

## **Investment Intention in Crowdfunding**

Adoption of crowdfunding in developing countries: The barriers and drivers for investors from developed countries with a focus on Norway

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## **Abstract**

Crowdfunding is a form of investment that has emerged in the alternative finance market. It addresses the unmet demand of small investors wanting to invest in startups or contribute to projects. In developing countries, this concept is recent, thus leading to less activity compared to advanced markets. This master thesis seeks to explain the factors that drive or prevent investors from developed countries to fund projects in developing countries. Factors like monetary utility, societal utility, cultural distance, geographical distance, personal interest, perceived risk of crowdfunding, perceived risk on investment in developing countries, and self-efficacy have been identified in the literature review. These factors have been transformed to testable hypotheses. This study has used an exploratory quantitative approach and collected data from 79 individuals, mainly Norwegian nationals. Of the eight hypotheses, monetary utility, personal interest and perceived risk of investment in developing countries have not been testable due to inadequate data. The two hypotheses cultural distance and geographical distance have been merged into one variable as psychic distance due to being too highly correlated. Findings from the multiple regression analysis have resulted in us accepting the hypotheses of societal utility, self-efficacy, and psychic distance to be factors that impact investment intention in crowdfunding. Perceived risk of crowdfunding on the other hand has been found insignificant. Results of this study have contributed to our theoretical understanding of drivers and barriers for using crowdfunding for investment in developing countries. For practice, the results are highly relevant for fund seekers who are trying to raise funds through crowdfunding.

## Sammendrag

Folkefinans er en investeringsform som har oppstått i det alternative finans markedet. Denne formen for investering møter den umettede etterspørselen fra små investorer som ønsker å investere i mindre prosjekter. I utviklingsland er dette et relativt nytt konsept og grunnet dette er aktiviteten rundt konseptet betraktelig mindre der enn i utviklede land. Denne master oppgaven ønsker å undersøke, og dermed kunne forklare, hvilke faktorer som driver eller avstøter investorer fra utviklede land til å investere i investeringsobjekter i utviklingsland. Faktorer som økonomisk nytte, samfunns nytte, kulturell distanse, fysisk distanse, personlig interesse, oppfattet risiko forbundet med folkefinans, oppfattet risiko med investeringer i utviklingsland og personlig følelse av mestring har blitt identifisert i litteraturen, og vil bli videre undersøkt. Oppgaven tar i bruk en utforskende kvantitativ tilnærming, og vi samlet inn data fra 79 forskjellige individuelle deltakere, der majoriteten var nordmenn. Av de åtte forskjellige hypotesene vi utviklet, kunne ikke økonomisk nytte, personlig interesse og oppfattet risiko med investeringer i utviklingsland bli testet, grunnet et manglende datagrunnlag. Kulturell distanse og geografisk distanse ble slått sammen til en variabel, psykologisk distanse, ettersom korrelasjonen mellom disse var for høy til at de kunne måles separat. Funnene fra regresjons analysen resulterte i at vi aksepterte hypotesene for samfunnsmessig nytte, personlig følelse av mestring og psykologisk distanse. Dette betyr at disse faktorene har en innvirkning på individers villighet til å investere i crowdfunding. Oppfattet risiko forbundet med folkefinans, ble avvist, som betyr at dette ikke ble sett som å ha en påvirkning på investerings intensjonen. Resultatene fra denne oppgaven har bidratt til å øke det teoretiske grunnlaget rundt konseptet folkefinans og investeringer i utviklingsland gjennom dette. Disse resultatene er relevante for individer som ønsker å søke om investering, ettersom de kan bruke funnene til å tilpasse markedsstrategien sin.

## **Acknowledgement**

It has been a pleasure to be able to author this thesis. We find the topic of crowdfunding in the international markets fascinating, and it has been our honor to be able to contribute to the research in this field. Aside from being able to leverage our knowledge gained from our master's study, we have also been able to apply practical research skills in an area that we have a personal interest in. Throughout the writing, we have received support and assistance, and we would like to take this chance to show our gratitude.

