

An investigation to identify the association between the effective usage of social media platform and the awareness of crowdfunding to raise pre -seed

Abstract:

Crowdfunding is become one of the most talked about avenue to raise pre-seed capital. Many of the Indian start ups have actually started using crowdfunding as a tool to raise their capital. Digital and social media marketing has also contributed in a large way in the revolution of Start-ups. In this backdrop of start-up revolution and evolution in digital and social media marketing, pre-seed is become one of the most talked about topic over the last few years. After the social media revolution, though it is become relatively easy to get funds, however there is always a gap between demand and supply to raise the pre-seed. Crowdfunding has already proved its' significance for the developing country like India. This research paper aims to seek the relationship between the social media usage and the awareness of crowd funding.

Key Words: *IT Start ups, Crowd funding, Pre-seed Capital, Social media marketing*

Introduction:

Raising capital has become a key problem for all kind of start-ups in today's world. Many entrepreneurs are facing challenges and landing in failure while raising the capital for their projects. External support is not always easily available while starting a new venture. The traditional modes of raising funds have their own limitations. For example while issuing loan, banks generally ask for collateral of the organizations which results in failure in many cases as the start-ups are not able to fill the requirement of getting loan. Another problem of raising capital is lack of historical data that includes asymmetric information for investors. One famous mode of finance is to identify venture capitalist where they also prefer to invest relatively large amounts and only if the project has potential and significant return propositions. Adding on to this, venture capitalists are generally not interested in pre-seed capital and prefer to fund on later stage companies because of the safe return on investment and a more precise valuation process (EY, 2012). All these issues have made the crowd funding as one of the most popular tool to raise fund. Even Governments has recognized the importance of this mode and the potential of crowd to raise capital for start -ups (Collins, 2012). Compared to the traditional mode of raising capital, crowd funding is recognized as one of most important and talked about alternative avenue for raising capital in pre-seed stage.

Crowdfunding is a form of collaborative social media. Even though crowdfunding can function without social media, this phenomenon has developed greatly with the advance of social media. The studies in

entrepreneurship and finance established connections between startup projects and social ties. However, the impact of social media on crowdfunding is still lightly studied in academic literature. In particular, this research studies tries to identify the connections between social media assets such as the social media followers and the social media seals of approval and crowdfunding results such as the delivery of the funding target, the fundraising total, and the number of backers.

Objectives of the study:

This research paper tries to identify the association between the usage of social media platform and the awareness of crowdfunding to raise pre -seed

Methodology:

This paper revolves around the responses circulated through a questionnaire. The number of samples collected is 500. The questionnaire has questions both in terms of continuous variables and categorical variables including 5 point Likert Scale.

Hypothesis Testing:

H0: There is no difference in the score in terms of the effective use of Social Media platform by the organization by the respondents of different levels of awareness of crowd funding as a viable option to pre seed capital.

H1: There is a significant difference in the score in terms of the effective use of Social Media platform by the organization by the respondents of different levels of awareness of crowd funding as a viable option to pre seed capital.

Dependent Variable: Score (Continuous Variable)

Independent Variable: Different levels of awareness of crowd funding as a feasible option to raise pre seed capital (Categorical Variable).

Technique Incorporated: ANOVA

One-way ANOVA

Descriptive

Question27

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|---|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| 1 | 50 | 84.16 | 5.203 | .736 | 82.68 | 85.64 | 74 | 98 |
| 2 | 50 | 74.26 | 2.337 | .331 | 73.60 | 74.92 | 68 | 80 |
| 3 | 100 | 45.33 | 3.485 | .348 | 44.64 | 46.02 | 40 | 50 |

| | | | | | | | | |
|-------|-----|-------|--------|-------|-------|-------|----|----|
| 4 | 150 | 31.56 | 4.359 | .356 | 30.86 | 32.26 | 25 | 39 |
| 5 | 150 | 15.00 | 3.234 | .264 | 14.48 | 15.52 | 10 | 20 |
| Total | 500 | 38.88 | 23.262 | 1.040 | 36.83 | 40.92 | 10 | 98 |

ANOVA

Question27

| | Sum of Squares | Df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|----------|------|
| Between Groups | 262836.902 | 4 | 65709.226 | 4526.682 | .000 |
| Within Groups | 7185.410 | 495 | 14.516 | | |
| Total | 270022.312 | 499 | | | |

The p value of 0.000 less than 0.05 (the benchmarked 95% confidence level or 5% significance level) propels us to zero in on the alternate hypothesis that there is a significant difference in the score in terms of the effective use of Social Media platform by the organization by the respondents of different levels of awareness of crowd funding as a viable option to pre seed capital.

