

Factors Influencing Participation in Equity Crowdfunding Indonesia

Lisa Lestari Herawati^{1*}, Buddi Wibowo²
Graduate School of Management, Universitas Indonesia, Depok, Indonesia
lisa.lestari@ui.ac.id^{1*}, buddi.wibowo@ui.ac.id²

Abstract. Equity crowdfunding (ECF) can be an alternative to meet the funding needs of SMEs. ECF provides an opportunity for investor to periodically receive dividend from business profits, ECF may cause total loss of investment fund and big possibility of asymmetry information. This study aims to determine the effect of motivation, deterrents, trust and risk on Indonesian people's decisions to invest in ECF. This study uses a quantitative method to collect 154 respondents who have account in an ECF platform that is licensed by the OJK. The sample taken using convenience sampling method due to limited resources. The research uses partial least squares (PLS)-SEM analysis and SmartPLS program in measuring data and model structures. The results showed that motivation and deterrents had an effect on trust and trust influence Indonesian people to participate in ECF. The perceived risk is not proven to negatively influence the Indonesian people to participate in ECF.

Keywords: deterrents; equity crowdfunding; motivation; risk; trust.

I. Introduction

Equity crowdfunding can be an alternative to meet the funding needs of SMEs. Equity crowdfunding bring together investor and business owner through online applications easily. Equity crowdfunding provide an opportunity for investor to periodically receive dividend from business profits. Equity crowdfunding that is allowed by OJK is in accordance to regulation of the financial service authority of the Republic of Indonesia no.37/POJK.04.2018 regarding crowdfunding services through information technology-based share offerings (equity crowdfunding). OJK also has carried out reforms to expand access to financing for MSMEs and start-up companies. The update is regulated in rule no.57/POJK.04/2020 concerning securities offerings through information technology-based crowdfunding services (securities crowdfunding). The equity crowdfunding platform, as a crowdfunding service provider, must be registered as an association member recognized by the OJK and have a business license from the OJK. The crowdfunding securities that have received permits as of December 31, 2021 are Santara, Bizhare, CrowdDana, LandX, FundEx, DanaSaham, and Shafiq.

Equity crowdfunding investor have limited information about projects offered by business owner through platform. This causes information asymmetry between business owner (publisher/issuers), platform (organizers), and investor (Meoli & Vismara, 2021). Compared to public companies, equity crowdfunding issuers do not have a strong reputation and business history. The level of project liquidity in the secondary market is also very low, making ownership difficult to trade. The role of OJK in equity crowdfunding is only to give permission and there is no investor protection agency. The correctness of the information is the responsibility of the issuer and organizers. Business investment through equity crowdfunding can cause partial or even total loss of investment capital. The Indonesian people have a financial literacy index of 38.03% which is far below the financial inclusion index which is worth 76.19% based on the results of the National Financial Literacy and Inclusion Survey (SNLIK) in 2019. The literacy index which is much lower than the financial inclusion index shows almost half of Indonesian people as users do not understand the financial products and services they use.

With the existing risk and advantage in equity crowdfunding, the authors want to study the investor driver to participate in equity crowdfunding. The author made a study entitled "Factors Influencing Participation in Equity Crowdfunding Indonesia." Study about investor behavior to participate in Indonesia equity crowdfunding platform not yet exist.

II. Literature Review

Equity Crowdfunding

Equity crowdfunding (also known as investment-based crowdfunding, securities-based crowdfunding, and crowd investing) is a category of crowdfunding in which companies issue financial securities to meet their capital requirements and investors expect financial compensation from their investment returns (Hornuf & Schwienbacher, 2018). Equity crowdfunding uses the internet to solicit contributions from a number of people and replace those financial contributions with services, ideas, and content.

