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Enhancement of Financial Inclusion & Investor's Choice: An Assessment of Alternate Source of Funds through Crowdfunding in Pakistan

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Abstract

Crowdfunding is acclaimed as financial innovation, a FinTech, and one of the fastest-growing industries in the financial sector. In Financial Inclusion context, crowdfunding relates to a market-based financing method where assets are raised from huge numbers of individuals in limited quantities/amounts, bypassing conventional monetary intermediaries, and utilizing on the internet platforms to associate with borrowers, regardless of whether to finance a business, a particular task, or different requirements. It is a type of crowdsourcing. The reception of crowdfunding for subsidizing various kinds of ventures is far-reaching, but in developing countries, its awareness and hence investment volume & pattern is either non-existent or lacks substantiality. This study aims to serve as the initial insights into the crowdfunding intention of investors through exploring motivational factors such as Commitment, Perceived Benefits & Product Innovation and provide valuable understanding of the interaction of multiple factors that play an important role in investment decisions. Hence, Social Exchange Theory (SET) & Consumer Value Proposition (CVP) have been used as theoretical bases in this research. The collated data was analyzed using partial least squares structural equation modeling (PLS-SEM). Findings indicate that Commitment has a significant impact on crowdfunding intention and perceived risk has a negligible impact on crowdfunding intention. The aim of this study is to provide information and references to assist decision-makers in Pakistan in understanding how funds can be gathered to support urgent needs for SMEs and startups through this viable medium which can potentially enhance financial inclusion. Furthermore, this study contributes a fair amount of research for policymakers/project proponents/crowdfunding platforms in attaining cognizance of the motivating factors behind funders' behavior and investment decision.

Keywords: *Crowdfunding, Finclusion, Alternative Finance, Innovation, Fintech, Social Exchange Theory, Consumer Value Proposition, Crowdfunding intentions, Commitment, Perceived Risk, Perceived Benefits, Perceived Trust.*

Introduction

Crowdfunding is defined as the practice of soliciting small sums of funding from several potential investors, often including the general public. Greater use of technology is involved in this funding methodology; to gain financial support, the project/idea is publicized over a digital platform, reaching out to a wider and more diverse audience. Since the 2008 financial crisis, technological advances and the concept of a 'shared economy' have transformed the global financial landscape, largely to cope up with

funding challenges faced by entrepreneurs, early-stage businesses, and micro, small and medium businesses (MSMEs).

Most crowdfunding falls into one of four main categories—donations, rewards, debts, or equity. People (or projects) who are in need (beneficiaries) can receive money through donation-based crowdfunding without financial (return) consideration. The idea behind reward-based crowdfunding is that contributors (donors) donate money to campaigns in return for a non-financial reward. Many rewards are tokens of appreciation or pre-purchases of a product or service (the actual invention) based on the contribution amount. Funders (lenders) who participate in debt crowdfunding can lend to fundraisers directly or invest in debt obligations issued by the platform. The term crowdlending can also be used to refer to loans in the form of crowdfunding, marketplace lending, or peer-to-peer lending. Individuals and institutions can invest in equity crowdfunding projects in exchange for shares of the company. According to its definition, equity crowdfunding involves raising funds for legal entities through the sale of their equity. SMEs and start-ups, in particular, can benefit from it. Upon reaching a target investment amount, the deal is completed between the issuer, the pool of funders, and the platform.

Baber Hasnan(2019) described and suggested the crowdfunding model to be developed for the penetration of this new phenomenon in untapped markets. Crowdfunding runs on two models, "All or nothing" (AON) and "Keep it all" (KIA). Coumming, Leboeuf, & Schönbacher, 2015). The AON model is by far the most widely used model by crowdfunding platforms around the globe. The pioneer platform 'Kickstarter' also uses the same approach. Under it, only those projects are run which get fully funded by backers. In case the required investment is not funded fully, the money is returned back to funders. While the " Keep it All" model suggests transferring all the funded money into the fundraiser account irrespective of the target set initially, this exposes projects to run out of funds later and may lead them to failure. The rate of success in the AON model is higher than the KIA model. The projects have been proposed to be categorized as Giant, affordable and micro with respect to their requirements of investment amounts whereas backers are proposed to be classified as star, armor, and mouse, in line with their potential investment volume. The purpose of this classification is to link the projects with their desired investors which may result in crowdfunding success.

Entrepreneurs, investors & the availability of crowdfunding platforms is not enough to build a credible crowdfunding system. Adaptable cultures, forward-looking regulations, effective technological solutions, and an ecosystem supportive of investments in this area are also required. An example of this is a "system of trust" involving all parties. Many enabling factors allow crowdfunding to become a popular form of fundraising in developed countries, including a regulatory framework leveraged by technology, the Internet, and social media, which enables improved communication between millennials and new generations. Regulation of online markets facilitates the capital formation and protects investors by offering education and training. In addition to collaborations with business plan competitions, incubators, accelerators, universities, and coworking spaces, we can also provide oversight.

Crowdfunding in South Asia has a huge potential audience. Based on income alone, the number of households that could participate in crowdfunding in developing economies ranges between 240 million and 344 million. We further adjust the data to determine actual investment capital available in emerging markets today. The study assumes that no one will invest unless they are sufficiently earning (between $10,000 and $14,423), have sufficient savings to cover three months of their income, AND/OR (depending on the nation) have at least three months' worth of equity investments.

In light of the increasing use of technology, increasing connectivity through mobile devices, the legal and regulatory environment, as well as constantly changing economic conditions, crowdfunding has the potential to transform retail financial services in Pakistan. Particularly in countries with less developed financial systems like ours, this competition could foster economic growth and entrepreneurship. It can play an important role in improving financial inclusion if an enabling and safe environment is in place.

