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Firm Performance and Online Platform: Evidence from Malaysia's Equity-based Crowdfunding

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Abstract
The ability of commercial entities to manipulate existing resources and track available prospects is advantageous in maintaining the business's continued expansion, competitiveness, and sustainability. Associated firms, particularly those involving small and medium-sized enterprises (SMEs), frequently face financial constraints. The introduction of equity crowdfunding (ECF) has given Malaysian alternative financing a new dimension. Since its launch in 2015, 77 issuers have successfully obtained ECF financing. The ECF ecosystem demonstrates the significance of ECF platforms (PP) in bringing together fundraisers to help SMEs raise capital and investors to realize investment benefits. As a result, the study focuses on the ECF ecosystem and looks at the ECF platform (PP) as an external resource. According to the hypothesis, PP has a positive impact on the firm's performance. Financial measurements (Model 1) and customer performance (CP) (Model 2) are used to track this performance. Because it is based on something that has passed, financial measurement for performance measurement is not very precise in ensuring the future viability of a firm. As a result, a mechanism that integrates performance measurement based on current and expected client performance might benefit the company's future performance. 231 respondents completed digital surveys, representing 77 issuers who successfully raised ECF funds between 2016 and 2019. This work merges RBV theory with Theory of Financial Bricolage as a foundation theory. SPSS 20.0 and Smart-PLS 3.0 were used for data analysis in this study. According to the findings, the PP has a significant impact on customer performance. This research also sets the path for future studies.

Background of the Study

Malaysia is undertaking several measures, including the development of entrepreneurship programs to assist the well-being of SMEs in all industries. Malaysia organized a total of 168 SME development programs in 2017. Nearly 600,000 SMEs from diverse sectors have benefited from these programs. With continuous government assistance, this will assist SMEs in entering (Jayakrishnan et al., 2018; Buttice & Vismara, 2021). According to Megginson (2004), the the global value chain, particularly in the era of digitalization and the Industrial Revolution 4.0 advancement of global technology, industries, and markets motivates SMEs to be more creative. As a result, they create additional prospects for employment creation and, indirectly, poverty eradication.

The government and its agencies have and will continue to guarantee that Malaysian SMEs flourish and develop in accordance with the current situation. Financial help is provided, as well as the development of numerous incubator programs and schemes for new entrepreneurs. However, in order to fulfil the goal of promoting SMEs, such initiatives must be thoroughly assessed and monitored (Abraham & Schmukler, 2017).

In Malaysia, the participation of SMEs in obtaining ECF is still minimal. As a result, this study looks into the performance of ECF-funded enterprises that received ECF from 2016 to 2019. The success of SMEs in obtaining ECF is dependent on the investors who participate in the platform's campaigns. However, various factors influence investors' decisions to invest in a company. Among these factors are patents (Hsu & Ziedonis, 2013), publicly available financial data (Di Pietro et al., 2020; Chen et al., 2016; Shahzad et al., 2019), product certification (Bapna et al., 2017; Ahlers et al., 2015), business models (Ahlers *et al.*, 2015; Lukkarinen *et al.*, 2016), the founding team's background (Lim & Busenitz, 2020; Ahlers et al., 2015; Bernstein et al., 2017) and governance (Sanders & Boivie, 2004).

Problem Statement

The main issues that SMEs face are a lack of financial resources and poor financial management techniques (Ebashi et al., 1997). Without enough capital and management skills, SMEs cannot succeed (Everett & Watson, 1998). Big organizations are also suffering from a lack of operating capital, but the impacts are exacerbated when SMEs and new businesses are involved (Capocchi, 2019). Start-ups face the most difficult financial challenges since they lack the financial history, business records, and past assets that can be used as collateral to support bank loan applications (Burke & Hanley, 2006). Banks, like other traditional financial institutions, are focused on increasing profits. As a result, small businesses and start-ups are not viable options for them (Chapra, 2011). The same issue affects SMEs and start-ups as well as established businesses (Archibugi et al., 2013; Storey & Greene, 2010).

According to Vaznyte and Andries (2019), start-ups require significant capital due to their high-growth, inventive, and hazardous nature. Nonetheless, a huge percentage of start-ups rely on savings, credit cards (Aydin, 2016), family and friends (Conti et al., 2010), bootstrapping (Ye, 2017), and grants (Srhoj & Walde, 2020; Wang et al., 2017) to fund their operations, which is insufficient. But, once these funds are spent, the corporation would face another financial crisis, threatening its survival and performance. Crowdfunding (CF) is considered as a lifeline for these SMEs and start-ups. CF can also grow (Lee et al., 2015) and act as a driver of economic growth and job creation (OECD, 2013). Furthermore, CF is one of the "fast-growing markets" that encourages shared value (Baumgardner et al., 2017; Desa & Basu, 2013).

The Significant of the Study

Previous studies highlight the importance of the banks, financial institutions, microfinance, and cooperatives in boosting the survival, growth, towards the survival, and sustainability, development of SMEs. This study investigates the ECF platform and the performance of the issuers or the recipients of the ECF crowdfunding.

The Motivation of the Study

The author's motivation for investigating the ECF is that it should receive more attention from Malaysian Entrepreneurs. ECF is not the only type of crowdfunding. Crowdfunding has been increasingly apparent, particularly since the government exercised the MCO. Most SMEs are being hit during this difficult time. Several businesses cease operations, reduce their workforce, and adjust their standards. Yet, the number of SMEs accessing the ECF platform is increased, and the amount of money obtained is essential for them to meet their financial goals.

Objective of the Study

The study objective is to investigate the relationship between the ECF platform and the performance of the ECF recipients' firms in Malaysia.

Literature Review

This section is about the study's literature review. Subsections 2.1 to 2.5 focus on the characteristics of crowdfunding, motivational reasons, risks, the platform provider, particularly the ECF platform, and the justification for utilizing both financial and non-financial measures to examine the performance of issuers.

Characteristics of Crowdfunding

The cross-border notion of crowdfunding is a novel strategy to raising funds for business endeavors, project execution, and charitable projects (Schwartz, 2020), as well as the ability to penetrate the open market (Landscape, 2015), and the implementation of innovative ideas (Schwartz, 2020). (Beaulieu et al., 2015). Simultaneously, equity and lending-based crowdfunding face economic and regulatory constraints (Pazowski & Czudec, 2014). The innovation in crowdfunding alters the entrepreneur's approach to introducing new products to the market. It also enables hundreds of inventive entrepreneurs to collect funds, increase brand awareness, and participate in larger conversations with many prospective investors while their products are still in development (Stanko & Henard, 2016).