The key actors in the equity crowdfunding process consist of publishers, investors, and organizers. Each actor has different motivations for involvement in the equity crowdfunding process and different levels of expertise in the process. Publishers in the context of equity crowdfunding are companies that need funds to develop their businesses. These companies can have difficulty raising funds through traditional lending channels because they are still in the early stages and so have no evidence that they can repay the loan. The company can also experience problems in obtaining funding that involves angel investors and venture capitalists. Companies can use equity crowdfunding services to get wider access to funding. Organizers connect publishers to investors. Publishers may receive signals of interest in corporate funding. Investors in equity crowdfunding consist of retail investors and industrial investors. Venture capitalists and angel investors can also access project benefits from successful funding through equity crowdfunding. The equity crowdfunding platform is also able to provide specific investment packages that suit the needs of experienced investors. Less experienced retail investors can provide a small amount of capital thereby reducing the risk of loss. The advantage of investors through equity crowdfunding is the potential profits obtained and the disclosure of information by the issuer. The organizer is the middle party in the equity crowdfunding process. Operators are required to obtain permits and carry out their obligations as well as protect investors. The organizers benefit from a percentage of the total funds raised. The organizer must ensure that the publisher complies with the terms and the correctness of the information provided.

The advantages of equity crowdfunding are bridging funding shortages, being an intermediary service, funding efficiency, a useful source of information. The equity crowdfunding process is an important aspect in encouraging the development and innovation of MSMEs. In simple terms, equity crowdfunding aims to reduce the burden that MSMEs have in funding when starting a business and developing a business. MSMEs that get funding can develop their businesses so that they are ultimately profitable when viewed from the development and addition of workers. Organizers are the main function that can efficiently distribute funding from investors to issuers who need funds. Retail investors who were previously not connected to MSMEs can allocate their funds. Funding through the equity crowdfunding platform can clearly combine funding into one investment and make it easier for MSMEs to report to all involved investors. MSMEs with the help of equity crowdfunding organizers can more easily explain the potential of their projects to investors.

Disadvantages of equity crowdfunding are investor vulnerability, loss of privacy and control, diversion of funds, information concerns and other concerns. Investor vulnerabilities are a very important risk in equity crowdfunding. This concern is strongly felt about the funding provided by retail investors who have little investment knowledge and few ways to develop their investments. This investor concern is addressed because of the vulnerability that involves investment desire without understanding the risks involved in investing, the dependence on personal bias as an investment reason compared to financial experience, and the contribution of this bias to the invitation to make investment decisions due to the presence of other retail investors who invite to participate. The lack of equity crowdfunding in the loss of privacy and control is experienced by MSMEs who want to maintain their private status. In addition to the administrative burdens that arise from disclosing information, there is the potential for this disclosure to pose a risk of protecting the intellectual property of the business idea with competitors being able to access idea information that was not previously available. Start-up founders also have concerns that stock issues could reduce their control over the direction of the company. The case of equity crowdfunding allows for the diversion of business funds in useful ways towards the allocation of funds to companies that fail or are not the best companies to invest in. This is detrimental to retail investors who fail to make better investment decisions and leads to increased opportunity costs at a broader level, and threatens the potential economic benefits that equity crowdfunding would otherwise provide. There are also concerns about the lack of information investors receive to assess the price of the shares invested. Another concern is the privacy of information due to the potential for internet attacks and platform failures as well as possible fraud by the platform.

Motivation

Gefen (2000) and (Kim et al., 2020) states that trust is defined as an individual's belief in good expectations of what other individuals do. Trust is conducive to deregulation of the market economy which increases coordination and cooperation between community groups, thereby lowering transaction costs and increasing credibility.

Deterrents

Australian Institute of Criminology (2004) on the research of Parmar et al. (2020) states that public deterrents has impact by communicating that certain actions and behaviors are unacceptable and that legal sanctions for this behavior are imminent, definite, and severe. Prevention theory also argues that an offender can gain an understanding of the certainty, severity, and speed of punishment either on personal or vicarious experience. The deterrents to investment in the form of trust constraints in the form of fraud, injustice, and breach of trust (the deterrents) negatively affects the perceived trust in the organization as well as in other social processes.

Trust

Gefen (2000) on (Kim et al., 2020) states that trust is defined as an individual's belief in good expectations of what other individuals do. Trust is conducive to deregulation of the market economy which increases coordination and cooperation between community groups, thereby lowering transaction costs and increasing credibility.

Participation

The individual's level of innovation and creativity as well as the satisfaction to realize ideas are the main determinants of intention to participate in crowdfunding (Popescul et al., 2020). Social and personal nature can increase an individual's intention to participate in crowdfunding. Innovation and social identification with the crowdfunding community have a positive effect on the intention to participate. Interpersonal connectivity indirectly determines the contribution intention during the offer period.