Currently, Pakistan's Financial Inclusion Ratio (15%) is low as compared to a 33% average ratio for middle-income countries. Financial inclusion surveys show that banks provide 80% of all financial services, but they only reach 15% of the total population. (Syed Kumail Abbas Rizvi et al., 2018). In such a scenario, there exists a huge potential for crowdfunding penetration in Pakistan. Platforms for reward-based and donation-based crowdfunding already exist in Pakistan, such as Transparent hands, Seedout, TCF, Pink ribbon, care foundation, etc.(Transparent Hands, Crowdfunding platform). However, other forms like P2P lending, equity crowdfunding that can lead to financial inclusion in Pakistan had no presence due to lack of legislation & enabling environment, lack of awareness, and non-availability of relevant research in this regard.

Pakistani MSMEs lack access to formal avenues of credit for several reasons, including i) lack of documentation; ii) recession exposure; iii) inability to provide collateral. So far, only 179,000 SMEs are catered to by commercial banks (Karandaaz, Pakistan) against an estimated SME population of over one million units in the country, that is, only 18% of SMEs are formally served. On the other hand, microfinance firms average PKR 39,000 in loans, indicating a focus on lending to individuals rather than businesses. Due to this, the flow of credit to small-sized businesses is limited. Pakistan has an estimated credit gap of PKR 2.5 trillion44 for SMEs. Adding to the difficulty is the absence of alternative financing avenues through which this financing gap can be closed. In recent years, SECP (regulator in Pakistan) has developed a comprehensive policy known as "Regulatory Sandbox Guidelines, 2019", which outlines a detailed procedure which the commission has established for carrying out projects like this. Clause defining Startups has been added to the Companies Act (2017) which explains them as innovative/scalable businesses that have existed for less than ten years and have annual revenues under Rs.500 million. (SECP, Regulatory Sandbox Guidelines).

As the concept of crowdfunding is relatively new to the business environment & financial markets in Pakistan, It has not received much attention from Scholars' point of view as well. Very few studies exist regarding the potential of crowdfunding penetration in a country like ours which is in a developing stage. The World Bank has also explored through its comprehensive research the contingent role of crowdfunding as a game-changer for developing countries especially in South Asia, the reason why it is being researched well in India & Bangladesh. Being cognizant of the above-mentioned facts and researches, this study has an objective to provide an exploratory review of crowdfunding along with empirical insights into investors behavior and its theoretical & practical implications in order to create awareness regarding this mode of alternative financing all along with an aim to gauge the factors that can influence potential investors to support crowdfunding projects.

Literature Review

To succeed, startups require resources, and the most critical- nature resource is adequate financing. Among traditional sources of financing such as bank loans, venture capital, equity, alternative financing mediums have also emerged on the horizon of entrepreneurship. Alternative finance describes fundraising activities outside traditional means like banks and financial intermediaries, an approach that has changed the way traditional fundraising is done. Over the last decade, alternative finance has evolved primarily through innovations utilizing artificial intelligence technologies and online channels. Peer-to-peer lending, initial coin offerings and other online capital raising strategies have led to significant growth in online alternative finance and hence it has rapidly grown (Fukuhara, 2020). Funding for creative projects, social enterprises or businesses is available through online crowdfunding platforms. Individuals, businesses, and institutions can participate in these platforms. Microfinance and crowdsourcing have merged to form the concept of crowdfunding (Bradford, 2012).

Crowdfunding is a novel method of acquiring funds apart from traditional methods of financing i.e. venture capital, bank loans (Gompers and Lerner, 2004). Crowdfunding is defined by Schweenbacher and Larralde (2010) as "an open call with a focus on the provision of financial resources, such as charity or rewards, in

exchange for voting rights or rewards to fund specific projects." But that definition is not sufficient to provide clarity about the goals of fundraiser/Investors and excludes other forms of crowdfunding like equity & debt crowdfunding.

Crowdfunding (hereafter referred to as CF) is a growing channel for entrepreneurs and startups to raise funding and has grown dramatically in terms of volumes and importance over the past few years. (Ziegler et al., 2019) report that alternative finance volumes amounted to USD 371.1B in 2017 (covering various CF models). This represents an increase of 42% over 2016, 185% over 2015 and 1,024% over 2014.Currently, China is leading the Global Crowdfunding industry with 70.73% market share, followed by US with 20.07% share

A reward-based crowdfunding model is basically a partnership between investors and consumers. Thus, funders may be more likely to become advocates for the products, making them more willing to become spokespersons (Belleflamme et al., 2015). Therefore, it can be useful for establishing small farms and stabilizing their cash flows to use reward-based crowdfunding. With the help of fundraisers, funders can get reliable foods consistently (Yoo and Choe, 2014). In the latter type of crowdfunding (donation-based), the funders take into account the societal goods rather than returns on investment, and the quality of the project is of the highest standard (Austin, 2006; Gerber, 2012). Entrepreneurs with low intermediation costs will find crowdfunding more affordable than loans, explains Marchese (2014), emphasizing that 'women, migrant workers, millennials, and those with limited educational level face limitations in obtaining financing'.

Crowdfunding also contributes to financial inclusion in countries. Despite the recent increase in international financial inclusion, there is a significant gap between the rich and the poor, urban and rural, and both men and women. Fundraising of all kinds, including loans, equity, donations and awards, contributes significantly to the promotion of inclusion. Financial incentives can be obtained directly through the use of large sums of money to finance social enterprise projects. Clearly, financing can be seen as a solution by providing financing for transaction costs, or for groups and small businesses that are vulnerable to geographical limitations. In general, mobilization forums offer lower rates than regular banks and other sources of funding, which means that individuals and small businesses can borrow faster than banks and under relatively simple conditions. Funding can now be done online without geographical restrictions (Heyonsu Kim, Livon de Moore 2017).