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## **Introduction**

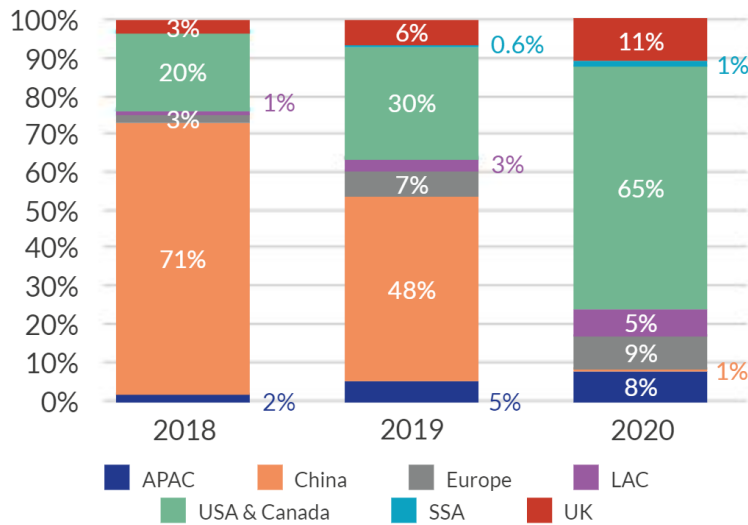
Evolving with technology, the financial service industry has transformed dramatically in the last decades, moving away from traditional banking to online platforms, taking full advantage of the financial technology (FinTech) developments (Kotarba, 2016). Alternative finance is a term that defines “*digital finance activities that have emerged outside of the incumbent banking systems and traditional capital market and occur online*” (Ziegler et al., 2021, p. 30). According to Cambridge Center for Alternative Finance (CCAF) in Ziegler et al. (2021), the global volume of alternative finance accounted for \$114 billion in 2020. Nevertheless, the growth of global volume has been stagnating mainly due to decline in the Chinese market, which decreased from representing 48% of the global volume in 2018, to currently only 1% of the global volume. Without China in the picture, the global volume experienced a growth of 24% in 2020, with the US market dominating the alternative finance industry with \$73.62 billion, despite the COVID-19 pandemic.

Broadly described by Belleflamme et al. (2015), crowdfunding is a business model which allows fundraisers to raise funds through an online marketplace, via small individual investments from a large audience. Crowdfunding combines the concepts of micro-financing and crowdsourcing (Morduch, 1999; Poetz & Schreier, 2012, as cited in Mollick, 2014), which positions it to take advantage of the growing number of internet users. The evolution and increase in use of the Internet has made it possible for small investors to find projects around the world, and accordingly for fundraisers to find a large crowd of investors to fund their projects. Depending on the type of investment and return that is desired, the alternative finance industry can be divided into 3 main categories: Debt, equity, and non-investment models, with a total of 16 different types of business models (Ziegler et al., 2021). The category of non-investment can be further divided into two sub-categories: reward-based crowdfunding and donation-based crowdfunding. (Belleflamme et al., 2015; Mollick, 2014).

Due to its dominance in the global alternative finance industry before 2018, the report of “Global Alternative Finance Market Benchmarking” considered China as one region (Ziegler et al., 2021). However, with the decline since then, the US and Canada region surpassed China and became the leading region with a 65% market share in 2020. Another remarkable region is the European, with a market share of 9%, excluding the United Kingdom. The United Kingdom currently has a market



share of 11% of the global market. Illustrated by the presented figure, Figure 1, the crowdfunding market is currently dominated by the world’s most developed countries.



*Figure 1: Market Share of Alternative Finance Activity by Region (Ziegler et al., 2021)*

In the context of developing countries, crowdfunding is still a novel idea with less activity. Ziegler et al. (2020) discovered a strong correlation between GDPs per capita and crowdfunding market volume per capita (excluding China). Indeed, local regulations and institutions play a significant role in attracting investors, particularly in crowdfunding (Rau, 2019, as cited in Ziegler et al., 2020).