The nobleness of crowdfunding stems from technology that promotes the communication between entrepreneurs and potential investors regardless of geographical location or cultural background (Agrawal et al., 2011). Crowdfunding has been introduced and developed in the United Kingdom, United States, Italy, France, Sweden, Canada, New Zealand, Germany (Aschenbeck-Florange et al., 2013), and Europe (Brüntje & Gajda, 2016). Indeed, in Europe, crowdsourcing has become a significant source of capital for unserved or neglected companies. In 2013, the ECF market in Europe raised approximately one billion euros. The estimate also shows an increase in 2020 (Biancone et al., 2019).

Crowdfunding is increasing and gaining traction as more people explore for alternative finance via the internet, allowing them to reach people all over the world. Crowdfunding comes in many forms. Aside from ECF and P2P, there are contribution, rewards, and hybrid-based crowdfunding options that can meet the needs of the entrepreneur (Ahlers et al., 2015; Kraus et al., 2016; Marzban et al., 2014; Rahman et al., 2016). The most prevalent and effective type of crowdfunding is reward-based, followed by donation, lending, and equity-based. Nonetheless, till date, no legislation on the donation and rewards-based crowdfunding platforms exists.

Only the ECF and P2P models are currently regulated. Because of the nature of the models and the necessity to preserve investors' or lenders' rights. Title III of the JOBs Act in the United States is one example (Ahlers et al., 2015; Freedman & Nutting, 2015). The FCA of the United Kingdom, or its predecessor, the Financial Services Authority (Aschenbeck-Florange et al., 2013), is the regulatory authority in charge of monitoring and facilitating equity- and lending-based crowdfunding. Germany, for example, enforces the German Retail Investor Protection Act. Italy was the first country in the European Union to regulate equity crowdfunding, although it is prohibited in Canada (Mitra, 2012). In 2013, Canada will only accept accredited investors. However, ECF became available to all Canadian investors in late 2015. (GetSmarterAboutMoney.ca, 2020). Despite the fact that it was allowed in 2016, government intervention is critical to protect investors (Rémillard, 2017). However, the existence of these restrictions will have a significant impact on the spirit of crowdfunding, which is to alleviate the financial challenges of SMEs and entrepreneurs (Borello et al., 2015).

The Motivation Factors of Crowdfunding Platforms

Intermediaries and mediators share the same fundamental goal of connecting others. It refers to the joining of one party with another. Howells (2006) researched intermediation innovation and discovered that intermediation grew with time. Intermediaries broaden their focus from a narrow specialty to acquire new essential skills and specialties, hence adding value and energy to the system. Intermediaries not only connect parties, but also improve them by encouraging new chances and passion. Evaluating the impact of intermediary innovation is difficult due to its indirect and direct effects on the corporate value chain. However, as the number and distance of culprits in the system grow, the benefits they provide to their customers and the entire innovation system are undermined. Nonetheless, the richness and success of intermediation in the overall system can create institutional inertia, which can lead to long-term difficulties with the system's strength and durability (Van der Meulen & Rip, 1998).

According to Haas et al (2014), it is justified to examine the viability of crowdfunding platforms as intermediaries because research on crowdfunding platforms is limited. According to Haas et al (2014), the value propositions of intermediaries differ based on the crowdfunding models (i.e., hedonism as a reward, altruism as a donation, and profit). Salomon (2016), on the other hand, sees the growth of crowdfunding platforms as a manifestation of decreased support from VC firms and private equity (PE) funds. As a result, this shows that VCs and PEs are quitting the early-stage entrepreneurial market since it is difficult to uncover viable startup ventures for a profitable portfolio. As a result, they only focus on current and developing businesses that already have successful products and market stability (Lindstrom & Olofsson, 2001).

The Associated Risks in Crowdfunding

Addressing the hazards inherent in crowdfunding is critical to avoiding fraud, intellectual property theft, money laundering, and "failure by success," as there are both honest and dishonest fund searchers and investors on the crowdfunding platform (Stack et al., 2017). Mitchell's (1992) theory on the decision to buy or not buy is predicated on how consumers perceive risk when monitoring the reactions of crowdfunding actors. This is due to the fact that consumers prefer to avoid making mistakes rather than just fulfilling their purchasing urge (Mitchell, 1999). Customers' purchasing urge decreases as hazards rise (Forsythe & Shi, 2003). Risk is frequently caused by information asymmetry, simply because the supplier has more information than the consumer (Pavlou & Gefen, 2004; Vismara, 2018).

As a result, perceived risk is identified as one element influencing a person's decision to invest in crowdsourcing (Gierczak et al., 2014). However, in the case of crowdfunding, assessing potential risks before and throughout the campaign would aid in the creation and implementation of the strategic risk program for both the website platform and the crowdfunded project. For example, before approaching the platform provider, the issuer must meet the participation requirements. Due diligence must be performed on the companies, founders, and products or services to ensure their existence, capacity, and viability. As a result, it will entice crowdfunding campaign viewers to become investors, increasing the success rate and investor database (Mollick, 2014). Because the ECF is at the heart of this investigation, it's critical to understand the risks associated with equity crowdfunding.

Moral Hazard in Crowdfunding

Moral hazard occurs when one party participates in a risky event knowing that it will be protected from the risk while the other will face the expense. It happens when both parties don't know enough about each other (The Economic Times, 2018).

Crowdfunding, on the other hand, supplements traditional entrepreneurial financing through financial intermediaries such as banks and venture capitalists. It is a novel method of collecting funds that includes a screening process. Projects with a positive net present value will be chosen. At this point, the entrepreneur can predict the prospective demand and profitability of the project, lowering demand uncertainty and, as a result, minimizing moral hazard or risk while providing economic value. However, entrepreneurial moral hazard threatens this view (Strausz, 2017).

As a result, the All-or-Nothing crowdfunding platform is designed to provide major safety measures while reducing moral hazard. It has the financing aim, and it is a highly sought-after product that meets the financial target. If the entrepreneur is unable to fulfil a minimal amount of the financing target, the demand is sufficient to create cash but insufficient to cover the agency costs associated with the moral hazard under the crowdfunding umbrella. The entrepreneur can then seek a venture capitalist for further funds (Strausz, 2017).

