

## **CHAPTER 1: INTRODUCTION**

### **1.1 Background of The Study**

Today, the growth of Financial technology is growing faster. Fintech is refers to the companies that creating or combining financial service with technology innovation. Financial technology also included as disruptive innovation that change the human habit in the market because it makes everything much more faster, easier and cheaper. There are many innovation in financial technology in the shape of application with the function such as for payment, credit, transfer, donation or even budgeting app (Chang, 2018) the example of those apps are OVO, Go-Pay, Link Aja, T-Cash, Fastpay and still many other apps that you can found. Though there is a lot of study that discuss about Fintech in terms of payment but the terms of crowdfunding is still lack of attention even in Widya Mandala Catholic University, This research is the first research study taken by student in Widya Mandala Catholic University. Commonly, crowdfunding is known as a platform that raising fund or money from society and other people to get donation via online. The concept of crowdfunding was originally made for people who want to expand their business but constrained by money. According to Lambert & Schwienbacher (2010) the purpose of crowdfunding is to create an opportunites for organizations and people to get fund in more simple way, to start or expand their business the success of crowdfunding platform is close with the donation given by the funder, to get the attention from funder we need to know what factors that could triggered their decision making to participate in crowdfunding. Therefore, In this study researcher want to discuss about people intention to participate in crowdfunding.

After internet advancement started from industrial 2.0 the development of crowdfunding is become better, many crowdfunding platform had emerge since internet advancement around the world and created 450 platform (Cordova et al,

2015). Before we going further we need to know more about crowdfunding. Kick starter is become one of the biggest crowdfunding platform in the world according to Mollick (2014) it was build on 28 April 2009 by Perry Chen and it has grown so fast also successfully create many project done with millions of funds in creative industry. The level of success is only less than 50% in all platform not only just in some crowdfunding (Massolution, 2015) as the data said the project success rate in Kick Starter is only 43% in 2014 but has decreased to 36% in 2015. Interesting fact the success rate in kick starter is still much better compared to Indiegogo which is only 10% or under (Massolution, 2015).

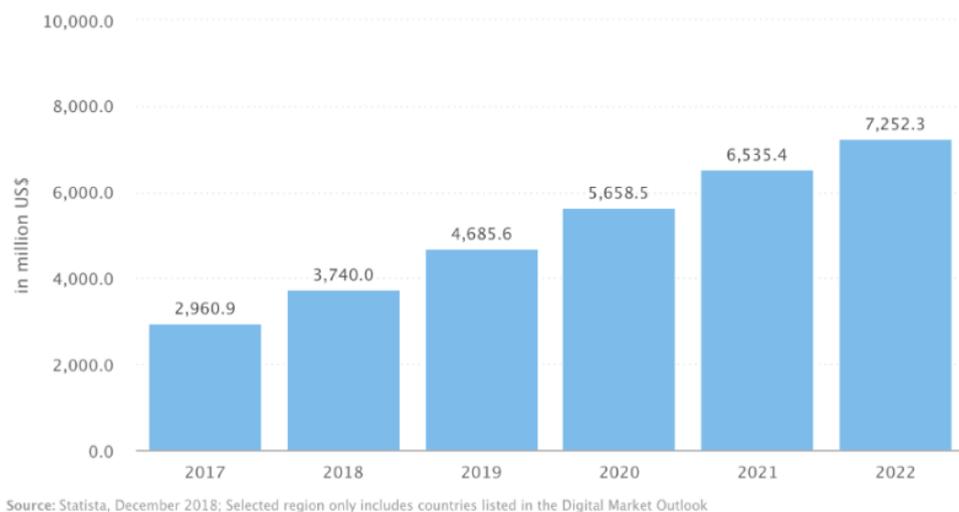
In Indonesia crowdfunding platform still in developing stage and it make Indonesian people is still not familiar with crowdfunding platform (Arifin & Wisudanto, 2017). Eventhough its still new, crowdfunding have a good opportunity to grow in Indonesia, On Desember 2016 crowdfunding increased greatly from Rp. 247 Billion to Rp. 2.6 Trillion in January 2018. In June 2018 14 crowdfunding company in Indonesia were registered in Otoritas Jasa Keuangan (OJK). Based on Alliedcrowds, 2018 there are 14 crowdfunding companies that are active in Indonesia as follows:

**Table 1.1**  
**Crowdfunding Company Which Still Active**

Year	Company Name
2010	Mekar Network
2010	Amartha.Microfinance
2010	Kopernik
2013	Kitabisa
2013	Sinwattana
2013	CROWDO
2014	Impact Guru
2015	Investree
2015	DANAdidik
2016	Modalku
2016	Akseleran
2016	Kapitalboost
2017	Koinworks
2017	Gandeng Tangan

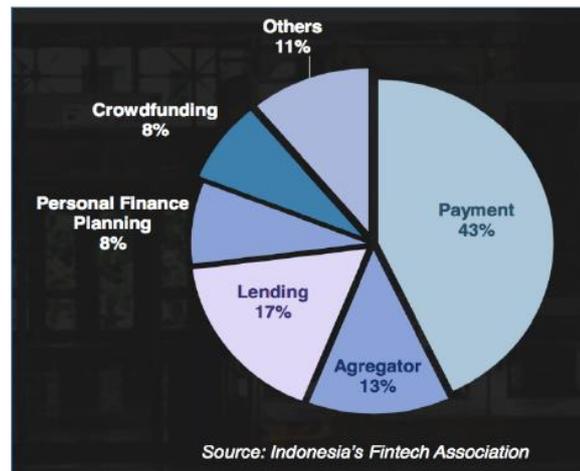
Source: Alliedcrowd, 2018

Until November 2019 based on <https://ojk.go.id/id> there are two new platform equity crowdfunding that were registered in OJK; first is PT. Santara Daya Inspiratama and second is PT. Investasi Digital Nusantara. Today, the growth of crowdfunding platform is becoming higher as it is predicted. In 2022 the crowd investing market is going to reach \$7 Billion in transaction value.



Graphic 1.1. Crowdfunding Growth Predictions  
Source: Indonesia's Fintech Association (2016)

With the significant Crowdfunding growth in the worldwide, according to Indonesia's Fintech Association (IFA) in November 2016 according to Graphic 1.2 Fintech Sector Diagram, IFA found that there are 135-140 registered fintech company, which is 43% are focusing in payment sector, besides crowdfunding only known for 8% of the total. In 2016, a lot of fintech startups shown in Indonesia with percentage growth reach 78%. Besides the total funding startups have been reach around Rp. 486.3 Billion (Fintech Indonesia, 2016).



Graphic 1.2. Fintech Sectors Diagram  
Source: Indonesia's Fintech Association (2016)

In the other hands, the result of a survey conducted by Charities Aid Foundation (2017) stated that in annual report titled “World Giving Index 2017 A Global View of Giving Trends” Indonesia was the second (2nd) most generous country out of 139 countries in the world with the score of 60%, 47% to help strangers, 79% to donate money to others and 55% to do voluntary activities. This achievement is a good thing considering Indonesia is only on 7<sup>th</sup> place in 2016 and even worst in 2015 which is only ranked 22<sup>nd</sup> compared to Myanmar that have took the first place 4 times in a row since 2014. Through this research we can assume that Indonesian people is cares with environmental conditions by helping others.

Those facts proves that Indonesia have a good condition to open crowdfunding company and have been succeeded some company such as Akseleran, Kitabisa, Koinworks, Kickstarter Indonesia, Investree and etc (Akbar, 2016). Wujudkan and Kitabisa is one of the biggest crowdfunding company in Indonesia, Wujudkan was build in 2012 by Mandy Marahimin and friends. This startup platform successfully funded movie project called “Atambua 39° Celcius” with amount of Rp. 311.837.000, which is around 104% from the minimum target (Rp. 300 Million) (Miftachul, 2012). Kitabisa become the first crowdfunding in Indonesia focused on charity and have succeeded collecting Rp.5 Billion from 13.000 funders to support the R80 aircraft program that was created by BJ.

Habibie the Third Indonesian former president on 2013, Not only that according to Kompas and Liputan6, Kitabisa called their backers as “orang baik”(good people) have been collected and distributed their donation around Rp. 61 Billion from 192.000 “orang baik” on 2016 (Marta, 2016; Hidayat, 2017)

However, there’s still some possibilities for some company to fail collecting donation in Indonesia, for example Ayo Peduli and Wujudkan company. Those companies were forced to stop their activities in 2017 and starting to operate again in 2018 brings new visions to the society (Pratama, 2017). The reason why “Ayo Peduli” and “Wujudkan” had to stop their operation was because they never met the donation target which makes them unable to operate as they should.