Hypotheses Development

Relationships between motivation, trust, and risk

Motivation is something that drives individual action and behavior. An understanding of motivation in the context of investment is very helpful in predicting future investment behavior by investors in different groups. Financial mechanisms are closely tied to investor motivation and answer the psychological question of why people invest and what kind of mechanism is chosen (Miller et al., 2019). Motivation can be divided into two types, namely intrinsic and extrinsic motivation. Intrinsic motivation refers to the inner drive to do something interesting or enjoyable. Extrinsic motivation refers to doing something because it can achieve a separable result. In research by Pierrakis (2019), The decision to fund the project was positively predicted from the individual's desire to get a return, their need to give trust to the publisher, while non-financial motives such as helping others and being a supporter or joining the community were not significant. The decision to invest is positively driven by financial returns. Businesses that have market potential are one of the criteria for investors to invest (Shafi, 2019). This market potential includes business opportunities to provide more value in order to survive compared to its competitors. The products or services offered by business people must be unique and in accordance with the target market and have the opportunity to develop.

H1: The intrinsic motivation of equity crowdfunding has a positive effect on trust

H2: The intrinsic motivation of equity crowdfunding has a negative effect on risk

H3: Extrinsic motivation of equity crowdfunding has a positive influence on trust

H4: Equity crowdfunding extrinsic motivation has a negative effect on risk

Relationships between deterrents, trust, and risk

The deterrent to investment in the form of trust constraints in the form of fraud, injustice, and breach of trust (the deterrent) negatively affects the perceived trust in the organization as well as in other social processes. Unethical high value companies will reduce investor confidence and satisfaction so that it has a negative impact on investor loyalty. Crowdfunding deterrents influence the risk perception of crowdfunding participation. Crowdfunding deterrents can be identified in seven perceived constraints, namely: time, finance, cost, human resources, knowledge, adaptation, restriction and regulation.

H5: The deterrents to equity crowdfunding have a negative effect on trust

H6: The deterrents to equity crowdfunding have a positive effect on risk

Relationships between trust and participation

Investment is closely related to the return obtained, the individual's confidence to invest and the risk when investing. The first investment expectation is a price increase in the future (Kurniawan, 2021). Equity crowdfunding investors expect higher financial returns commensurate with the risks (Yasar,

2021). The criteria for assessing high financial returns are seen from the increase in profits and dividend distribution, while risk is seen from business continuity. The motivation of investors to invest in start-ups and early stage companies is to bet on low probabilities in the hope of getting a high return (Xiao, 2020). Investors give more confidence to business management who have business ethics and are experienced in their business (Mochkabadi & Volkmann, 2020). The quality of the management support team is also very important in order to enable the utilization of opportunities and the likelihood of success from the establishment of the business. Information quality, trustworthiness, and familiarity have a positive impact on investor intentions while education has little effect (Alharbey & Hemmen, 2021). Trust in the platform and management has a positive effect on the decision to invest in equity crowdfunding. The social network of company management has a great influence on investment decisions so that with this variable the impact of company size, sales growth and promotion success margins becomes weaker (Nitani et al., 2019). The number of management teams affects the success of fundraising in equity crowdfunding (Hornuf et al., 2021). Investors also base their decisions on information provided by entrepreneurs in the form of updates as well as investment behavior and other equity crowdfunding investor comments. The professional history and education level of the management team in the appropriate field influence the fundraising by equity crowdfunding investors (Barbi & Mattioli, 2019).

H7: Equity crowdfunding trust has a positive effect on participation

Relationships between risk and participation

The ability to take risks is the main aspect in investing money in an uncertain return scenario (Behera et al., 2021). Every investor has a difference in accepting investment risk. These differences are classified into risk averse, risk neutral and risk seeking. Risk averse investors always avoid risk as much as possible. Risk neutral investors always take risks within a certain limit and do not extend their investments when they are close to that level of risk. Risk seekers investors always expect a higher return from risky investments and continue for a long time. Financial risk tolerance is the maximum level of risk that individuals are willing to bear by considering the consideration of social and economic factors. Risk tolerance can be measured by 5 factors, namely traditional risk factors, reflective risk factors, capacity risk factors, knowledge risk factors, and allocation risk factors. The risks associated with investing make investors use cognitive abilities in decision making.

