business model, and embrace digital technology (Butticè & Vismara, 2022).

The global business climate will likely undergo a dramatic transformation as a result of a new wave of creative destruction, which will also encourage a new generation of entrepreneur ventures to see chances in the turmoil brought on by COVID-19 (Zahra, 2020). According to studies on crisis management, the type of business, the firm's human capital responsibilities (Alharthi & Khalifa, 2019; Vardarlier, 2016), and the firm's networking (Doern, 2016) all contribute to losses when a crisis occurs. Consequently, to utilise the potential crisis management in an organisation that might aid in the development of sustainability and, most importantly, help reduce the gap in entrepreneurial inequality (Aceytuno et al., 2020).

Crowdfunding

Crowdfunding has a number of meanings, most of which are quite similar. A little sum of money is raised through crowdfunding by a large number of people (Agrawal et al., 2014; Ordanini et al., 2011). The term "crowdfunding" refers to a group of online activities in which a person, organisation, firm, or non-profit organisation persuades a crowd or people with various educational backgrounds, personalities, and life experiences through a flexible open call. The crowd contributes by contributing labour, money, information, and experiences (Estellés-Arolas & González-Ladrón-De-Guevara, 2012), and the task is always voluntary and involves mutual gain. It is also referred to as "collective finance" (Biancone et al., 2019) or the "social form of financing" (Brzozowska, 2013).

Crowdfunding also promotes the development of novel business concepts as well as critical knowledge and skills. Crowdfunding has demonstrated that trust is a component that increases public confidence (Swart & Milner, 2015). It is a legal innovation in the global financial environment known as financial technology, and it is not a modification of an existing system

(Gleasure & Feller, 2016). Crowdfunding has consistently challenged the traditional banking and financing industries (Horvát, et al., 2015).

One argument is that crowdfunding can reduce communication, underwriting, and transaction costs that are unavoidable in traditional banking (Baumgardner et al., 2017). Crowdfunding is more than just collecting money; it is also about the relationship between the fundraiser, funders, and platform providers, which may propel an established project to the next level (Gleasure & Feller, 2016). According to Salomon (2016), the growth of ECF platforms is a result of decreased support from VC sectors and private equity (PE) funds. Because it is difficult to uncover quality start-up businesses to establish a profitable portfolio, VCs and PEs appear to be abandoning the early-stage entrepreneurial industry. As a result, they only focus on current and developing businesses that already have successful products and market stability (Lindstrom & Olofsson, 2001).

Types of Crowdfunding

There are four common types of crowdfunding; the donation-based, reward-based, equity-based and lending (peer to peer) based. Table 1 depicts the types of crowdfunding in the market.

Table 1

Types of Crowdfunding

Types of crowdfunding	Donation	Reward	ECF	P2P
Financial Return for supporters (investors)	X	X	√	√
Monitored by Securities Commission Malaysia (Guidelines on Regulation of Markets under Section 34 of the Capital Markets and Services Act 2007)	X	X	√	√
Through licensed crowdfunding platform	X	X	√	√

The success of crowdfunding campaigns depends on the type of crowdfunding. Equity-based crowdfunding demands investor and capital market security. Among the influencing factors are the types of networks, campaign characteristics, and the type of product or service offered to influence the success of the campaigns (Lukkarinen et al., 2016). According to Piva and Rossi-Lamastra (2018), the founder's entrepreneurship knowledge and experience contribute to the campaign's success. These human capital qualities represent the value of the firm and low of asymmetry information. Also, Horvat et al (2018) highlight that the uniqueness of the pitching session, the investors' topographical intensity, the language used and the presentation style during the campaign are essential in equity-based crowdfunding success.

According to Riar et al (2021), different types of mass investors, either professional or beginner, tend to search for additional sources of information when making investment decisions based on their knowledge and background. The info could derive from the signal conveyed, interaction and investment goals. Therefore, the ability of the fundraisers and the ECF platform providers to compile and disseminate the right signals to each of these investors would be advantageous because some of them tend to use the wrong signal when making investment decisions (Reichenbach & Walther (2021). Such signals include displaying past achievement and financial statements (Di Pietro et al., 2020), business models (Lukkarinen et al., 2016), founders' backgrounds (Lim & Busenitz, 2020) and top management teams' (TMT) backgrounds (Baum & Silverman, 2004), social networks association (Liao et al., 2015),

platforms Plummer et al (2016), investors' affiliation Kleinert et al (2020); Kim & Viswanathan (2019); Woköck (2019), campaign's updates Mollick (2014) and practices employed (Bae et al., 2017). Apparently, as an issuer or a fund provider, it is critical to forecasting the campaign's result (Paintsil et al., 2021).

Carvajal et al (2012) go on to clarify that the level of transparency is determined by the crowdfunding model. Transparency has an impact on both crowdfunding actors: the entrepreneur's enterprise and the platform provider (Agrawal et al., 2014). The venture's information transparency signals strategy is consistent with the platform provider's philosophy during the pitching process (Hu et al., 2018). If the enterprise anticipates an unfavourable campaign outcome at this time, it can resurrect the funding process by making offers or discounts to people who invest (Du et al., 2017; Li & Duan, 2014). Furthermore, the transparent plan serves as an information strategy that may attract more customers, resulting in increased profitability (Hu et al., 2018). Thus, the crowdfunding moral hazard could be identified and corrected in advance, avoiding liquidation (Hurt, 2016). This also implies that in order for new businesses to thrive, especially when it comes to financial-based crowdfunding, they must be honest in order to gain the trust of potential backers.