According to a study conducted on Kickstarter, a rewards-based crowdfunding platform, social networks aid in the resolution of conflicts throughout the crowdfunding campaign, particularly during times of economic uncertainty. Individual entrepreneurs with no track record are more likely to be involved in fraudulent conduct than a company or a group of individuals, hence social networks prefer corporations or groups of people over individual entrepreneurs. It represents the link between social networks (Huber, 2009) and moral hazard in crowdfunding (Lin & Pursianen, 2018). Moral hazard can be reduced, good ethics pursued, and financial morality strengthened by adhering to the laws and regulations (Looft, 2014). In Islamic finance, the safeguarding of social relationships among people is an obligation to The Almighty Allah SWT. As a result, fulfilling that promise can aid in avoiding moral hazard (Erragraguy et al., 2014). To minimize future risks, the entire crowdfunding ecosystem must understand the risks involved.

Risks Concerning ECF Crowdfunding

ECF enables entrepreneurs to get feedback on their products, create their brand names, and build a loyal customer database. Customers can turn into investors when the entrepreneur convinces them. Ibrahim (2015) argues that knowledge in ECF gives the entrepreneurs a broader picture of the ecosystem as it could provide asymmetrical information. Crowdfunding is not a "market for lemons" that leads to potential risks. Hence, investors become prudent in understanding and evaluating the entrepreneur's investment portfolio. It is a known fact that the ECF is highly risky and, at the same time, provides high returns (Estrin *et al.*, 2018). According to Stack *et al* (2017), platforms risk exposure includes business risks such as money laundering, fraud, illiquidity, and dilution of shares. Therefore, governance interference is of importance in the operation of the platforms.

The OSC (2016) discloses that startups are highly prone to various types of risks. The main risk is the high risk of loss. OSC has reported that 90% of ECF startups would fail. The voluntary information disclosed on the website is limited and if any, to verify the available information is challenging indeed. When investors enter the market, they expect to gain as many possible returns. Unfortunately, the reality is that for the startup to produce the promised income is doubted.

As an ECF entrepreneur, understanding the potential risks that might distract the investors' investment appetite is an added advantage. Bijkerk (2014) highlights the systemic risk issues (cross-jurisdictional). Such happens when the platform is opened to people of other nationalities to participate in the funding to initiate the cross-border complexities. The OSC (2016) further lists some possible risks that will influence the prospective investor's decision to invest, as follow:

i. High risk of loss: startups or early-stage businesses are exposed to this type of risk since 90% of this kind of business tend to fail.
ii. Liquidity risk (locked-in investment): most investors invest in a startup, hoping that the business will grow and be listed on the stock exchange. Unfortunately, this may not happen.
iii. Lack of information: equity crowdfunding is not like the public-listed company where the information is provided in detail and adequate for the prospect to make decisions to invest. Information accessibility for equity crowdfunding is limited.
iv. According to Chen, Huang and Liu (2016), verifying the disclosed information is also challenging.
v. No income: when the investor intends to gain income from the investment made, the reality of a startup hardly paying a dividend is a risk to be considered.
vi. Fewer protection (no approval and limited legal rights): legal rights that protect the investors in equity crowdfunding are not the same as the rights for securities under stock exchange. The securities regulator does not review equity crowdfunding investments as the platform providers review them;
iv. No investment advice: the information might be limited to what info provided on the platform provider's website. Thus, engagement with the registered provider is important.
vii. Potential for fraud: investors invest based on the information they gather from the provider's and the entrepreneur's portal; and
viii. Dilution risk: If the startup issues another new share to make more capital, the existing shareholder shares will dilute or reduce value.

In one angle, ECF platforms begin to show drawbacks with their tendency in disclosing investors' information (risk of data stolen). Internet retrieval through social networks. However, from another angle, disclosing investors application enables data information also has it advantage. High-profile investors' information can potentially attract other investors to join in the crowdfunding event (Vismara, 2016). Also, the risk of copying may haunt the startup founders. Even though this type of risk is considered harmful for nascent businesses, some founders do not regard this as a threat (Hagedorn & Pinkwart, 2016).

As for ECF, investors filter the investment proposal based on market perception and acknowledge the possibility of agency risks that might occur (Mamonov & Malaga, 2018). However, female investors appear to be less cooperative than male investors as they have a low-risk appetite (Mohammadi & Shafi, 2018). Nevertheless, female participation increases when the social networks are good (Hervé *et al.*, 2016). These show that the equity-based crowdfunding ecosystem is prone to risks at many levels; the entrepreneur or founder, platform, and investors. Thus, due diligence on the entrepreneur will disclose their readiness to penetrate the crowdfunding market and warn the possible risk engagement (Agrawal *et al.*, 2014). A very recent study by Meoli and Vismara (2021) discover that more than 10% of investors' revoke their investment prior end. This finding contradicts that of previous studies which show other investors' investment attract other investors to follow. However, nowadays, they discover that the visible information online is prone to manipulation.

At the platform level, the adherence to the ECF regulations is to ensure the investors are protected (Cholakova & Clarysee, 2015; Giudici, 2016). A further need is to initiate the risk-reducing measure approach to safeguard the ECF administration (Turan, 2015). On the other hand, investors would benefit from knowledge on investment, the platform's information and capability (Freedman & Nutting, 2015), project campaign details (Hervé *et al.*, 2016), and investment portfolio diversification before participating in the crowdfunding event. This will minimize the risks of the investment (Turan, 2015). Figure 3.1 shows the risks encountered by stakeholders during the equity crowdfunding process. Investors encounter the risk when the startup is launching the products or services on the platform. Meanwhile, the entrepreneur and platform face risks during the pre-launch stage.

The Government is the central entity that can prevent malicious fraud and protect both the entrepreneurs and the investors. The various risk mitigation techniques will substantially help reduce or eliminate the risk occurrence (World Bank, 2013). Figure 3.2 shows that the chance of minimizing fraud from happening. The Government imposes rules and regulation, and standards to be adhered to by the crowdfunding actors. However, too many restrictions or limitations and law will distort the original aim of crowdfunding from the social perspective.

Platform Provider

Technology is the core element in crowdfunding. It enables interaction within the ecosystem. The fact is that technology cannot perform by itself. Therefore, in crowdfunding, the platform (website) provider plays an important role. Other than connecting the people (i.e., entrepreneur and investors), it acts as an inspector by conducting due diligence to ensure the validity of the creator in terms of its existence and project proposal (Hamermesh & Tsoflias, 2013; Sigar, 2012). As a marketing platform, it promotes the project, and as a trustee, it collects the investors' investment money and distributes it to the project creator (Ordanini *et al.*, 2011).