The pandemic and the sets of challenges that occurred during, have resulted in many developing countries seeing a decline in lending activities. This decline has magnified the challenge of reaching the current levels in developed countries (Ziegler et al., 2020). Nevertheless, and well-before the pandemic, some of the greatest needs in funding for SMEs (small and medium-sized enterprises) have been identified in a chronic and large funding gap prevalent in developing countries (International Finance Corporation, 2017)

### *Definitions*

The terminologies used to describe a developing or developed country have historically been vaguely defined. These terms often refer to the economic state of a country. Disagreements connected to the definition of country has led to the term “emerging market” being used to refer to specific regions, such as the Taiwan Province of China, and Hong Kong SAR (International Monetary Fund, 2020). Hence, in this paper, we will refer to the International Monetary Fund’s

(IMF) classification of advanced economies and developing and emerging markets to draw a specific line between different markets. Moreover, for simplification, the terms developing country and emerging market, and developed country and advanced market, will be used in an interchangeable manner.

### *Research objective*

The introduction of crowdfunding increases the opportunities and availability to directly invest in projects from developing countries. These investments have the potential of improving the local societies. Due to the benefits of crowdfunding, we would like to investigate how crowdfunding can be utilized to address the challenges connected to growth and finances, which are present in developing countries. This paper investigates the drivers and barriers of current and potential crowdfunding investors to fund projects in developing countries. Due to limitations, our sampling will mainly consist of Norwegian investors. The research objective of this paper aims to understand the correlation between different personal characteristics among potential investors in Norway, an advanced market, and their intention to invest in developing countries.

### *Research question*

In the thesis the adoption of crowdfunding investments from developed countries into developing countries, is examined. As such, we aim to identify the barriers and drivers influencing investors from developed countries in their decisions to invest in developing countries when using crowdfunding as the investment method. More specifically, we seek to answer: “what drives crowdfunding investment decisions of investors from developed countries in developing countries?”

The thesis will comprise of a literature review of past research on crowdfunding, investors’ crowdfunding motivations and investment intention in developing countries. To build the foundation and hypotheses for our study, we will be looking at theories used, similarly influential variables, contradictions, and interesting findings from past research. Further, we will test the developed hypotheses through collecting data using an online questionnaire and conduct an analysis of the obtained data. After analyzing the data in SPSS using multiple regression analysis, we compare our findings to previous results and discuss possible similar and contradicting

findings. Finally, a conclusion will be drawn based on our research, and limitations, implementations for practice and recommendations for future research are suggested.

## **Literature review**

Conducting a literature review allowed us to examine past research and investigations that were relevant to our research question. The practice of a literature review creates a foundation for researchers to advance knowledge and detect gaps that need further research (Webster & Watson, 2002). A thorough implementation of a literature review can act as a guideline for evidence-based research that will be both unbiased and rigorous (Tranfield et al., 2003).

To initiate the search for relevant literature, we discussed the use of different keywords to optimize the search. The discussion led to the searches containing the keyword **“crowdfunding”** with different and unique combinations with words, such as **“adoption,” “intention,”** and **“investment intention.”** To broaden the search, related keywords such as **“prosocial lending,” “peer-to-peer lending,” “P2P-lending”,** or **“crowdlending”**, in combination with the keywords used previously, increased the number of potential articles.

Having such a complex search goal created the need to perform a two-part literature search. In the second part of the search, the main focus was to investigate the trend of investment into foreign emerging markets or developing economies without specific reference to crowdfunding. Various aspects of motivations to invest in emerging markets or developing countries were researched. The method used in the first part of the literature search was applied to find the relevant articles. Instead of using crowdfunding specific wording in the searches, keywords such as **“investment willingness,” “developing country,” “emerging market”** and **“investment intention”** gave desired specified results. Unfortunately, only a limited number of relevant articles emerged when researching literature for investments in emerging and developing markets. To ensure peer-reviewed and relevant articles, databases such as Google Scholar, Scopus, ScienceDirect, and Orio provided a great basis, and we refined our search to only show results of journal articles and book chapters.