The pandemic has raised investor awareness. Thus, trust factors, fundraiser updates on social media, and platform changes on websites all have a substantial impact on prospective investors' participation (Borst et al., 2018; Mejia et al., 2019). As a result, in order to assure optimal income streaming, the platform provider would consider changing its website in the future to improve its functions (Braet et al., 2013). Transparency is frequently related with technology. Unfortunately, from the standpoint of crowdfunding, transparency is restricted to the facts presented on the platform or provided during a crowdfunding campaign. The transaction is structured and the legal duty is enforced on the website (Gelfond & Foti, 2012). Furthermore, backers from various demographic backgrounds would approach the website provider based on the crowdfunded project they are interested in and believe is worthy of money and trust (Hui et al., 2014; Lehner, 2013). These could help entrepreneurs stand out from the crowd and lessen investor uncertainty.

Beginning in Covid 19, Fairlie (2020) discovers that more than three million enterprises in the United States have failed. Where 25% of female-led businesses were negatively impacted. Female entrepreneurs, on the other hand, receive greater crowdfunding, according to research from Italy's ECF ecosystem. During a crisis, trustworthiness and social capital boost campaign success rates (Mejia et al., 2019). Surprisingly, female entrepreneurs' social capital grows throughout the pandemic (Battaglia et al., 2020). Female board members, according to Cicchiello et al (2021), boost investor participation and consequently campaign success.

A Delphi study conducted by Tiberius and Hauptmeijer (2021) discloses that in the following 5 to 10 years, the number of ECF investors is expected to increase up to 20 per cent yearly. Also, the total investment sum will increase by 15 per cent. Thus, show the potential of ECF for SMEs at large. Moreover, some experts forecasted an increment of 20 per cent of funds seekers, but it lacks evidence. However, among the factors that help the survival ability of the enterprises is the determination of entrepreneurs to overcome the emergent problems impromptu (Stenholm & Renko, 2016).

Previous research indicates a decline in donor engagement during the pandemic, as well as investor selection on R&D and technology-related project campaigns (Battaglia et al., 2020). The ECF attracts the participation of youthful investors (Chandler et al., 2021). Investors become more cautious in their investment decisions. Thus, transparency may boost donors' trust (Mejia et al., 2019) and insight into the fundraiser's determination (Buell et al., 2017;

Buell et al., 2020), as these contribute to conveying a significant signal to funders while also retaining them to continue supporting ECF efforts (Sewaid et al., 2021).

To reflect the current reality, Battaglia et al (2020) propose redefining investors who are more likely to invest in family-owned enterprises. Furthermore, enterprises in high Covid-19 zones suffer more than those in low Covid-19 zones. Investors are becoming more picky and cautious in order to limit their losses. Deschryvere et al (2020) suggested a counter-scenario in which Covid-19 indirectly hinders innovation and R&D. This study's findings on ownership offered in ECF activities are comparable to those of (Buell et al., 2017; Buell et al., 2020).

Capital Market and Services Act 2007 – Market Regulation

At the end of 2015, Malaysia passed a watershed moment in its history. SC issued the Guidelines on Market Regulation under Section 34 of CMSA to assist financial-based platforms with the procedures to be followed and how they should be conducted and operated (Capital Markets and Services Act, 2007). Following the creation of these principles, Malaysia became the first Asian country to have a regulation to facilitate ECF (Securities Commission Malaysia, 2016). Part F of the rules clearly specifies the additional restrictions relevant to a crowdfunding platform's established market. The equity crowdfunding platform is discussed in Chapter 12, and peer-to-peer lending-based crowdfunding is discussed in Chapter 13. (Securities Commission Malaysia, 2016).

ECF-based Crowdfunding Registered Market Operators (RMO) in Malaysia.

Since 2014, the Securities Commission Malaysia has introduced ECF into Malaysia's capital market. Table 2 is a list of ECFs that have been registered with the Securities Commission Malaysia. The registered crowdfunding-recognized market operators in Malaysia also include P2P and property crowdfunding. Micro, small, and medium companies (MSMEs) seeking early-stage finance are among the entities targeted by recognised market operators (Securities Commission Malaysia, 2017).

Table 2

ECF Recognised Market Operators in Malaysia

Platform	Year granted license
Ata Plus Sdn Bhd	2016
Crowdplus Sdn Bhd	2016
Crowdo Malaysia Sdn Bhd	2016
Ethis Ventures Sdn Bhd	2019
Eureeca SEA Sdn Bhd	2016
Fundnel Technologies	2019
FBM Crowdtch Sdn Bhd	2016
Leet Capital Sdn Bhd	2019
MyStartr Sdn Bhd	2019
PitchIN Platforms Sdn Bhd	2016

ECF platform in Malaysia - Fundraiser Limits

Amounts raised by an issuer through the ECF platform are initially limited to MYR 5 million. The issuer's capital investment or other financing are not included in this amount. The restriction on the issuer is that an issuer can only crowdfund up to RM3 million per annum, irrespective of the number of projects. The issuer may submit a further MYR 2 million

application the subsequent year (Securities Commission Malaysia, 2016). The Securities Commission of Malaysia reports that the initial cap's upper limit has now increased from MYR5 million to MYR10 million. Additionally, ECF can now launch secondary trading as MSMEs show interest in this funding source (Securities Commission Malaysia, 2019). Malaysian Securities Commission, 2019).

Additionally, Adilla (2017) argues that in order to work with investors to expand SMEs in Malaysia, the government established the Malaysia Co-Investment Fund (MyCIF). With the help of existing grants, the MoF developed the MyCIF, which would co-invest in SMEs with private investors through platforms for equity crowdfunding and peer-to-peer lending. The fraction is set at 1:4, which means that the MyCIF will invest one Malaysian ringgit for every four Malaysian ringgits raised from the ECF, although the maximum investment is only MYR500,000. The SC has extended the application period from September 2020 (Fong, 2020) to the end of December 2020 and increased the total maximum for MyCIF to MYR 1 million with the proportion of 1:2 due to Covid-19. MyCIF application, however, is dependent on the allocation that is available.