H8: The risk of equity crowdfunding has a negative effect on participation

Research Model

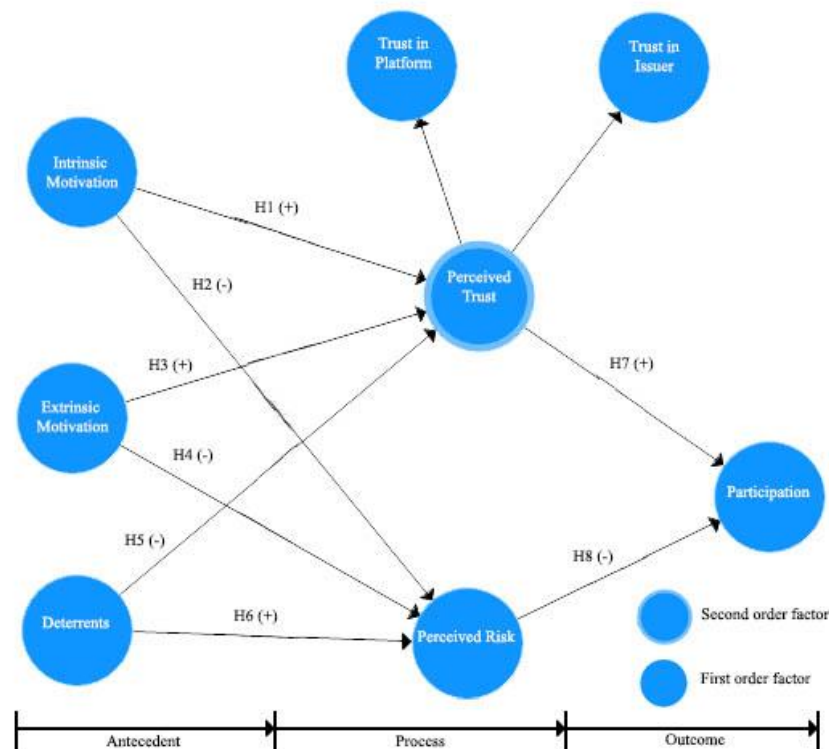


Figure 1. Research Model by Kim et al. (2020)

The research model uses sources from research by Kim et al. (2020) with the title "The Effects of Motivation, Deterrents, Trust, and Risk on Tourism Crowdfunding Behavior". This study differs from the previous study by Kim et al. (2020) seen from the online survey subject, namely the Indonesian people and the object of research is more focused on equity crowdfunding. Indonesia is a developing country in contrast to Korea, which has become a developed country. This research will be conducted in general different from the research of Kim et al. (2020) which is more focused on the tourism sector. With this difference, it will be retested using the research model of Kim et al. (2020).

III. Research Method

Research Design

The study uses an online survey containing 28 items that represent intrinsic motivation, extrinsic motivation, deterrents, trust, risk and participation in equity crowdfunding activities. All measurement statements were compiled following the previous study by Kim et al. (2020). This study was evaluated using a 7-point Likert scale with a range of 1 strongly disagree to 7 strongly agree. The research begins with a screening question asking for account ownership on the Indonesian equity crowdfunding platform. The initial description of the research is written with the title and purpose of the study as well as instructions that there is no right or wrong response.

The study is divided into 7 parts. The first section contains an initial description and screening questions. The second part is filled with demographics and characteristics of respondents such as gender, age range, education level, marital status, monthly income, occupation, province of residence, length of participation in equity crowdfunding, amount of funds used in equity crowdfunding, frequency of visiting equity crowdfunding platforms, the type of crowdfunding understood, the equity crowdfunding business category you are interested in, the platform used to participate in equity crowdfunding, and knowledge of the risk of losing all funds. The third section contains measurement statements for intrinsic and extrinsic motivation. The fourth section contains measurement statements for deterrents. The fifth section contains measurement statements for confidence. The sixth section contains measurement statements for risk. The seventh section contains measurement statements for participation.

Data was collected by distributing questionnaires to respondents who made individual investments in equity crowdfunding platforms that were licensed by OJK. The data obtained in the form of primary data. The author uses inferential statistical research, using data from small groups to draw conclusions about the larger group, on the basis of limited resources. The sample taken in this study used the convenience sampling method due to limited resources to represent all users of the Indonesian equity crowdfunding platform. This study uses endogenous and exogenous variables. The endogenous variables in this study are investment decisions, perceived trust, and perceived risk and the exogenous variables in this study are motivation, deterrents, trust, and risk.

