
DRIVERS OF THE CROWD

Identifying the Key Motivators to Perform Equity-Based Crowdfunding Investments

Abstract | This thesis aims to investigate the key motivators that drive investors to engage in equity-based crowdfunding in Sweden. By drawing on the Self-Determination Theory (SDT) and other findings within this field of study, a model has been developed in order to understand what motivates investors to invest in equity-based crowdfunding campaigns. Furthermore, the differences between intrinsic motivation and extrinsic motivation have been studied in regard to the number of crowdfunding investments. A survey including 134 respondents was conducted and distributed to investors on the leading Swedish crowdfunding platform, FundedByMe. The study confirmed that investors within equity-based crowdfunding are mainly driven by intrinsic motivation rather than extrinsic motivation. Enjoyment-based motivation has further been identified as the most influencing motivational factor within intrinsic motivation and delayed payoffs within extrinsic motivation. In addition, the study also concluded that investors who are strongly motivated by both intrinsic motivation and extrinsic motivation tend to invest in more equity-based crowdfunding campaigns compared to investors who are strongly motivated by either intrinsic motivation or extrinsic motivation.

Keywords | Crowdfunding, Equity-Based Crowdfunding, Self-Determination Theory, Intrinsic Motivation, Extrinsic Motivation

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Definitions

Crowdsourcing: A practice to obtain ideas, feedback or solutions from a large number of individuals (the "crowd") mainly from the online community rather than from traditional employees and suppliers.

Crowdfunding: Accumulation of small investments in a project or a venture by a large number of individuals (the "crowd") through the Internet and social networks.

Crowdfunding campaign: A campaign for equity-based crowdfunding, lending-based crowdfunding or reward-based crowdfunding, which has been formed in accordance with the instructions set forth by the crowdfunding platform.

Reward-based crowdfunding: The service when an entrepreneur is raising funds from many backers in exchange for rewards, based on the terms set out on the crowdfunding platform.

Lending-based crowdfunding: The service when an entrepreneur submits a campaign with the purpose of borrowing funds from many lenders, based on the terms set out on the crowdfunding platform.

Equity-based crowdfunding: The service when an entrepreneur submits a campaign with the purpose of raising funds from many investors in return for equity, based on the terms set out on the crowdfunding platform.

Entrepreneur: A natural person that uses crowdfunding as a tool to seek funding for a project or a venture.

Funder: A natural person or a legal representative who supports a venture seeking new funding through a crowdfunding platform.

Backer: A natural person that uses reward-based crowdfunding to financially support a campaign.

Lender: A natural person that uses lending-based crowdfunding to lend money to a venture.

Investor: A natural person or a limited liability company that uses equity-based crowdfunding to invest in a venture.

Self-Determination Theory (SDT): A theory explaining the difference between intrinsic motivation and extrinsic motivation.

Intrinsic Motivation: Intrinsic motivation refers to performing an activity because it is inherently interesting or enjoyable.

Extrinsic Motivation: Extrinsic motivation refers to performing an activity because it leads to an outcome separable from the activity itself.

1. Introduction

In this chapter, the emergence of crowdfunding and the increasing importance of the phenomenon as an alternative financing method will be described. This is followed by a presentation of the problem formulation, the purpose of the study, and the research questions to be answered. Finally, delimitations, theoretical contributions, and the outline of the paper will be examined.

1.1 The Emergence of Crowdfunding

Entrepreneurship is globally recognized to be a key source of innovation and economic growth in industrialized countries, as well as in emerging and developing economies (Scheder, Arbol 2014, Shane, Locke & Collins 2003, Cassar 2004). Furthermore, research shows that the majority of job creation in Europe comes from small and medium sized enterprises (SMEs) (De Buysere et al. 2012). To ensure both growth and stability, new firms need access to substantial capital in the early stages of their development (Cassar 2004, Mollick 2014). However, it is well-known that firms struggle to secure financing and cover capital needs from traditional financial providers, such as bank loans or equity financing, in the early stages of the entrepreneurial lifecycle (Scheder, Arbol 2014, Cassar 2004, Belleflamme, Lambert & Schwienbacher 2010, Cosh, Cumming & Hughes 2009). Some reasons for this are that entrepreneurs of new ventures suffer from lack of collateral, no cash flow guarantees and information asymmetry between them and potential investors (Cosh, Cumming & Hughes 2009, Schwienbacher, Larralde 2010). As a consequence of the difficulty to receive new financing it is not uncommon that new ventures remain unfunded (Belleflamme, Lambert & Schwienbacher 2014).

To tackle this problem, a new type of financing has emerged where entrepreneurs turn to a crowd instead of specialized investors for funding (Belleflamme, Lambert & Schwienbacher 2014). This new form of financing is called crowdfunding. Through crowdfunding, entrepreneurs raise capital from the crowd instead of relying on investments from traditional financial providers (Mollick 2014). Thus, crowdfunding enables entrepreneurs to raise external financing from a large audience, the crowd, where each individual provides a small amount of capital (Belleflamme, Lambert & Schwienbacher 2014). Entrepreneurs thus “tap the crowd” by raising capital directly from individuals (Schwienbacher, Larralde 2010). Today, crowdfunding investments can take several forms, such as donation, reward, lending, or equity, which offer different outcomes in terms of value that the investors’ receive from financing a crowdfunding campaign (Belleflamme, Lambert & Schwienbacher 2014, Bretschneider, Knaub & Wieck 2014).

The emergence of crowdfunding is tightly connected to the rise of Web 2.0 and has its origin in the broader concept of crowdsourcing (Belleflamme, Lambert & Schwienbacher 2014, Kleemann, Voß & Rieder 2008). While crowdsourcing is the process of using the crowd to obtain ideas, feedback, and solutions to develop corporate activities (Belleflamme, Lambert & Schwienbacher 2014, Gerber, Hui 2013), the objective of crowdfunding is to raise funds by tapping the general public (Belleflamme, Lambert & Schwienbacher 2010). As stated by Kleemann et al. (2008), the development of Web 2.0 is an important factor that has facilitated access to the crowd. Technology has further enabled the development of crowdfunding, which allows entrepreneurs to raise funding through an open call on the Internet and by using online social networks (Belleflamme, Lambert & Schwienbacher 2014). Entrepreneurs of today are thus able to access sources of capital from all over the world (De Buysere et al. 2012).

1.2 The Increasing Importance of Crowdfunding

Crowdfunding is global phenomenon that in recent years has gained an increasing amount of attention. According to an industry report presented by Massolution (2013), crowdfunding has revolutionized the way in which entrepreneurs can obtain funding for their business ideas. The growth of the crowdfunding market has been enormous and crowdfunding as an alternative financing solution is expected to continue to grow immensely in the near future, especially in developing countries (World Bank 2013). An important factor of the high growth-rate in the crowdfunding market is the Jumpstart Our Business Startups (JOBS) Act, which passed in 2012 as an effort to facilitate the creation of start-ups both in the long-term and in the short-term (US House of Representatives 2012). Amongst others, the legislation of the JOBS Act removed certain securities regulations and eased a number of laws, which prohibited the practice of equity-based crowdfunding in the US. It has further been stated that the JOBS Act has democratized access to capital by allowing the crowd to invest in new ventures through web-based crowdfunding platforms (Kim, Hann 2013). Except for governmental deregulations, the expected growth of the crowdfunding market is fuelled by an increasing public interest in crowdfunding as well as by more developed and advanced online platforms (Carmichael 2013).

As part of the alternative financing market, crowdfunding has also seen a tremendous increase in the amount of raised funds. During 2014 the global crowdfunding market experienced an accelerated growth of 167 %, reaching \$16.2 billion, which was an increase from \$6.1 billion in 2013 (Massolution 2015). In 2015 the crowdfunding market is expected to double again, thus reaching \$34.4 billion (Massolution 2015). If the annual trend of doubling the market value continues, the global crowdfunding market will reach \$90 billion before 2020 (Forbes 2015b). Hence, there is a clear trend suggesting that there is an increasing importance of crowdfunding in the market.

Crowdfunding has now become a viable alternative financing method for sourcing capital to support small creative projects as well as social and entrepreneurial ventures (Kim, Hann 2013, Burtch, Ghose & Wattal 2013) and it is changing how, why and which ideas are brought into existence (Gerber, Hui 2013). Through crowdfunding, people have gained a new role in the market as investors. They now have the power to decide what new products and services that will become available in the market, depending on their decision to invest in the enterprise or not. Crowdfunding is changing the funding environment and the support of investors is essential for new ventures in order to ensure growth and stability (Mollick 2014). It is therefore important to understand why people decide to fund a certain crowdfunding campaign and what motivates them to support a new venture.

1.3 Problem Formulation

In recent years, crowdfunding has become a valuable method for funding new ventures and SMEs in which small amounts of capital are obtained from a large number of funders (Belleflamme, Lambert & Schwienbacher 2010, Kim, Hann 2013). However, despite the growing popularity of crowdfunding, research in this field is still relatively limited (Mollick 2014, Belleflamme, Lambert & Schwienbacher 2014, Kuppuswamy, Bayus 2014, Barbi, Bigelli 2015) and the behaviour of funders is not yet well understood (Burtch, Ghose & Wattal 2013).

Previous research has investigated crowdfunding as an alternative financing method in general and it has also identified what makes a crowdfunding campaign successful (Mollick 2014, Belleflamme, Lambert & Schwienbacher 2010, Schwienbacher, Larralde 2010, Belleflamme, Lambert &

Schwienbacher 2014, Hemer 2011). Research has further examined the geographical aspects of crowdfunding and whether individuals tend to fund campaigns they have personal or geographical ties to (Kim, Hann 2013, Agrawal, Catalini & Goldfarb 2011, Lin, Viswanathan 2014). However, country-specific research of crowdfunding is still limited, especially in the Nordic region.

An additional area that has attracted academic interest is the motivation that drives entrepreneurs to use crowdfunding as a tool to raise capital for their ventures. Several studies have also investigated what drives individuals to fund different types of crowdfunding campaigns, such as reward-based crowdfunding campaigns (Gerber, Hui & Kuo 2012, Van Wingerden, Ryan 2011, Wechsler 2013) and equity-based crowdfunding campaigns (Bretschneider, Knaub & Wieck 2014, Cholakova, Clarysse 2015, Eriksson, Göransson 2015). In a study by Van Wingerden & Ryan (2011), the authors found that individuals tend to fund crowdfunding campaigns mainly based on intrinsic incentives. However, several other researchers have concluded that extrinsic motivation is the main underlying reason for individual engagement in crowdfunding activities, rather than intrinsic motivation (Cholakova, Clarysse 2015, Lakhani et al. 2007, Harms 2007). It is further argued that different forms of crowdfunding, such as equity and non-equity, tend to attract investors with different types of motivation (Belleflamme, Lambert & Schwienbacher 2014). It is therefore important to investigate different types of crowdfunding more in depth separately (Cholakova, Clarysse 2015). As equity-based crowdfunding is an increasingly popular source to fund new ventures (Bretschneider, Knaub & Wieck 2014), deepening the knowledge within this field is crucial. Thus, from an empirical point of view, current literature does not yet offer consistent insights into investors' motivation to invest in equity-based crowdfunding, especially not in the Nordic region or more specifically in Sweden. In addition, since the JOBS Act Title III will enable the general public in the US to invest in equity-based crowdfunding campaigns as of early 2016 (CrowdfundInsider 2014, Forbes 2015a), this specific form of crowdfunding has the potential to grow immensely in the near future (Forbes 2013).

Therefore, with the increasing use of crowdfunding as a financing method, it is crucial to get a better understanding of the motivation that drives investors to engage in crowdfunding (Gerber, Hui 2013). Moreover, as a deeper knowledge of the motivation behind investing in equity-based crowdfunding is still limited (Bretschneider, Knaub & Wieck 2014), this area of crowdfunding has to be further explored.

1.4 Purpose

The purpose of the thesis is to identify the key motivators that drive investors in Sweden to engage in equity-based crowdfunding. An investigation of the investor-side of equity-based crowdfunding will therefore be performed. In order to contribute further to this field of study, the correlation between the investors' degree of intrinsic motivation and extrinsic motivation when making an equity-based crowdfunding investment and the number of campaigns the investors have invested in will also be examined.

Based on the discussion in the section above, the research questions have been formulated. The primary research area of the study is to investigate the key motivators that drive investors to invest in equity-based crowdfunding campaigns. The secondary research area will further investigate whether the degree of intrinsic motivation and extrinsic motivation influence the number of crowdfunding investments differently. The research questions are presented below.