The Securities Commission Malaysia has reported that as of the end of 2020, the total of MYR165million of MyCIF has been co-invested and assisted in 5,439 campaigns and 1,197 eligible ECF and P2P issuers, respectively. MyCIF goal is to help MSMEs at the post-recovery from the pandemic. However, according to the Securities Commission Malaysia, due to the ECF payback a, roll-over on P2P notes, and the fixed-term deposit, the co-investment amount had exceeded the initial allocation of MYR100 million (Khalid, 2021).

ECF-based Crowdfunding in Malaysia

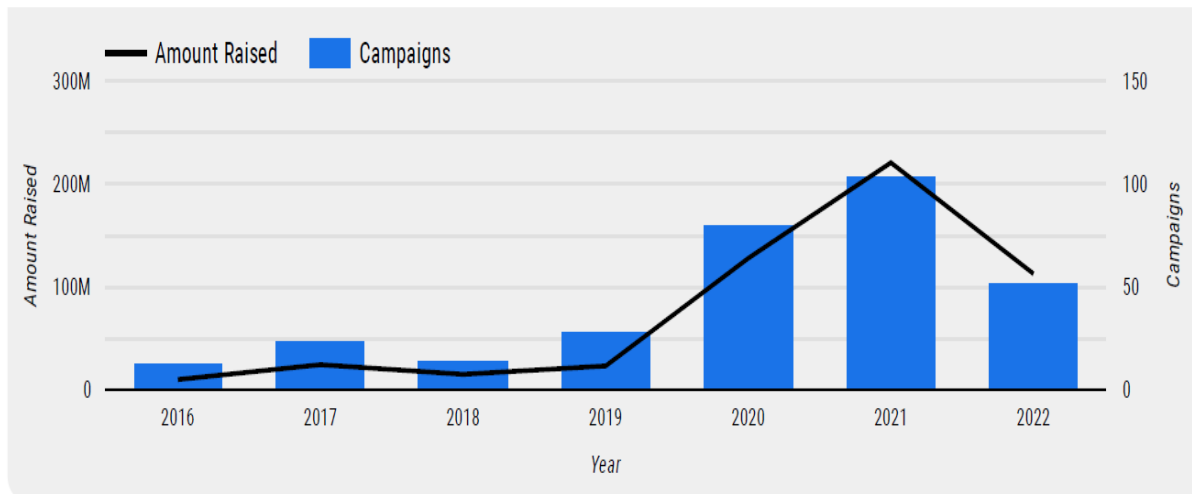
In Malaysia, ECF-based crowdfunding is regulated by the Securities Commission Malaysia (SC) under Section 34 of the Capital Market and Services Act 2007. Equity-based crowdfunding entails transferring ownership from the firm to the investors (Estrin et al., 2018; Tuomi & Harisson, 2017). ECF is heavily regulated in order to protect all parties involved, particularly investors. The Act also controls lending-based (P2P) and real estate-based crowdfunding. These two are involved in documents such as loan agreements (Bruton et al., 2015).

Equity-based Crowdfunding in Malaysia and SMEs

Funding gap issues involving micro, small and medium enterprises (MSMEs) and high potential start-ups are still prominent and unresolved. Salamzadeh and Kawamorita (2015) classify prominent difficulties confronted by start-ups, for instance, human capital, financial capital, internal and external capital. Even worse, to cope with the technology speedy revolutionises such as digitalisation. To address this problem, the government of Malaysia initiated various efforts to ensure the Malaysian entrepreneurs can meet their funding needs (Securities Commission Malaysia, 2018). MSMEs and start-ups continue to be regarded as agents that create employment and opportunities, maintain sustainability, and advance economic growth. MSMEs are estimated to create total global employment at about 43.5%, and this is the projection of 57.8% of real new jobs. MSMEs and start-ups are economic growth contributors in developing countries. MSMEs provide almost 33% of GDP and start-ups at about 51% in developed countries. Yet, the main obstacle for these MSMEs and start-ups is accessibility to financing (Howorth, 2001).

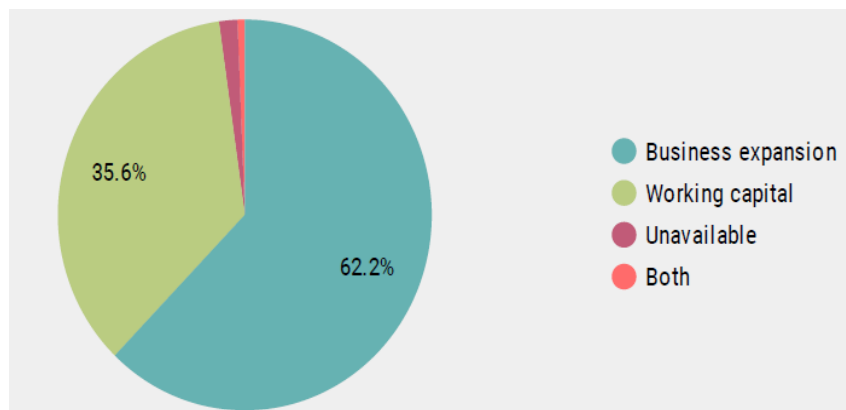
MSMEs' financial crisis in developing countries has reached almost USD2.4 trillion. The International Finance Corporation (IFC) database shows that G20 countries hold a USD1.3 trillion financing gap. The nature of MSMEs as highly risky, absent collateral to pledge, and lack

of financial reports cause their chances to penetrate a traditional banking system as very low and probably altogether impossible contributes to the rising number of MSMEs and start-ups being financially underserved and ceases operation (Arcuri & Levratto, 2018). Kassim et al (2020) highlight that ECF platforms in Malaysia donot have a standard way to present the campaign's information on their platforms. Some of them do notdisplay due to the issuers or investors issues. Figure 1 displays ECF platforms performance in terms of the transaction year, success campaign, and amount raisedfrom 2016-2022. Whilst, Figure 2 depicts that 62.2 percent of the issuers raised the money via the online platform for business expansion, 35.6 percent for working capital, 0.6 percent for both and 1.6 percent is unknown.