Analysis Method

The research uses partial least squares (PLS)-SEM analysis. The analysis uses the SmartPLS program in measuring data and model structures. Research implements Harman's single factor to test the presence of common method bias (CMB). The study carried out exploratory factor analysis (EFA) for each survey statement. If one factor is present or has a variance of more than 50%, there is a possibility of a CMB problem. The research also uses the marker variable method through the PLS-SEM procedure with the aim of calculating the correlation of all theoretical constructs. The measurement model was performed using confirmatory factor analysis (CFA). If the factor loading is less than 0.7 then it is eliminated.

The quality of the data was tested using reliability and validity tests. Reliability test was conducted to determine the level of reliability of the power obtained. A variable is said to be reliable if it has a reliability coefficient greater than 0.70 and the Cronbach Alpha value is positive. Validity test is used to determine the accuracy of the data. The average variance is above 0.5 and the factor loadings of each statement are above 0.70, confirming convergent validity. The R square test was carried out with the aim of testing the relationship between variables. Positive values indicate acceptable predictive relevance.

Coefficients and t-statistics were assessed to test the hypothesis by applying the PLS bootstrapping method of 1000 re-sampling. Bootstrapping contains multiple re-sampling numbers for evaluation of statistical sampling distributions that rely on random sampling as a non-parametric technique.

IV. Results and Discussion

Sample Profile

Research questionnaire links distributed online through social media, such as WhatsApp, Instagram, Telegram, and Facebook, resulted in 154 respondents. Respondents who meet the criteria already have an account on the Indonesian equity crowdfunding platform. This data collecting is conduct from 16 March 2022 to 6 June 2022.

Demographic data shows that 62.99% of respondents are male and 37.01% of respondents are female. The majority of respondents are aged 30-39 years (44.81%). Respondents of equity crowdfunding are more focused on people of productive age. This can be seen from the employment status where only 1.30% are not/not working and 0.65% are retired. Most respondents work as entrepreneurs (41.56%) and private employees (36.36%). The education level of all respondents is high school and above. The majority of respondents (57.79%) have a bachelor's degree. Respondents' monthly income was 38.31% of respondents in the range of Rp. 15,000,001 – Rp. 20,000,000. Equity crowdfunding investors belong to the group of people who have adequate education and income. Most respondents are married. The majority of respondents live on Java Island, followed by respondents who live on Sumatra Island. 49.35% of respondents have participated 4-6 months in equity crowdfunding. The majority of respondents (41.56%) channeled Rp 10,000,001 - Rp 15,000,000 through equity crowdfunding. Respondents visited equity crowdfunding platform in daily period (36.36%). The type of crowdfunding that respondents understand is investment (72.73%) with technology business category (37.01%). The platforms used by respondents were Santara (20.13%), DanaSaham (14.94%), Bizhare (13.64%), CrowdDana (12.34%), LandX (12.34%), FundEx (11.69 %), Equid (7.79%), and Shafiq (7.14%). Respondents who do not know the risk of losing their total investment funds through equity crowdfunding are 16.88%.

Table 1. Demographic and Characteristic Respondent

Characteristic	Category	N (154)	% (100%)
Gender	Male	97	62,99%
	Female	57	37,01%
Age	<20	2	1,30%
	20-29	57	37,01%
	30-30	69	44,81%
	40-49	26	16,88%
	>49	0	0%
Education	< Junior high school	0	0%
	Senior high school / Vocational school	9	5,84%
	Diploma	27	17,53%
	Bachelor	89	57,79%
	Master	29	18,83%
	Doctor	0	0%
Marital Status	Single	60	38,96%
	Married	80	51,95%
	Ever been married	14	9,09%
Monthly Income	<= Rp 5.000.000	12	7,79%
	Rp 5.000.001 – Rp 10.000.000	15	9,74%
	Rp 10.000.001 – Rp 15.000.000	17	11,04%
	Rp 5.000.001 – Rp 20.000.000	59	38,31%
	Rp 20.000.001 – Rp 25.000.000	33	21,43%
	>= Rp 25.000.001	18	11,69%
Occupation	Not yet / Not working	2	1,30%
	Student	4	2,60%
	Government employee	8	5,19%
	Private employee	56	36,36%
	Self-employed	64	41,56%
	Retiree	1	0,65%
	Others	19	12,34%
Residential Area	Sumatera island	14	9,09%