According to a recent World Bank (2013) report, developing economies can leverage crowdfunding to compete with established financial markets and regulatory environment. Developing countries need to engage in spirited discussion and analysis regarding crowdfunding, including how it can benefit businesses and communities so long as prudent safeguards are in place. Developing nations may be able to utilize this new funding mechanism as a strategy to increase homegrown innovation and generate more entrepreneurs with high growth potential. Innovative policies, technology, education, and safeguards will have a significant impact on whether this new financial tool is successful. OECD (2013) pointed out that another type of crowdfunding i.e. Equity Crowdfunding and crowdsourcing can complement other sources of financing for projects.

Apart from financial inclusion, crowdfunding can provide founders with a number of resources and assets in addition to monetary returns. According to Mollick and Kuppuswamy (2014), through crowdfunding, the firm was able to obtain capital, find employees, gained publicity & promotion, and build a clientele. CF is about much more than raising money, says Ramos (2014) by engaging groups and getting public attention for products and services using market testing, consumer engagement, and making use of community assets. Lehner et al. (2015) found that CF can stimulate the development of innovative businesses & processes by exploring non-financial implications. Other funding instruments cannot achieve benefits such as customer referrals, community feedback, consumer insights, research, lead generation, or promotional services without extra cost.

With the development of web 2.0 technology, crowdfunding has grown rapidly. There are now more than 450 crowdfunding platforms around the world (Cordova et al., 2015). Kickstarter, the world's first formal crowdfunding platform, has been raising millions of dollars since its launch in 2009 (Mollick, 2014) and is now the world's largest crowdfunding platform. Massolution.com reports that worldwide fundraising reached up to $34.4 billion in 2015. In addition, the report noted that Asia has become one of the largest crowdfunding regions. As of 2015, Asia was the world's second largest market for crowdfunding, with a growth rate of 320% (Massolution, 2015). It is estimated that less than 50% of crowdfunding projects are successful (Massolution, 2015). The number of successful Kickstarter projects dropped from 43% in 2014 to 36% in 2015. As a consequence, we can assume crowdfunding backers' funding intentions are relatively low. Thus, it is crucial and compelling to understand what influences the funding intention of backers.

Researchers have studied the factors influencing investors' support for crowdfunding campaigns. Harms (2007) concludes that in addition to guaranteeing tangible results, investors will benefit greatly from the results of their investments if they meet the practical needs of the project results. Personal interest, which greatly influences the intentions of financial investors. Among internal drivers, such as controlling the use of creativity, promoting the status quo, having fun and engaging, and intrinsic motivation, such as profit, were identified by Van Wingderden and Ryan (2011). Ordanini and others. (2006) found that social recognition and support were important factors in motivating supporters.

Cholakova and Clarysse (2015) suggest that the desire for rewards can motivate individuals to participate in public mobilization. However, they may not only be motivated by financial gain but also by internal factors. This can be explained in part by social conditions (Allison et al., 2015), desire to help others (Gerber et al., 2012), and desire to participate in community. Saxon and Wang (2013) also cite the importance of interacting with peers on social media as one of the main motivators for mobilization. At the stage of the mobilization campaign, the main factors influencing donation decisions vary. (Ariley and Simonson 2003).

Effective dissemination of project and creator information in mobilization forums indicates the need for successful mobilization campaigns (Malik 2014). They are important indicators of the level of commitment (e.g., the winning business plan) or social factors (e.g., the level of investment from other contributors) (Ciuchta et al. 2016). In addition, Boeuf et al. (2014) Sharing of personal information by project creators contributes to the success of public mobilization because the purpose of public mobilization is to build trust among contributors, one of the main drivers. Researchers have found that Ryu and Kim (2018) campaign behaviors, such as motivation and social responsibility, influence campaign success.

The success of crowdfunding has been shown to have an impact on the creator, content types, and participant networks. Zheng et al. (2014) The success of public mobilization of funds in the context of social capital explored the impact of social networking, financial support experience, and shared value among project supporters and investors. For a crowdfunded project, internal social capital adds the necessary features by stimulating the project distribution method (Colombo et al., 2015). Social capital accumulated from shareholders' social networking sites (SNSs) has also been found to have a positive impact on their success (Kang et al. 2017).

According to Davis et al. (2017), perceived creativity of projects is positively linked to contributors' investment decisions, and perceived dedication of the project proponents enhances perceived creativity. Researchers tested the effects of controlling the release of funding information from the perspective of platform design and found that it increased contributions and simultaneously decreased contribution amounts (Burtch et al. 2015).

In their study of Taiwanese users of a reward crowdfunding platform based on social exchange theory (Homans, 1958), Zhao et al. (2017) determined that backer commitment was the strongest predictor of funding intentions. Furthermore, they found a positive association between risk perception and funding

intention, as well as a non-significant association between trust and funding intention. Two differing regulatory perspectives (promotion-focused vs. regulatory-focused) explained the former result, where those with a preventive focus demonstrated negative outcomes related to risk, while those with a promotional focus demonstrated positive outcomes related to risk. A mediatory relationship between trust and funding intention has been proposed by arguing that both commitments and risk perceptions are related.

The cognitive and psychological preconditions for the purpose of mobilization have been studied primarily in similar studies in Western cultures. Using Social Identity Theory (Tajfel, 1974), Rodriguez Ricardo and others. (2018) examined the behavior of supporters related to their purpose of investing in fundraising campaigns, such as their relationships with others and their attitude toward helping others. In addition, they find that in the financial mindset, creativity is also closely related to their financial goals.