Securities Commission Malaysia (2023)

Figure 1: ECF- Amount Raised and Campaigns 2016-2022



Securities Commission Malaysia (2023)

Figure 2: Percentage of Fundraising Purposes 2016-2022

Securities Commission of Malaysia - Reports on ECF

Table 4 shows the ECF achievement from 2016 to 2022. The ECF platforms were used by the fundraisers since they had shares to offer investors. In 2022, the ECF market raised more over MYR 500 million with 315 successful campaigns. Surprisingly, investments grew in the years where Covid-19 struck, 2020 (MYR127,728,405.77), 2021 (MYR220,721,819.95), and 2022 (MYR112,634,099.23), representing 86.57 percent of total activities since its commencement (Securities Commission Malaysia, 2023).

Table 4

Statistic on Equity Crowdfunding

Year	Campaign	Amount Raised (MYR)
2016	13	9,675,311.34
2017	24	24,141,673.09
2018	14	14,760,970.00
2019	28	22,922,075.20
2020	80	127,728,405.77
2021	104	220,721,819.95
2022	52	112,634,099.23
Total	315	532,584,354.58

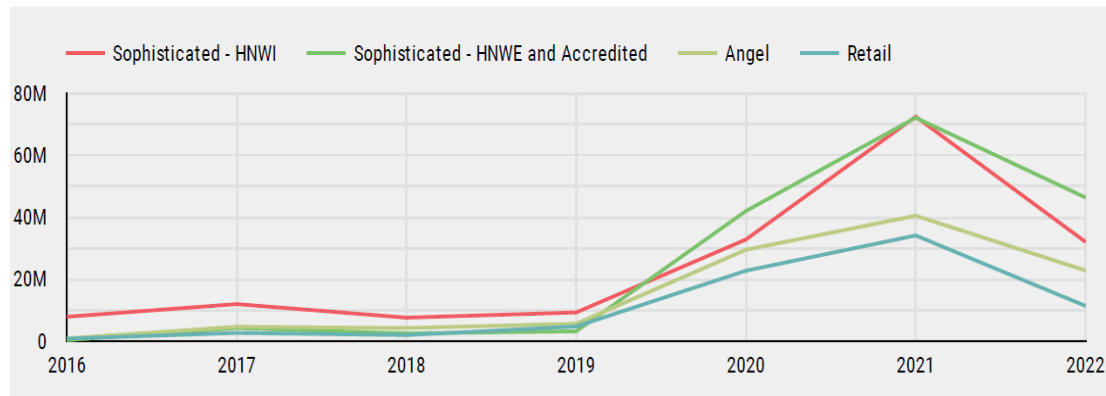
Source: Securities Commission Malaysia (2023)

Table 5 and Figure 3 also depicts the types of investors and the amount invested between 2016 and 2022. Figure 4 shows the percentage of angel investors (20.3%), retail investors (14.7%), and sophisticated investors, also known as high net worth individuals (HNWIs) and high net worth entities (HNWEs), were active throughout the crisis year of 2020-2022. Meanwhile, 95.2 percent were Malaysian investors and foreign investors (4.8%) as shown in Figure 5 below.

Table 5

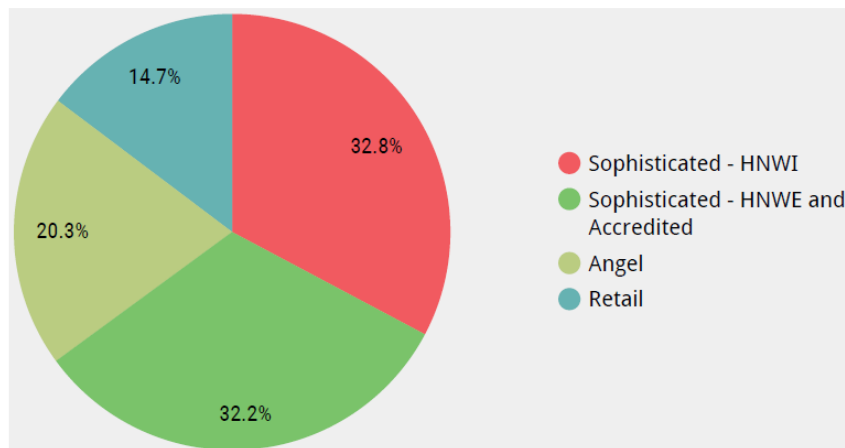
Types of Investors and Amount Invested

Investors Type and Investment Amount				
Year	Angel	Retail	Sophisticated - HNWI & HNWE	Total MYR
2016	821,712.00	767,160.31	8,150,294.54	9,739,166.85
2017	4,607,427.44	2,600,283.48	16,090,265.17	23,297,976.09
2018	4,183,138.00	1,893,410.22	9,976,874.70	16,053,422.92
2019	5,578,720.00	4,689,676.00	12,367,423.00	22,635,819.00
2020	29,506,615.40	22,722,784.8	74,853,459.05	127,082,859.2
2021	40,496,406.73	34,116,633.7	144,747,792.0	219,360,832.5
2022	22,803,890.01	11,340,093.8	78,434,003.73	112,577,987.5
Total (MYR)	2016-2022	107,997,909.5	78,130,042.3	344,620,112.2
Total (MYR)	2020-2022	92,806,912.14	68,179,512.3	298,035,254.8