	Kalimantan island	2	1,30%
	Java island	131	85,06%
	The island of Nusa Tenggara and Bali	6	3,90%
	Sulawesi island	1	0,65%
	Maluku and Papua Island	0	0,00%
Length of Equity Crowdfunding Participation	<4 months	9	5,84%
	4-6 months	76	49,35%
	7-12 months	37	24,03%
	>12 months	32	20,78%
Equity Crowdfunding investment amount	<= Rp 5.000.000	14	9,09%
	Rp 5.000.001 – Rp 10.000.000	14	9,09%
	Rp 10.000.001 – Rp 15.000.000	64	41,56%
	Rp 5.000.001 – Rp 20.000.000	32	20,78%
	Rp 20.000.001 – Rp 25.000.000	16	10,39%
	>= Rp 25.000.001	14	9,09%
Frequency of Visiting Platform	Daily	56	36,36%
	Weekly	47	30,52%
	Monthly	30	19,48%
	Every 3 months	16	10,39%
	Every 6 months	5	3,25%
Experienced Fields (can choose more than 1)	Donation	11	7,14%
	Reward	1	0,65%
	Investment	112	72,73%
	Lending	44	28,57%
Equity Crowdfunding business category most interested in (can choose more than 1)	Service	43	27,92%
	F&B	39	25,32%
	Retail	20	12,99%
	Property	29	18,83%
	Industry	17	11,04%
	Technology	57	37,01%
	Others	1	0,65%
Used Equity Crowdfunding Platform	Bizhare	21	13,64%
	Santara	31	20,13%
	LandX	19	12,34%
	CrowdDana	19	12,34%
	DanaSaham	23	14,94%
	Equid	12	7,79%
	FundEx	18	11,69%
	Shafiq	11	7,14%
Knowledge that Equity Crowdfunding can cause total loss of investment fund	Yes	128	83,12%
	No	26	16,88%

Source: Authors' Development

Structural Model

The minimum number of respondents that must be collected is 5 times the question items, namely 5×28 items = 140 respondents. The number of respondents in this study met the criteria for the minimum number of respondents. The results of the distribution of questionnaires collected 154 respondents according to the research criteria.

The results of the calculation get an outer loading value above 0,7. The AVE value of the indicator is also above 0,5. This shows that the indicator has passed the convergent validity test well. Next, the discriminant validity test was conducted. The test found that the value between different variables was lower than the same variable and the cross-loading value of the relevant indicators was not greater than the different indicators so that the data had passed the discriminant validity test. The test results with Cronbach's Alpha show all indicators are above 0,7. The test results with composite

reliability show that all indicators are greater than 0,7. This value indicates the data has passed the reliability test.

Table 2. Validity and Reliability

Construct	Validity (Fornell Larcker Criterion)					
	1	2	3	4	5	6
1.Intrinsic Motivation	0,945					
2.Extrinsic Motivation	0,750	0,873				
3.Deterrents	-0,766	-0,556	0,814			
4.Trust	0,923	0,762	-0,749	0,932		
5.Risk	-0,636	-0,377	0,737	-0,611	0,898	
6.Participation	0,873	0,824	-0,695	0,883	-0,505	0,894
Reliability						
Cronbach's Alpha > 0,7	0,940	0,843	0,830	0,970	0,920	0,900
Rho_A (reliability coefficient) > 0,7	0,942	0,844	0,831	0,970	0,928	0,905
Composite reliability > 0,7	0,961	0,905	0,887	0,975	0,944	0,952
AVE > 0,5	0,892	0,762	0,662	0,868	0,807	0,909

Source: Authors' Development

Research has endogenous variables that show a lot of variances with R-square values for perceived trust (86,84%), perceived risk (57,40%), and equity crowdfunding participation (78,25%). Path coefficients and t-statistics were also assessed to test the hypothesis by applying PLS bootstrapping. Testing with bootstrapping using 1000 samples.