Primary research question:

What are the key motivators that drive investors to invest in equity-based crowdfunding campaigns?

Secondary research question:

Does the degree of intrinsic motivation and extrinsic motivation influence the number of crowdfunding investments by an investor differently?

1.5 Delimitations

As there are several different types of crowdfunding, such as donation, reward, lending and equity, it is essential to delimitate the study. Research has pointed out that different types of crowdfunding differ in terms of funders' demography, the minimum amount of investment, and the investment return. Hence, the thesis will be focused on equity-based crowdfunding as it is perceived to be consistent in terms of marketing strategy and return on investment among companies that are offering this specific type of crowdfunding. Furthermore, as equity-based crowdfunding is an increasingly popular source to fund new ventures (Bretschneider, Knaub & Wieck 2014), creating a deeper knowledge about this type of crowdfunding is crucial.

As crowdfunding is still a relatively new form of funding, the general public in Sweden might be unfamiliar with the concept of crowdfunding. As the purpose of the study is to investigate the investor-side of crowdfunding and what the key motivators of investing in equity-based crowdfunding campaigns are, the data collected will be limited to investors that are aware of equity-based crowdfunding and previously have invested in equity-based crowdfunding campaigns.

Furthermore, there are a number of crowdfunding sites in Sweden, both international ones and national ones. The largest crowdfunding platform in Sweden is called FundedByMe and it is today offering three different types of crowdfunding; reward, lending and equity (see Appendix I for more information). As FundedByMe has a sufficient number of investors all over the world and is the only Swedish platform offering equity-based crowdfunding, the research will be limited to data received from FundedByMe. In addition, since crowdfunding is a global phenomenon and regulations and motivation among investors might differ between different parts of the world, the study will be focused on the Swedish market only.

1.6 Expected Contributions

The ambition of this study is to provide contributions to the research field of crowdfunding and investors' motivation when making an equity-based crowdfunding investment. An additional objective is to contribute to existing crowdfunding research in terms of investors' motivation through a comparative study on intrinsic motivation and extrinsic motivation and how this correlates with the number of campaigns that the investors have invested in. Moreover, this study aims to provide insights that can be used as a springboard for further research within the field, as well as to provide additional input for decision-makers and managers that can be used when deciding how to design and perform equity-based crowdfunding campaigns.

1.7 Thesis Disposition

The thesis is divided into five chapters (see Figure 1). The first introductory chapter includes the background to the chosen field of study, problem formulation, purpose, delimitations and expected contributions. The second chapter establishes the theoretical framework applicable for the study as well as the hypotheses generation. The third chapter outlines the method used for the study as well as a discussion of reliability and validity. In the fourth chapter, results from the empirical data collected in a quantitative main study are presented and used to test the hypotheses. The discussion and analysis of the results as well as the conclusion are provided in chapter five.

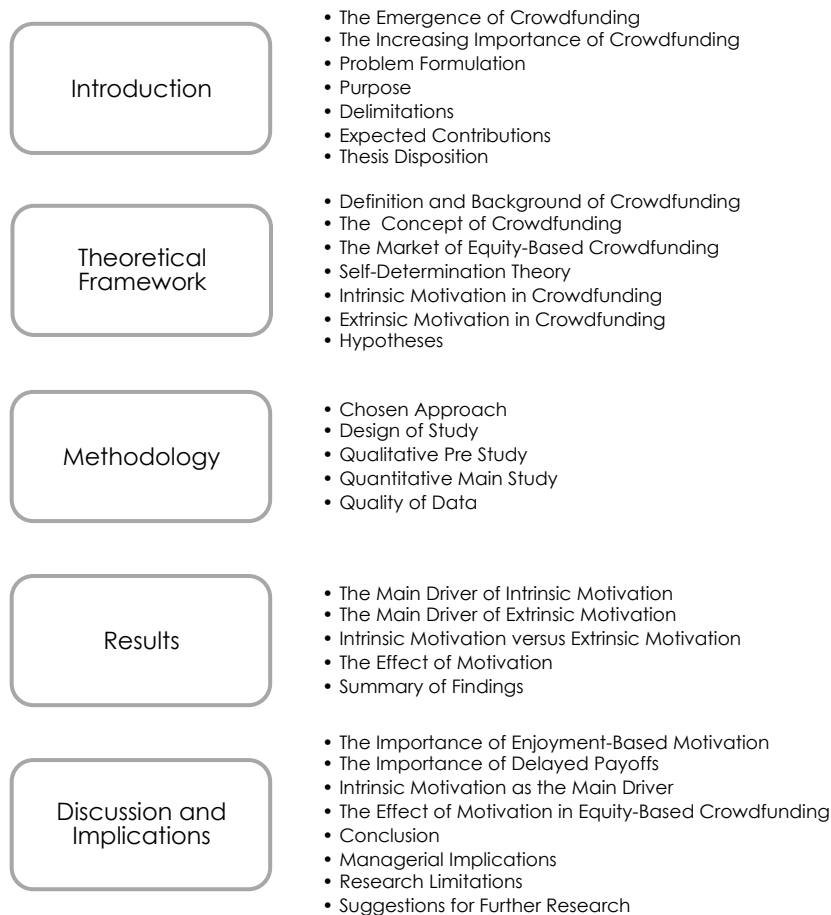


Figure 1: Thesis Disposition

2. Theoretical Framework

Part 1: Crowdfunding

In the first part of the theoretical framework, a presentation of the growing stream of crowdfunding research will be made, followed by a description of different types of crowdfunding and an in-depth review of equity-based crowdfunding. The theories presented in the first and second part of the theoretical framework, together with the data collected through a quantitative main study, will lay ground for the final analysis made in order to answer the research questions of the thesis.

2.1 Definition and Background of Crowdfunding

Crowdfunding is a global phenomenon, which is a relatively new way for individuals, entrepreneurs and small businesses to seek funding (Mollick 2014). Crowdfunding can be defined as an open call, essentially through the Internet, for the provision of financial resources either in the form of donation or in exchange for some kind of reward or voting rights (Schwienbacher, Larralde 2010, Belleflamme, Lambert & Schwienbacher 2014). According to Mollick (2014), crowdfunding refers to the effort by entrepreneurial individuals and groups to fund their ventures drawing on relatively small contributions from a large number of individuals through the Internet, without standard financial intermediaries. Thus, to a large extent the concept of crowdfunding has emerged from the broader phenomenon of crowdsourcing (Schwienbacher, Larralde 2010, Poetz, Schreier 2012), which involves using the crowd to obtain ideas, feedback, and solutions in order to develop corporate activities (Belleflamme, Lambert & Schwienbacher 2014).

Crowdfunding was for the first time introduced as an alternative form of financing in 2003, with the US platform ArtistShare. The first crowdfunding project on the platform was Maria Schneider's jazz album called "Concert in a Garden", which offered a tiered system of rewards (Freedman, Nutting 2015). However, the concept of crowdfunding started gaining ground in 2008, when the financial crisis severely affected early stage enterprises' ability to generate funding through traditional funding methods, such as loans, venture capital, angel investing and public grants (Best et al. 2013). In the following years, many well-known crowdfunding platforms were created, such as Indiegogo (2008), Kickstarter (2009), Crowdfunder (2011) and Rocket Hub (2009) to name a few.

2.1.1 Crowdsourcing

As previously mentioned, crowdfunding can be considered as an element of the broader concept of crowdsourcing (Schwienbacher, Larralde 2010, Poetz, Schreier 2012). Crowdsourcing is defined as outsourcing of a function or task traditionally done by a designated agent to an undefined network of labourers carried out by a company or a similar institution using a type of open call (Howe 2006). The term "crowdsourcing" was first introduced by Jeff Howe in an article in Wired Magazine in June 2006. Four different business cases were presented in the article in which the traditional ways of doing business were replaced by user-generated content from something the author called "the crowd". Howe (2006, p.2) argued that "labour isn't always free, but it costs a lot less than paying traditional employees. It's not outsourcing; it's crowdsourcing". Furthermore, the evolution of Web 2.0 is also considered as a prerequisite for crowdsourcing, which has facilitated consumer involvement (Kleemann, Voß & Rieder 2008). Crowdsourcing activities require lower costs, which are considered to be the main reason to why companies engage in such activities (Kleemann, Voß & Rieder 2008).

Kleemann et al. (2008) argued that crowdsourcing takes place when a profit oriented firm outsources specific tasks essential for the making or sale of its product to the general public, the crowd, in the form of an open call over the Internet, with the intention of animating individuals to make a contribution to the firm's production process for free or for significantly less than that contribution is worth to the firm. Kleemann et al. (2008) further introduced the concept of the "working consumer", who takes part in the production process and replaces the need for the employees to perform specific tasks (Schwienbacher, Larralde 2010). Over time the concept of crowdsourcing has been adapted and derived to the financing of new ventures and thus became crowdfunding (Belleflamme, Lambert & Schwienbacher 2014).

2.2 The Concept of Crowdfunding

Crowdfunding has since its origin become an increasingly popular form of raising funds in exchange for rewards, such as product samples, equity or profit sharing (Mollick 2014, Bretschneider, Knaub & Wieck 2014, Agrawal, Catalini & Goldfarb 2011). Through crowdfunding, new ventures and SMEs can collect funds from a large audience instead of receiving capital from a small number of specialized investors (Belleflamme, Lambert & Schwienbacher 2014).

2.2.1 Different Types of Crowdfunding

Since the introduction of crowdfunding as an alternative financing tool, different types of crowdfunding have emerged within the industry. Crowdfunding can be categorized into four main sub-groups depending on the financing scheme that companies offer as a part of their services. The most commonly used structural forms within crowdfunding are donation, reward, lending, and equity. All these different forms of crowdfunding represent a direct alternative to traditional funding methods in which more than just financial support to the campaign initiator can be offered (European Commission 2014b). Crowdfunding has been discussed to include faster access to requested capital, higher customer loyalty, and the ability to run a trial testing of the concept with judges being its future investors (Manchanda, Muralidharan 2014, Valanciene, Jегeleviciute 2013).

2.2.1.1 Donation-Based Crowdfunding

Donation-based crowdfunding is based on generosity and includes supporting a good cause, where companies are not required to provide anything of value in return to the contributors. The basic model of this form of crowdfunding is where a project owner seeks to collect donations from a wider public in order to finance a project. This type of crowdfunding is usually used for charity and humanitarian projects (Mollick 2014). Contributors donate money to the campaign owners without expecting to receive tangible benefits from the transaction (Massolution 2015). The contributor is thus placed in a position as a philanthropist, who does not expect a direct return for the contribution (Mollick 2014).

2.2.1.2 Reward-Based Crowdfunding

Reward-based crowdfunding involves setting various levels of rewards that correspond to the amount contributed. This includes non-financial rewards in exchange for the backers' support, such as a sample of the product invested in or a service (Fundable 2015). Reward-based crowdfunding is the most commonly used type of crowdfunding, where the funders are offered non-financial rewards of different kinds in exchange for investing (Mollick 2014).

Reward-based crowdfunding projects are often of a bigger average size than donation-based crowdfunding projects. This model of crowdfunding represents a form of pre-selling, which allows the company to gather an audience before the actual product launch (Mollick 2014). This further allows the new enterprise to finance the business during the development phase as well as to confirm the existence of the market. Backers pay a certain amount of money in advance in exchange for a promise of the finalized product once it is ready.

2.2.1.3 Lending-Based Crowdfunding

Lending-based crowdfunding allows entrepreneurs to raise funds in the form of loans, which will be paid back to the lenders over a pre-determined timeline with a certain interest rate (Fundable 2015). This crowdfunding model thus gives the initiator an alternative of raising funds for a campaign in the form of a loan agreement. Lending-based crowdfunding is further considered to be a direct alternative to a traditional financial provider and makes it possible for individuals to lend money to businesses, often with a better interest rate than what a bank offers (De Buysere et al. 2012). An advantage of lending-based crowdfunding is that the entrepreneur can attract high amounts of capital from funders, while avoiding relinquishing voting rights. This can be compared to microloans, where the company offers the funders loans in exchange for a return on their investments (Mollick 2014).