Theoretical Background & Hypothesis Development

In this study, we use SET (Social Exchange Theory) and CVP (Consumer Value Proposition) to develop hypotheses about potential factors that might influence investment decisions by raising large sums of money in a social/business context. This study uses SET as a theoretical basis for a number of reasons. SET explains that commitment and trust are the foundations of interpersonal relationships. Trust and commitment are examined in this light. Second, the SET framework can help explain how supporters participate in mobilization. According to this model, relationships are established by measuring the proven benefits and costs (Kankanli et al., 2005). When people believe that their fundings bring more benefits than costs, they are motivated to participate in the mobilization process. We believe that fans should consider the risks involved in project financing (e.g., data inconsistency and fraudulent fraud) as well as the rewards (i.e., free access, fairness, and free production) (Lambert and Schoenbacher, 2010). Finally, SET sees social interaction as a type of behavior that can both measure (e.g., creative products and promotions) and deliver personalized outcomes (e.g., sense of privacy) (Leu et al., 2016). In the mobilization campaign, people exchange more than money and products with emotions, compassion, and support. In addition, the concept of customer value proposition has been simultaneously incorporated to address the role of innovative customer-oriented products/services by promoting large sums of money in Pakistan.

Social Exchange Theory

Social exchange theory asserts that societal interactions take place through several forms of exchange of commodities (Homans, 1958). The member will continue interacting if his or her compensation is greater than the cost, however if the cost exceeds the compensation, he or she stops interacting (Organ and Konovsky, 1989). So, SET can be employed to describe users' interaction (e.g., value-for-money analysis) (Liu et al., 2016). Crowd funders might compare crowdfunding perceived outcomes/gains (e.g., unique products, new interpersonal relationships or social circle, and collaboration) with visible downsides (e.g., lacking product/service quality, failure to deliver, infringement, deceptive practices), which negatively impacts their attitude (e.g., trust, commitment) toward crowdfunding projects. Observing that communication and trust underlie interpersonal interactions, Homans (1958) explains interpersonal interactions at the individual, whereas SET explains interpersonal interactions at the group level. From the individual point of view as well as from the group viewpoint, Blou (1964) examined the exchange structure between individuals and groups. Blou (1964) describes trust and commitment as fundamental to SET. Through crowdfunding platforms, crowdfunding backers establish mutual communication, trust, and hence enable exchange behaviors embedded within the SET framework. To construct the determinants and outcomes of commitment and trust, we use Morgan & Hunt's (1994) commitment-trust theory.

Consumer Value Proposition

Successful businesses use creativity as a competitive advantage. Today's competitive environment is all about "faster, cheaper, better". As a result, for products and services to continue to thrive in a competitive and divided world, innovation, creativity and updation must simultaneously meet the needs of our customers. Boat positioning is one of the most important techniques to get the customer's opinion as accurately as possible. They classify product/service characteristics according to customer needs (Shaheen, 2004). Sanchez Fernandez and Iniesta Bonello (2006) argue that the term "customer value", which is crucial to defining a company's success, suffers from a difference of opinion. Since the awareness of customers can be seen at any stage of the purchase decision, they clearly differentiate between the customer's price before purchase (expected) and after purchase (receipt / check). A customer's understanding of new products and services is essentially a pre-purchase judgment. Starting from the concept of customer value, we as sponsors look at the role that CVP can play in determining the purpose of financial support.

Hypothesis Development

The three key mediating variables crucial to backers' funding intention, according to SET & CVP, are trust, commitment, and perceived risk. . The concepts of trust and commitment are supported by the findings of Morgan and Hunt (1994). Many researchers have pointed to the importance of communication and shared values in building trust. Shared values and visible benefits are directly related to commitment, and trust is crucial in commitment. Also, the enhanced features and new product design offered by the proponents can enhance consumer perception of innovation, thereby reducing perceived risk and reducing barriers to consumer use. Since customer engagement signifies their familiarity with the product, a high level of involvement suggests a higher level of understanding by customers and they will be more aware of any undesirable repercussions, thus lowering the level of perceived risk.

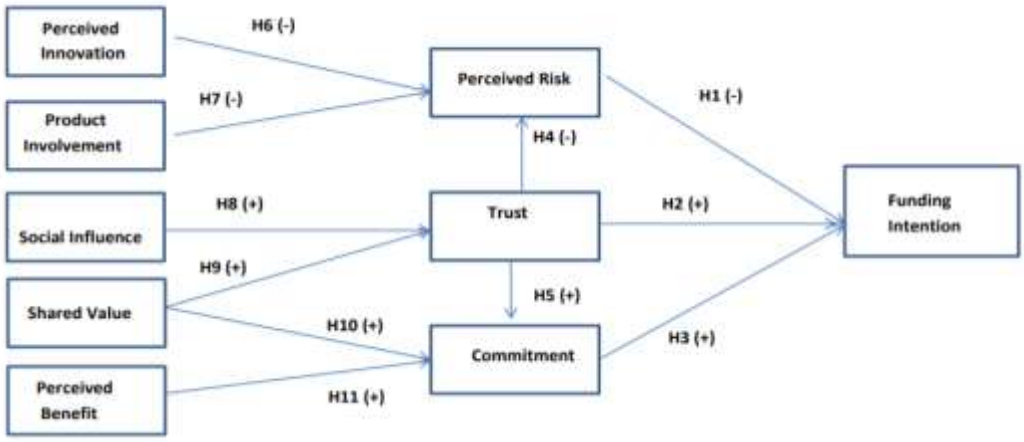

Figure1: Theoretical Framework

The risks that a person perceives are the consequences of losing a product or service. Therefore, it can negatively affect their confidence in the project (Anger, M, Niman, Crasus, 2018). From many angles, researchers have begun to explore the impact of consumer choice. (Hong & Cha, 2013) They examined decisions associated with online purchases. There are many perceived risks that fall into business, emotional, psychological and financial risks such as online payment. Based on the researchers' findings, it has been shown that trust plays an important role in determining purchasing options, and efficacy and investment risks influence purchasing needs. According to Amaro and Duarte (2015) a virtual exchange is

likely to involve the unexpected, so it's riskier than normal business. Research shows that risk is an important factor in determining consumer behavior (Cho et al., 2014; Featherman and Pavlou, 2003).
Thus, we propose the following hypothesis:

H1: Investor's Perceived Risk negatively impacts funding intention.