Bootstrapping results show that relationship between intrinsic motivation and perceived trust (mean = 0,7180, standard deviation = 0,0584, t-statistics = 12,2914, and p values <0,001), intrinsic motivation and perceived risk (mean = -0,3325, standard deviation = 0,1063, t-statistics = 3,1284, and p values <0,001), extrinsic motivation and perceived trust (mean = 0,1640, standard deviation = 0,0753, t-statistics = 2,1792, and p values <0,05), deterrents and perceived trust (mean = -0,1075, standard deviation = 0,0525, t-statistics = 2,0475, and p values <0,05), deterrents and perceived risk (mean = 0,5959, standard deviation = 0,0897, t-statistics = 6,6452, and p values <0,001), perceived trust and participation (mean = 0,9180, standard deviation = 0,0397, t-statistics = 23,1392, and p values <0,001) are significant. So H1, H2, H3, H5, H6, H7 are supported. Bootstrapping results show that relationship between extrinsic motivation and perceived risk (mean = 0,2038, standard deviation = 0,0775, t-statistics = 2,6295, and p values <0,05) is positive significant so H4 is not supported. Bootstrapping results show that perceived risk does not significantly affect participation, so H8 is not supported. The p-values are 0,1370 which is greater than 0,05. This finding is a bit different with the results of research by Kim et al. (2020) which conclude H1, H3, H5, H6, and H7 are supported. Bootstrapping results also show a significant positive value on investor confidence in the platform and publisher. Trust in the platform (t-statistics = 208,1575) is more significant than trust in the publisher (t-statistics = 179,2512). This finding is similar to the results of research by Kim et al. (2020).

The strongest relationship was found in perceived trust towards participation in equity crowdfunding. The second strongest position was found in the construct of intrinsic motivation towards perceived trust. The third strongest position is found in the construct of intrinsic motivation towards participation. The fourth strongest position was found in the risk deterrents construct. The fifth strongest position was found in the construct of intrinsic motivation towards risk. Then, in the sixth position, the strongest relationship occupied by the construct of extrinsic motivation towards risk. In the seventh position, relationship occupied by the construct of extrinsic motivation towards trust. The eighth position is occupied by the construct of extrinsic motivation towards participation. The last position is occupied by deterrents construct against trust.

The most significant indirect relationship is intrinsic motivation to trust and ultimately affects participation in equity crowdfunding (t-statistics = 10,8328). This is followed by a deterrents relationship which negatively affects perceived trustworthiness and finally has an impact on participation in equity crowdfunding (t-statistics = 2,1241). A significant effect was also felt on the relationship of extrinsic motivation to perceived trust and ultimately encouraging participation in equity crowdfunding (t-statistics = 2,1196).