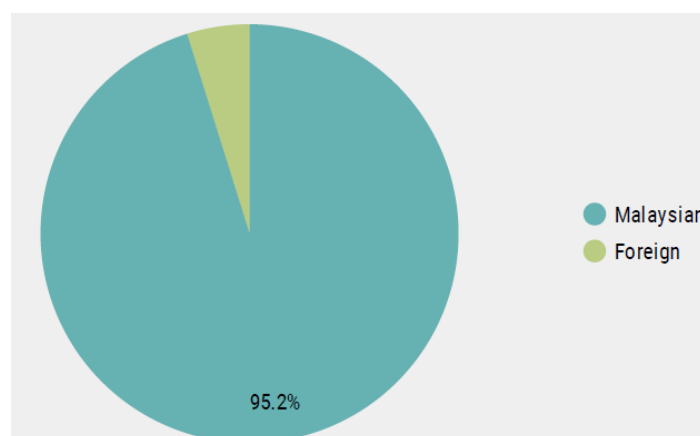
Securities Commission Malaysia (2023)

Figure 3: Types of Investors and Investment Amount (MYR)



Securities Commission Malaysia (2023)

Figure 4: The Percentage of Investors Types



Securities Commission Malaysia (2023)

Figure 5: Malaysian versus Foreign Investor 2016-2022

Research Methodology

In particular amid Malaysia's Covid-19 issue, the purpose of this research is to examine the viability of ECF as an alternate funding option for projects. The qualitative method of content analysis research is used in this exploratory study and is based on;

- i) The current journals and information about Covid-19 and its effects on MSMEs and enterprises.
- ii) The Malaysian websites for equity-based platforms. Crowdfunding activities will be prioritised during the MCO (March 18, 2020 to April 5, 2021). However, given to the limited information available on the websites of the ECF platforms, this study focuses primarily on Pitch Platforms Sdn Bhd (PitchIN Platform). PitchIN gives the majority of the necessary information about crowdfunding operations.

Results

Table 6 contains data received from the PitchIN platform between March 18, 2020, and April 5, 2021. Amidst the outbreak, PitchIN received 1,972 investors and successfully raised more than MYR75 million. The proportion ranges from 1.51% to 48.78% based on the number of shares offered. The investors do not invest based on the initiative's ownership. Superceed, for example, offered 7.29% shares and earned MYR3,110,555 from 31 investors, with the biggest single investment totalling over a million. This is Superceed's second time raising funds through PitchIN. PitchIN also assisted Superceed with its first campaign in 2018. Meanwhile, Accos, an e-commerce platform that gives 15 investors the highest ownership (48.78%), raised about MYR 3 million. According to Vismara (2016), in equity-based crowdfunding, if the founder gives substantial equity to crowd funders, potential backers are less inclined to invest since it symbolizes the quality of the owner's firm's crowdfunded project.

Meanwhile, the single largest investment totals MYR 23,930,503, which represents almost 32% of the total collected amount, with a lowest of MYR60,000 and a highest of MYR1,038,400. Thus, institutional investors, sophisticated financiers, or business angels could make investments. According to the statistics, the company's operations vary from agriculture to entertainment, café and event management, educational platform, water dispenser delivery, and more. The majority of them, however, are technology-related or digitalization activities. The conclusion is validated by the study by Battaglia et al. (2020), which revealed that investors consistently fund R&D and technological enterprises. Indeed, in today's business culture, technology such as big data, business analytics, and customer management systems are frequently used to improve company performance (Mohammadi, 2020). According to the data, more than five businesses successfully fund MYR3 million or more. MYR5,280,657 was raised by Policy Street. Policy Street persuaded 274 investors to make the largest single investment of around RM 1 million using an insurance technology solution. Policy Street is the 55th successful issuer on the platform (PitchIN, 2020).

Table 6

PitchIN Platform's Equity-based Crowdfunding Successful Campaigns during Covid-19

No.	Issuers	Business Activity	# Raised MYR	Shares Offered %	Investors	Single Largest Investment
1	Policy Street	Insurance technology	5,280,657	11.71	274	998,058
2	Superceed	Artificial Intelligence	3,110,555	7.29	31	998,296
3	GenYouth	Employment Platform	3,040,000	16.7	13	1,000,000
4	Virtual Level Up Sdn Bhd	Virtual event specialist	3,016,440	13.05	13	1,023,120
5	Talent Ap Mgmt	Marketing solution provider	3,000,800	25.05	19	1,038,400
6	MAHSA Healthcare	Healthcare	3,000,000	10.71	8	1,000,000
7	Brick House	Café, Catering, Event Management	3,000,000	6.98	9	1,000,000
8	MAHSA Nexgen	One Stop Digital Platform	2,999,000	16.67	10	999,000
9	Accos	E-Commerce	2,998,920	48.78	15	990,360
10	Zupital Holding	Cleaning and Disinfection Supplier	2,991,300	16.63	18	991,200
11	Regov Tech	Bitcoin	2,830,423	8.4	132	895,752
12	Speedrent	Platform-rent property	2,592,962	10.27	106	639,744
13	Fatberry	Insurance products Online	2,519,340	33.26	19	1,036,010
14	NU Vending	Automation	2,457,200	10.53	27	736,400
15	Brandt International	Business process outsourcing (BPO) firm	2,095,017	9.97	54	1,026,260
16	VMO	Platform-Event	2,085,052	9.1	24	692,464
17	Translife Education	Live streaming education platform	1,975,680	18.19	8	882,000
18	Whizzl	Feedback and Rating Systems Apps	1,871,250	5.21	76	343,125
19	XTSTechnologies Sdn Bhd	Factory automation	1,688,400	7.41	87	313,200
20	Govicle Sdn Bhd (Jompakir)	Digital parking Apps	1,567,208	12.5	13	498,750
21	Newswav	Platform-AI & BD	1,520,178	18.74	7	550,016
22	SERV	Vehicle Super App	1,506,190	5.26	77	500,760
23	Deemples	Golfer platform	1,440,000	16.78	59	450,000
24	Kravve	Handmade food and Groceries platform	1,255,000	11.11	159	222,500
25	Apex Biocare	(Online)Pharmaceutical	1,200,000	20	5	432,000