Faith relationships include the values a person sees in others, supports his / her beliefs in others, and determines their willingness to take risks to establish relationships (Schoorman et al., 2007). Confidence in proponent can have a profound effect on a person's motives. This study argues that investors' confidence in project sponsors can motivate potential investors to invest in crowded projects. Backers who believe that entrepreneurs will accept fair relations, have good morals, answer their questions, and keep their promises will be more inclined towards a consistent support, thereby increasing financial capacity. According to (Gerber & Hui, 2013), trust and transparency are key components of large funding, and insecurity can be a barrier to fundraising. Therefore, this leads to the following hypothesis:

H2: Investor's trust has a positive impact on funding intention.

Morgan and Hunt's (1994) defined commitment as a desire to maintain a relationship of any type. It also includes the belief that emotional attachment and maintaining the relationship will benefit them. On the basis of Study by Shin et al. and others. (2013), Confidence, commitment, and customer satisfaction all contribute to achieving goals again, but commitment improves confidence and satisfaction. Lee and others using a commitment-based model (2006) explored the factors that influence Internet users' continued use of websites. In their study, they found that influential commitment as well as trust, lead to a strong idea to continue using the website. Based on this understanding, users of funds will be more likely to receive financial support if the project is attractive and they want to maintain the connection. Therefore, it is assumed:

H3: Investor's commitment has a positive impact on funding intention.

The relationship between perceived risk and trust has been the subject of many prior studies. According to Mun et al. (2013), perceived quality of information helps increase trust, whereas perceived risk negatively influences trust. Delbufalo (2014) also investigated the relationship between suppliers and manufacturers, proving that as well as subjective trust affecting perceived risk; it had a negative impact on trust. It was concluded by Amaro and Duarte (2015) that trust and perceived risk both affects customers' intention to make purchases online while trust lowers perceived risk. Backers' trust in proponents may decrease if they remain skeptical about their abilities to master product technologies, such as poor communication with the proponents. As a result, they may perceive an increased risk of undertaking the project.
Hence, we propose the following hypothesis:

H4: Investor's trust has a negative relationship with perceived risk.

According to the related old marketing model, Morgan and Hunt (1994) proposed that the main mediators are trust and commitment in it. These two factors not only have interconnectivity within them but also affect other key variables in defining the response of potential supporter with regards to a proposed project. Based on this concept, a series of studies (Yu, MC, Mai, Q. Tsai, S.B. Dai, 2018) from different perspectives facilitate adherence to this idea that these two elements i.e. trust and commitment are positively correlated. In this reasoning, this study shows that an investor's level of trust in a fundraiser can have a positive impact on their commitment to fundraising.

H5: Investor's trust is positively associated with commitment.

There exists a conflicting point of view of researches on this matter that whether innovation is perceived by individuals as a positive factor or they remain skeptical about the new features that would suit their needs. According to a study by (Jung, 2014) on online role-playing games which concluded that improved user-centered designs and user-friendly interfaces had a favorable effect by reducing the customer's perceived negative consequences of innovativeness. Thus, if crowdfunding projects offer an innovative product that is supposed to help customers in fulfilling their needs with their advanced features, it would lead to reduced perceive risk, subject to effective communication of those advanced features by its creator. Hence, we assume the following:

H6: Investor's perceived product innovation is negatively associated with perceived risk.

The level of relevance includes the value that customers place on the product and their understanding of the product (Hoyer et al., 2011). Previous studies have shown that customer engagement and risk are closely related. Venkatraman (1989) argues that the customers' involvement in a product is increased when they experience enjoyment, satisfaction and a sense of belonging-ness. When individuals are attracted to a product or think it is important and worthwhile, they spend a lot of time or effort trying to reduce that tension. The more people know about the product, the more likely they are to use it. Based on this, we developed the following hypotheses:

H7: Investor's involvement is negatively associated with perceived risk.

In this study, the social impact of public fundraising found that the surrounding environment influenced the investor's willingness to invest in public fundraising projects. Researchers have found that social impact is a major determinant of investor support for such technology-driven projects, and that social impact can have a profound impact on users' decisions in the early stages of implementation (U, 2005). Theory of Social Identity (SIT) (Tajfel and Turner, 1979), discusses the formation and significance of the constructed self through social interaction (often referred to as social identity). With participation in multicultural societies that include models of social behavior (Belleflamme et al., 2014), we believe that this theory may be useful in investigating this issue of human self-perception. It is also important to support the success of the business and determine the profitability of the project. Therefore, the following hypothesis is made:

H8: Investor's social influence is positively associated with trust.

When investors share common values, their confidence in fundraising improves. When you share a set of common values, and goals, you can effectively achieve group activities and business goals. In particular, common values measure the degree to which people share a mutual understanding of the importance and relevance of behavioral topics and may include a level of mutual recognition of quality, practice, and moral principles.(Morgan, Hunt 1994). Based on these studies, the current study shows that common values enhance the trust between people. Likewise, if both the investor and fundraiser share similar views and ideas, the investor may be more willing to invest in the fundraiser, and they both will want to continue the collaboration. Therefore, hypothesis 9 is presented as follows

H9: Shared values between investors and proponents are positively associated with trust.

Shared values reflect the extent to which both parties agree on certain issues (Morgan and Hunt, 1994). Using Morgan and Hunt (1994), the collective values include statements that express the basis of the supporter's view that revenue-sharing advocates share their values. Studies show that common values are shared by nonprofits (Macmillan et al., 2005), social counseling systems (Chang and Hessia, 2013), and the 3D manufacturing business (Jih et al., 2007). In the context of crowdfunding, the consistency of values between supporters and supporters strengthens trust between them, which in turn leads to stronger relationships, and thus creates stronger commitment between them.