We also need to know that not all crowdfunding companies are oriented in social charity, some of them are meant to invest for example, Akseleran, the first crowdfunding that offered 18-21% interest to the investors per year. Some of these platform gives loans for business owner. Bradford (2012) & Hossain (2017) said that basically the concept of crowdfunding is the transformation of the existing business model concept which are divided into 4 models which are: Donation Based, Reward Based, Debt Based, Equity Based. Basically, because crowdfunding is using joint system it can attract intentions from all classes of society even college student. There are many determinant factors that could influence someone to give donation in crowdfunding company, the researcher is interested in learning whether the factors discussed in previous study would be appropriate when used in different city.

This research have 6 variables, the ultimate variable is the object of this study which is the intention to participate in crowdfunding and will be tested by the supporting variable factors such as social identification consist of interpersonal connectivity and attitude toward helping others, innovativeness, and trust. Intention to participate in crowdfunding is really important to learn because by identify the factors that makes people participate in crowdfunding we can decide the marketing strategy to convince funders along with innovativeness and trust. The basic theory of this research study was taken from Tajfel and Turner

(1979) drawing on Social Identity Theory. Gerber and Hui (2013) theorize that social identity will give an impact towards people behaviour, such as what they do and why they give, in terms of crowdfunding. Personal and social traits are proposed to be determinant factors of the intention to participate in the project. To support this research, the researcher take a replication variables from the previous study written by Yusimi Rodriguez-Ricardo *et al.*(2017) who was study in University of Murica, Spain with the topic of “What Drives Crowdfunding participation? The Influence of Personal and Social Traits”. In their study the researchers was using some factors to measure the Determinant factors such as Interpersonal Connectivity, Attitudes Toward Helping Others, Social Identification With Crowdfunding Community, Innovativeness mediated with Social Identification With the Crowdfunding Community towards Intention to Participate in Crowdfunding Activity.

To explain those phenomenon the researcher will be using Social Identity Theory (SIT), innovativeness and trust to explain about consumers intention to participate in Crowdfunding (Tajfel and Turner, 1979). Social Identity Theory have 2 variables which are Personality and Social Attributes that offered as determinants of the intention for people to participate in Crowdfunding platform as a funder (Ricardo et al., 2018), besides completing the previous research, the author wants to add trust as a factor that influence funders to participate in crowdfunding. Because, trust becomes one of the most important factor to create investment decisions. Considering theory above, same as investing in other company, for funders they have uncertainty such as a risk, based on poll taken by kickstarter in 2013 the most problematic reason why american people doesn't want to give more donation because they were scared whether the money they have given will be manage well or not. Because of that issue it can reduce funders trust greatly, without trust, it will affect the amount of funders and in the end make crowdfunding platform ineffective enough.

Social Identity Theory (SIT) are based on how people behave and how they considers themselves as part of the society. Furthermore, SIT theory suggest that individual doesn't have “Personal self” rather they have several selves and

identities associated and each of them are connected with a different social group where they perform certain roles. When someone socially identify others they will considers them as “in group” otherwise “out group” if they don’t. In this matter personality hold important role in how they share norms and attitudes to determine how “in group” interact with others. The researcher also includes interpersonal connectivity and attitudes to helping others as the determinance factors of the participants to join crowdfunding as funders as mentioned before. interpersonal connectivity and attitudes to helping others was chosen by researcher because both of the variables is parts of social identity theory (SIT). Furthermore, Individual personality of innovativeness level will be considered because this characteristic can give influence to innovative behavior (Roehrich, 2004). Since, Interpersonal Connectivity and Attitude towards helping others are the variables, both of them will be mediated with Social Identification with the crowdfunding community.

Crowdfunders, fund seekers and platforms are very connected with one another in Crowdfunding process (Valanciene & Jegelevicute, 2013) considering that, this study will provide both of theory and practical benefits. According to Sindic & Condor (2014) the published self-categorization theory are raised by focusing on nature, motive, and results of the process of categorization. Even though the theory of social capital & social identity are different they are still related since they shared social identities based on shared interests that stir social ties and networks, leading social capital. (Jiang & Carol, 2009).