The dynamic nature of technology evolves the platform's business model. Therefore, to ensure optimum income streaming, the provider would consider upgrading its website and increasing its functions in the future (Braet *et al.*, 2013). Often, technology is associated with displaying transparency. Unfortunately, under the crowdfunding perspective, the transparent level is limited to the information displayed on the platform or disclosed during the crowdfunding campaign. In other words, the information merely serves specific stakeholders, and that limits its transparency. The website is where the deal is structured, and the legal obligation enforced to heighten the importance of the platform providers in the crowdfunding ecosystem (Gelfond & Foti, 2012).

While India invented the crowdfunding platform activity, the concept has spread worldwide (Lin & Chen, 2013). Lin et al (2020) argue on two main observations in the current literature related to the crowdfunding platform. Firstly, it is still searching for the best framework to connect the new ventures and the fund providers. Secondly, it has taken the crowdfunding platform's significance in terms of the proposed projects too lightly. The US successful crowdfunding platform Kickstarter was established in the year 2009. The platform became the best space for entrepreneurs to reveal their talented projects and creative ideas. As a result, the platform has caught the attention of funders from any locality. The popularity of Kickstarter has been continued, and in 2011, it was the most extensive platform used by the entrepreneur to find funding and the investor to fund project, respectively.

In 2013, the crowdfunding market raised more than USD five billion in the US. It then increased to 188 per cent for the following year (Montini, 2014). A survey by Chang (2016) reported that the crowdfunding platform growth rate has achieved 457 per cent from 2007 to 2012. The increase in the US crowdfunding market was promoted by the inability to penetrate the traditional banks, failure to get government funding assistance, culture, and financial practice. The platforms establish chances for start-ups and SMEs to obtain money by bridging the entrepreneurs and investors. At the same time, they maintain the secrecy that ties them up (Mollick, 2014; Ordanini *et al.*, 2011). As crowdfunding forms are different, the platforms' role also differs from each other. They shift from non-pecuniary to pecuniary motives (Calic & Mosakowski, 2016).

Lacan and Desmet (2017) demonstrate that platform providers potentially attract the investor's willingness to participate in the project launched on the platform rather than the word-of-mouth attraction. The platform's popularity might attract more campaigns (Moine & Papiasse, 2020), and promotes collaborations and establishes start-ups' funding opportunities (Greenberg *et al.*, 2013). Liao, Zhu and Liao (2015) opine that relationship between the issuers and the platforms providers creates internal social networks. This network shares the determination and purpose of the group under similar guidelines, which are related to mutual actions of members that are likely to generate opportunities between them (Huber, 2009). Helmer (2014) posits that building credible relationships within the crowdfunding population for funding success is crucial.

According to Zheng et al (2014), most platforms' websites display the number of backers and investors supporting the campaigns. Theoretically, another founder 'likes' and 'supports' another member's project could attract potential investors to invest in the project too. It shows the need for others to support other people's future projects in the group, showing closeness and trust. Closeness and trustworthiness drive performance and social capital (Kang *et al.*, 2016; Kshetri, 2018; Moran, 2005). As a result, projects are believed to attract potential investors and increase the likelihood of being funded (Liao *et* *al.*, 2015). In addition, Skirnevskiy *et al* (2017); Hervé *et al* (2019); Nitani *et al* (2019) proved that internal social networks could promote creator-supporter relationships that provide a competitive advantage in the future. This thus enables the creation of a loyal supporter community for the issuer's future campaigns. This dedicated CF community acts as a resource to the venture. These studies also argued the possibility of internal networks replacing external "family and friends" relationships for future campaign success. A recent study by Nigama, Benetti and Johan (2020) also argued that digitalization and networking positively impact a firm's financing opportunities. Unfortunately, conventional human capital signals do not significantly affect the funding access process.

ECF Platform Provider

In ECF, the platform provider as the liaison connects the entrepreneur who is looking for funding and the investors who have the money. In return, the platform will charge the platform fees ranging between 3% - 10% out of the funds raised. Overall, the platform provider is the center of the crowdfunding ecosystem that creates, controls, and ensures the efficiency of the crowdfunding's overall process for the benefit of all stakeholders (Beaulieu *et al.*, 2015). It also has continuously disrupted traditional banking and financing sectors (Horvát *et al.*, 2015). The crowdfunding platforms can cut costs related to communication, underwriting, and transaction costs un-avoided in traditional banking, thus attracting investors eyeing low-costs portfolio (Baumgardner *et al.*, 2017). However, empirically, the platform's website is most visited by entrepreneurs rather than investors (Gedda *et al.*, 2016).

The Justification of Using Non-Financial Performance

Non-financial performance indicators would supplement financial measures as a performance measure (Harif et al., 2012). Non-financial indicators (customer performance) can transmit better information through "information-sharing" to achieve a firm's strategic planning that conventional financial measures cannot explain (Dossi & Patelli, 2010). This is especially important during times of uncertainty since it leads to better company performance analysis (Hoque, 2005). Non-financial metrics have been viewed as a different measurement method utilized in attempts to improve quality or strategic planning (McNair et al., 1990). The limits of financial measurements in evaluating firm performance in a new economy, according to Cumby and Conrod (2001), need the incorporation of non-financial variables. According to Fullerton and Wempe (2009), non-financial variables mediate the firm's strategy and financial performance.

As a result, in the framework of the study, which takes place within the ECF business environment, customer performance serves as a proxy for non-financial performance. Worthy customers may be able to boost sales. Firms must consider the customer aspect to enhance sales because it can increase earnings in the long run. As a result, enterprises must utilize customer-focused tactics to improve sales and, as a result, maintain their competitive advantage. However, integrating strategy with business models is crucial for organizations to create value (Vera & Crossan, 2003).

Development of Hypotheses

In order to construct the hypotheses for this research, subsections 3.1 to 3.2 of this section address the connection between the platform and the campaign, as well as how the platform affects the firms of the related issuers.