Initial searches resulted in a total of forty-two articles that were relevant to our topic of investment intention in crowdfunding. However, upon more critical inspection of the articles, there was a need to filter out articles concluded to be less relevant, resulting in the removal of twenty-six articles. The final articles chosen investigated various aspects surrounding crowdfunding and developing country investments. Studies preferred were more recent ones, due to the topic of crowdfunding still being novel, and hence the articles are representing the most up-to-date insights in a

dynamically growing market. Following increasingly specified filtering, a final pool of sixteen articles remained. Exclusion of articles occurred due to either lack of the relevant keywords, research being too specified on a certain issue, or too general to draw any conclusion useful for the purpose of our study. As the number of articles chosen was small, the snowballing sampling technique was applied through the articles that were considered relevant and four additional articles were added. Finally, a total of twenty articles were deemed relevant for our research. The below table presents the final pool of articles.

Author (Year)	Dependent variable	Independent variable	Effect	Sample	Analytical method	Theory	Comments
Akhtar, F. & Das, N. (2019)	Investment intention (II)	Attitude	Direct Positive Significant	920 individuals in India	Quantitative , Confirmator y factor analysis (CFA) and Structural equation modelling	TPB (perceived behavioral control has been replaced with financial self-efficacy, FSE) and two additional constructs, i.e., financial knowledge and personality traits	Attitude is most significant in investment decisions. Relationship between FK and II partially mediated by attitude. Personality plays a bigger role than financial knowledge in influencing investment intention
		Subjective norms	Direct Positive Significant				
		Financial self-efficacy (FSE)	Direct Positive Significant				
		Financial knowledge (FK)	Direct Positive Significant				
		Attitude	Mediating (between FK and II) Positive Significant				
		Personality traits (PT)	Direct Positive Significant (with influence of FSE)				
		FSE	Mediating and moderating (between PT and II) Positive Significant				

Ahlers, G. K. C., Cumming, D., Günther, C. & Schweizer, D. (2015)	Fundraising success	Human capital Social capital Intellectual capital Equity share Financial projection	Positive Significant Positive Non-significant Positive Non-significant Negative Significant Negative Significant	104 crowdfunding offerings on Australian Small-Scale Offering Board (ASSOB)	Quantitative , Univariate tests Multivariate tests	Signaling theory	Rather than what motivates the backers to invest, this study focuses on what factors successfully attracted investors
Ahmad, M. (2021)	Short-term investment decisions Long-term investment decisions	Under confidence bias Under confidence bias	Direct Negative Significant Direct Negative Significant	203 individuals in Pakistan	Quantitative , Correlation analysis, Structural equation modelling	Cognitive psychology , heuristic driven bias research, investment management literature	Under confidence heuristic-driven bias worsens both short-term and long-term investment decisions.
Barbopoulos, L., Marshall, A., MacInnes, C., McColgan, P. (2014)	Foreign direct investment announcements period returns expanding internationally into EM	Political stability Corruption K&SI (cultural distance) Investment in tangible assets	Positive Significant Positive Significant Negative Non-significant Positive Significant All direct variables	306 investment announcements by British FDI in EMs	Quantitative , Multiple regression cross-section analysis	Market reactions and assets Political factors Cultural distance	Cultural distance was proven to be non-significant. This may be due to Hofstede's cultural dimension being too outdated to describe the current world of globalization.
Bi, S., Liu, Z. & Usman, K. (2017)	Funder investment decisions	Introduction of word count Video count Like count Number of online reviews	All direct All positive All significant	Industries, 1407 Projects on a Chinese crowdfunding platform	Quantitative , Correlation analysis Hierarchical regression analysis	Elaboration likelihood model	Not suitable for equity crowdfunding contexts

