



Journal of Economics and Business

Linh, Do Hoai. (2019), Impacts of Founder on The Success of Crowdfunding in Vietnam. In: *Journal of Economics and Business*, Vol.2, No.2, 356-362.

ISSN 2615-3726

DOI: 10.31014/aior.1992.02.02.92

The online version of this article can be found at:

<https://www.asianinstituteofresearch.org/>

Published by:
The Asian Institute of Research

The *Journal of Economics and Business* is an Open Access publication. It may be read, copied, and distributed free of charge according to the conditions of the Creative Commons Attribution 4.0 International license.

The Asian Institute of Research *Journal of Economics and Business* is a peer-reviewed International Journal. The journal covers scholarly articles in the fields of Economics and Business, which includes, but not limited to, Business Economics (Micro and Macro), Finance, Management, Marketing, Business Law, Entrepreneurship, Behavioral and Health Economics, Government Taxation and Regulations, Financial Markets, International Economics, Investment, and Economic Development. As the journal is Open Access, it ensures high visibility and the increase of citations for all research articles published. The *Journal of Economics and Business* aims to facilitate scholarly work on recent theoretical and practical aspects of Economics and Business.



ASIAN INSTITUTE OF RESEARCH
Connecting Scholars Worldwide



Impacts of Founder on The Success of Crowdfunding in Vietnam

Dr. Do Hoai Linh¹

¹ School of Banking and Finance, National Economics University, 207 Giai Phong Road, Hai Ba Trung District, Hanoi Capital, Vietnam

Abstract

Being one of FinTech's most innovative operating tools in the age of 4.0, crowdfunding is one of the ways that is used to raise money without financial intermediations. This method helps companies and individuals worldwide raise millions of dollars from members of the public with low capital-cost, however, factors impacted on the success or failure of new kind of funds mobilizing method still be a controversial topic. Accordingly, the author aims at clarifying the influence of founders on the success of crowdfunding in Vietnam by primary data collected from questionnaire survey with Logistic Regression Model and Multiple Linear Regression Model. Based on the results, recommendations were proposed for founders to develop the modern kind of financial tools.

Keywords: Crowdfunding, Project information, Founder's social network, Founder's Funding Goal, Vietnam

1. Introduction

People are willing to give away money to create earnings or to find something that they can receive in return, therefore, community capital mobilization or crowdfunding comes from such a connection idea (Bouncken and Kraus, 2015; Alegre and Moleskis, 2016; Moritz and Block, 2015; Short et al., 2017). The crowdfunding itself is not a completely new concept; in early 1885, the base of the Statue of Liberty in New York was built as a result of a large number of small donations taken from hundreds of local residents (BBC Online, 2013). In Europe, in 1783 Mozart called for support to be able to hold 3 concerts in Vienna. Within a decade, crowdfunding has gained traction in a number of developed economies, including the United States; the United Kingdom; Australia; the Netherlands, Italy... This exciting phenomenon is spreading across the developed world and is now attracting considerable interest in the developing world as well. In fact, in recent years, crowdfunding is based on a well-developed internet platform, including names like Kickstarter, Indiegogo, GoFundMe or Circle Up can be seen as trading markets where people advertise their projects, place mobilized number and expect people everywhere to transfer money to finance their projects. Kickstarter, for example, the market leader in pledge or donation-based crowdfunding, has channeled over US\$815 million from 4.9 million backers, 29 percent of which have invested in more than one project, to nearly 50,000 projects throughout the world since 2009. In the face of such development of markets and countries, almost people in emerging countries such as Vietnam had little concept about crowdfunding. Hence, the author aims at identifying which founder's factors affecting the success of a crowdfunding projects in transitional countries such as Vietnam. From findings, recommendations were proposed to promote the positive factors and limiting the negative factors in order to improve the success ability of crowdfunding projects in Vietnam.