ECF Platform versus Campaign Performance

In the ECF, government intervention towards the crowdfunding platform increases the herding effect of the investors. The government provides standard operation and enforce the platform to disclose information on the website. Consequently, the herding effect reduces the investor's risk exposure, hence increasing the investor's level of confidence (Borst *et al.*, 2018; Jiang *et al.*, 2018). Meanwhile, Fang and Chang (2019) empirically reveal that platform information disclosures on project attractiveness, for example, the value of the project, the project team, the promoter, the crowdfunding result, and project comments have different implication. In reality, potential investors are more concerned about quality information disclosure and project comments. Meanwhile, the project comments are significant for all crowdfunding-related projects. However, social networks play important roles for financial-based crowdfunding in attracting more funders and stimulating the herding effect.

Platforms with many investors subsequently attract other potential investors (Jiang *et al.*, 2018). Younkin and Kuppuswamy (2018) recommend the platform providers reduce the bias effect on campaign success. According to their research, the African-America founder success rate in obtaining funding is lower than the white founders. Amazingly, the success rate of the white founder of the founder's race and the picture do not appear on the platform's site during the funding campaign. When another African American founder supports their campaign, this increases the success rate as it reduces the bias. This moves from the technological innovation perspectives such as big data. Crowdfunding allows entrepreneurs, investors and businesses to retrieve the opportunities and information via the platform provider's website. In contrast, the traditional financial ecosystems lack this feature. Due to that, it enhances the platform competency in connecting fundraisers and funders (Wilson & Testoni, 2014). A recent study by Nunes, Alturas and Fernandes (2021) also demonstrate that technology, such as fintech and blockchain, can potentially upgrade the ECF platform's purpose by creating value and mitigating the associate risks.

The Impact of ECF platform on Firm Performance

Martin and Hofmann (2017); Silvestro and Lustrato (2014) argue that most past studies have focused on the role of banks and financial institutions in assisting SMEs. The study also found that studies on the role of alternative fund providers in helping SMEs obtain funds have not received adequate attention. The existence of technology, among the causes of the entrepreneurial financial environment, has changed. This for instance includes the presence of online financial platforms. Hofmann and Belin (2011) and Mollick (2014) argue that online platforms have provided additional options for SMEs to obtain financing. In addition, Song et al (2018) discovered that online platform providers could improve SME performance. Using the services of online providers (Song et al., 2018) and big data application (Song et al., 2021) can reduce information asymmetry, thus increasing the competitiveness of each company. As a results, SMEs tend to get more funds. However, to monitor the performance of firms on an ongoing basis is very crucial. According to Gomm (2010); Tagoe *et al* (2005), in essence, this performance is closely related to their ability to raise adequate funds and their ability to bear high financial costs. Many SMEs, especially those just starting to grow, face difficulties obtaining finance from traditional institutions as they rely on standard information systems. In contrast, these online platform providers could depend on the firm's operating information to help SMEs obtain the funds they need. In addition, Buttice & Vismara (2021) also emphasized the need to study an ECF platform with limited attention as they could play a vital role in accelerating growth and innovation.

Therefore, based on the discussion, this study investigates the online financial provider from the perspective of ECF in Malaysia. ECF platform is responsible for bridging the funders and the issuers. Upon success, the issuers then could materialize the purpose of the funding. Thus, investigating the relationship between the ECF platform and the performance of the ECF-funded firms would give insight on ECF potential in Malaysia. Thus, the hypotheses developed for this study,

H1 – ECF platform provider has a positive impact on the firm financial performance.

H2 - ECF platform provider has a positive impact on the firm non-financial performance.

Research Methodology

The study was carried out using positivist epistemology. The study's design is experimental and descriptive, with data collected via a survey questionnaire. It is a purposeful sampling of successful ECF issuers from 2016 to 2019. The study's unit analysis includes enterprises that have successfully acquired ECF funding from 2016 to 2019. Initially, the author intended to distribute the survey questionnaire in person and collect responses in person. The author has converted the hardcopy edition to an electronic version due to MCO and WFH.

After receiving comments through the ECF platform, an e-survey using a Google form was deployed. The SPSS version 20.0 was used to clean the data before using the PLS-SEM version 3.0 to assess the measurement and structural models. Subsections 4.1 to 4.3 detail the research unit analysis, theoretical framework, and supporting hypotheses employed in the research.

Unit of Analysis

According to Sekaran and Bougie (2016), the unit of analysis or sampling unit should represent the amount of accumulated data resulting from sequential processes in data analysis. As a result, the researcher decided to do a firm-level analysis because the major research purpose is to investigate the impact of the ECF platform on ECF-funded issuers. Because their views frequently represent the views of the entire organization, these firms are represented by their founder-manager (Bakar et al., 2015). As a result, the unit of analysis included the founder, CEO, CFO, and COO.

To achieve larger sample sizes, each firm was approached by a maximum of three respondents in the role of a decision-maker, specifically in terms of financial decisions. Respondents must be founders, directors, or top management teams. Thus, the population (N) of this study is the total number of successful issuers, which is 77 multiplied by three respondents (77 x 3), equaling 231 respondents (N=231).

This study implies that the firm's decision-makers, such as the founder and co-founder, as well as senior management teams such as the director, CEO, CFO, and COO, will respond positively to this survey. They are chosen on the basis that they are the most knowledgeable individual in the organization in terms of knowledge, decision-making participation, and knowledge of the organization's policies and strategic planning (Brazeal, 1993; Inkinen, 2016).

Following this approach, the sample unit must be decided, with the unit of analysis being chosen after considering three features. To begin, the companies are registered with Suruhanjaya Syarikat Malaysia (SSM). Second, the firms must successfully fundraise the ECF campaign from 2016 to 2019. Finally, only firms aged three years and above were chosen. As a result, ECF-funded enterprises are those represented by their founder-manager as their proxy, who plays an ongoing involvement in the daily operation of the firm and has influence in decision making; thus, the unit of analysis in this study is explicitly represented by successful ECF-funded firms.

Theoretical Framework

The conceptual framework developed for this research aims to help the researcher investigates the impact of ECF platforms on the financial and non-financial performance of the successful ECF firms in Malaysia (Figure 4.0). This framework has been used to its potential benefits to help researchers make sense of the following findings. The ECF platform as an independent variable is hypothesized to have significant relationships on the dependent variables (DVs), that is, the financial (Model 1) and non-financial (Model 2) performance of the ECF-funded firms.