Burtch, G., Ghose, A., Wattal, S. (2014)	Lending action	Delta GDP  Common language  Distance  Cultural differences	Control Positive Significant Direct Positive Non-significant Direct Negative Significant Direct Negative Significant	3,350,393 lending actions	Quantitative , Poisson pseudo- maximum likelihood (PPML) Analysis of different data sets		Cultural differences and geographic distance are substitutable from the lender's perspective
Galak, J., Small, D., Stephen, A. T. (2019)	Dollar value of loan made by lender to borrower	Borrower group size Control variables: Unfilled requested loan size Total loan size Social distance	Direct Negative Significant  Direct Negative Significant	23,024 individual lenders on Kiva.com	Quantitative , Cox regression	Lab-based study Charitable decision making	People are mainly affected by psychological factors like social distance and gender
Gerber, E. & Hui, J. (2014)	Supporter motivation	Desire to collect reward Help others Support causes Be part of a community	All direct All positive All significant	83 individuals from the US	Qualitative, Interview		Exploratory research, one part of the research focuses on supporter's motivation
Maier, E. (2016)	Switching behavior from traditional investment to crowdlending	Economics  Convenience  Process transparency  Relational quality  Staff quality  Website quality	Positive Significant Positive Significant Positive Significant Positive Significant Positive Non-significant Positive Non-significant	342 loan requests on a European crowdlending platform	Quantitative	Theory on adoption models	Research on switching from conventional financial services to crowdlending



	Faster financing	Image Innovativeness Lower risk/higher return Liquid investment Smaller loan Higher relative yield/lower relative risk Fewer loans at one time on platform Positive company profile Presence of other lenders Signals of business success	Positive Non-significant Positive Significant Positive Significant Positive Significant Positive Significant Positive Significant Positive Non-significant Positive Non-significant Positive Non-significant All direct variables				
Martinez-Climent, C., Guijarro-Garcia, M., Carrier-Castillo, A. (2020)	Level of investment of personal equity	Value profitability Perceived risk Places low value on platform CSR evaluation Own evaluation of CSR value Age	Negative Negative Positive  Positive  Inverted U-shape All direct variables	206 crowdlending investors in Spain	Qualitative, Fuzzy-set qualitative comparative analysis (fsQCA)	Theory on CSR and its connection to CF	Study on extrinsic motivation, and intrinsic motivation with little focus on CSR. Also, those who find the platform risk management weak. Depending on the configurations of elements, the significance of independent variables varies.
Munim, A. H., Shneor, R., Adewumi,	Crowdfunding contribution intention	Personal relations Others' recommendations Liking the idea Geographical location	Non-significant Non-significant Significant Non-significant Significant	252 Bangladeshis either living locally or abroad	Quantitative , Ordered probit regression		Locals are more likely to support than Bangladeshis' abroad

O. M. & Shakil, M. H. (2020)		Media coverage	All direct variables All positive variables				
Ryu, S. & Kim, Y. G. (2016)	Angelic backer's motivation Reward hunter's motivation Avid fan's motivation Tasteful hermit's motivation	Interest Playfulness Philanthropy Reward Relationship Recognition	All direct All positive All significant	544 individual backers on a South Korean crowdfunding platform	Quantitative , Cluster analysis		On average, interest was the most significant factor that leads to backers' motivation to invest, and avid fans are the most passionate sponsor group
Sharma, A., Vij, S. & Kumar, A. (2021)	Investment intention	Monetary utility Personal utility Social and sense of belongingness Societal utility Campaign and its owner	All direct All positive All significant	628 prospective investors in India	Quantitative , First Order Confirmatory Factor Analysis	Theory on factors influencing investment intention	Created a model that can be used by someone who wants to initiate a crowdfunding campaign
Sherman, A. & Axelrad, H. (2021)	The well-being of backers	Individual extrinsic motivation Social extrinsic motivation Desire to improve social relationships Desire to promote personal values Desire to promote social goals Tendency to become serial crowd funder	Non-significant  Non-significant  Significant  Significant  Non-significant  Significant All direct variables All positive variables	700 Jewish Israelis aged over 25 and who have participated in a crowdfunding project	Quantitative , Ordinary least squares regressions	Theory of well-being Standard economic theory	Study found that intrinsic motivation was associated with the meaning of life, and this sense of meaning of life, is associated with the tendency to further back projects
Shneor, R. Munim, Z. H. (2019)	Financial contribution intention	Attitude  Perceived behavioral control Self-efficacy	Positive Significant Negative Significant Positive	560 users of Finland's largest crowdfunding	Quantitative	Theory of planned behavior	The study provides evidence of reward crowdfunding depending on both financial-contribution and