2.2.1.4 Equity-Based Crowdfunding

Equity-based crowdfunding gives investors the opportunity to invest in a potential business in exchange for actual shares in the company. Investors can use their own experience and ability to select profitable business investment opportunities and at the same time allocate some value to contribute to the enhancement of entrepreneurship (European Commission 2013). In this form of crowdfunding, the initiators of the campaigns are allowed to sell a stake of their future business to contributors. The financial procedure used in equity-based crowdfunding simulates the traditional methods of private equity, venture capital and business angel investing by giving the funders small equity stakes in return for their contribution (Mollick 2014).

The most recent development within equity-based crowdfunding is the ability to sell ownership stakes of the venture. The investor thus receives a financial return over time, which depends on the campaign's performance. From the investor point of view, the difference between equity-based crowdfunding and an Initial Public Offering (IPO) is the capability to trade shares on a secondary market (European Commission 2014a). New ventures and SMEs using equity-based crowdfunding typically need more financing, and thus need to attract more funders, compared to the other forms of crowdfunding (European Commission 2013).

2.3 The Market of Equity-Based Crowdfunding

As mentioned previously, equity-based crowdfunding is a particular form of crowdfunding in which entrepreneurs offer shares in their ventures in exchange for funding. The capital that has been raised through equity-based crowdfunding has grown rapidly in Europe since it was first introduced to the market in 2007 (Hornuf, Schwenbacher 2014). In 2014, equity-based crowdfunding was estimated to a value of €82.56 million in Europe (excluding the UK) and €3.7 million in the Nordics (Wardrop et al. 2015). In addition, the average amount raised through an equity-based crowdfunding campaign in Europe is estimated to €50 000 (European Commission 2013), which is just a little less than the global average. However, out of all crowdfunding investments, this form of crowdfunding makes up for less

than 5 % worldwide (Mollick 2014). One of the main factors that can slow down the volume growth of equity-based crowdfunding is that the majority of the enterprises seeking external financing are requiring a too big amount of investments that can be raised through equity-based crowdfunding (Almerud, Hallencreutz & Hallin 2013). Hence, the amount of capital that the entrepreneurs have as a goal to raise through equity-based crowdfunding might have a significant impact on the investors' decision on whether to pursue the funding or not.

2.3.1 Equity-Based Crowdfunding as an Investment Tool

As can be seen, equity-based crowdfunding has emerged as a possible alternative to traditional funding methods, such as business angel investment, venture capital funding, and private equity. The similarities are to invest capital in an unlisted company in exchange for equity shares, with the aim to successfully exit the company in the future and thus generate a reasonable return on the investment (GrowthFunders 2015). However, as investors within traditional funding have more knowledge and experience of evaluating the value of a business than investors in equity-based crowdfunding, the investment strategy and investment return will differ.

As equity-based crowdfunding refers to the process whereby people are given the opportunity to invest in an unlisted company in exchange for shares in the business, it is considered to be a high-risk investment. This is especially the case concerning investments in start-up businesses. As the investments are considered as high-risk, equity-based crowdfunding is usually used in order to diversify the investment portfolio (GrowthFunders 2015). Equity-based crowdfunding can further be seen as a long-term investment, where the only ways to get a monetary return on the investment are by selling the shares on a secondary market that the company is listed on, when the company does an IPO, or if the company is acquired by a third party (FundedByMe 2015). As this type of crowdfunding is still relatively new, a successful exit can take anywhere from 3-10 years (GrowthFunders 2015).

In contrary to other forms of crowdfunding, investors in equity-based crowdfunding have actual financial interests, which means that due diligence and governance are crucial. One of the main issues within equity-based crowdfunding is the company valuation. As the equity stakes have not been traded previously and the valuation of a company in the early stages of the entrepreneurial cycle can be hard to predict, it can be difficult for investors and the entrepreneur to determine the value of the venture. The entrepreneur typically sets the company valuation and an incorrect valuation can be detrimental for both the investor and the entrepreneur. Some platforms offer training to the entrepreneurs in how to set the valuation of the company, while other platforms allow auctions in which the highest bidders will be offered a fixed equity stake (Collins, Pierrakis 2012).

Providers of equity-based crowdfunding are split into two main categories based on the type of investment offered; passive and active (Schwienbacher, Larralde 2010). Passive investments offer a profit-sharing scheme based on the percentage ownership in the venture. Active investments, on the other hand, refer to the opportunity to get involved in the product design stage and deciding the consumer target group.

Part 2: Investor Motivation

In the previous section, general crowdfunding research was reviewed and definitions were presented. The second part of the theoretical framework will focus on investors' motivation to engage in equity-based crowdfunding. More specifically, an investigation will be performed regarding what drives the investors to invest in equity-based crowdfunding campaigns.

2.4 Self-Determination Theory

Many concepts regarding motivation are based on the Self-Determination Theory (SDT), which was first introduced in an article by Ryan and Deci in 1985 (Bretschneider, Knaub & Wieck 2014, Ryan, Deci 2000). In the SDT, the force that lies behind a person's decision varies both in level of motivation (e.g. how much motivation) and in orientation of that motivation (e.g. what type of motivation) (Ryan, Deci 2000). The orientation of motivation concerns the underlying attitudes and goals that give rise to action, and the theory therefore distinguishes between amotivation (i.e. lack of motivation) and motivation. Within motivation, the SDT further distinguishes between intrinsic motivation and extrinsic motivation. Intrinsic motivation refers to doing something because it is inherently interesting or enjoyable (Ryan, Deci 2000). Thus, intrinsically motivated people decide to perform an activity since they find it to be enjoyable, interesting or challenging, and they receive satisfaction from the activity itself (Gagné, Deci 2005). Extrinsic motivation, on the other hand, refers to doing something because it leads to an outcome separable from the activity itself (Ryan, Deci 2000). Extrinsically motivated people therefore perform an activity since they want to receive some sort of external reward, such as approval or a financial compensation (Ryan, Deci 2000). When people are extrinsically motivated they are not driven by the activity itself, but by the extrinsic consequences associated with performing the activity, such as cash payment or verbal feedback (Allison et al. 2015). Hence, different reasons to perform activities are reflected in these two types of motivation (Ryan, Deci 2000, Gagné, Deci 2005).

The basic idea about motivation theory is thus to explain what drives people to take action (Wechsler 2013, Kaufmann, Schulze & Veit 2011). Built upon models from the SDT, classic motivation theory, work motivation theory, and open source software development¹, Kaufmann et al. (2011) developed a model for investigating the motivation within a paid crowdsourcing environment. The model first divides motivation into intrinsic motivation and extrinsic motivation, which is in line with the SDT. These two types of motivation are further divided into several sub-categories. In the model, intrinsic motivation consists of enjoyment-based motivation and community-based motivation, while extrinsic motivation consists of immediate payoffs, delayed payoffs and social motivation.

The model has further been developed and applied to reward-based crowdfunding by Wechsler (2013) and equity-based crowdfunding by Eriksson & Göransson (2015). Wechsler (2013) added philanthropy-based motivation as a sub-category to intrinsic motivation, since the author argued that backers tend to fund reward-based crowdfunding campaigns because they want to help others out without expecting to receive anything in return for the support (Wechsler 2013). Building on the development by Wechsler (2013), Eriksson & Göransson (2015) extended the framework even further by adding relationship-based motivation as a sub-category to intrinsic motivation (Eriksson,

¹ Open source software development is the potential involvement of regionally and culturally completely distinct workers collaborating over the Internet.

Göransson 2015). Moreover, as several studies have found personal need to be a motivational factor that drives people to engage in an activity, this thesis further extends the model with personal need as a sub-category of extrinsic motivation. Please see Figure 2 below for the complete model, which will be used in this research.

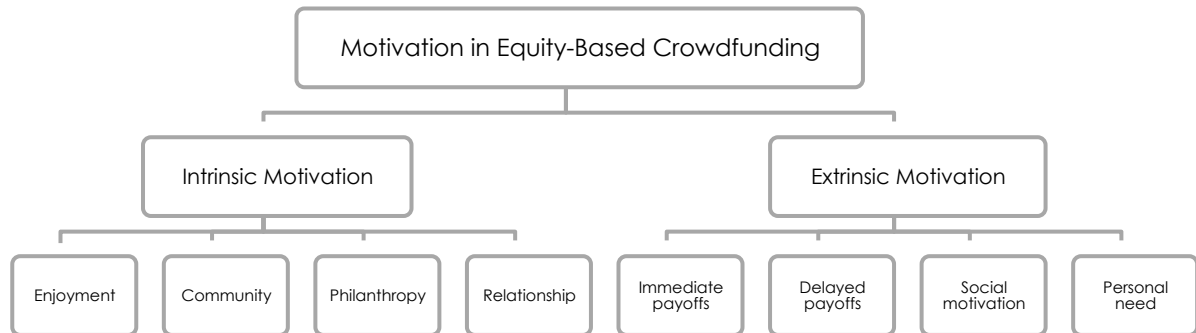


Figure 2: Motivation in Equity-Based Crowdfunding

2.5 Intrinsic Motivation in Crowdfunding

Understanding the motivators that drive individuals to fund crowdfunding campaigns is an increasingly popular subject to investigate. The first authors to state that there is more to crowdfunding investments than just a financial reward were the authors Schwienbacher & Larralde (2010). They found that people make crowdfunding investments in order to participate in the exciting adventure of building a start-up, as well as to expand their social network (Schwienbacher, Larralde 2010). Furthermore, in a study by Van Wingerden & Ryan (2011), it was concluded that people who invest in crowdfunding campaigns tend to be motivated intrinsically rather than extrinsically (Van Wingerden, Ryan 2011).

Building on the motivational framework first developed by Kaufmann et al. (2011), intrinsic motivation is divided into four sub-categories; Enjoyment-based motivation, Community-based motivation, Philanthropy-based motivation, and Relationship-based motivation (see Figure 2). These motivational factors will be presented and discussed further in the following sub-sections.

2.5.1 Enjoyment-Based Motivation

According to Kaufmann et al. (2011), enjoyment-based motivation refers of factors that lead to the sensation of fun and excitement while performing an activity. Thus, a person is motivated to perform an activity since it generates an experience of joy, fun, excitement or satisfaction (Eriksson, Göransson 2015). This is in line with Harms (2007) who concluded that the emotional feeling of enjoyment is a significant driver for people to back reward-based crowdfunding campaigns. Van Wingerden & Ryan (2011) further found that people engage in reward- and equity-based crowdfunding “for the fun of it”. Finally, Bretschneider et al. (2014) argued that investors have fun while making equity-based crowdfunding investments.

Other factors providing the investor with emotions of enjoyment while engaging in crowdfunding have also been identified. Gerber et al. (2012) argue that people engage in reward-based crowdfunding since they identify themselves with a campaign and want to support a special cause that is congruent with their personal values and believes. Ordanini (2009) emphasizes that it is the experience of

supporting a start-up company that motivates people to engage in crowdfunding, while Schwienbacher & Larralde (2010) found that people fund crowdfunding campaigns because of the excitement of building up a new business. Similar to this, Harms (2007) argues that people who support start-up companies through crowdfunding are motivated by curiosity and the search for novelty. Finally, it is emphasised that funders enjoy contributing to an innovation or being among the pioneers of a new technology or business (Hemer 2011).

2.5.2 Community-Based Motivation

Community-based motivation refers to the fact that funders are motivated to engage in crowdfunding in order to be part of a crowdfunding community and belong to a group of peer-investors (Harms 2007). Funders are thus motivated by the sheer existence of a community, which offers the possibility to foster social contact and identifying with people that share the same values and norms (Kaufmann, Schulze & Veit 2011). Gerber et al. (2012), Hemer (2011), and Schwienbacher & Larralde (2010) also found that funders engage in crowdfunding in order to be part of group of like-minded people and to expand its own social network.

Community-based motivation further refers to the feeling of involvement. According to Van Wingerden & Ryan (2011), being involved in the process of supporting a start-up company is a factor that motivates people to make crowdfunding investments. Gerber et al. (2012) further argue that people participate in crowdfunding to get an opportunity to play an active role in the development of the campaign.

2.5.3 Philanthropy-Based Motivation

Philanthropy-based motivation implies that funders engage in crowdfunding campaigns in order to help others out and to support a special cause (Eriksson, Göransson 2015, Gerber, Hui & Kuo 2012). Funders that are driven by philanthropy-based motivation thus expect nothing in return for their contribution and find the promised reward to be a secondary concern (Wechsler 2013). In a survey conducted by Van Wingerden & Ryan (2011), it was further found that the majority of people involved in crowdfunding feel that it is like giving a donation and that helping someone else reaching their goals feels like a reward itself.