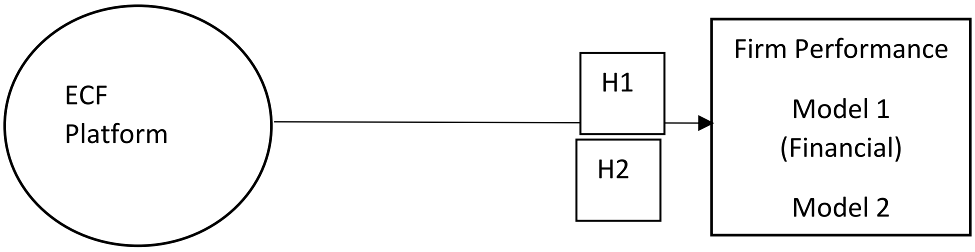

Figure 4.0 Conceptual Framework ECF Platform Towards Firm Performances

The RBV and Financial Bricolage as Underpinning Theories

The Resources-based Theory

This research is aimed at firm performance and adopts RBV as the fundamental underpinning paradigm. Investment-based crowdfunding is a relatively new concept in Malaysia. The study assumes that enterprises will choose criteria that are appropriate for their resources and capabilities. These elements would very certainly have distinct costs or values in terms of the firms' performance. Gupta and George (2016) emphasize research-based theory, which emphasizes the role of an organization as a resource pool capable of integrating various sorts of resources for the greater good. According to the resource-based view (see Penrose, 1959), an organization's resources define its long-term competitive advantage. Firms, according to the RBV, are places with a lot of resources (Amit & Schoemaker, 1993; Rumelt, 1984). These resources are classified as valuable, uncommon, unique, and non-replaceable (VRIN).

The Financial Bricolage Theory

This study used RBV and Financial Bricolage theories as the underpinning theories. Levi-Strauss (1966), an anthropologist, was the first to invent the term bricolage. Bricolage refers to the ability to mix and match the available resources that are possible to exploit new opportunities or solve an existing problem. Previous studies acknowledge bricolage as a firm strategy, especially for firms with constraints in resources (Baker, 2007; Baker et al., 2003; Senyard et al., 2011). The three characteristics of bricolage include bias in action when confronting opportunities and tackling crisis, creating value to futile resources, and creatively conjoining resources for greater outcomes (Baker & Nelson, 2005). These include, for instance, innovation (Anderson & Kupp, 2008; Garud & Karnøe, 2003). However, Desa and Basu (2013) argue that further research should be done to examine the bricolage effect on performance, and specifically, innovation.

Findings

Essentially, this part discusses the study's findings. Subsections 5.1–5.3 go into the response rate, demographic analysis, and the impact of the ECF platform on company performance.

Response Rate

The rate of response increased from 0.02% to 43.72%. According to Liu and Inchausti (2017), the duration of the survey and the difficulty of the questionnaire are crucial considerations. The longer it takes to complete the survey and the more difficult the questions are to understand, the less likely respondents are to participate. In fact, Ramayah et al (2005) contend that a 10% - 20% response rate is typical in the Malaysian survey research environment.

Demographic Analysis: ECF Background of the Respondents

60.9% of respondents raised their campaigns using PitchIN Platform Sdn Bhd, 18.5% through Ata Plus Sdn Bhd, 14.1% through Crowdplus Sdn Bhd, and 6.5% through Crowdplus Sdn Bhd (FBM Crowdtech Sdn Bhd). 9.8% were funded in 2016, 26.1% in 2017, 44.6% in 2018, and 19.6% in 2019. According to Skirnevskiy et al (2017), improving the creator-platform network greatly boosts future campaign success. This network potential has been bolstered by Fan-Osuala, Zantedeschi, and Jank (2018)'s research on post-crowdfunding events. The study looked at the creator's relationship with the investors. The outcome demonstrates a positive link because the prior campaign's success will aid the issuer's future advancement.

When the issuer, on the other hand, is unable to fulfil or entirely abandons the promised project, the post-campaign relations between the two entities will end (Fan-Osuala et al., 2018; Kuppuswamy & Roth, 2016; Skirnevskiy et al., 2017). Nasafi, Pangemanan, and Sfenrianto (2020) demonstrate that the ECF platform's effectiveness in securing investment in campaigns run on its platform is driving an increasing number of Jakarta entrepreneurs to use the ECF platform as a vehicle to raise funds. Furthermore, according to Barbi and Mattioli (2019), the ECF platform's human capital functions as a signal and plays an essential role in attracting investors to their platforms.

This research also identified the various goals of increasing the ECF. 56.5% raised ECF for operating capital, 70.7% for marketing expenses, 69.6% for incorporating technology into their businesses, 23.9% for remodelling costs, 20.7% for product development, and 5.4% for research and development. In ECF, issuers exchange ownership of their businesses with financiers. Some of the firms in this study provided ordinary shares (87%), preference shares (4.3%), and a combination of both (8.7%). In the case of ECF, however, if the creator gives substantial equity to the crowdfunders, it will be less likely to entice potential backers to contribute because it signals the quality of the founder's organisation or the crowdfunded project (Vismara, 2016). According to Table 1, 53.3 percent of these enterprises received additional investment following ECF. Kuppuswamy and Roth (2016) evaluated the post-campaign effect on new external investment. They discovered that the outcomes of the first-round campaign have a substantial influence on additional investment from external sources such as business angel (BA) and venture capital (VC) (Fili, 2014).

Even though ECF funds are not an absolute source of funding for entrepreneurs, they will provide more alternatives for future investment, such as venture capital (Baumgardner et al., 2017; Ljumovic & Pejovic, 2020; Strausz, 2017). According to Yang et al. (2021), the firm has earned the trust of venture capitalists by being inventive, proactive, and risk takers. For example, in ECF, enterprises deliberately approach the platform with novel ways of doing things, unconcerned of the possibility of someone stealing or copying their ideas.

The 'proof of concept' crowdfunding campaign entices potential investors to engage in the future campaign. According to Kuppuswamy and Roth (2016), after the campaign successfully raises $75,000, the marginal effect of adding further funds declines. According to the survey respondents, 82.6% agreed that financing costs in ECF were lower (82.6%) and processing time was faster (77.2%) than in traditional banks. Aside from that, 98.9% of respondents' businesses had an exit strategy. Furthermore, 65.2% of respondents agreed that ECF had aided their performance. Three of the respondents' companies have successfully exited, which means they have been purchased by or merged with other large corporations.

According to Wulandari et al (2020), investors are more interested in the return on their investment than in the ownership offered, the social impact, or the stress-free procedure. In contrast to Wasiuzzaman, Lee, Boon and Chelvam (2021), they discovered that investors choose to invest in ECF for a variety of reasons, including aesthetic value, emotional value, novelty, trust, and willingness to support the ECF project. Table 1 displays the respondents' ECF backgrounds.