H10: Shared value between investors and proponents is positively associated with commitment.

This study proposes that investors' understanding of the benefits will lead to a higher level of commitment. Researchers Kuo and Feng (2013) categorized the advantages of online production networks into categories such as educational benefits, social benefits, self-esteem, and happiness benefits, and these benefits affect the commitment of members of online car-using communities. Based on these previous studies, this study shows that the benefits of a potential investor arising out of a public mobilization project will significantly affect their confidence in the projects. If investors realize that they will gain product knowledge, they may want to strengthen their relationship and commitment if they experience the satisfaction out of a large-scale project and other related benefits. Therefore, hypothesis 11 is presented as follows:

H11: Investor's perceived benefit is positively associated with commitment

Research Methodology

In this research, potential sponsors and investors remain targeted. Information was collected through a web-based questionnaire and distributed via email to respondents, which was linked to a questionnaire and a short explanatory video for better understanding for those not familiar with the concept. The survey was also shared on social media to engage people in various ways, such as exchanges, cryptocurrency markets, and those who are always looking for better investment opportunities. A total of 180 responses were collected from all sources. The questionnaires received found missing information and external sources, and 149 out of the 180 questionnaires received were used. Since the main targeted population was new entrepreneurs and innovative project proponents, we have done our best to invite such participants in our research.

Respondents' demographic data included age, gender, education, income, and occupation. 56% of the respondents were men and 44% were women. Moreover, the respondents were mostly employed i.e. 71%, earning a significant sum of money, hence making room for savings and investments. A major chunk of participants is earning up to 40,000 i.e. around 50% whereas around 33%. Survey responses were obtained through a self-administered questionnaire. The questions in this study are based on previous researches i.e. (Featherman and Pavlou, 2003), (Kim, Tony Ammeter, 2014), (Munim et al. 2020), and have been proven to be reliable and accurate. Accordingly, the questions have been slightly modified. All respondents were explored about aspects of related social exchange behaviors, customer value behaviors, and specific concepts that may qualify for investment purposes.

Data Analysis and Results

Partial Least Square (PLS) Structural Equation Modeling (SEM), a second-generation multivariate data analysis method used in the research for the following reasons as suggested by (Joseph F. Hair et al., 2019a), as the structural model is complex and includes numerous constructs and indicators, and we needed latent variable scores. In order to analyze the quantitative data, SmartPLS 3.0, a PLS-SEM software, was used (Hair Jr et al., 2014). We analyzed the quantitative data using SmartPLS 3.0, a software program for PLS-SEM. We evaluated the data in two stages, first analyzing the measurement model for convergence and discriminant validity, then testing the hypothesis on the structural model (Wong, 2013).

Confirmatory Factor Analysis (CFA) and Partial Least squares (PLS) were used to check the accuracy and reliability of all our measurement scales. Bootstrapping technique (SmartPLS 3.0) was selected to assess the developed research model. We excluded components with a loading factor of less than 0.6 (Hair et al., 1995). Out of total 38 items, 6 were deleted on account of lower factor loadings which included 2 items trust, and 1 item of product involvement, perceived innovation, perceived risk, and social influence. The information in Table 1 shows that all items are efficiently loaded for related variables and have a low cross-loading for other measures.

Table 1: Cross Loadings

Items	CMT	FI	INV	PB	PI	PR_	SI	SV	TR
CMT1	0.763	0.545	0.354	0.546	0.524	0.262	0.489	0.376	0.410
CMT2	0.845	0.451	0.362	0.663	0.737	0.375	0.286	0.659	0.201
CMT3	0.888	0.552	0.466	0.637	0.619	0.411	0.474	0.560	0.492
FI1	0.261	0.579	0.446	0.503	0.208	0.128	0.275	0.411	-0.008
FI2	0.417	0.799	0.580	0.521	0.364	0.195	0.258	0.374	0.333
FI3	0.552	0.849	0.535	0.560	0.512	0.237	0.321	0.477	0.340
FI4	0.631	0.919	0.584	0.642	0.581	0.381	0.448	0.509	0.370
INV1	0.224	0.496	0.693	0.432	0.128	0.223	0.071	0.143	0.019
INV3	0.432	0.453	0.679	0.580	0.297	0.190	0.210	0.347	0.193
INV4	0.462	0.577	0.808	0.570	0.429	0.459	0.324	0.458	0.116
INV5	0.222	0.346	0.681	0.402	0.118	0.134	0.119	0.192	0.027
INV6	0.246	0.384	0.686	0.435	0.157	0.390	0.396	0.468	-0.182
INV7	0.387	0.545	0.730	0.508	0.310	0.287	0.200	0.382	0.188
P12	0.586	0.323	0.182	0.487	0.739	0.052	0.212	0.435	0.347
PB1	0.599	0.548	0.568	0.841	0.477	0.279	0.325	0.607	0.322
PB2	0.682	0.633	0.683	0.918	0.520	0.237	0.365	0.598	0.260
PB3	0.182	0.251	0.274	0.508	0.164	-0.120	-0.187	0.155	-0.035
PB4	0.638	0.588	0.496	0.766	0.500	0.193	0.119	0.396	0.176
PI1	0.338	0.128	0.269	0.298	0.477	0.135	0.048	0.358	0.246
PI4	0.717	0.591	0.328	0.534	0.951	0.404	0.436	0.511	0.357
PR1	0.384	0.203	0.281	0.187	0.261	0.795	0.434	0.165	-0.006
PR3	0.154	0.013	0.274	0.113	0.118	0.620	0.207	0.308	-0.378
PR4	0.349	0.331	0.366	0.218	0.364	0.874	0.394	0.447	-0.062
PR5	0.388	0.350	0.432	0.235	0.364	0.785	0.385	0.436	0.015
SI2	0.405	0.420	0.278	0.182	0.293	0.567	0.693	0.454	0.014