Therefor, this study aims to find the factors that motivate people to join in crowdfunding as funders, Since there are many cases where crowdfunding is not always in demand by people, even worse there are many people who unfamiliar about crowdfunding even though crowdfunding has the potential to give benefits for both parties (Funders and Fundraisers). Therefore, this research study wants to introduce about crowdfunding to society in Surabaya as well as figuring out about the factors that could drive people to join in crowdfunding as funders by analyzing the effect of social identity, innovativeness, & trust variable towards intention to participate in crowdfunding in Surabaya.

## 1.2 Research Questions

Therefore according to the reference journal , the problem statement is formulated as follows:

1. Does interpersonal connectivity have positive effect on social identification with the crowd funding community in Surabaya?
2. Does attitudes toward helping others has a positive effect on social identification with the crowdfunding community in Surabaya?
3. Does the individual's level of innovativeness has a positive effect on the intention to participate in crowdfunding in Surabaya?
4. Does trust has a positive effect on the intention to participate in crowdfunding in Surabaya?
5. Does social identification have a positive effect on people intention towards participate in crowdfunding?
6. Does social identification mediates interpersonal connectivity towards intention to participate in crowdfunding activity?
7. Does social identification mediates attitudes toward helping others to intention to participate in crowdfunding activity?

## 1.3 Objective of Study

Based on the background and problem statements explained previously, the objective of the study formulated as follows:

1. To analyze whether Interpersonal connectivity have effect on social identification with the crowdfunding community in Surabaya
2. To analyze whether Attitudes toward helping others has a positive effect on social identification with the crowdfunding community in Surabaya
3. To analyze whether the individual's level of innovativeness has a positive effect on the intention to participate in crowdfunding in Surabaya

4. To analyze whether trust has a positive effect on the intention to participate in crowdfunding in Surabaya
5. To analyze social identification have a positive effect on people intention towards participate in crowdfunding
6. To analyze the mediation effect of social identification towards interpersonal connectivity and intention to participate in crowdfunding activity
7. To analyze the mediation effect of social identification towards attitudes toward helping others and intention to participate in crowdfunding activity

#### **1.4 Significant of the Study**

##### **1.4.1 Academic Benefits**

The result of this study could be used as a material and input for future study since this is the first study in Widya Mandala Catholic University in terms of analyzing and observing the determinant factors of people to join in crowdfunding project.

##### **1.4.2 Practical Benefits**

The result of this study could be used to help crowdfunding platform when they want to develop their project by getting more funders so the success rate of start up business and the development of a company could be increased.

## **1.5 Systematic Thesis Writing**

This research study consist of 5 chapters, to make a better understanding this is the systematic writting of this research:

### **CHAPTER 1: INTRODUCTION**

In introductory session, the author give an explanation and discussion about the background and the problems that happened in in society and its related with the object study of the research. The problem that occure about the intention of people to join crowdfunding as funders whether is it because of the individual social identification as part of the community or even the trust issue among individuals. Therefore, the purpose of this research is to figuring out about the factors that could drive people to join in crowdfunding as funders is valid or not and equipped with the object of the study, the scope and the benefits of the research study which divided into two types academic and practical.

### **CHAPTER 2: LITERATURE REVIEW**

In chapter 2 it contains about thee theories that are related with the research study variables which are interpersonal connectivity, attitudes toward helping others, innovativeness, trust, social identification with the crowdfunding community, and intencion to participate in crowdfunding all those theories above will be used by author to support the research activity including the previous researches also with the conceptual framework that provides clarity in solving research questions.

### **CHAPTER 3: RESEARCH METHODS**

In chapter 3 there will be a discussion about research design, variable identifications, identifications and operational variables, type and resource data, tools and data collection method, the population, sample, and sampling technique along with data analysis technique that will be used to analyzing the data.

#### **CHAPTER 4: ANALYSIS AND DISCUSSION**

Chapter 4 is the result and the description of the questionnaire of the object research, analysis of the data, and the discussion conducted by the author. Data analysis using PLS-SEM also will be shown along with the validity of the data in hypothesis testing. In discussion session which conducted by the author is the result of the objective after testing the hypothesis.

#### **CHAPTER 5: CONCLUSIONS AND SUGGESTIONS**

Chapter 5 as the last part of this research study is contains about conclusions from the results of the analysis conducted by researcher, the limitations, also the suggestions from the researcher towards the object of the research study.