Table 1
Respondents' ECF Background

Variable	Categorization	Frequency	Percentage %
ECF Platform	Ata Plus SB	17	18.5
	Crowdplus SB	13	14.1
	FBM Crowdtech SB	6	6.5
	PitchIN Platforms SB	56	60.9
Year funded	2016	9	9.8
	2017	24	26.1
	2018	41	44.6
	2019	18	19.6
ECF For working capital	No	40	43.5
	Yes	52	56.5
ECF for marketing	No	27	29.3
	Yes	65	70.7
ECF for tech. development	No	28	30.4
	Yes	64	69.6
ECF for renovation	No	70	76.1
	Yes	22	23.9
ECF for prod. development	No	73	79.3
	Yes	19	20.7
ECF for R&D	No	87	94.6
	Yes	5	5.4

Types of shares offered	Ordinary Shares	80	87.0
	Preference Shares	4	4.3
	Hybrid	8	8.7
Funding after ECF	No	43	46.7
	Yes	49	53.3
Financing cost cheaper than traditional banks	No	16	17.4
	Yes	76	82.6
Processing time faster than traditional banks	No	21	22.8
	Yes	71	77.2
Have exit strategy	No	1	1.1
	Yes	91	98.9
ECF assist overall performance	No	32	34.8
	Yes	60	65.2
Experience exit	No	90	97.8
	Yes	2	2.2

The Relationship between ECF Platform and Firms' Performances

The objective of the study was to investigate whether the ECF platform has impacted the ECF-funded firm performance. This study hypothesized that an equity crowdfunding platform positively impacts firm performance (H1 and H2). Model 1 did not support hypothesis H1 (β=-0.116, T Value=1.007, P value=0.314, BCI LL=0.344, and BCI UL=0.108). Meanwhile, Model 2 supported hypothesis H2 (β=0.525, T value=5.291, P value=0.000, BCI LL=0.306, and BCI UL=0.702).

This research proved that the ECF platform could attract customers to approach the issuers. In line with Ordanini et al (2011), the ECF platform is not only the intermediary that connects financiers and fundraisers. It also acts as a marketing platform for the ventures to introduce and promote their products and services. When the products or services offered meet their expectation, investors can also eventually become consumers. Thus, it helps to increase the number of customers, increase sales, and encouraging performance.

Greenberg et al (2013) argue that, in general, the crowdfunding platform positively promotes collaborations and establish chances for start-ups and SMEs to narrow down their financing gap (Mollick, 2014; Ordanini *et al.*, 2011). However, the roles of crowdfunding platforms vary according to their motives, either pecuniary or non-pecuniary (Calic & Mosakowski, 2016). Ruschmeyer (2013) explains that equity crowdfunding platforms receive 4%-10% fees from successful funded campaigns. Thus, certainly, the platform seeks to create a win-win situation for issuer- funders as it will also reap the rewards from the transactions. Furthermore, Lacan and Desmet (2017) opine that platform roles are more influential than word of mouth attraction when marketing the entrepreneur's project on the platforms. Importantly, platforms with a higher number of investors subsequently attract other investors to participate in the campaign activities (Jiang *et al.*, 2018). McMahon (2001) opines that external funding is vital for SMEs future growth and profitability. However, it may lead to liquidity issues. The ECF crowdfunding platform, according to the researcher's insight and information, could be the answer for start-up companies looking to get capital. When requesting for financial help, start-up enterprises are unable to furnish collateral, and they are having difficulty. To stimulate SME engagement, the government should give greater facilities and help. More significantly, closer to the ECF is a millennium venture rather than a company led by baby-founders. Therefore, government intervention is needed to encourage these ventures to be included in the current mainstream of alternative funding to remain competitive. This research also shows that 95% of the respondents are graduates of universities. Exposing students to the crowdfunding is beneficial since it will provide them with the necessary knowledge to pursue entrepreneurship after graduation. Surprisingly, almost 80% of the respondents have participated in entrepreneurship programs. Entrepreneurs who participate in these programs gain exposure, information, knowledge, and networking opportunities.

It is critical to emphasize that the ECF is intended not only for well-established businesses, but also for young start-ups with strong prospects, such as Kakitangan.com, an online HR software. It was founded in 2015 and launched its ECF campaign at the end of 2016, raising more over MYR1.5 million in a single day (PitchIN, 2017). As a result, the study's practical implication addresses important and reasonable conclusions for more SMEs to use the ECF for their future development.

Discussion

In Malaysia, there are almost one million SMEs registered under SSM. However, only a few managed to get their funding goals through ECF (Ab Rashid *et al.*, 2021). Statistics provided by Securities Commission Malaysia show that from the year 2016 to 2019, the ECF platform successfully raised 77 campaigns (approximately 0.008%) (Securities Commission Malaysia, 2019). The successful issuers were dominated by the campaigns related to technology activities (PitchIN, 2020). Unfortunately, a study conducted by Robson and Bennett (2000) reveals that technology greatness does not significantly influence firm performance.

However, under the ECF, the most funded business activities are technology- related activities. Battaglia *et al* (2020) adds that technology-related and R&D industries are the most financed by investors during Covid-19. Calic and Shevchenko (2020) argue that technology projects are tangible as they have a clear business plan and expected delivery time. Investors are pleased and confident during the launching events on the ECF platform. Thus, entrepreneurial orientation in technology-based firms' signals influences their campaign success and, eventually, their firm's performance in the end. The quality signals can reduce information asymmetry and vagueness that the fundraisers transmit to the funders in crowdfunding (Di Pietro *et al.*, 2020).

The venture's previous successful round in fundraising from the crowdfunding campaign is an advantage which will secure the high net-worth and far-reaching investors' interest (Brown *et al.*, 2020). ECF alters the traditional business model to the new one that embraces the internet of thing (IR4.0) that is borderless. Beyond the geographical and cultural norm, traditional financing is irrelevant in the future (Hong, 2018) unless the founders/managers revisit their business model (Ritter &Pedersen, 2020; Wirtz *et al.*, 2010). Furthermore, the recent pandemic implication also signals those the traditional banking systems are not user-friendly to entrepreneurs (Kuckertz *et al.*, 2020).