	Sdn Bhd	and Wellness Industry				
26	Yin's Sourdough	F&B	1,139,468	15	59	220,806
27	Coffeeprint	Digital platform-Cloud printing	1,088,000	13.04	19	360,000
28	EduReviews Co	Education Directory	1,076,600	12.5	14	214,200
29	Everpeaks	E-commerce	941,000	25.17	48	500,000
30	Newleaf Eco Development	Durian Massive Plantation	920,000	N/A	51	270,000
31	Traitily	Digital platform-psychometric assessment	910,800	10	10	302,400
32	Gini Technologies	Online learning platform	788,100	14.75	21	99,900
33	Sentuh Sinergi	Digital Platform	734,400	8.16	74	221,400
34	Kosumy	Cloud Training Platform	710,000	19.35	12	235,000
35	Smart Security Solutions	Digital Smart Lock Systems	684,250	10.24	34	226,100
36	Jtel Marketing	Leben brand water dispenser	678,300	9.52	18	222,300
37	RentGuard	Platform-Digital property	644,600	4.63	107	165,600
38	Alpha Red Services	Cloud-based Technology platform	622,200	12.02	27	120,780
39	HarvestNet	Software solution provider	596,500	6.98	9	174,000
40	Carpedia	Platform-gig income	552,500	15	87	139,400
41	iConstruct	Digital construction material platform	452,250	6.94	23	150,750
42	Quivine Tevacous Foodstuff SB	Food Technology Company	385,560	10	9	270,540
43	Evulx International	Digital learning simulation provider	319,000	8.57	23	90,000
44	Simply Giving	Platform Fundraising for SocialEnterprise	317,912	10.99	9	129,412
45	RexKL	F&B services platform	270,000	12.5	29	60,000
46	SecondLife	Technology/commerce	268,800	9.11	14	150,000
47	Far Capital	Digital Infrastructure provider	263,500	1.51	3	250,000
48	Airuphere	Platform-Sport Organizer	250,500	9.04	9	100,500
		TOTAL	75,655,812		1972	23,930,503

Source: Self Illustration

Table 7 shows the active campaigns as of April 5, 2021. It also demonstrates that technology-based businesses are actively involved in online funding initiatives. Spurr and Innovatic Commerce Solution both exceeded their minimal target figures, raising 102.49% and 286.11%, respectively. Spurr, on the other hand, must wait until the end of the 25-day cooling-off period. Innovatic's campaign will expire in five days, and the money will be available following the cooling-off period. Unfortunately, Mycash Money only raised 2.15% and ended the campaign after 10 days. Mycash is launching their campaign on PitchIN Platform for the second time. In 2017, they successfully raised MYR1.3 million in the first round (The Star, 2017).

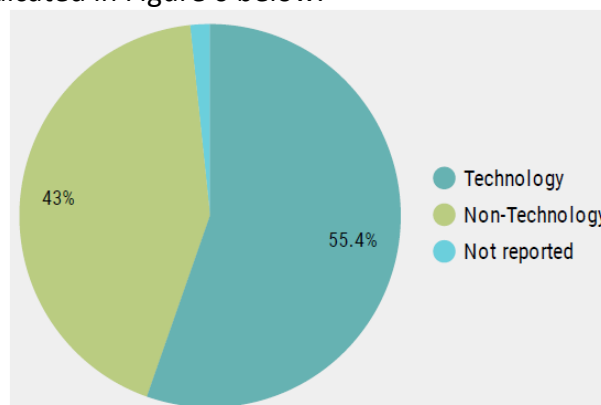
Table 7

PitchIN Platform's Equity-based Crowdfunding Live Campaigns during Covid-19

No.	Company Name	Business Activity	Total Amount MYR / Shares Offered %	Target / Shares offered %	Min. Target (MYR) %	Days to Go	raised so far %
1	Chiefway Smart Glass	Smart Glass Manufacturing	3 million / 13.40%	1.5 million / 6.98%	25 days	12.39	
2	Spurr	Digital Tools providers	3 million / 16.67%	500K / 3.23%	25 days	102.49	
3	Innovatic Commerce Solution (eshoppe)	Social Live streaming business platform	4 million / 12.50%	1 million / 3.45%	5 days	286.11	
4	Mycash Money	Financial Services Company	5 million / 13.44%	2 million / 13.44%	10 days	2.15	

Source: Self Illustration

According to the Securities Commission Malaysia, technology-based actions (55.4%) dominated ECF campaigns, followed by non-technological activities (43%) and unreported activities (1.6%), as indicated in Figure 6 below.



Securities Commission Malaysia (2023)

Figure 6: Technology related Issuers

Before the pandemic, the pre-live sessions were held face to face. However, during the Covid-19, the pre-live campaigns are managed online, such as live streaming via Facebook, Google

meets, and Zoomsapps. Table 8 depicts the pre-live investment opportunities awaiting the investors as of April 5 2021. The technology-based businesses also dominated the list. Millano Jewellery, a jewels crafts company aiming to get funds amounted to MYR 9 million and offered 23.08% of their stakes. Igotopia, a virtualreality agency, also targeted above MYR 8 million. Compared to others, 1Flex, a home fitness online platform, the total target is below MYR500K, but the shares offered a bit high, 20%.