SI3	0.494	0.403	0.350	0.285	0.396	0.441	0.998	0.351	0.157
SI4	0.598	0.564	0.534	0.583	0.512	0.456	0.453	0.906	0.163
SV1	0.637	0.496	0.482	0.583	0.502	0.481	0.345	0.896	0.055
SV2	0.258	0.225	0.154	0.288	0.391	0.093	-0.007	0.644	0.313
TR1	0.244	0.281	0.006	0.201	0.237	-0.240	-0.028	0.139	0.869
TR2	0.523	0.392	0.076	0.278	0.441	-0.043	0.297	0.190	0.910
TR3	0.200	0.160	0.084	0.182	0.238	-0.010	-0.102	0.070	0.673

The reliability of each construct was evaluated by Cronbach Alpha, Composite Reliability (CR), and AVE. As shown in Table 2, Cronbach's value was above 0.6 for all constructs and averaged 0.8 for most constructs. As a result, the reliability of all measurement items was found satisfactory. The fairness of an element depends on whether it is different from other elements. For all variables, the square root of AVE was higher than its interactions with other variables, indicating that the variables were discriminating against peer variables. A value of 5 or more VIF values often indicates a problem in the structural model (Poetry et al., 2012), so it is important to evaluate each construct individually for each subsection. The occurrence of VIF above 3.3 is a sign of reproduction, an indicator that the model may have been affected by common method bias. The results of the collinearity assessment are summarized in Table 2. All VIF values averaged 1.80, indicating that there was no sign of association between each set of predictive variables.

Table 2: Reliability and Validity Statistics

Construct	Items	Mean	Standard Deviation	Excess Kurtosis	Skewness	VIF	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Perceived Risk	**PR1**	3.591	0.819	0.108	-0.591	1.785	0.775	0.775	0.775	0.775
	PR3	3.43	0.992	0.184	-0.491	1.392				
	PR4	3.396	1.169	-0.287	-0.79	2.026				
	PR5	3.141	1.376	-1.294	-0.116	1.613				
Trust	TR1	3.819	0.556	0.465	-0.278	2.411	0.789	0.987	0.862	0.679
	TR2	3.799	0.665	0.497	-0.436	1.648				
	TR3	3.826	0.825	0.292	-0.749	1.724				
Commitment	CMT1	3.946	0.834	0.164	-0.53	1.373	0.779	0.786	0.872	0.695
	CMT2	4.329	0.87	1.124	-1.251	1.896				
	CMT3	4.255	0.935	1.074	-1.228	2.081				

Perceived Product Innovation	PI1	3.591	0.769	0.552	-0.936	1.174	0.668	1.095	0.780	0.559
	P12	3.805	0.692	0.649	-0.578	1.891				
	PI4	4.107	0.935	0.142	-0.963	1.679				
Social Influence	SI2	3.55	1.096	0.344	-0.856	1.710	0.784	6.438	0.845	0.738
	SI3	3.57	0.877	0.045	-0.55	1.710				
	SI4	4.242	0.932	0.454	-1.156	2.135				
Shared Value	SV1	4.094	1.149	0.214	-1.125	2.030	0.764	0.838	0.861	0.679
	SV2	3.597	0.827	0.82	-0.639	1.274				
Perceived Benefit	PB1	4.235	0.908	0.665	-1.028	2.488	0.777	0.836	0.851	0.599
	PB2	4.248	0.941	0.117	-1.006	3.046				
	PB3	4.134	0.739	3.521	-1.229	1.221				
	PB4	4.336	0.879	2.478	-1.552	1.501				
Funding Intention	FI1	3.933	0.609	0.744	-0.324	1.301	0.808	0.888	0.871	0.635
	FI2	3.872	0.762	1.077	-0.698	1.781				
	FI3	4.02	0.886	0.357	-0.8	1.957				
	FI4	3.993	1.084	-0.63	-0.754	2.608				
Perceived Product Involvement	INV1	4.06	0.726	0.926	-0.732	1.836	0.816	0.856	0.862	0.510
	INV3	4.027	0.759	1.348	-0.789	1.783				
	INV4	4.295	0.815	-0.05	-0.896	1.806				
	INV5	4.215	0.691	0.673	-0.685	1.412				
	INV6	4.315	0.935	4.046	-1.867	1.601				
	INV7	4.215	0.765	-0.158	-0.661	1.836				

Overall path coefficient results support 7 hypotheses (H3, H4, H5, H6, H7, H10 and H11). Four of the remaining hypotheses (H1, H2, H8 and H9) are not supported. Contrary to our expectations, risk factors have had a positive effect on financial plans (b = 0.14 **, t-value = 1.453), which remains an interesting phenomenon. The purpose of the fundraiser to support public fundraising projects has been statistically determined by the determination, creativity and benefits, and trust, which is not critical to determining the purpose of fundraising for supporters.

The predictive power of the path model can also be measured by explaining variance, or R2. 65% of the variance in commitment can be explained by the model (R2 = 0.65). Perceptions of innovation, involvement, and trust explain 38 percent of the variance in perceived risk (R2 = 0.38). Perceived Benefit

explained 41% of the variance in commitment. A variation of 15% in trust is explained by communication and shared value (R2 = 0.15). Additionally, perceived risks, trust, and commitment explained 46% of variance in the funding intention (R2 = 0.46). Considering that the model accounted for more than 10% of the variance of endogenous variables, it is a substantial and satisfactory structural model (Islam & Khan, 2021). In his R2 recommendations for latent variables, Chin (1998) recommended values of 0.6 (substantial), 0.33 (moderate), and 0.02 (weak).