		Subjective norms Social norms	Significant Positive Non-significant Positive Significant Positive	platform – Mesenaatti.me			information-sharing intentions.
Information sharing intentions	Attitude Perceived behavioral control Self-efficacy Subjective norms Social norms Financial contribution intention	Positive Significant Negative Significant Positive Non-significant Positive Significant Positive Significant Positive Significant					
			Financial contribution behavior		FCI, ISI Gender and age	Positive Significant All direct variables Control variable	
Steigenberger, N. (2017)	Commitment to a specific project	Motivation deviation score Cluster membership Control variables: Professionalism Socio-demographics Trust in the development team Experience with crowdfunding Funding goal Pledge sufficient to purchase the product Previous backing story Time effect	Direct	228 crowdfunding investors, two groups of supporters, one from a purchasing motive and one from purchasing with altruistic and involvement motive	Quantitative , Cluster analysis, hierarchical linear modeling tests, Regression analysis	Empirical evidence in supporters of reward-based crowdfunding	

Su, L., Cheng, X., Hua, Y. & Zhang, W. (2021)	Attractiveness	Need fulfillment Moderator: product type Value congruence Moderator: product type	Significant  Significant	364 students in China	Quantitative , Structural equation modelling Partial least squares analysis	Person-environment fit theory Social identity theory	
	Investment intention	Attractiveness Need fulfillment Moderator: product type Value congruence Moderator: product type	Significant Significant  Significant				
	Feedback intention	Attractiveness Need fulfillment Moderator: product type Value congruence Moderator: product type	Significant Non-significant  Significant All positive variables All direct variables				
Uparna, J., Bingham, C. (2022)	Funding speed Lower interest rates to borrowers Default of funding	Negatively worded pitches	All direct variables All positive variables All significant variables	30,518 individual loans Prosper.com	Quantitative , Regression models	Language expectancy theory (LET) Negative bias (NB)	Study on negativity effects on loans, negatively worded pitches are funded faster than positive ones
Wang, Z. & Yang, X. (2019)	Backers' funding intention	Product innovativeness  Perceived product quality  Creator ability  Crowdfunding platform reputation Webpage virtual design  Backers' product knowledge	Positive Significant Positive Significant Positive Significant Positive Non-significant Positive Significant Positive Significant All direct variables	212 individuals on a Chinese survey website, Sojump	Quantitative , Questionnaire	Elaboration likelihood perspective	Found that all independent variables have a positive effect on the backers' funding intention. However, the moderating variable had a positive effect on only three of the four, with the negative effect being on the webpage visual design

		Moderator: Backers' product knowledge	Significant in all relationships All positive effects except for Webpage virtual design				
Zhao, Q., Chen, C. D., Wang, J. L. & Chen, P. C. (2017)	Funding intention	Perceived risk  Trust  Commitment	Positive Significant Positive Non-significant Positive Significant	204 individual backers on crowdfunding platform FlyingV in Taiwan	Quantitative , Confirmatory factor analysis and Partial least square	Social exchange theory and Regulatory focus theory	Perceived risk has a positive association with funding intention which challenges the traditional view on risk has a negative effect on usage intention.
	Perceived risk	Trust  Perceived innovation  Product development	Negative Significant Negative Significant Negative Non-significant				
	Trust	Communication  Shared value	Positive Significant Positive Significant				
	Commitment	Trust  Shared value  Perceived benefit	Positive Significant Positive Non-significant Positive Significant				

Table 1: Table of Literature Review for Crowdfunding Studies

The literature table contains a list of past research conducted on the topics of crowdfunding and investments in developing countries. Researchers in the literature review, performed their studies in several different contexts. Developing markets had a majority focus, with markets such as Pakistan, India, and Bangladesh (Ahmad, 2021; Akhtar & Das, 2019; Munim et al., 2020; Sharma et al., 2021; Bi et al., 2017). Additionally, there were studies executed in the context of advanced markets, such as Finland and Spain (Shneor & Munim, 2019; Martínez-Climent et al., 2020). There was a variety of crowdfunding platforms used in the different studies, depending on the location the studies investigated. Different platforms mentioned were geographically specific to their respective countries. For example, platforms like Kiva.org and Prosper.com in the US, and Mesenaatti.me in Finland (Uparna & Bingham, 2022; Burtch et al., 2014; Shneor & Munim, 2019).