Post Hoc Tests

Multiple Comparisons

Dependent Variable: Question27

| | (I) Question16 | (J) Question16 | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval | |
|---|----------------|----------------|-----------------------|------------|------|-------------------------|-------------|
| | | | | | | Lower Bound | Upper Bound |
| 1 | Tukey HSD | 2 | 9.900* | .762 | .000 | 7.81 | 11.99 |
| | | 3 | 38.830* | .660 | .000 | 37.02 | 40.64 |
| | | 4 | 52.600* | .622 | .000 | 50.90 | 54.30 |
| | | 5 | 69.160* | .622 | .000 | 67.46 | 70.86 |
| | | 1 | -9.900* | .762 | .000 | -11.99 | -7.81 |
| 2 | Tukey HSD | 3 | 28.930* | .660 | .000 | 27.12 | 30.74 |
| | | 4 | 42.700* | .622 | .000 | 41.00 | 44.40 |
| | | 5 | 59.260* | .622 | .000 | 57.56 | 60.96 |
| 3 | Tukey HSD | 1 | -38.830* | .660 | .000 | -40.64 | -37.02 |

| | | | | | | |
|---|---|----------|------|------|--------|--------|
| | 2 | -28.930* | .660 | .000 | -30.74 | -27.12 |
| | 4 | 13.770* | .492 | .000 | 12.42 | 15.12 |
| | 5 | 30.330* | .492 | .000 | 28.98 | 31.68 |
| | 1 | -52.600* | .622 | .000 | -54.30 | -50.90 |
| 4 | 2 | -42.700* | .622 | .000 | -44.40 | -41.00 |
| | 3 | -13.770* | .492 | .000 | -15.12 | -12.42 |
| | 5 | 16.560* | .440 | .000 | 15.36 | 17.76 |
| | 1 | -69.160* | .622 | .000 | -70.86 | -67.46 |
| 5 | 2 | -59.260* | .622 | .000 | -60.96 | -57.56 |
| | 3 | -30.330* | .492 | .000 | -31.68 | -28.98 |
| | 4 | -16.560* | .440 | .000 | -17.76 | -15.36 |

*. The mean difference is significant at the 0.05 level.

Post Hoc Tests



Multiple Comparisons

Dependent Variable: Question27

| | (I) Question 22 | (J) Question 22 | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval | |
|-----------|-----------------|-----------------|-----------------------|------------|-------|-------------------------|-------------|
| | | | | | | Lower Bound | Upper Bound |
| Tukey HSD | 1 | 2 | -21.886* | .588 | .000 | -23.40 | -20.37 |
| | | 3 | -56.709* | .876 | .000 | -58.97 | -54.45 |
| | | 4 | -67.648* | 1.008 | .000 | -70.25 | -65.05 |
| | 2 | 1 | 21.886* | .588 | .000 | 20.37 | 23.40 |
| | | 3 | -34.823* | .879 | .000 | -37.09 | -32.56 |
| | | 4 | -45.762* | 1.010 | .000 | -48.37 | -43.16 |
| 3 | 1 | 56.709* | .876 | .000 | 54.45 | 58.97 | |
| | 2 | 34.823* | .879 | .000 | 32.56 | 37.09 | |
| | | 4 | -10.939* | 1.201 | .000 | -14.03 | -7.84 |

| | | | | | | |
|---|---|---------------------|-------|------|-------|-------|
| | 1 | 67.648 [*] | 1.008 | .000 | 65.05 | 70.25 |
| 4 | 2 | 45.762 [*] | 1.010 | .000 | 43.16 | 48.37 |
| | 3 | 10.939 [*] | 1.201 | .000 | 7.84 | 14.03 |

*. The mean difference is significant at the 0.05 level.

Homogeneous Subsets

Question27

| | Question 22 | N | Subset for alpha = 0.05 | | | |
|--------------------------|-------------|-----|-------------------------|-------|-------|-------|
| | | | 1 | 2 | 3 | 4 |
| Tukey HSD ^{a,b} | 1 | 203 | 18.08 | | | |
| | 2 | 198 | | 39.97 | | |
| | 3 | 58 | | | 74.79 | |
| | 4 | 41 | | | | 85.73 |
| | Sig. | | | 1.000 | 1.000 | 1.000 |
| Tukey B ^{a,b} | 1 | 203 | 18.08 | | | |
| | 2 | 198 | | 39.97 | | |
| | 3 | 58 | | | 74.79 | |
| | 4 | 41 | | | | 85.73 |

Conclusion:

It seems that there is significant difference between all the five categories (in terms of the agreement to the statement that they are fully aware of the different avenues of crowd funding as feasible option to raise capital) as far as their scores given to their organizations of how effectively they were using the Social Media Platforms. This particular conclusion will lead to further research. This research established the effect of only one factor (social media) on crowdfunding. However a number of different factors may affect fundraising results, such as project category, attractiveness of the project, incentives, and location of a

project creator. Another route for research might investigate the underlying mechanism for seals of approval's influence on crowdfunding. 'Likes' acts in two major ways – they spread information and demonstrate social approval. Therefore future study can investigate how these factors affect crowdfunding. The influence of social media followers on crowdfunding should be continued to be studied.

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