2. Literature review

The beginning of the crowdfunding project started by raising funds to provide loans to low-income families in rural areas in Ireland. These households did not have credit experience as well as asset mortgages but are believed to be credible. Until 1800, there were more than 300 programs nationwide funded the project, with the highest percentage of households using this source of funding. After that, there was a series of projects calling for capital in the form of crowdfunding such as the Statue of Liberty in 1885, and Joseph Pulitzer has called on US citizens to donate money to build the statue of Liberty in the New York World newspaper. More than 125,000 participants contributed more than \$ 100,000 within six months. Start-up and small businesses have practical money-making projects, that may help to make a better community, often be a shortage of funds to conduct these ideas. Consequently, the traditional solution is to get loans from banks, however, with careful appetite, banks always consider these start-up ventures too risky, especially in the time of economic downturn and restrictive lending policies. In addition, new ventures or start-up companies are lack of valuable collaterals. Then, the answer for these funding requests is absolute "No," and hardly these kinds of businesses can develop. Crowdfunding refers to the call for capital through online platforms on the Internet, by which fund can be raised directly between entrepreneurs and funders without any intermediations. Crowdfunding is using the crowd to raise capital by connecting people with talent ideas and some neat stuff to sell with those that have the funds to invest then it can create more jobs, new business opportunities, and consequently fuel the economy. Crowdfunding provides start-ups, entrepreneurs who have beneficial ideas with a promising alternative financing opportunity can access hundreds of potential contributors through crowdfunding websites. Crowdfunding can be found in four main types: i) Donation, people can donate money in small increments to a project which they believe have moral and ethical values for community; ii) Pre-order method, people, make online pledges during a campaign or pre-buy the product for later delivery with a good example is Kickstarter; iii) Reward- based method, investors get the satisfaction of helping and immediately receive a pre-determined reward or item of value, but no equity or ownership (Indiegogo); iv) Equity-based method, the newest model which will allow large numbers of regular people to invest small amounts to fund early startups with the expectation to receive dividends or investment appreciation based on profits of the business. Typically, crowdfunding is applied to startup projects, so it is not patented or branded. When you publicize a project and call for crowdfunding, your idea or creation is easy to copy. And because it has to expose to public opinion, it is on the bank of stealing the ideas by an opponent company. Crowdfunding can mean different things to different people. Each person has a different reason when choosing to invest in a project. The main target is to gain some tangible rewards as a return. They also invest to gain social recognition because they have invested in moral and society- beneficial projects. Another explanation can be they want to engage in something magnificent, to be a part of a big operation. They believed in the project can bring up their own desires, the truth value of a project can make their wishes come true.

Often investors need to evaluate the project in a detailed and rigorous manner before making an investment decision. But most investors do not do so. Partially, because the investors are ordinary people, they are not experts in the field and may not know the process to invest in the project. Investments are usually small, so many investors do not pay attention to in-depth research. Common business start-up projects by companies, small organizations, or individuals, so business plans and audited accounts may not be available for investors to research. Good idea but the project owner lack knowledge, expertise. Many homeowners are calling for crowdfunding with great creative ideas. But they do not have business expertise, no management knowledge or solving legal issues for the business. And they do not have experts to support or guide. And this can lead to catastrophe then investors lose their money but also their effort for such projects. According to a study, three out of four startups failed, or 75 percent of startup projects. This is very risky if investors do not study carefully before spending money. Few mechanisms for tracking, regulating the founders. It is difficult for donors to keep track of their money being used properly. And they did not receive promised rewards if the project failed. For international funding, if the reward is a source of income or material wealth, the tax under international law will still be taxable.

3. Methodology

3.1 Variables

Dependent variable: is the success or fail of a crowdfunding project in Vietnam. It means that one project succeeds when founder's goal is reached because there are two popular types of crowdfunding such as only get money from backers if project's goal is done or another type is that can get money if the goal is done or not. Therefore, the value is 0 if a campaign is failed or 1 if a campaign is succeeded.