CF, particularly ECF, has greatly expanded the ability for SMEs and start-ups to fill funding gaps through online platforms. Depending on the ability of the founder/manager to seize the potential of ECF, which might bring in more than money into the firm. To enter the ECF market, the firm's human capital and intellectual capital require a strategy. Aside from human capital, rapid responses to changes and the ability to implement the proper plan are linked to a firm's performance (Pea, 2002). Strategy in business informs stakeholders on how the firm will achieve its goals, continue to operate in a competitive market, and so improve firm performance (Teece, 2010). (Poister, 2010). According to Coakley and Lazos (2015), when a company follows excellent practises, it sends a positive signal to its stakeholders.

The findings of the study are consistent with previous research. The financial resource is an economic resource that enterprises require. For example, banks. Banks and other financial institutions have an effect on business performance. Bank-firm relationships boost loan availability (Agrawal & Elston, 2001), as do business angels and their impact on firm success (Andersson & Lodefalk, 2020; Politis, 2008). Wang (2013) found that enterprises that used microfinance loans performed better in terms of boosting sales and net profits. To expand, survive, and thrive, all businesses require working capital. The availability of cash, particularly for SMEs, contributes to their success.

Contribution of the Study

This research is one of several empirical investigations based on Malaysia's ECF backdrop. The study intends to emphasize that ECF could be one of the financial gap solutions for most Malaysian SMEs, particularly those with promising business concepts. Malaysian SMEs should be informed and updated with current information and knowledge. The methods of doing business have become increasingly diverse as technology has advanced. As a result, Malaysian SMEs should profit from financial-based online platforms that connect investors and SMEs. The investor's function may shift from financier to consultant who provides insight for the development of SMEs.

More significantly, closer to the ECF is a millennium venture rather than a company led by baby-boomers founders. Therefore, government intervention is needed to encourage these ventures to be included in the current mainstream of alternative funding to remain competitive. This research also shows that 95% of the respondents are graduates of universities. Exposing students to the crowdfunding is beneficial since it will provide them with the necessary knowledge to pursue entrepreneurship after graduation.

Limitations

In Malaysia, the number of entrepreneurs using the ECF platform to earn money is still low. The ECF platform acts as a double edge sword. It not only connects money seekers with money givers. It also works as a marketing platform. Issuers who launch their project campaigns online show their ability to manipulate ECF platforms to obtain finance according to the bricolage theory of finance, which assumes that entrepreneur's creativity and credibility make their firms survive, grow, and competitive.

All entrepreneurs should have equal exposure to the new emergence of online funding, especially those firms with a concrete business model. Even though ECF is one of the opportunities they can penetrate, the impact of this funding will probably allow them to partner with a more prominent firm (Woköck, 2019). Hence, despite the risk factors associated with ECF, inculcating ECF into SMEs agenda seems to open vast opportunities. For instance, Skolafund. Skolafund launched its campaign on the AtaPlus platform. It is Malaysia's first ECF-funded firm bought over by Kitafund and became more accessible in Southeast Asia. Then, Mycash Online followed by Skolafund. It launched its funding campaign on the PitchIN platform. Meanwhile, Green Lagoon launched its campaign on the Crowdplus.Asia platform and is the latest exit case on the ECF platform in Malaysia (Sidhu, 2019). Silicon Valley, as another example, started from nothing to something (Klepper, 2009; Moore & Davis, 2004).

According to Ata Plus founder in an interview with Gomez (2020), "Historically, at the early stage, major shareholders tend to be on the founding team, and perhaps a financial backer. But issuers have to convince investors that the company has the potential to make money for them." He added that "lack of supporting research into and analysis on issuers will become even more acute if the Securities Commission Malaysia approves a secondary market for the trading of ECF shares." In the future, companies that list on a secondary market, which we want to develop for Ata Plus, would need to provide investors with periodic updates." Thus, the process of penetrating the ECF capital market should be enlightened to encourage potential ventures to pursue this kind of entrepreneurial funding for future development and sustainability (Owusua & Owusu-Ansah, 2020). This applies not only to ventures but also the platforms.

The latest news reported by Fintech News Malaysia (2021) shows that PitchIN platform itself is seeking funding from mass investors and institutional investors through ECF. Placing at the Leet Capital ECF Platform campaign, PitchIN plans to get around MYR3 million to MYR 5 million. Furthermore, PitchIN is also asking for another MYR 5 million from the VC investors for its expansion strategies. PitchIN's crowdfunding indicates that crowdfunding has become the strategic tool to raise funds for anyone who desires it. Under the Pecking Order Theory, equity will be the last resort for the firm if there is a need for capital. However, with the emergence of ECF, more start-up and young firms show their interest to participate because the anticipated cost is lower than debts financing (Estrin *et al.*, 2021).

Future Research

According to SME info, there are almost one million SMEs in Malaysia (SME, 2020). However, as per the ECF quarterly report by Securities Commission Malaysia, as of the end of December 2020, the number of successful campaigns launched on the ECF platforms by SMEs were around 160 (Securities Commission Malaysia, 2020). Thus, future research should investigate the factors that will influence the entrepreneurs' participation in ECF activities. Even though ECF funds are not an absolute funding for entrepreneurs, it will open up more opportunities in future funding, for instance, venture capital (Ljumovic & Pejovic, 2020; Strausz, 2017). According to Yang *et al* (2021), being innovative, proactive and the risk takers, the firm has actually inculcated the venture capitalists' trust at first glance. Such as in ECF, where the firm proactively approaches the platform with new ideas about doing things regardless of someone might stealing or copying their ideas.

In Malaysia, the most outstanding ECF platform providers are PitchIN Platform, Ata Plus, and CrowdPlus. These platforms have been actively connecting the fund seekers and prospective investors even during the Covid-19 pandemic. The Covid- 19 pandemic has triggered numerous reactions among various sectors of the economy, especially the entrepreneurial ecosystem (Leung *et al.*, 2020). This gives a new perspective on ECF potential when the traditional banking cannot accommodate the entrepreneurs funding goals amidst the pandemic (Kuckertz *et al.*, 2020). Furthermore, future research should also investigate at Sharia-compliant ECF or P2P-based crowdfunding, since these will contribute to a better understanding of Malaysia's financial based crowdfunding (ECF, P2P) ecosystems. Finally, as technology advances and distracts individuals and corporations, entrepreneurship students and all existing SMEs that are unaware of the ECF crowdfunding availability should be introduced to the flexibility of crowdfunding, which appears to be one of the products under the umbrella of financial technology (fintech).

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