Table 8

PitchIN Platform’s Equity-based Crowdfunding Pre-live Campaigns during Covid-19

No.	Company Name	Business Activity	Total Target Amount MYR / Shares Offered %	Min. Target (MYR) / Shares offered %
1	Woots	Virtual Event platform	495K / 10.00%	250K / 5.00%
2	GoLog	Cold chain Logistic platform	4 million / 16.64%	1 million / 4.75%
3	Milano Jewellery Sdn Bhd	Jewellery craftsman Company	9 million / 23.08%	3 million / 9.09%
4	Igotopia	Virtual reality (VR) agency	8.2 million / 11.21%	4.1 million / 5.94%
5	BIT academy	Digital Training Provider	750K / 11.46%	150K / 2.52%
6	1Flex	Home fitness platform (Online)	400K / 20.00%	200K / 11.11%

Source: Self Illustration

Table 9 demonstrates that the demand for ECF is increasing. The increase could be attributed to increased understanding of internet finance, government efforts and incentives, marketing strategy, and investors' investment appetite.

Furthermore, the ongoing efforts are showing promising results (Table 7). Nonetheless, PitchIN displays its forthcoming ECF events (Table 8). It illustrates digital marketing, which has the ability to increase the number of visitors who access the site. The platform's marketing techniques distinguish it from other platforms since they can impact campaign outcomes. As a result, entrepreneurs or investors might select the platform for collaboration (Troise, 2019). Despite the fact that Gedda et al (2016) found that entrepreneurs, rather than investors, frequent platform websites. Troise (2019) contends that the platform's adoption of digital marketing as a strategy could change Gedda et al (2016)'s argument.

Table 9

PitchIN Comparison of ECF Performance

Comparison	2017-2019 (Table 3)	2020-2021* (Table 5)
Total Success Campaigns	40	48
Total Investors	2268	1972
Total Investment Raised	MYR41,180,000	MYR75,655,812

* Approximately 14 months (18th March 2020 – 5th April 2021)

The pandemic has increased awareness of how incomprehensible regular banks and other financial institutions are to businesses (Bruton et al., 2015). Particularly when MCO and WFH are in effect. Kuckertz et al (2020) opine that MCO's threats against new business owners have made their existing issues worse. The pandemic affects all actors in Malaysia's crowdfunding ecosystems, including entrepreneurs, investors, and platform providers. Although their reactions to the pandemic differ, they are all concerned about minimising financial damage. Furthermore, Salamzadeh and Dana (2020) state that at this key juncture, start-ups must address not only finance but also staffing, crisis management, marketing, and current regulations.

Enterprises cut personnel numbers and adapt their business models to the current environment. Some even leave the businesses (Deschryvere et al., 2020). Table 10 depicts the many sorts of business models that emerged during the crises, as noted by (Ritter & Pedersen, 2020).

Table 10

Types of Business Models during Crises

RESILIENT	
Anti-fragile	Business model that shows sound outcomes during a crisis.
Robust	Business model that can sustain during the crisis.
Adaptive	Business model that need alteration to suit the crisis.
Suspended	Business model that need temporarily closure to curb the arising problem due to the crisis.
VULNERABLE	
Aided	Business model that needs external governmental support for instance. Not capable to self-sustain.
Retired	Business model that withdrawal from the market is the best solution during the crisis.

Source: (Ritter & Pedersen, 2020)

Despite the epidemic, ECF platforms in Malaysia demonstrate anti-fragile business models by actively assisting companies seeking funding or operating expenses at this time. These are either new or existing companies with innovative business models that are relevant to the current scenario. Surprisingly, most employ technology to attract clients or users, such as mobile apps, advanced electronics, and social media networks. They are distinguished from other firms by their use of technology. It encourages the creation of shared value, enhances

management systems and the internet of things (IoT), and provides essential tools for tracking remote operations, data analytics, and big data. However, in today's business world, the costs of acquiring technology are high and uncertain (Akpan et al., 2020). The Covid-19 epidemic has had an influence on crowdfunding platforms (Moine & Papiasse, 2020). But, the influence varies depending on the sort of platform and its objectives. Crowdfunding platforms, despite playing a different role than private equity (PE) investors, should benefit from how PE deals with Covid-19 on their investee companies. PE duties differ depending on the portfolio firms in which they are involved. Gompers, Kaplan, and Mukharlyamov (2020) estimate that 50.9% of private equity firms are unaffected, while 39.9% and 9.9% are badly affected. Regardless of the crisis, the primary purpose of private equity firms is to increase the value of their target companies in light of the current situation. Yet, entrepreneurs must develop a long-term business strategies with positive campaign outcomes (Caputo et al., 2022).

While start-ups successfully utilise their existing resources as an initial response to the crisis, Kuckertz et al (2020); OECD (2020) note that their growth and innovation potential are at danger. In order to assure quick recovery and expansion, governmental actions should first aid start-ups by relieving the stresses brought on by constrained cash flow and entail long-term initiatives supported by the larger entrepreneurial ecosystem (Kuckertz et al., 2020; OECD, 2020). Additionally, Apetrei et al (2019) argue that instead of seeing entrepreneurship through an idealistic lens, the government should support the entrepreneurial ecosystem. As an illustration, consider the relationship between fostering entrepreneurship in general and protecting intellectual property. Because the latter will aid in boosting the economy on its own once it is successfully implemented. As a result, it aids in eliminating income disparities. Corrective measures, according to Kaplan and Stromberg (2009), encompass focused on the operational, governance and financial aspects. Furthermore, the size of the target firms, trading strategies, geopolitical aspect, and industry concentration would all have an impact on the PE firm's decisions. Despite this, PEi investors continue to seek out new companies, even if the predicted profits are smaller. Thus, equity-based platforms should adjust their existing regulations by incorporating ideas from the PE business to renew online funding in the face of calamities such like Covid-19. As a result, more entrepreneurial initiatives may benefit from it. Support networks, a social entrepreneurship culture, knowledge, and strong partnership with the government, social organisations, and corporations demonstrated their good vibrations during the epidemic by making the highly improbable achievable (Hidayat et al., 2020). Some businesspeople were able to shift their networks' relationships from "resource-seeker" to "resource-creator." Their networks function as a resource pool (Chang & Webster, 2019).