Independent variables: eight independent variables have impacts on the success of crowdfunding project in Vietnam, included: i) Project information: all the information about the project such as main products, content, method raised, the function of the product, description, etc. The information illustrates what is the products? What is the potential of this project? And then attract more crowd funders => increasing the percentage of success; ii) Founders information: about the personal information of founders like name, education, experiences, etc. This information is more detail more chance to meet backers. Wheat et al. (2013) suggested that project founder information uploaded on CF campaign profile can establish the connection between the founder and the funders, helps people to understand the story of each project, the original idea as well as the mission they want to accomplish; iii) Founders financial capability: of course, this variable is very important and have a big impact on the meeting its goal. It refers to the solvency and liquidity of founders, let's investors know exactly the role of founders, if the campaign is failed, founders will continue or not; iv) Characteristics: It is a distinguishing feature or attribute of an item, person, phenomenon. If founders have good characteristics, maybe they will have good vision and easy to make sympathy with other people and then build the trust and lead to success. In other words, characteristics have a positive effect on the success of crowdfunding; v) Founders social network: Crowdfunding is a raise money method by small investors through using the Internet. If the number of social network friends of founders is high, it will an advantage help founders easy to meet its goal; vi) Standing or reputation: Crowdfunding is using via a connecting network, people do not meet directly or face-to-face, so that, the trust with founders and investors is very important. Because it is the first time they meet or not, if they have a strong reputation, it will lead to easy to reach the goal; vii) Funding goal: it is the amount of money that founder want to get when they open their position in the platform. In other words, the goal is high will promote founder to improve their project and bring a good thing to customers, but it is difficult to do. There are 2 main ways when raising money by using a platform such as can get money with any situations and only get money if the goal is done. So, if the funding goal is too high maybe can get nothing but until pay the expenses; viii) Nationality: It is slightly important. If founders come to developed countries, it will take a little bit easy to make trust with an investor, than the people come from poor or developing countries. Next reason is that crowdfunding in developed countries is very dynamic and have the long past, so, founders have more experiences than others.

Table 1: Variables and influence hypotheses

No	Factor	Variable	Influence
1	Project information	Project info	Positive
2	Founders information	Founders info	Positive
3	Founders financial capability	Founders finance	Positive
4	Characteristics	Characteristics	Positive
5	Founders social network: Facebook friends, Twitter friends	Network	Positive
6	Standing	Standing	Positive
7	Funding goal	Goal	Negative
8	Nationality	Nationality	Positive

Source: Summarized by the author

3.2 Source of data

As a preliminary empirical study, the goal of this paper is to develop initial proof concerning the character of crowdfunding and especially the founder's role in the success of a crowdfunding project in Vietnam. Therefore, primary data by using questionnaires list or survey and get more information from some famous crowdfunding websites in Vietnam such as <https://comicola.com/>, <https://betado.com/>. 200 questionnaires were disbursed, but 110 responded of 40 projects collected had 25% of the success, and around 75% was failed. All projects used the reward-based model, because, although crowdfunding is growing exponentially around the world, in Vietnam, this method is new, and people applied for the simplest way, which is a reward-based model. Besides, Logistic Regression Model and also used the Multiple Linear Regression Model to test the influence of independent variables on the proportion of reach the founder's goal.

Table 2: Correlations

	Success	Project info	Founders info	Founders finance	Characteristics	Network	Standing	Goal	Nationality
Success	1								
Project info	0.24	1							
Founders info	0.17	0.23	1						
Founders finance	0.05	0.07	0.01	1					
Characteristics	0.09	0.09	0.02	0.13	1				
Network	0.32	0.11	0.02	0.07	0.11	1			
Standing	0.04	0.18	0.03	0.05	0.28	0.19	1		
Goal	-0.12	0.25	0.16	0.15	0.10	0.22	0.34	1	
Nationality	0.01	0.03	0.01	0.02	0.01	0.08	0.13	0.29	1

Source: Summarized by the author

Notes: This table shows the correlation for the variables, significance at the 5% level.