Discussion and Implications

Taking SET and CVP as a theoretical basis, we examined Hypothesis 1-11. This section discusses findings from a variety of perspectives. In order to increase financial support for projects, SET was implemented as a theoretical basis to check for the motivating factors of investors. The role of trust, commitment, and risk factors in determining investment decisions is explained. In addition, we explored Morgan and Hunt's (1994) study which relates to the relationship between Trust & Commitment.

According to SET, we've seen that supporters' commitment better predicts their financial decisions. The results showed consistency with the previous studies (MacMillan et al., 2005; Morgan & Hunt, 1994), as they also predicted the same i.e. commitment determines successful relationships. As a result, proponents tend to spend more resources when they believe that project sponsors are committed. SET (Homans, 1958) identifies trust as a key variable in social interaction (Morgan and Hunt, 1994). Our research shows that trust has a positive effect on fundraising risk (H4) and has a positive effect on a commitment to fundraising projects (H5). Previous studies have shown that trust reduces risk as expected (e.g., Burda and Theuerberg, 2014), and increases commitment (e.g., Ruther et al., 2001). Trust builds commitment within the stakeholders, so high confidence in project proponents ensures high commitment. However, trust was not found to affect the purpose of financial support (H2), which does not affect sponsors' confidence in financial decisions.

Another hypothesis that was tested was the trust-commitment-funding intention hypothesis. Research results showed that trust influenced commitment positively, while commitment influenced funding intention significantly. Furthermore, funding intentions were not affected by trust directly (t-value = 0.10). As a result, trust's direct influence on funding intention was affected by commitment-dependent mediation. The result for this hypothesis is in line with previous studies (e.g., Li et al., 2006; Shin et al., 2013) that found corresponding intentions are stronger when commitment is present. According to Jung et al. (2014), innovation is perceived negatively in terms of risk (H6). In general, backers perceive risk lower when they are able to perceive the product as novel (i.e., products with smart features are viewed as more useful). Furthermore, we confirmed that product involvement is related to perceived risk (H7). (H8) and (H9) which deal with the positive impact of social influence and shared values on trust were found to be insignificant and were not supported whereas the relationship between shared values and commitment was found be significant (H11).

It is likely that (H11) is affected by the notion of 'high risk, high return.' Proponents of crowdfunding projects are often small to medium-sized businesses and startup entrepreneurs that require capital for new ideas and products and hence they offer them at considerably fair rates, which indirectly benefits for the funders.

Theoretical Implications

Three main contributions to the literature are made by this study. In this research, crowdfunding investors' choices and preferences are analyzed as they relate to social commerce facilitated through crowdsourcing. In particular, a set of factors affecting crowdfunding investment intentions are investigated using both the Consumer Value Proposition and Social Exchange Theory, which have been extensively studied. Second, empirical studies regarding the application of crowdfunding in Pakistan is either non-existent or

insufficient. In Pakistan, several key determinants impact the intent of crowdsourcing, in a certain degree, as discussed in this paper. Adapting the theoretical framework to Pakistan's specific needs will help to enhance the innovation and implementation of this new & viable source of funding businesses. The findings of this study add significance to the existing literature by confirming the impact of motivating factors pertaining to behavioral nature and assert that such factors can also lead to significant effects on the adoption of crowdfunding as a financing source in Pakistan.

Managerial Implications

In view of the findings referenced over, this review identifies the personal conduct standards of crowdfunding backers and potential investors, whereby crowdfunding entrepreneurs can emotionally and dispassionately assess their ventures to further develop their crowdfunding into a success. Three techniques for further developing financial backer's crowdfunding cooperation are especially proposed. In the first place, growing the capacity of the crowdfunding stage is essential for the betterment of society and assemble the data assets in congruity with market economy, ensuring the correspondence/shared values among proponent and financial backers is instant, efficient, sufficient and dependable. Second, in view of the exact market situation, proponents should take advantage of scientific techniques to improve apparent benefits of crowdfunding financial backers and to lessen their apparent risk. Crowdfunding stages can work with this cycle utilizing huge information methods to coordinate with specific necessities among financial backers and entrepreneurs. At long last, financial backers' trust and commitment ought to be inclined towards project proponents. This further requires the advancement of an experienced outsider assurance instrument/platform that can guarantee the security of assets, allowing the flow of assets to be controlled if the market hazard is seen as significantly high.

Conclusion

The world is changing at such a rapid pace that frequently things, theories, and concepts become obsolete and outdated. The financial world is no exception, it has been evolving at the same pace. FinTech, Alternative Finance is one of the examples of such tools being upgraded or modified for better development. Crowdfunding is also one of such methods of financing which hold the potential to augment the growth of financial inclusion through providing accessible financing to the ones who remained un-catered by the financial sector such as small & mid-sized businesses, entrepreneurs & the like. Although the developmental steps taken by the state to promote SMEs, Startups, and other small businesses are worth appreciation, there exists a need of creating mass awareness regarding the changing financial world and the evolving technology, promoting entrepreneurs, and developing strategies that could actually motivate people to support crowdfunding projects. At present, two cohorts of Crowdfunding projects have successfully taken off. However, they mainly focused on innovative products/projects. The application of crowdfunding can be extended to other business domains as well like agriculture SMEs, rural enterprises, and other mid-sized/small businesses so that the positive effects of crowdfunding can be disseminated downward.

This research is one of the very few ones that have explored the potential application of this new dimension in alternative finance i.e. Crowdfunding in our geographical region. Through the application of SET & CVP, we attempted to identify the motivating and demotivating factors that influence the decision of investors either to invest in a project or not. Thus, the research provides valuable insights to policymakers, incubation centers and academicians in order to modify their patterns accordingly. Through references given above, we have also explored the international best practices in this domain which have actually lead to the higher success rate of crowdfunding projects.

People interested in building the ecosystem of crowdfunding in Pakistan for start-ups and entrepreneurs may benefit from these conclusions. The findings of this study enable them a more detailed analysis of investor funding intentions relative to crowdfunding.

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