Another aspect of philanthropy-based motivation is altruism, which is defined as “doing something for another at some cost to oneself” and can be seen as the opposite to being selfish (Bretschneider, Knaub & Wieck 2014, p. 5). Altruism is therefore comparable to philanthropy-based crowdfunding as it implies that investors want to help with their funds without expecting to get any reward. Hence, people motivated by altruism seek to increase welfare without expecting to get anything in reward (Bretschneider, Knaub & Wieck 2014). This is in line with Gerber et al. (2012) who argue that people engage in reward-based crowdfunding in order to make a meaningful impact rather than receiving a reward. Accordingly, Hemer (2011) emphasises that funders are motivated by the opportunity to contribute to a societally important mission.

2.5.4 Relationship-Based Motivation

Relationship-based motivation differs from community-based motivation as the former refers to the relationship between the funder and a specific campaign and not the possibility for social interaction between peer-investors. Relationship-based motivation can further be divided into three different sub-

categories based on the relationship between the funders and the campaign they decide to support; Direct relationship, Indirect relationship, and Geographical relationship.

In a study made by Agrawal et al. (2011) it was found that family and friends are an important group of funders in reward-based crowdfunding, especially for generating early investments in start-up companies. It is further argued that factors like supporting friends and family members might be a more influential motivational factor than monetary rewards (Wechsler 2013) and that people tend to support campaigns that they have a direct personal relationship to (Bretschneider, Knaub & Wieck 2014).

An indirect relationship-based motivation, on the other hand, implies that investors engage in equity-based crowdfunding purely based on emotions (Eriksson, Göransson 2015). This could for instance mean that the investor decides to support a crowdfunding campaign based on sympathy or affection for the start-up team (Bretschneider, Knaub & Wieck 2014).

Moreover, the geographical proximity between the investor and the initiator of a crowdfunding campaign has been researched in different crowdfunding contexts and has generated different outcomes. Agrawal et al. (2011) and Mollick (2014) argue that the geographical proximity has none or little relevance for whether or not a person decides to invest in a crowdfunding campaign, while Lin & Viswanathan (2014) found that regional distance in fact does influence investors in regards to lending decisions. Based on these arguments, Bretschneider et al. (2014) hypothesised that regional identification in fact does impact investors' decision to invest in equity-based crowdfunding, as they establish a connection to the start-up company and consequently feel motivated to invest (Bretschneider, Knaub & Wieck 2014).

2.6 Extrinsic Motivation in Crowdfunding

Even though intrinsic motivation has been argued to be an essential type of motivation, most people are not intrinsically motivated (Ryan, Deci 2000). Several researchers have concluded that extrinsic motivation is the underlying reason for individual engagement in certain activities, rather than intrinsic motivation (Van Wingerden, Ryan 2011). Extrinsic motivation is typically defined as a pale and impoverished form of motivation in contrast to intrinsic motivation (Ryan, Deci 2000). Extrinsic motivation is driven by external incentives, such as direct or indirect monetary compensation, or recognition by others (Bretschneider, Knaub & Wieck 2014). It is a construct that refers to whenever an activity is performed in order to attain separable outcomes, and it pertains doing something for the instrumental value rather than for enjoyment or the activity itself (Ryan, Deci 2000). Cholakova & Clarysse (2015) investigated why funders engage in reward- and equity-based crowdfunding and found that financial incentives are the main driver for contributing to crowdfunding campaigns and that non-financial incentives do not play a significant role. Moreover, Lakhani et al. (2007) claim that there is a clear relationship between crowdfunding and extrinsic motivation; namely financial return.

Extrinsic motivation can be divided into four sub-categories; Immediate payoffs, Delayed payoffs, Social motivation, and Personal need (see Figure 2). These extrinsic motivational factors will now be presented and discussed in the following sub-sections.

2.6.1 Immediate and Delayed Payoffs

Immediate payoffs refer to the rewards and other encouragements that a supporter receives directly after funding a crowdfunding campaign (Wechsler 2013). The rewards can be both intangible (e.g. being listed on the campaign page) and tangible (e.g. a monetary reward provided by the entrepreneur). A delayed payoff is a common practice in crowdfunding, which refers to rewarding the supporter with products, services or financial returns in relation to a successful result of the fundraising process. Delayed payoffs further refer to all kinds of benefits that can be used strategically in order to create future material advantages (Kaufmann, Schulze & Veit 2011). Just like immediate payoffs, delayed payoffs do not have to be tangible; they can also be in the form of an intangible stimulus (Wechsler 2013). Gerber et al. (2012) identified that receiving tangible rewards is a key motivational factor for backers in order to contribute to a reward-based crowdfunding campaign. Hemer (2011) and Bretschneider et al. (2014) found that some people make crowdfunding investments in order to attract more investors for their own venture, which refers to intangible payoffs. This has been further discussed by Harms (2007), where a positive economic value of the venture tends to drive people to engage in crowdfunding campaigns. Furthermore, a popular assumption about individuals investing in equity-based crowdfunding is that the investors are driven by financial incentives (Cholakova, Clarysse 2015, Collins, Pierrakis 2012).

However, as equity-based crowdfunding primarily offers the possibility to receive delayed payoffs, this study will further on not be focusing on immediate payoffs.

2.6.2 Social Motivation

Social motivation is the extrinsic counterpart of community identification within intrinsic motivation. It contains all the factors that can lead to financial contribution towards a crowdfunding campaign as an outcome of values, norms and obligations from outside the platform community (Kaufmann, Schulze & Veit 2011). Social motivation is further connected to peer-pressure and self-expressiveness, which are classified as motivational factors for individuals to invest in crowdfunding (Wechsler 2013, Kaufmann, Schulze & Veit 2011).

Self-expressiveness in crowdfunding related contexts is defined as the degree to which funders perceive the crowdfunding investment as a suitable expression for their emotions and social or personal identity. This is further suggested to be a motive to contribute to reward-based crowdfunding campaigns and it is identified to have a positive significant effect on investing (Harms 2007). Furthermore, “recognition” has also been hypothesized to be a motivational factor within social motivation that drives investors to invest in equity-based crowdfunding (Bretschneider, Knaub & Wieck 2014). Recognition in this context refers to the sense of self-esteem, increased visibility and respect from others, which investors can receive from investing in a successful campaign. Another important feature within social motivation is the feeling of involvement. Many crowdfunding campaigns offer their investors a community platform, which drives the investors to actively participate in virtual communities. As cited in Harms (2007), the motivation of individuals to participate in social movements is the perception of others participation. This has been found to be applicable in crowdfunding as well. As investors are ensured that they will invest as part of a group of other people, and not alone as a single investor, this tends to motivate people to invest (Harms 2007).

2.6.3 Personal Need

Building on previous crowdsourcing studies, Bretschneider et al. (2014) hypothesized that personal need might be a significant motivational factor for investors to engage in equity-based crowdfunding. In a crowdfunding related context, personal need refers to investing in a campaign so that the product or service will be adapted and developed in accordance to the investors' personal needs. Need has further been identified as a motivational factor in open source software development and crowdsourcing. According to this research, participating in open source campaigns and crowdsourcing with the aim to develop ideas is driven by the fact that individuals can use and make a profit from the solution and idea itself (Fuller 2006, Hars, Ou 2001).

The functional value of the campaign is defined as the utility derived from the perceived functional, utilitarian or physical performance, and has been found to have a significant meaning in the engagement in crowdfunding. The functional utility for an individual funder (personal utility) has been hypothesized to be a value, which directly drives people to invest. Personal utility refers to the degree in which the functional value of the campaign outcome presents the personal functional need of the individual funder (Harms 2007). Studies in industrial research and process innovations have shown that the higher the expected functional benefits are from an innovation, the greater are the investments in obtaining a solution, which has been found to be applicable in the context of crowdfunding as well (Harms 2007). Thus, the greater the expected personal functional utility is for the individual funder to obtain from the outcome of the campaign, the higher is the intention to invest in the campaign (Harms 2007). Hence, a conclusion can be drawn that personal need is an important motivational factor in triggering funders' intention to engage in crowdfunding campaigns. Therefore, personal need has been derived from social motivation and is presented as a separate sub-category of extrinsic motivation in this study.

Part 3: Hypotheses Generation

In the final part of the theoretical framework, the hypotheses that have been generated to answer the research questions are presented. These 5 hypotheses were developed in order to represent the most important aspects from the literature overview.

2.7 Hypotheses

Intrinsic motivation is driven by internal emotions that make individuals perform an activity because they find it to be interesting, fun or enjoyable (Deci, Ryan 2008). Previous research has investigated how intrinsic motivation affects funders' decision to engage in both reward- and equity-based crowdfunding, and found that there are more motivational factors that drive individuals to fund crowdfunding campaigns than the opportunity to receive a financial reward (Schwienbacher, Larralde 2010, Van Wingerden, Ryan 2011, Wechsler 2013, Harms 2007). The emotions of fun, excitement and enjoyment have been identified as incentives for individuals to engage in reward-based crowdfunding (Schwienbacher, Larralde 2010, Van Wingerden, Ryan 2011, Wechsler 2013, Harms 2007), in equity-based crowdfunding (Bretschneider, Knaub & Wieck 2014, Van Wingerden, Ryan 2011, Eriksson, Göransson 2015), as well as in crowdsourcing (Lakhani et al. 2007, Kaufmann, Schulze & Veit 2011).

Furthermore, other motivational factors providing the funder with emotions of enjoyment while engaging in crowdfunding campaigns have also been identified. Gerber et al. (2012) concluded that people support reward-based crowdfunding campaigns that they identify themselves with. Additionally, the experience of supporting a start-up company (Ordanini 2009), curiosity and search for novelty (Harms 2007), to escape boredom (Bretschneider, Knaub & Wieck 2014), as well as contributing to an innovation or being among the pioneers of a new technology or business (Hemer 2011) have been identified as drivers for why individuals engage in crowdfunding.

As several studies regarding motivation in all leading types of crowdfunding related contexts have found that enjoyment-based motivation plays a significant role in investors' decision to make a crowdfunding investment, it is argued that enjoyment is the most influencing intrinsic motivational factor that drives investors to invest equity-based crowdfunding. Hence, the following hypothesis is generated.

H(1) Enjoyment-based motivation is the most influencing intrinsic motivational factor to invest in equity-based crowdfunding campaigns.

Extrinsic motivation is driven by external incentives, such as direct or indirect monetary compensations, or recognition by others (Bretschneider, Knaub & Wieck 2014). Previous research has identified financial incentives to be the main driver for investors to invest in equity-based crowdfunding campaigns (Cholakova, Clarysse 2015, Collins, Pierrakis 2012). As investing in equity-based crowdfunding implies that the investors will receive shares in the venture, they will receive delayed payoffs in the form of dividends or a return on their investment when they eventually sell their shares (Bretschneider, Knaub & Wieck 2014). The investors will thus have the possibility to receive a financial reward from investing in the venture in the future. Receiving delayed payoffs, which can be both tangible and intangible stimulus, is therefore assumed to be the most influencing extrinsic motivational factor that drives investors to invest in equity-based crowdfunding campaigns. Hence, the following hypothesis is generated.

H(2) The possibility to receive delayed payoffs is the most influencing extrinsic motivational factor to invest in equity-based crowdfunding campaigns.

In the SDT it is assumed that intrinsic motivation declines when extrinsic motivation is introduced (Ryan, Deci 2000). People should therefore become more extrinsically motivated to invest in equity-based crowdfunding campaigns once there is an external factor, such as a financial reward, influencing the investors' decision to invest. Thus, once it is possible to receive monetary rewards, people should become more extrinsically motivated to invest in a crowdfunding campaign (Wechsler 2013).

Even though intrinsic motivation has been argued to be an essential type of motivation, most people are not intrinsically motivated (Ryan, Deci 2000). Financial incentives have been identified as the main driver to invest in crowdsourcing (Van Wingerden, Ryan 2011), as well as in reward- and equity-based crowdfunding (Kleemann, Voß & Rieder 2008, Cholakova, Clarysse 2015, Lakhani et al. 2007). Previous research has further found that people invest in equity-based crowdfunding in order to spread risk in the investment portfolio (Collins, Pierrakis 2012), to express their identity (Harms 2007) or to satisfy a personal need (Bretschneider, Knaub & Wieck 2014). Furthermore, as equity-based crowdfunding requires a higher minimum investment amount than other types of crowdfunding (FundedByMe 2015), this might lead to a higher intention to invest due to external rewards or return on investment.