There was a vast difference in the specific theory applied in the different articles. Various psychological theories contributed to most of the studies that were included, but there was also use of, for example, standard economic theory. The theory of planned behavior (TPB) was the most frequently used, being applied in two of the papers, and with a modified version presented in one study (Shneor & Munim, 2019; Akhtar & Das, 2019). In the modified version, the perceived behavioral control (PBC) was replaced with financial self-efficacy and included two additional constructs, i.e., personality traits and financial knowledge (Akhtar & Das, 2019). TPB is a theory that helps determine individuals' behavioral intentions through the three components: attitude, subjective norms, and perceived behavioral control (Ajzen, 1991). Ahlers et al. (2015) study used the signaling theory, and defined it as being *“useful for describing behavior when two parties (individuals or organizations) have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal”* (Connelly et al., 2011, p. 39). Multiple articles emphasized that their research was a contribution to the new and ever evolving field of crowdfunding, investment intention and characteristics related to the phenomenon.

In a multitude of the studies presented in the literature review, the researchers used a quantitative research approach, with the exception of two, who used a qualitative approach. When analyzing the collected data, there was an ongoing trend of conducting different variations of a regression analysis to see the different impacts of the independent variables onto the dependent variable(s).

In line with our proposed research, most of the studies conducted had a form of investment intention or willingness as their main dependent variable (Wang & Yang, 2019; Munim et al., 2020; Bi et al., 2017). Different researchers had variations on their definition of the construct. Su et al. (2021) defined their construct through Ajzen (1991) as an attitude that shows different backers' willingness to invest in a project, while Sharma et al. (2021) defined it through the investment intention of a potential investor.

The purpose of this paper was to look at crowdfunding as an investment into developing countries from developed countries. It is important to create a literature basis that examines and presents empirical data from both subjects, investments into developing countries and crowdfunding, to conduct this research. Performing this helps to explore the connections and application in the context that the paper aims to do. The literature review presented an opportunity to divide the articles into three distinct categories: investment in developing countries, crowdfunding, and crowdfunding investments in developing countries. Using this approach, we were able to acquire a greater understanding of the varied factors researched in previous studies. Articles researching crowdfunding in general used a vast difference of variables. The majority of the studies explored the different motivations and intentions of the investors. Steigenberger (2017, p. 341) used a motivation deviation score, "*between a general motive to invest and the motive to invest in a focal project*". Other studies explored various aspects of societal motivation, like Gerber & Hui (2014) who looked at drivers such as helping others and supporting a cause, while Sharma et al. (2021) looked specifically at societal utility. Different forms of monetary utility also functioned as a driver in multiple studies, such as Sharma et al. (2021) and Martinez-Climent et al. (2020). On the other hand, Ahlers et al. (2015) and Uparna & Bingham (2022) approached the drivers differently by investigating how they affected the projects themselves.

There was a huge disparity in the different drivers explored in the literature that focused on investments in developing countries. Various aspects of individual personalities were clearly present in two of the studies. Ahmad (2021) addressed the biases involved with investments, while Akhtar & Das (2019) examined the seven factors deciding the investment willingness of Indians in the Indian stock market. Akhtar & Das (2019) suggested that attitude had a partially mediating effect between financial knowledge and investment intention. One study had a greater focus on the markets themselves, looking at factors like political stability and corruption (Barbopoulos et al.,

2014). However, seeing the articles there was a certain consistency in the approaches. All relevant articles had some consensus on the value of different variables on the investors' intention to invest.