Table 3: Statistics Descriptive

Variables	Number of observation	Mean	Min	Max
Project info	150	4.34	2	5
Founders info	150	3.14	1	5
Founders finance	150	0.05	0	5
Characteristics	150	2.56	1	4
Network	150	120.45	0	3,000
Standing	150	3.21	0	5
Goal	150	110,235,467	12,000,346	734,089,000
Nationality	150	0.23	0	5

Source: Regression results by the author

4. Discussion

Table 4: Logistics Regression Results

Variables	B	S.E.	Wald	df	Sig.	Exp(B)
Project info	0.334	0.073	12.247	1	0.000	1.543
Founders info	0.122	0.066	11.876	1	0.000	1.003
Founders finance	0.056	0.012	11.022	1	0.061	1.234
Characteristics	0.019	0.004	10.896	1	0.050	1.227
Network	0.203	0.053	11.928	1	0.000	1.008
Standing	0.089	0.004	11.003	1	0.051	1.563

Ln (Goal)	-0.329	0.021	12.005	1	0.001	0.345
Nationality	0.056	0.041	10.567	1	0.067	1.112
Constant	-1.321	2.321	8.993	1	0.003	1.002

Source: Logistic Regression results by the author

In this Regression, Odd as dependent variables. After testing hypotheses and measuring 8 factors, some factors have Sig. >0.05, it means that maybe those do not directly influence the percentage of the success of a crowdfunding project. Therefore, we chose 4 factors with lower Sig. than 0.05: project information (quantity and quality of information), founder's information, network (the number of founder's social network friends), and goal (funding goal or the amount of money that founder wants to raise through using crowdfunding platforms) have a dramatical influence on the success of a crowdfunding campaign.

Here is the equation of dependent and independent variables which have a powerful impact on the success of a project.

$$\text{Ln (Odds)} = -1.321 + 0.334 * \text{Project info} + 0.122 * \text{Founders info} + 0.203 * \text{Network} - 0.329 * \text{Ln (Goal)} + u_e$$

On the table Regression results or equation above, project information, founder's information, and founder social network have a positive impact on the success, and it means that when one of three or all three variables increase or decrease the lead to a rise or decline the value of the dependent variable. In contrast, the funding goal factor has a negative influence on the success or if the figure for money on the funding goal increase, it will be led to a decrease of the success or reduce the ability for success.

Table 5: Multiple Linear Regression Model Results

Variables	Regression coefficient	T	P-value
Intercept	4.356	12.476	0.000
Project info	1.112	6.231	0.000
Founders info	0.785	5.502	0.002
Founders finance	0.341	2.342	0.054
Characteristics	0.121	1.108	0.052
Network	1.329	5.478	0.000
Standing	0.008	3.412	0.026
Ln (Goal)	-4.327	4.237	0.000
Nationality	0.037	-1.004	0.061

Source: Multiple Linear Regression results by the author

The result of this regression shows the proportion of attaining the funder's goal. Following the table above we can conclude that similarly with the Logistic Regression Model result, five factors have an impact on the accomplish of goal (because all those factors have P-value is lower than 5%). It is project information, founder's information, founder's social networks, reputation or standing, and funding goal.

$$\hat{y} = 4.356 + 1.112 * \text{Project info} + 0.785 * \text{Founders info} + 1.329 * \text{Network} + 0.008 * \text{Standing} - 4.327 * \text{Ln (Goal)}$$

In Multiple Linear Regression Result, factors have both negative and positive effect, such as only funding goal has a negative influence. In other words, when funding goal increase or decrease, it will lead to reduce or grow the percentage of achieving the goal.

Following all the results from the Regression, five main founder's factors that have significant influences on the proportion of achieving the goal. But not all the five factors have the same or equal effect with the funding goal, some factors have more power, some factors have less power. Of which, three major factors are project information, founder's social network, and the founder's funding goal. Of course, crowdfunding is operated through using the Internet network, founders and backers or investors do not make a decision by meeting each other directly. For instance, some big platforms are Indiegogo or Kickstarter, or Vietnam platforms are comicola or betado. Furthermore, because of based on the Internet, so the number of via friends or social network friends of founders is a key highlight that effects with the success. A higher number of friends, maybe higher ability to reach the funding goal, they knew people before or at least have a connect by social network. Especially, Vietnam saw a dramatical increase in the number of Internet users or Facebook users or Twitter users. For example, nearly statistic result shows the percentage of Vietnamese people adult using the Internet around five hours per day and approximately 90% population using the Internet. People prefer to make via friends and chatting box by talking face-to-face or connect with real people. As the results, network factor becomes more important in the success of the crowdfunding project. In addition, based the knowledge in the research of Douglas J. Cumming about the crowdfunding models: Keep-It-All vs. All-Or-Nothing. That means, it is two main models that people should choose when they raise money through crowdfunding method. Almost platforms use the second method (All-Or-Nothing), it means that within in period of project time if the campaign cannot get to the beach or at least get money equal to pre-goal that they set up, they will receive nothing, So, when launching the project on the platform, founders and their team need to plan specifically about the goal how much money that project can raise or the ability of founder's goal can meet it in the real situation.