With all this in mind, it is assumed that extrinsic motivation influences investors' decision to invest in equity-based crowdfunding campaigns more than intrinsic motivation. Hence, the following hypothesis is generated.

H(3) Extrinsic motivation is more influencing than intrinsic motivation in equity-based crowdfunding.

As funds can be committed in smaller batches across various ventures, equity-based crowdfunding is considered to be a mechanism for spreading risk in the investment portfolio (Collins, Pierrakis 2012). Equity-based crowdfunding further pursues to balance illiquidity of a financial placement with moderate returns, which includes important non-financial benefits, such as a sense of belonging by being a part of an entrepreneurial venture (Collins, Pierrakis 2012). Therefore, as this type of crowdfunding is considered to be an investment tool investors use in order to spread risk, the assumption can be drawn that investors who are strongly motivated by extrinsic motivation invest in more equity-based crowdfunding campaigns than investors who are strongly motivated by intrinsic motivation. Hence, the following hypothesis is generated.

H(4) Investors with high extrinsic motivation and low intrinsic motivation tend to make more equity-based crowdfunding investments than investors with low extrinsic motivation and high intrinsic motivation.

According to Schwienbacher & Larralde (2010) other motivational factors than financial returns are of high importance while making an equity-based crowdfunding investment. Moreover, many reward-based crowdfunding campaigns have been successfully raised from backers that are not motivated by a financial return (Collins, Pierrakis 2012). Van Wingerden & Ryan (2011) further found that funders who are intrinsically motivated tend to get involved in more reward-based crowdfunding campaigns

than funders who are extrinsically motivated. Moreover, as making an investment requires the investors to get involved in the venture they aspire to invest in, it can be assumed that people engage in equity-based crowdfunding as they find the process to be fun or interesting. Thus, investors who engage in equity-based crowdfunding can be considered as intrinsically motivated. However, it is still likely that people invest in order to receive a financial payoff in the future, to spread the risk of their portfolios, or to make sure that the product or service is developed according to their personal needs, which are all extrinsic motivational factors. This is in accordance to the previous hypothesis, H(4), which stated that investors who are extrinsically motivated tend to make more equity-based crowdfunding investments than investors who are mainly motivated by intrinsic motivation.

As it is argued that investors tend to invest in more crowdfunding campaigns if they are strongly motivated by either intrinsic motivation or extrinsic motivation, it is assumed that investors with high levels of both types of motivation tend to make more equity-based crowdfunding investments than investors that are strongly motivated by either intrinsic motivation or extrinsic motivation. Hence, the final hypothesis is generated.

H(5) Investors with high intrinsic motivation and high extrinsic motivation tend to make more equity-based crowdfunding investments than the cases stated in H(4).

3. Methodology

This chapter describes the methodology that has been applied in conjunction with the study. First, the chosen approach and research design is presented. An explanation of the qualitative pre-study and quantitative main study will then be made, followed by a description of the data analysis. Lastly, the chapter is concluded with an examination of the reliability and validity of the study.

3.1 Chosen Approach

The relationship between theory and research concerns whether theory guides research or whether theory is an outcome of the research. There are thus two types of approaches that can be used for an academic study; deductive or inductive approach (Bryman 2014). The deductive approach implies formulating hypotheses based on existing theories. The hypotheses will then be tested through an examination of a data collection, which are mostly of a quantitative basis. The inductive approach on the other hand, involves generalizing inferences and theories out of observation (Bryman 2014).

The approach used in this study is deductive, whereby a number of hypotheses have been formulated based on existing theories (Bryman 2014). As the research aims for objectivity, the study has been conducted on a quantitative basis, in which hypotheses were tested and verified based on previous studies (Ghauri, Grønhaug 2012). By using a quantitative research the possibility of reaching more generalized and credible conclusions is higher (Bryman 2014), which will also leave room for generalizations within the specific group studied (Malhotra 2010). A survey approach has been performed in order capture cause-and-effect relationships, as well as to create documentation on the behaviour of the respondents (Ghauri, Grønhaug 2012). As this study aims to investigate the key motivators of investing in equity-based crowdfunding campaigns, as well as to examine the relationship between intrinsic motivation and extrinsic motivation and the number of crowdfunding campaigns invested in, an analytical survey approach has been used.

3.2 Design of Study

The design of the study explains how the research purpose can be turned into a research project (Robson 2002). It further specifies the details of the procedures that are necessary for obtaining information that is needed to structure and/or solve a research problem (Malhotra 2010). This study is comprised of a small qualitative pre-study followed by a quantitative main study.

As not much research has been conducted on the investor-side in regards to equity-based crowdfunding in Sweden, there was a necessity to explore whether the motivational factors identified in existing studies within crowdfunding were applicable to the limitation of equity-based crowdfunding. The pre-study encompassed of interviews with selected individuals who had previously invested in equity-based crowdfunding campaigns. The interviewees were asked to preview the survey questionnaire and make suggestions for improvements. The objective of the interviews was to get a better insight into which motivational factors that are important in equity-based crowdfunding, as well as to find new and interesting variables to investigate. Due to the exploratory nature of the pre-study, semi-structured interviews were considered to be the most suitable approach (Jacobsen 2002, Saunders, Lewis & Thornhill 2009).

The quantitative main study was created based on theories presented in the previous chapter with the aim to verify the hypotheses. The quantitative main study was thus of conclusive nature, as it was used to test hypotheses and investigate relationships between variables (Malhotra 2010). The quantitative main study was conducted in the form of a survey questionnaire and was distributed to investors with Swedish residency, who previously had invested in equity-based crowdfunding campaigns through Sweden's largest crowdfunding platform, FundedByMe.

All participation in the main study was voluntary and the survey used to collect data was designed with consideration of not creating stress, embarrassment, pain or harm for the participants (Saunders, Lewis & Thornhill 2009). Furthermore, research ethics were taken into account by performing honest data handling and keeping the confidentiality in the information treatment in order to conduct a precise data analysis and assure the privacy of the empirical study participation (Saunders, Lewis & Thornhill 2009, Resnik 2011).

3.3 Qualitative Pre-Study

The theoretical framework presented in the previous chapter offers a good overview of crowdfunding with an intense focus on equity-based crowdfunding and provides an insight into significant motivational factors of investing in crowdfunding campaigns. However, as this study implies to investigate motivational factors specifically within equity-based crowdfunding in Sweden, it was considered necessary to complement this foundation with primary data from this specific area. The purpose of the qualitative pre-study was thus to enable us to get a deeper understanding of the motivation for investing in equity-based crowdfunding campaigns and give us a valuable perspective of the subject. Furthermore, by performing a pre-study where the participants were asked to preview the survey questionnaire, flaws in the quantitative main study could be detected and improved before sending it out to the selected group of respondents.

The qualitative pre-study encompassed of 5 semi-structured interviews with people who previously had invested in equity-based crowdfunding campaigns. Before the interviews the participants were asked to preview the survey questionnaire and make comments for further improvements. The interviews were conducted over phone or by face-to-face interactions and lasted between 15-30 minutes. The interviews consisted of open-ended questions regarding the survey in order to allow for flexibility and to create a discussion around the subject (Saunders, Lewis & Thornhill 2009, Hair et al. 2007). Small improvements were made according to inputs before distributing the survey online to the intended sample group.

3.4 Quantitative Main Study

A quantitative main study was used to collect data in order to empirically test the hypotheses, which were generated from the literature review. Thus, the purpose of the quantitative main study was to empirically test the hypotheses and based on the results answer the research questions.

3.4.1 Data Collection Method

The first decision to make was if the study should use primary or secondary data. As this study aims to investigate the key motivational factors that drive investors in Sweden to invest in equity-based crowdfunding campaigns, primary data collected together with Sweden's largest crowdfunding platform FundedByMe has been used. This decision was made since at the time of the research the

specific data required for this study was not available. Therefore, it was necessary to collect primary data, which was relevant for answering this study's research questions (Malhotra 2010).

The second consideration was to choose a suitable data collection strategy. The strategy chosen for this study was a survey strategy, which is commonly used in business and management research (Saunders, Lewis & Thornhill 2009). The survey strategy allows collection of a large amount of data from a big population in an economical way that can be analysed by descriptive and inferential statistics (Saunders, Lewis & Thornhill 2009). A survey strategy further allows for investigation of relationships between different variables (Saunders, Lewis & Thornhill 2009). A more specific survey strategy chosen was to collect data by conducting a questionnaire, which consisted of a formulated set of written questions that the respondents got to answer (Malhotra 2010). The survey program used to collect the data was Qualtrics. The questionnaire was distributed over the Internet in the form of an email containing a link, which respondents used to access the questionnaire. The method of distributing the questionnaire through an email was chosen since it offers greater control of who actually answers the questionnaire (Saunders, Lewis & Thornhill 2009), as well as gives the respondents the choice to answer the questionnaire at a suitable time (Brace 2008).

In order to keep the investors' information confidential and anonymous the questionnaire was sent out by FundedByMe. The questionnaire was sent out the 15th of October 2015 and was open for respondents until the 1st of November 2015. In order to increase the response rate, reminders were sent out to the selected sample size twice; the first reminder was sent out the 21st of October and the final reminder was sent out the 28th of October.

3.4.2 Questionnaire Design

As the aim of this study is to test hypotheses and thereby investigate the main motivational factors that drive investors to make equity-based crowdfunding investments, several questions related to motivation were included in the questionnaire (see Appendix II). The design of the questionnaire and the content of the questions were based on the theoretical framework presented in the previous chapter, as well as on questionnaires used in previous crowdfunding studies (see Appendix III).

In order to improve the reliability of the study and ensure that participants were consistent in their responses, the majority of the questions were requested by multiple-indicator measures (Bryman 2014). The questions were further designed as statements where the respondents were asked to rank their agreement on a semantic seven-graded differential scale between two opposing endpoints (Malhotra 2010).

The first question was related to intrinsic motivation. It was designed as a seven-graded scale question in which the respondents were asked to rate 12 factors, which were presented randomly, according to its importance in their previously made equity-based crowdfunding investments. The questions were generated based on the four different types of intrinsic motivation (enjoyment, community, philanthropy, and relationship) found in the literature review. The second question was designed in the same way as the first question, however, the second question related to extrinsic motivation. In this question respondents were asked to rate 9 factors, which were presented randomly, according to its importance in their previously made equity-based crowdfunding investments. The questions were generated based on the three different types of extrinsic motivation (delayed payoff, social motivation, and personal need) found in the literature review.

Finally, the scale questions were complemented with three short questions. The first of these three questions related to how many equity-based crowdfunding campaigns the respondents have invested in. The aim of this question was to investigate whether the degree of intrinsic motivation and extrinsic motivation influence the number of crowdfunding investments differently. The final two questions were regarding age and gender of the respondents.

3.4.3 Population and Sample

In order to ensure high-quality data for the study, data was collected in collaboration with the Swedish crowdfunding platform, FundedByMe. Since the research topic is of interest for the company they decided to give us access to their customer base, thus acting as an intermediate in the data collection process. As FundedByMe is the only platform offering equity-based crowdfunding in Sweden and is the largest crowdfunding platform within the country, investors at FundedByMe were considered a suitable population for this study.

As this research was delimited to study the motivation of investors in the Swedish market, segmenting FundedByMe's customer-base was essential. At the time of the data collection process, FundedByMe's customer-base consisted of 57 792 international members from 169 countries worldwide². Of these, 1 413 members were classified as active³ equity-based crowdfunding investors living in Sweden. This was thus the sample used in this study, which an email (and later the two reminding emails) containing the questionnaire link was sent to. In total 209 questionnaires were recorded, however, some questionnaires were partly unfinished and as a result 54 default questionnaires were removed from the data set. Of the 155 remaining respondents, 21 respondents were considered to be outliers and were removed from the final data analysis. Thus, 134 respondents, including 18 women and 116 men, were used for analysis of the main study. The response rate of the questionnaire was 14.79 % and the completion rate was 74.16 % (see Table 1).

Overview of Questionnaire

| | |
|--------------------------------|---------|
| Total members FundedByMe | 57 792 |
| Total active Swedish investors | 1 413 |
| Response rate | 14.79 % |
| Completion rate | 74.16 % |

Table 1 – Overview of Questionnaire

Several measures were taken to maximize the response rate. Firstly, the questionnaire was designed to minimize response errors, which can occur when a respondent gives inaccurate answers, when the answers are misrecorded or misanalysed, or when the respondent does not respond (Malhotra 2010). Thus, in order to prevent any kind of errors, questions were correctly formulated and the right words were used (Saunders, Lewis & Thornhill 2009).