Therefore, it is the responsibility of the policymakers to provide a platform to assist the impacted SMEs so that they can comfortably manoeuvre their operation during the crisis (Tsilika et al., 2020). Thus, to handle the uncertainty awaiting the entrepreneurs', government and policymakers need to have concurrent information (Brown & Rocha, 2020), especially regarding SMEs' well-being during this pandemic (OECD, 2020). According to Sahadevan and Bhagat (2020), the pandemic leads to panic and anxiety in society. Prolong Covid 19 requires research on social reactions to the crisis (Brammer et al., 2020). However, the government's early response helps reduce the impact (Mejia et al., 2019). Entrepreneurs also need to enhance their digital knowledge to understand better their business development (Aji & Priyono, 2021). However, during the crisis, the government's role becomes more critical in strengthening the platform roles to avoid fake campaigns that might jeopardise the ECF market and ensure entrepreneurial activities continue to move (Chandler et al., 2021).

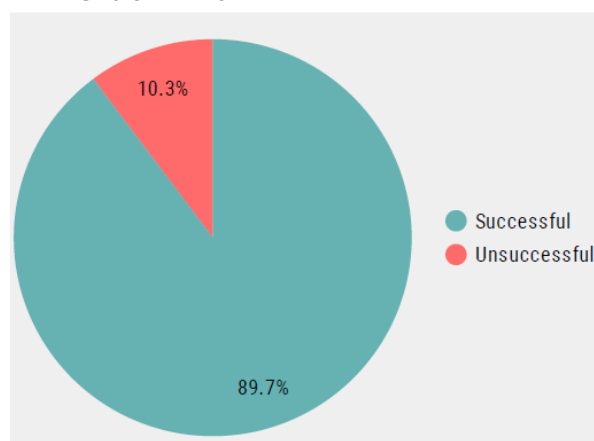
Conclusions and Future Research

This study looks into the potential of ECF as a source of funding for Malaysian business owners amid the Covid-19 pandemic. ECF has actually evolved into one of the financial choices available to enterprises, particularly in times of need. Coakley and Razos (2021) believe that ECF, as a component of the fintech revolution, specifically as a multisided marketplace, provides indirect network externalities to its participant groups, which include the crowd and, increasingly, traditional entrepreneurial financing sources such as angels and VC investors, which would benefit startups and SMEs. Hence, it ought to be taken into account while making future business plans.

ECF performance is influenced by an understanding of the relational factors (Mejia et al., 2019) and networking (Doern, 2016). ECF promotes the formation of crisis-resistant company models and quickens entrepreneurs' acquisition of knowledge about digitalization and online funding that may spur future growth, especially in initiatives with promising prospects (Aji & Priyono, 2021).

Furthermore, adopting equity-based crowdfunding platforms appears to be one of the government's remedies for the sustainability of Malaysia's entrepreneurial scene. As a result, the government should use the objective of equity-based platforms to promote entrepreneurial goals. ECF platforms should persuade as many potential investors as possible to engage in crowdsourcing projects. Bring in additional viable initiatives to fully realise the possibilities of online fundraising channels. Coakley and Razos (2021) further emphasises the importance of corporate finance ideas by drawing analogies between initial ECF campaigns and initial public offerings. With this information, the report recommends that the government and its agencies modify their current regulations to assist the general population should also investigate possible incentives for investors to encourage them to invest. In addition, Malaysia should learn from the world's most developed ECF ecosystem, the United Kingdom, in order to highlight numerous new trends in ECF, such as the rise of lead investor or coinvestment funding structures, as well as the significance of light touch regulation (Coakley & Razos, 201).

Because the PitchIN platform releases a lot of campaign information on their website, our study only looked into it. As a result, this research does not provide a comprehensive portrayal of ECF in Malaysia during the pandemic chaos. Other ECF platforms show only a subset of the crucial information, and others don't show it at all. Furthermore, not all SMEs that approached ECF platforms were able to acquire finance. Figure 7 shows that 89.7 percent (successful) and 10.3 percent (failure) obtain the required funds. According to Caputo, Schiocchet and Troise (2022), the failure may be predominantly due to campaign-related factors, such as high minimum investment requirements and high financing objective. SMEs should explore digital finance because it offers advantages in terms of funding, online investors, online feedback on products or services, and crisis resistance.



Securities Commission Malaysia (2022)

Figure 7: Percentage of Successful and Unsuccessful Issuers from 2016-2022

This study also makes recommendations for future research. Specifically, empirical research that produces factual outcomes. Investigate the characteristics that determine the performance of ECF-funded firms in Malaysia using a comprehensive data source. Social networks, ECF platforms, financial management and accounting systems, the use of business intelligence, business models, and sophisticated investors could all be variables. The government's and its agencies' ongoing support for the viability of SMEs and the ECF platform will accelerate a win-win outcome for both parties and Malaysia. Given the paucity of study on crowdfunding platforms as intermediaries, Haas et al (2014) believe it makes sense to investigate their possibilities.

Equity crowdfunding has evolved as a new financing landscape for ideas and breakthroughs. While some countries have made significant progress in developing equity crowdfunding systems, others are moving more slowly. Notwithstanding risk discussions, equity crowdfunding appears to be a promising venue for financing entrepreneurs, democratising the demand and supply sides of investments, and contributing to economic growth (Yasar, 2021).

Author Statement

The 1st author is the corresponding author. Each contributor made an equal contribution to the creation of the manuscript.

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