Comparing to the results of a study by Mollick (2014), the results of our research are the difference with the conclusion of Mollick about the network size or founder's social network: In our research, we examine the situation in Vietnam, and the results tell that founder's social network or the amount of via friends have a positive impact on the project succeed. Meanwhile, Mollick results show that "This result shows that having no Facebook account is better than having few online connections, suggesting that, while individuals may strategize about whether or not to link accounts to Facebook, large networks are associated with successful fundraising." With the funding goal factor, both types of research have the same conclusion. This factor has a negative influence on the success of the project. If the purpose or expectation of the founder is very high or impossible in the facts, it will lead project face with the risk which it cannot raise enough money or failure. Although information Vietnam is a new crowdfunding market, whether project succeeds or fail, the owner does not update the information. It is difficult to examine and test or check the efficiency of the crowdfunding market in Vietnam due to several reasons: i) Vietnam is a developing country, the technological system is constructing and improving, and other sectors need to develop more in the future; ii) legal system of Vietnam still simple and do not aim the right objective. With crowdfunding, Vietnamese Government should plan, test and check processes to set up the law for crowdfunding; iii) Crowdfunding is very popular and maybe become one of the most important ways that foreign people use to raise money, especially in the USA, United Kingdom, or in Japan.

5. Conclusion

Crowdfunding is becoming a hot seeking money trend around the world; many countries encompass developed and developing countries that they use this method efficiency. So, Vietnam is a developing country should apply this trend but need to adjust for convenient with facts in Vietnam to maximize the benefits and minimize the risk from method to develop the economy.

References

- Arolas, E. E., & 'n-de-Guevara, F. G.-L. (2013). Towards an integrated crowdsourcing definition. *Journal of Information Science*, 189-200.
- Brüderl, J. & Preisendörfer, P. (1998), Network support and the success of newly founded businesses, *Small Business Economics*, 10, 213–225
- Belleflamme, P., Lambert, T., & Schwienbacher, A. (2013). Crowdfunding: Tapping the right crowd. *Journal of Business Venturing*.
- Cordovaa, A., Dolcib, J., & Gianfrate, G. (2015). *The determinants of crowdfunding success: evidence from technology projects*. 3rd International Conference on Leadership, Technology, and Innovation Management (pp. 115-124). Procedia-Social and Behavioral Sciences. <https://doi.org/10.1016/j.sbspro.2015.04.872>
- Drabløs, C. (2015). What influences crowdfunding campaign success (Master's thesis, Universitetet i Agder; University of Agder).
- InfoDev. (2013). *Crowdfunding's Potential for the Developing World*. Washington, DC: Finance and Private Sector Development Department, World Bank.
- Leboeuf, G., Schwienbacher, A., Cumming, D. (2015). *Crowdfunding Models: Keep-It-All vs. All-Or-Nothing*. Working paper.
- VEPR. (2018). Vietnam economics Report, 4th Quarter 2018
- Valanciene, L., & Jegeleviciute, S. (2013), Valuation of crowdfunding: benefits and drawbacks, *Economics and Management*, 39-48.
- Wroldsen, J. S. (2012). The Social Network and the Crowdfund Act: Zuckerberg, Saverin, and Venture Capitalists' Dilution of the Crowd.
- European Commission (2017), Identifying market and regulatory obstacles to crossborder development of crowdfunding in the EU, retrieved at: https://ec.europa.eu/info/sites/info/files/171216-crowdfunding-report_en.pdf