² Accessed 3/10-2015 at FundedByMe's website (<https://www.fundedbyme.com/en/>).

³ An investor is classified as active if he/she previously has invested in at least one equity-based crowdfunding campaign at FundedByMe's platform.

3.4.4 Data Analysis

The data collected from the quantitative main study was analysed in the statistical program IBM SPSS Statistics 23. To test the hypothesis regarding the most influencing intrinsic motivational factor, respondents were asked to rate three statements of each intrinsic motivational category on a semantic seven-graded differential scale (Malhotra 2010). An index of each motivational factor within intrinsic motivation was created from the three questions performed, which in turn were compared to each other in order to determine the strongest factor. The four indexes were further composed into one with the aim to examine which type of motivation, intrinsic or extrinsic, that influence investors to invest in equity-based crowdfunding campaigns the most.

As for the intrinsic motivational factors, in order to test the strongest extrinsic motivational factor, respondents were asked to rate three statements of each extrinsic motivational category on a semantic seven-graded differential scale. An index was created for each extrinsic motivational factor by incorporating the three questions, which later on were computed into one variable in order to perform a comparison with the intrinsic variable. Finally, the variables of intrinsic motivation and extrinsic motivation were divided into high and low condition by a median split. The aim of the split was to investigate if the average number of equity-based crowdfunding investments made by the investors differs depending on the motivation that drives them to perform the investments.

In order to test the hypotheses and fulfil the purpose of the study, various mean comparison tests were performed. The significance was set to 5 %, which is the level normally used (Malhotra 2010) and the highest risk that can be taken for statistics studies (Bryman 2014).

3.5 Quality of data

According to Bryman & Bell (2011) it is important to evaluate a quantitative research in terms of reliability and validity. Reliability refers to “the extent to which a scale produces consistent results if repeated measurements are made” (Malhotra 2010, p. 318). Validity, on the other hand, refers to “whether or not a measure of a concept really measures that concept” (Bryman, Bell 2011, p. 159). The reliability and validity of this study will be further discussed in the following sub-sections.

3.5.1 Reliability

Reliability is often described as repeatability and concerns whether the results are consistent and would be same if the study was repeated (Bryman, Bell 2011). Thus, in order to achieve reliability of a study the results have to be repeatable. As this study aims to investigate the key motivators that drive investors to invest in equity-based crowdfunding campaigns, it can be assumed that different results would be obtained if the selected sample size differs. Therefore, a lot of emphasis was put into generating a representative sample of investors engaged in equity-based crowdfunding in Sweden.

Moreover, as this study is using a quantitative research approach, it is essential to use measurements that are stable over time (Bryman, Bell 2011) and minimizes the possibility of random errors (Malhotra 2010). This can be accomplished by performing the test and analysis at various points in time, but due to the time restriction of this study a qualitative pre-study was conducted instead in order to strengthen the stability and consistency of the research measures. By performing a pre-study, increased reliability of the study can be achieved, as it was confirmed that the questions could be understood and not misinterpreted (Saunders, Lewis & Thornhill 2009).

In order to measure the internal consistency of the multiple item measures that were used in this study, Cronbach's alpha was calculated (Bryman 2014, Malhotra 2010). A calculated Cronbach's alpha vary between 1 and 0, where 1 means perfect internal reliability and 0 means no internal reliability. A level of 0.70 is typically an acceptable level of internal reliability and is considered to be a normal level to use (Bryman 2014). The Cronbach's alphas calculated in this study when computing the variables were between 0.43-0.68, in which the majority of the alphas were above 0.6. The overall level of the alphas calculated in this study were thus below the recommended literature value. Nevertheless, a lower alpha was expected since this study aims to test traditional motivational concepts in a previously un-tested market. Furthermore, it should be noted that the alpha generally increases with larger samples (Eriksson, Göransson 2015), which could be an adjustment for further research.

When performing statistical analysis, examined data is often assumed to follow a normal distribution. With large enough sample sizes this is approximately true since as the sample gets larger, the t-distribution converges towards a standard normal distribution. For a sample size where $n > 120$ the two distributions become practically the same. The data set in this study included a sample of 134 responses, which therefore is considered to be enough to support and strengthen the statistical reliability of this study (Wooldridge 2012).

3.5.2 Validity

As mentioned above, validity is often described as to what extent the study really examines what it is set out to examine (Bryman, Bell 2011). Further distinction can be achieved by dividing validity into internal and external validity. Internal validity refers to "whether the observed effects on the test units could have been caused by variables other than the treatment" (Malhotra 2010, p. 254), while external validity refers to "whether the results of the study can be generalized beyond the specific research context" (Bryman, Bell 2011, p. 43).

As the quantitative main study was constructed based on both previous research and the qualitative pre-study, internal validity of the study was increased. The reason for this is that findings from both previous research and from the semi-structured interviews were included in the questionnaire, which helped secure that the right questions were asked. Thus, the likelihood of measuring the right concepts and collecting accurate data was increased (Saunders, Lewis & Thornhill 2009). Furthermore, by continuously revisiting collected data both after completing the empirical chapter and after completion of the concluding chapter, a high internal validity of the study was ensured.

In order to ensure high external validity, probability sampling was used to select a sample group that was considered representative for the research questions (Saunders, Lewis & Thornhill 2009). By carefully selecting the sample group, results were ensured to not be unique to the particular group upon whom the research was constructed, but could be generalized to other cases as well (Bryman, Bell 2011). Furthermore, by using probability sampling to select the study's sample group, it was possible to eliminate bias, which usually occurs when using a random-sampling technique (Bryman, Bell 2011).

4. Results

In this chapter the results gathered from the quantitative main study and the calculations conducted through the statistical program SPSS are provided. The chapter begins with a presentation of the results regarding the intrinsic motivational factors and the extrinsic motivational factors. This is followed by a comparison of intrinsic motivation and extrinsic motivation in terms of number of crowdfunding campaigns invested in. Finally, the chapter is concluded with a summary of the five hypotheses.

4.1 The Main Driver of Intrinsic Motivation

In order to test H(1) that enjoyment-based motivation is the most influencing intrinsic motivational factor to invest in equity-based crowdfunding campaigns, mean comparison paired samples t-tests were performed. In order to determine whether there is a statistically significant difference between the means, the variable of enjoyment-based motivation was paired with each of the other intrinsic motivational factors; community, philanthropy and relationship. The results from the paired samples t-tests are presented in Table 2 below.

Average Importance of Intrinsic Motivational Factors (μ)

| Variables | Mean | Std. Deviation | Statistics |
|--------------|------|----------------|-----------------------|
| Enjoyment | 5.58 | 0.81 | - |
| Community | 3.93 | 1.22 | $t = 16.35; p < 0.05$ |
| Philanthropy | 4.84 | 1.08 | $t = 7.32; p < 0.05$ |
| Relationship | 3.64 | 1.20 | $t = 16.51; p < 0.05$ |

Table 2 - Average Importance of Intrinsic Motivational Factors

The results from the paired samples t-tests indicate that investors who previously have made equity-based crowdfunding investments tend to be more motivated by enjoyment-based motivation compared to community-based, philanthropy-based and relationship-based motivation ($\mu = 5.58 > \mu = 3.93$; $\mu = 5.58 > \mu = 4.84$; $\mu = 5.58 > \mu = 3.64$). This implies that enjoyment-based motivation is the most influencing intrinsic motivational factor when performing an equity-based crowdfunding investment. As the corresponding two-tailed p-value is less than 0.05, the observations can be considered as significant. Hence, hypothesis H(1) regarding the most influencing intrinsic motivational factor to invest in equity-based crowdfunding cannot be rejected.

| | |
|------|---|
| H(1) | <i>Enjoyment-based motivation is the most influencing intrinsic motivational factor to invest in equity-based crowdfunding campaigns.</i> |
|------|---|

FAILED TO BE REJECTED

4.2 The Main Driver of Extrinsic Motivation

In order to test H(2) that the possibility to receive delayed payoffs is the most influencing extrinsic motivational factor, the same measurements were conducted as in the case of intrinsic motivation. Mean comparison paired samples t-tests were performed in order to assess the means regarding the importance of various extrinsic motivational factors when investing in equity-based crowdfunding

campaigns. The variable of delayed payoffs was paired with each of the other extrinsic motivational factors; social motivation and personal need. This was made in order to determine whether there is a statistically significant difference between the means of the measurements. The results from the conducted t-tests are provided in the Table 3 below.

Average Importance of Extrinsic Motivational Factors (μ)

| Variables | Mean | Std. Deviation | Statistics |
|-------------------|------|----------------|-----------------------|
| Delayed Payoffs | 5.42 | 1.10 | - |
| Social Motivation | 3.15 | 1.12 | $t = 16.09; p < 0.05$ |
| Personal Need | 3.89 | 1.16 | $t = 11.40; p < 0.05$ |

Table 3 - Average Importance of Extrinsic Motivational Factors

The results from the paired samples t-tests indicate that investors who previously have invested in equity-based crowdfunding campaigns tend to be more motivated by the possibility to receive delayed payoffs than social motivation and personal need ($\mu = 5.42 > \mu = 3.15$; $\mu = 5.42 > \mu = 3.89$). The result thus implies that the possibility to receive delayed payoffs is the most influencing extrinsic motivational factor when performing an equity-based crowdfunding investment. The observation can be considered as significant as the corresponding two-tailed p-value is less than 0.05. Hence, hypothesis H(2) regarding the most influencing extrinsic motivational factor to invest in equity-based crowdfunding campaigns cannot be rejected.

| | | |
|------|---|-----------------------|
| H(2) | <i>The possibility to receive delayed payoffs is the most influencing extrinsic motivational factor to invest in equity-based crowdfunding campaigns.</i> | FAILED TO BE REJECTED |
|------|---|-----------------------|

4.3 Extrinsic Motivation versus Intrinsic Motivation

In order to test H(3) that extrinsic motivation is more influencing than intrinsic motivation in terms of equity-based crowdfunding, a mean comparison samples t-test was performed. As two measurements were taken from the same respondent, a paired samples t-test was conducted in order to determine whether the difference between the means was statistically significant. The result from the conducted t-test is presented in Table 4 below.

Average Importance of Extrinsic and Intrinsic Motivation (μ)

| Variables | Mean | Std. Deviation | Statistics (paired) |
|----------------------|------|----------------|----------------------|
| Extrinsic Motivation | 4.15 | 0.76 | $t = 4.99; p < 0.05$ |
| Intrinsic Motivation | 4.50 | 0.76 | $t = 4.99; p < 0.05$ |

Table 4 - Average Importance of Extrinsic and Intrinsic Motivation

The result from the t-test implies that on average investors tend to be more motivated by intrinsic motivation than extrinsic motivation when making an equity-based crowdfunding investment ($\mu = 4.50 > \mu = 4.15$). In other words, this indicates that intrinsic motivation is more influencing than extrinsic motivation in equity-based crowdfunding related contexts. Since the p-value resulting from the paired samples t-test is lower than 0.05, it can be concluded that there is a statistically significant difference between the means of the two measurements. Hence, hypothesis H(3) regarding the fact that

extrinsic motivation is more influencing than intrinsic motivation in equity-based crowdfunding is rejected.

H(3) *Extrinsic motivation is more influencing than intrinsic motivation in equity-based crowdfunding.*

REJECTED

4.4 The Effect of Motivation

In order to test H(4) that investors with high extrinsic motivation and low intrinsic motivation tend to invest in more equity-based crowdfunding campaigns than investors with low extrinsic motivation and high intrinsic motivation, and H(5) that investors with high extrinsic motivation and high intrinsic motivation tend make even more equity-based crowdfunding investments than in the previous cases, analysis of variance (ANOVA) has been conducted. As mentioned previously, a median split has been performed in order to divide the variables of intrinsic motivation and extrinsic motivation into high and low condition. An ANOVA-test has been used, as a mean comparison had to be made between more than two groups. The results from the ANOVA-test are provided in Table 5 below.