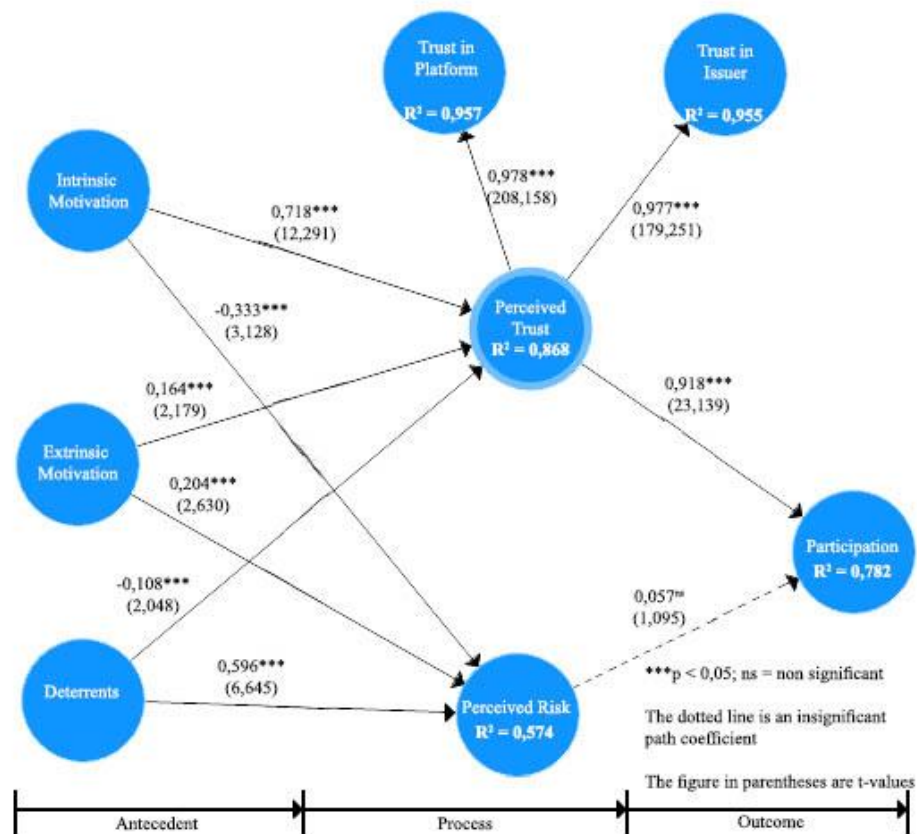


Figure 2. Result

Discussion

Covid-19 accelerates the pace of development of technology and information. The growth and emergence of fintech is getting more attention from the public. One of the fintechs that are increasingly in demand by the public is equity crowdfunding. The government is paying attention by issuing regulations related to equity crowdfunding in 2018 and updated in 2020. Research on the factors that influence public participation in the Indonesian equity crowdfunding platform has not been found, which is very important for publishers and organizers to know. This study seeks to answer why people participate in Indonesian equity crowdfunding amid the risk of losing all investment funds when the project fails and there is no customer protection agency. The study uses a model that examines the effect of motivation and deterrents on perceived trust and perceived risk, thus ultimately participating in equity crowdfunding.

The results showed that intrinsic motivation had a significant positive effect on perceived trust. This shows that intrinsic motivation is one of the driving forces for individuals to participate in equity crowdfunding. Intrinsic motivation also has a significant negative effect on perceived risk, these findings differ from previous studies. Extrinsic motivation was found to have a significant positive effect on perceived trust. This shows that extrinsic motivation is one of the drivers of individuals to participate in equity crowdfunding. Extrinsic motivation also affects perceived risk in a significant positive way. This is contrary to the research hypothesis. Deterrents affects perceived trust in a significant negative manner and strongly influences perceived risk in a significant positive manner.

Equity crowdfunding participation is strongly influenced by perceived trust. This finding suggests that investor's perceived trust is the best driver for participation in equity crowdfunding. Perceived risk is shown to have an insignificant effect on participation in equity crowdfunding. This finding is in line with the results of previous studies. Trust in the platform is more important than trust in the publisher. This finding is the same as the results of previous studies.

V. Conclusions

This study finds intrinsic and extrinsic motivations influence Indonesian people to invest in equity crowdfunding. Intrinsic and extrinsic motivation have a significant positive effect on the Indonesian people's decision to participate in equity crowdfunding. Intrinsic motivation has a greater influence on participation in equity crowdfunding compared to extrinsic motivation. The deterrents are not a factor that directly influences the Indonesian people to invest in equity crowdfunding. The deterrents affect the trust and risk perceived by Indonesian equity crowdfunding investors. The deterrents have a significant negative effect on perceived trust and a significant positive on perceived risk. The effect of deterrents on perceived risk is much more significant than the effect on perceived trust. Trust is one of the factors that greatly influences Indonesian people to invest in equity crowdfunding. Perceived trust has a significant positive effect on participation in equity crowdfunding project funding. Trust in the platform is worth more and significantly than trust in publishers. The perceived risk is not proven to influence the Indonesian people to participate in equity crowdfunding. Perceived trust is the most influential factor for Indonesian people to invest in equity crowdfunding. Intrinsic motivation has a significant positive effect on trust and ultimately influences Indonesian people to participate in equity crowdfunding.

Research Implication, Limitation and Suggestion

The participation of the Indonesian people in equity crowdfunding is strongly influenced by the perceived trust. Platforms (organizers) and publishers can increase public trust by keeping promises, behaving honestly, and doing their best for the success of the project. Trust can be encouraged by motivation and inhibited by deterrents. Intrinsic motivation arises because of a sense of satisfaction and happiness when participating in equity crowdfunding. Extrinsic motivation arises because of the desire to get prizes, join the equity crowdfunding community, and support a cause in project funding. Deterrents is affected by doubts about the issuer's use of funds. Indonesians are also afraid of the projects being funded will fail. The condition of people who do not have enough money or interest also hinders participation in equity crowdfunding.

This study was only able to collect respondents close to the minimum required due to limited access, funds and time. The results of this study may not be a general description of Indonesia's neighboring countries. Subsequent research investigates the success of campaigns held by equity crowdfunding platforms in Indonesia. Further research can also study the phenomenon in the secondary market of equity crowdfunding on platforms in Indonesia.

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