Average Number of Equity-Based Crowdfunding Campaigns (μ)

| Variables | Mean | Std. Deviation | Statistics (Between Groups) |
|---------------------------------|------|----------------|-----------------------------|
| High Extrinsic & Low Intrinsic | 1.30 | 0.56 | F = 7.23; p<0.05 |
| High Intrinsic & Low Extrinsic | 1.35 | 0.70 | F = 7.23; p<0.05 |
| High Extrinsic & High Intrinsic | 2.30 | 1.29 | F = 7.23; p<0.05 |

Table 5 - Average Number of Equity-Based Crowdfunding Campaigns

The results from the table above indicate that on average investors with high extrinsic motivation and low intrinsic motivation tend to invest in less equity-based crowdfunding campaigns than investors with high intrinsic motivation and low extrinsic motivation ($\mu = 1.35 > \mu = 1.30$). Furthermore, investors that are highly motivated by both intrinsic motivation and extrinsic motivation tend to invest in more equity-based crowdfunding campaigns than in the previous two cases ($\mu = 2.30 > \mu = 1.30$; $\mu = 2.30 > \mu = 1.35$). As the p-value resulting from the ANOVA-test is less than 0.05, it can be concluded that there is a statistically significant difference between the means. Thus, hypothesis H(4) is rejected and hypothesis H(5) cannot be rejected.

H(4) *Investors with high extrinsic motivation and low intrinsic motivation tend to make more equity-based crowdfunding investments than investors with low extrinsic motivation and high intrinsic motivation.*

REJECTED

H(5) *Investors with high intrinsic motivation and high extrinsic motivation tend to make more equity-based crowdfunding investments than the cases in H(4).*

FAILED TO BE REJECTED

4.5 Summary of Findings

Summary of Study Hypotheses

| Hypothesis | Result | Short interpretation |
|-------------------|-----------------------|--|
| H(1) | Failed to be rejected | Enjoyment-based motivation is the most influencing intrinsic motivational factor to invest in equity-based crowdfunding campaigns. |
| H(2) | Failed to be rejected | The possibility to receive delayed payoffs is the most influencing extrinsic motivational factor to invest in equity-based crowdfunding campaigns. |
| H(3) | Rejected | Extrinsic motivation is not more influencing than intrinsic motivation in equity-based crowdfunding. |
| H(4) | Rejected | Investors with high extrinsic motivation and low intrinsic motivation do not tend to make more equity-based crowdfunding investments than investors with low extrinsic motivation and high intrinsic motivation. |
| H(5) | Failed to be rejected | Investors with high intrinsic motivation and high extrinsic motivation tend to make more equity-based crowdfunding investments than the cases in H(4). |

Table 6 – Summary of Study Hypotheses

5. Discussion and Implications

In this chapter, findings from the quantitative main study are discussed and analysed in association with the theoretical framework of the study. This is followed by the conclusion and managerial implications as well as research limitations. Finally, suggestions for further research are presented.

5.1 The Importance of Enjoyment-Based Motivation

Enjoyment-based motivation was hypothesised to be the strongest intrinsic motivational factor for investors to invest in equity-based crowdfunding campaigns. The result from the study indicates that support was found for this hypothesis, which therefore verifies previous theories regarding the importance of enjoyment-based motivation in equity-based crowdfunding. Although support was found for this hypothesis, it is of interest to reflect on why both academic theory and research findings have come to this conclusion. The results showed that there are two specific factors within enjoyment-based motivation that strongly influences the investors' decision to make an equity-based crowdfunding investment; the business idea and the feeling of fun and enjoyment (see Appendix IV).

As shown in the results, the main reason to why enjoyment-based motivation is the most influencing intrinsic motivational factor in equity-based crowdfunding is because investors have an authentic interest in the entrepreneur's or SME's business idea. Compared to e.g. reward-based or philanthropy-based crowdfunding investments, which do not require the entrepreneur to inform the investor about the SME's business plan, equity-based crowdfunding gives the investors more information about the company through different types of documents. This implies that investors have more information about the company, such as the financial forecast and future outlook, to base their investment decision on, which in turn increases the investors' confidence and knowledge about the business idea. Hence, it can be assumed that having an interest in the SME's business idea plays a significant role in equity-based crowdfunding.

Another reason to why investors in equity-based crowdfunding tend to be more motivated by enjoyment-based motivation than community-based, philanthropy-based and relationship-based motivation is due to the fact that investors enjoy making equity-based crowdfunding investments. This is in accordance with previous studies within equity-based crowdfunding, which also found enjoyment to be an important intrinsic motivational factor when engaging in equity-based crowdfunding (Bretschneider, Knaub & Wieck 2014, Van Wingerden, Ryan 2011, Eriksson, Göransson 2015). The result is further in line with findings from Ordanini et al. (2009) who emphasized that it is the experience of supporting a start-up company that motivates investors to engage in crowdfunding.

The results from the study therefore indicates that enjoyment and having an interest in the SME's business idea are more influencing than e.g. having a relationship with the entrepreneur (Bretschneider, Knaub & Wieck 2014, Agrawal, Catalini & Goldfarb 2011), investing in order to belong to a group of like-minded people (Schwienbacher, Larralde 2010) and to help someone else out (Bretschneider, Knaub & Wieck 2014). Thus, the results indicate that enjoyment-based motivation has a significant impact on the investors' decision to make an equity-based crowdfunding investment. However, community-based, philanthropy-based and relationship-based intrinsic motivational factors still influence the investors' decision to engage in equity-based crowdfunding, just not as strongly as enjoyment-based motivation.

5.2 The Importance of Delayed Payoffs

In the second hypothesis it was suggested that the possibility to receive delayed payoffs is the most influencing extrinsic motivational factor. After analysing the data support for this hypothesis was found and previous theories regarding delayed payoffs within crowdfunding could therefore be verified.

The results of the study indicate that investors within equity-based crowdfunding tend to be more motivated by the possibility to receive delayed payoffs than by social motivation or personal need. This implies that delayed payoffs is the most influencing motivational factor within extrinsic motivation and plays a significant role when performing an investment within equity-based crowdfunding. The results further indicate that within delayed payoffs, receiving a financial return is more important than using equity-based crowdfunding to spread the risk in a portfolio or as an alternative investment than a bank (see Appendix IV). This therefore verifies the findings by Cholakova & Clarysse (2015) who hypothesized financial incentives to be the main driver for investors to invest in equity-based crowdfunding.

A reason to why delayed payoffs is the most influencing motivational factor within extrinsic motivation may be due to the nature of equity-based crowdfunding. As the investors within equity-based crowdfunding are given the opportunity to invest in a potential business in exchange for actual shares in the company, the concept of equity-based crowdfunding itself is to attract investors by giving them the possibility to receive delayed payoffs in the form of financial return. Therefore, when investors are investing in this type of crowdfunding campaigns, it is assumed that they will receive delayed payoffs in return in the future. Hence, this strengthens the argument that investors who are extrinsically motivated are primarily driven by the possibility to receive delayed payoffs when making equity-based crowdfunding investments. However, this does not imply that social motivation and personal need are unimportant. According to the results, social motivation and personal need also play a significant role when investing in equity-based crowdfunding, although not as much as the possibility to receive delayed payoffs.

5.3 Intrinsic Motivation as the Main Driver

The third hypothesis suggested that extrinsic motivation is more influencing than intrinsic motivation in equity-based crowdfunding. However, this hypothesis could not be supported since the results showed that intrinsic motivation is the main driver in equity-based crowdfunding related contexts (see Table 4).

A reason to why intrinsic motivation is more influencing than extrinsic motivation in equity-based crowdfunding might be related to the fact that investors find making an investment to be enjoyable and that having an interest in the entrepreneur's or SME's business idea is more important than the possibility to receive delayed payoffs in the future. This might further be a result of the fact that the possibility to receive delayed payoffs is associated with some risks. By investing in equity-based crowdfunding, there is a risk that the investor will not get a financial payoff if the company does not grow and eventually makes an IPO. Therefore, it can be argued that investors make equity-based crowdfunding investments because they like and believe in the entrepreneur's or SME's business idea and enjoy making the investment rather than the possibility to receive delayed payoffs. Nevertheless, the possibility to receive delayed payoffs is still considered to be an important factor in equity-based crowdfunding since the investors regardless will receive shares in the company they invest in.

The results further argue against the SDT, which implies that intrinsic motivation declines when extrinsic motivation is introduced (Ryan, Deci 2000). Thus, the results argue against theories saying that once it is possible to receive monetary rewards, people should become more extrinsically motivated to invest in a crowdfunding campaign (Wechsler 2013). These findings are interesting since the investors will receive shares in the company they invest in, which implies that the investors have the possibility to receive delayed payoffs and thus a financial return regardless of the primary motivation to make the investment. A reason for why these results were generated might be because the concept of crowdfunding is still relatively new (Mollick 2014). Equity-based crowdfunding is therefore not yet considered to be a primary investment tool, but rather a fun activity to engage in and a way to support an entrepreneur or a SME with a business idea the investor believes in. Thus, the association of equity-based crowdfunding is still related to enjoyment and excitement, rather than the possibility to receive delayed payoffs or satisfying a personal need. This might also be a result of the fact that people in general have more knowledge about reward-based crowdfunding, where the funder receives a reward, such as a product, in return for supporting the entrepreneur's campaign.

5.4 The Effect of Motivation in Equity-Based Crowdfunding

The fourth hypothesis suggested that investors with high extrinsic motivation and low intrinsic motivation tend to make more equity-based crowdfunding investments than investors with high intrinsic motivation and low extrinsic motivation. Support for this hypothesis was however not found, as the results showed that investors with high intrinsic motivation and low extrinsic motivation tend to invest in more equity-based crowdfunding campaigns than investors with high extrinsic motivation and low intrinsic motivation. The fifth and final hypothesis suggested that investors with high intrinsic motivation and high extrinsic motivation tend to make more equity-based crowdfunding investments than the cases in H(4). Support was found for this hypothesis, which validates previous research regarding motivation and its effect on the number of investments made within equity-based crowdfunding (see Table 5).

The results indicate that investors who are strongly motivated by intrinsic motivation tend to invest in more equity-based crowdfunding campaigns than investors who are strongly motivated by extrinsic motivation. As intrinsic motivation has been found to be more influencing than extrinsic motivation when making equity-based crowdfunding investments, it is reasonable that investors who are strongly intrinsically motivated tend to make more investments than investors who are strongly extrinsically motivated. A reason for this might be due to the fact that investors who are mainly extrinsically motivated are driven by external incentives, such as direct or indirect monetary compensations (Bretschneider, Knaub & Wieck 2014), which is not in line with the findings that indicate that investors tend to make equity-based crowdfunding investments since they are interested in the entrepreneur's or SME's business idea or since they enjoy making the investment. The results in this study further found that the possibility to receive delayed payoffs is the strongest motivational factor within extrinsic motivation. This implies that return on investment is a crucial factor for investors who are strongly motivated by extrinsic motivation when selecting a campaign to invest in. This in turn might lead to a more careful selection process and a higher amount invested in a single campaign rather than investing small amounts in several campaigns. For people who are mainly intrinsically motivated, internal emotions such as finding the campaign to be interesting, fun and enjoyable are the main drivers when performing an activity (Deci, Ryan 2008). Return on the investment is therefore not as important as for investors who are extrinsically motivated, which might lead to an easier decision-making process and thus result in more investments in several different crowdfunding campaigns.

Furthermore, the results from the quantitative main study indicate that investors who are strongly motivated by both intrinsic and extrinsic motivation tend to invest in more campaigns than investors who are strongly motivated by either intrinsic or extrinsic motivation. As both intrinsic and extrinsic motivation has been found to play a significant role when investing in equity-based crowdfunding campaigns (Bretschneider, Knaub & Wieck 2014, Van Wingerden, Ryan 2011, Eriksson, Göransson 2015, Collins, Pierrakis 2012), it can be concluded that investors with high levels of both intrinsic motivation and extrinsic motivation tend to make more equity-based crowdfunding investments.

5.5 Conclusion

The aim of this thesis was to investigate the key motivators that drive investors to invest in equity-based crowdfunding campaigns in Sweden. The research questions were based on a theoretically identified gap in current crowdfunding research, which lacks a deeper understanding of the main motivational factors that drive individuals to invest in equity-based crowdfunding in Sweden.

This study found that investors engaged in equity-based crowdfunding are mainly driven by intrinsic motivation. With other words, the results in this study showed that investors are more motivated by intrinsic motivation than extrinsic motivation when performing an equity-based crowdfunding investment. Furthermore, enjoyment-based motivation has been identified as the strongest driver within intrinsic motivation and delayed payoffs within extrinsic motivation.

Moreover, investors who are strongly motivated by both intrinsic motivation and extrinsic motivation have been found to invest in more equity-based crowdfunding campaigns than investors who are strongly motivated by either intrinsic motivation or extrinsic motivation. Hence, this thesis verifies that different types of motivation lead to different investment outcomes, which should be accounted for by managers and entrepreneurs within equity-based crowdfunding in practice.

5.6 Managerial Implications

This study has rendered several insights that are valuable to decision-makers and managers within the field of crowdfunding. By giving a concrete answer to what the key motivators that drive investors to invest in equity-based crowdfunding campaigns are, the study creates a deeper understanding of investors' motivation to engage in equity-based crowdfunding. Furthermore, in order to use crowdfunding as a tool to raise funds for a venture it is essential to understand what motivates people to engage in crowdfunding (Harms 2007). Hence, by knowing the motivational factors that drive investors to invest in equity-based crowdfunding campaigns, entrepreneurs as well as managers of crowdfunding platforms will get valuable insights and knowledge that can help them to attract more investors and raise more funds for the crowdfunding campaigns.

This study further contributes to existing marketing research by improving the understanding of a new role of the customer as an investor. Broadening the understanding of the motivation and investment behaviour of equity-based crowdfunding investors is crucial and will create implications for platform operators, entrepreneurs, as well as investors engaging in crowdfunding. Furthermore, by investigating equity-based crowdfunding in the Swedish market, this study extends prior crowdfunding research by testing established motivational theories in a new environment.

Finally, the framework used to categorize the motivational factors that drive investors to invest in equity-based crowdfunding campaigns, has been further developed and investigated in this study. Building on the model first introduced by Kaufmann et al. (2011) and further developed by Wechsler

(2013) as well as Eriksson & Göransson (2015), an extension of the model has been conducted, which can be used for future studies within the field of crowdfunding research.

5.7 Research Limitations

Despite the efforts to make the research as accurate as possible there are still limitations of the study, which needs to be taken into consideration when taking part of the findings presented. One of the main limitations is connected to the choice of sample. The sample selected for this study consists of Swedish investors from a single crowdfunding platform, FundedByMe. Since the study has been conducted with Swedish investors only and there might still be other Swedish investors that have invested in equity-based crowdfunding through foreign platforms who are not included in this study, it can be questioned whether the findings of the study are applicable for further generalization. However, the aim of this study is not to generate findings that are applicable on a global level, but rather to create a better understanding of the main motivational factors that drive investors to make equity-based crowdfunding investments.

Another limitation of the study is the sex distribution of the survey respondents. The majority of the data collected from the quantitative main study consisted of men, which may affect the generalizability of the results. Furthermore, due to the time restriction it was only possible to perform the quantitative main study one time, which made it difficult to make conclusions of the long-term effect. With more time, it would also be possible to collect more data to the study and increase the response rate, which in turn might lead to more generalizable conclusions.

Furthermore, as equity-based crowdfunding is still a relatively new area of research, most theories used in this study are connected to reward-based crowdfunding. In addition, the majority of previous studies on motivation in crowdfunding have been conducted in other countries than Sweden. Hence, theories applied in this study have mainly been used in motivational studies in foreign countries. This is a limitation since geographical ties might affect the motivational factors that drive funders to engage in crowdfunding. However, this limitation was inevitable as existing research on both reward- and equity-based crowdfunding in Sweden is limited.

5.8 Suggestions for Further Research

Since crowdfunding is still a relatively new phenomenon, there are several aspects that can be considered for further research. This can either take the form of an extension of this study, or as a complementary research within the field. A recommendation for further research is to apply this study in wider contexts and in a greater and more diversified sample for generalization. Since the data collected for the study is limited to the Swedish crowdfunding platform FundedByMe, it would be interesting to investigate if the same results would be achieved through other crowdfunding platforms.

Another suggestion for further research would be to apply the study in other countries and thus investigate whether it would render different outcomes. The results obtained could in turn be compared to the results in this study to see if the motivators that drive investors to invest in equity-based crowdfunding campaigns in Sweden differ from a geographical point of view. The purpose of such research would thus be to create a better understanding of how the motivational factors that drive investors to make equity-based crowdfunding investments differ between different countries.

Furthermore, as this study investigated whether the degree of intrinsic motivation and extrinsic motivation influence the number of crowdfunding investments differently, another interesting topic for further research would be to investigate how the motivation influences the amount of money invested in crowdfunding campaigns. As intrinsic motivation and extrinsic motivation have been found to render different outcomes in crowdfunding related contexts in terms of number of crowdfunding campaigns invested in, it would be of interest to investigate if the degree of motivation influences the investment amount as well.

Finally, as lending-based crowdfunding is the least researched type of crowdfunding as of today, it would be interesting to investigate the motivational factors that drive individuals to lend in this type of crowdfunding. By applying this study on the concept of lending-based crowdfunding, interesting results could be obtained and a contribution could be made to a relatively unexplored field of study. Furthermore, the results found in the motivational study on lending-based crowdfunding could be compared to the results within other types of crowdfunding, such as equity-based crowdfunding and reward-based crowdfunding. The purpose of this would thus be to investigate if the motivational factors that drive funders to engage in crowdfunding differ between backers, lenders and investors.

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7. Appendices

7.1 Appendix I: FundedByMe

FundedByMe is a crowdfunding platform based in Stockholm, Sweden. As of today, more than €15 million have been raised through the platform to more than 400 companies worldwide. FundedByMe is one of the first crowdfunding platforms in the world to offer reward-based, lending-based and equity-based crowdfunding at one single platform. The platform has a major focus on cross-border investments that benefit both entrepreneurs and investors to assist with job creation and economic growth.

The FundedByMe platform has a strong focus on Europe, particularly for equity-based crowdfunding campaigns, which is currently only available to European entrepreneurs. Lending-based crowdfunding is currently only available to German companies, while reward-based crowdfunding is available to entrepreneurs and backers from all over the globe.

7.2 Appendix II: Main Study Questionnaire

Dear investor, let's do this.

We have invited you to this feedback round due to a study conducted by FundedByMe in cooperation with the Stockholm School of Economics. This study aims to review Swedish investors in order to understand their needs and preferences in terms of motivation, as well as contribute to the development of research in the area of Equity-Based Crowdfunding in Sweden. We are very interested in taking part of your opinion and are thankful for your support while filling out this questionnaire. All data will of course remain confidential and anonymous.

We look forward to receive your feedback until the 1st of November. Thank you so much for making equity crowdfunding better in Sweden!



Please rate the following statements based on your previous investments in Equity Crowdfunding at FundedByMe. To what extent do you agree that the following factors are of importance when making an investment? (1 = Disagree, 7 = Agree).

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| To support friends or family members | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The investment provides me fun/enjoyment | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I am interested in the business idea | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| It makes me happy to support the SME sector | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To belong in a group of people who share my interests | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The investment process is exciting | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I identify myself with others who invest in the project | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I feel sympathy or affection for the project team | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To support projects based on its geographical ties | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I feel my money is making a difference | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| My money is doing social or environmental good | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To feel involved in the project process | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Please rate the following statements based on your previous investments in Equity Crowdfunding at FundedByMe. To what extent do you agree that the following factors are of importance when making an investment? (1 = Disagree, 7 = Agree).

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Influence the company's development according to my wish | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To diversify my investment portfolio | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Express my emotions and social identity | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To satisfy my personal needs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To invest my money in an alternative to a bank | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Receive financial return in long-term | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Increase my social status | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Get satisfaction/recognition from investment | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Invest in companies that are in line with my individual needs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

How many Equity Crowdfunding projects have you invested in at FundedByMe?

Year of birth:

Gender

- ☐ Male
- ☐ Female

Thank you for participating!

7.3 Appendix III: Description of Questions

Connection between Questionnaire and Hypotheses

| Statements - Question 1 | Variable | Motivation |
|--|--------------------|----------------------|
| <i>To support friends or family</i> | Relationship-based | Intrinsic Motivation |
| <i>The investment provides fun/enjoyment</i> | Enjoyment-based | Intrinsic Motivation |
| <i>I am interested in the business idea</i> | Enjoyment-based | Intrinsic Motivation |
| <i>It makes me happy to support the SME sector</i> | Philanthropy-based | Intrinsic Motivation |
| <i>To belong in a group who share my interests</i> | Community-based | Intrinsic Motivation |
| <i>The investment process is exciting</i> | Enjoyment-based | Intrinsic Motivation |
| <i>I identify with others who invest in the project</i> | Community-based | Intrinsic Motivation |
| <i>I feel sympathy or affection for the project team</i> | Relationship-based | Intrinsic Motivation |
| <i>To support projects based on geographical ties</i> | Relationship-based | Intrinsic Motivation |
| <i>I feel my money is making a difference</i> | Philanthropy-based | Intrinsic Motivation |
| <i>My money is doing social or environmental good</i> | Philanthropy-based | Intrinsic Motivation |
| <i>To feel involved in the project process</i> | Community-based | Intrinsic Motivation |
| Statements - Question 2 | | |
| <i>Influence the company's development according to my wish</i> | Personal need | Extrinsic Motivation |
| <i>To diversify my investment portfolio</i> | Delayed payoffs | Extrinsic Motivation |
| <i>Express my emotions and social identity</i> | Social-based | Extrinsic Motivation |
| <i>To satisfy my personal needs</i> | Personal need | Extrinsic Motivation |
| <i>To invest my money in an alternative to a bank</i> | Delayed payoffs | Extrinsic Motivation |
| <i>Receive financial return in long-term</i> | Delayed payoffs | Extrinsic Motivation |
| <i>Increase my social status</i> | Social-based | Extrinsic Motivation |
| <i>Get satisfaction/recognition from the investment</i> | Social-based | Extrinsic Motivation |
| <i>Invest in companies that are in line with my individual needs</i> | Personal need | Extrinsic Motivation |

7.4 Appendix IV: Overview of Survey Questions

Survey Questions Overview

| Statements – Question 1 | N. | Mean | Std. Deviation | Skewness | Kurtosis |
|--|-----------|-------------|-----------------------|-----------------|-----------------|
| <i>To support friends or family</i> | 134 | 6,28 | 0,855 | -0,95 | -0,001 |
| <i>The investment provides fun/enjoyment</i> | 134 | 5,34 | 1,238 | -0,931 | 1,41 |
| <i>I am interested in the business idea</i> | 134 | 5,13 | 1,386 | -0,64 | 0,003 |
| <i>It makes me happy to support the SME sector</i> | 134 | 4,88 | 1,487 | -0,363 | -0,379 |
| <i>To belong in a group who share my interests</i> | 134 | 5,15 | 1,484 | -0,611 | -0,163 |
| <i>The investment process is exciting</i> | 134 | 4,49 | 1,48 | -0,161 | -0,434 |
| <i>I identify with others who invest in the project</i> | 134 | 2,98 | 1,829 | 0,647 | -0,582 |
| <i>I feel sympathy or affection for the project team</i> | 134 | 4,52 | 1,676 | -0,409 | -0,73 |
| <i>To support projects based on geographical ties</i> | 134 | 3,43 | 1,642 | 0,191 | -0,936 |
| <i>I feel my money is making a difference</i> | 134 | 3,43 | 1,71 | 0,162 | -0,923 |
| <i>My money is doing social or environmental good</i> | 134 | 3,84 | 1,557 | -0,183 | -0,758 |
| <i>To feel involved in the project process</i> | 134 | 4,51 | 1,496 | -0,617 | -0,006 |
| Statements – Question 2 | | | | | |
| <i>Influence the company's development according to my wish</i> | 134 | 5,87 | 1,219 | -1,105 | 1,257 |
| <i>To diversify my investment portfolio</i> | 134 | 5,1 | 1,536 | -0,848 | 0,218 |
| <i>Express my emotions and social identity</i> | 134 | 5,3 | 1,467 | -0,967 | 0,762 |
| <i>To satisfy my personal needs</i> | 134 | 2,33 | 1,267 | 0,641 | -0,665 |
| <i>To invest my money in an alternative to a bank</i> | 134 | 4,07 | 1,59 | -0,214 | -0,607 |
| <i>Receive financial return in long-term</i> | 134 | 3,06 | 1,535 | 0,265 | -0,791 |
| <i>Increase my social status</i> | 134 | 3,3 | 1,456 | 0,267 | -0,779 |
| <i>Get satisfaction/recognition from the investment</i> | 134 | 4,43 | 1,577 | -0,371 | -0,724 |
| <i>Invest in companies that are in line with my individual needs</i> | 134 | 3,93 | 1,562 | -0,2 | -0,655 |