For the factors that were most prominent in the research on crowdfunding investments into developing countries, the studies had selected variables that continued to show importance. Here, there were different results concerning the importance of the potential product. Studies presented different drivers with a product focus, such as the perceived quality innovativeness and product type (Su et al., 2021; Wang & Yang., 2019; Zhao et al., 2017). Studies such as Bi et al. (2017) and Wang & Yang (2019) had drivers that investigated the platforms and pitches themselves. Other studies investigated personal drivers, such as trust, commitment and liking the idea. Attitude linked toward investment, was a variable represented in studies such as (Zhao et al., 2017) looking at trust, commitment, and perceived risk.

Understanding the value of the independent variables used was essential to gain comprehension of the studies. Across the analyzed literature, there were variables highlighted in multiple studies. A multitude of studies presented a form of monetary and societal utility. Different measures of attitude, which in all studies included, had a significant effect on the intention or willingness to invest, was another variable that is popular throughout the studies. Cultural and social distance, as well as geographical distance were both significant and non-significant across a multitude of studies, with the variable impacting both positively and negatively. With the number of studies, there was a great pool of independent variables that were more unique, like Martinez-Climent et al. (2020) that took the CSR perspective into account when looking at the level of investment an investor chooses.



## *Hypotheses development*

### **Monetary utility**

According to the studies, monetary reward plays a key role in determining the supporters' motivation on whether to invest or not (Gerber & Hui, 2013; Ryu & Kim, 2016; Zhao et al., 2017; Sharma et al., 2021). This is a factor that has shown to be significant for both emerging markets and developed countries, especially in the case of equity- and lending-based crowdfunding. Indeed, participation in the crowdfunding market has been rising in the recent year due to the investors' desire for financial returns (Calvet et al., 2016). The benefit of the crowdfunding market is that even small investors can, based on their own capability, invest in projects where they see a potential monetary return.

Previously conducted studies have found various results when using measures considered to reflect monetary utility and investment intention. Sharma et al. (2021) shows that monetary utility positively significantly affects investment intention. In similar fashion, Gerber & Hui (2014) claims that the desire to collect reward has a positive significant effect on supporter motivation. Martinez-Climent et al. (2020) concludes that value profitability had a negative effect on the level of investment of personal equity. In the same study, Martinez-Climent et al. (2020) found support for their propositions, that investors which value profitability invest a low percentage of personal equity, and investors who perceive substantial risk invest a low level of personal equity. The last finding was partially supported depending on the different conditions. Based on the relatively one-sided findings in the previous literature, our first hypothesis is created to investigate if this is an applicable result in our research. Consequentially, the first hypothesis we propose is as follows:

*H1: Investors' monetary utility positively affects their intention to invest*

### **Societal utility**

A novel contribution intention in crowdfunding, presented in several research articles, is altruistic motives (Gerber & Hui, 2013; Ryu & Kim, 2016; Steigenberger, 2017; Shneor & Munim, 2019; Sharma et al., 2021). This is especially important for our research on investment intention from advanced economies to emerging markets. The sense of being able to positively impact the society in developing and emerging markets can gain the funder not only a monetary reward but also a sense of altruism (Sharma et al., 2021). Societal utility is a significant factor in donation-based

crowdfunding, as funders invest in humanitarian projects without desiring a direct return. As a funder, the investor will be able to observe the societal return of their investment. Sherman & Axelrad (2021)'s research on well-being has proved that the backers' intrinsic motivation is significant to crowdfunding action. In another study, Burtch et al. (2014) claims that backers using the crowdfunding platform in the US, Kiva, tend to invest in projects from countries that have a greater GDP difference. Still, Munim et al. (2020) highlights that Bangladeshis abroad are less likely to support crowdfunding projects than Bangladeshis that live domestically. This raises the question of whether people from abroad are more willing to invest in projects in developing countries. We propose the second hypothesis as follows:

*H2: Investors' societal utility positively affects their intention to invest*

### **Physical distance**

Although crowdfunding is operating on an online platform without the need for investors to be physically present where the project is taking place, physical distance is often considered with familiarity or awareness, which is influential on investors' investment intention (Grinblatt and Keloharju 2001; Grossman 1998; Hattari and Rajan 2011, as cited in Burtch et al., 2014). Indeed, the research of Burtch et al. (2014) has proven that geographical distance has a significant negative relationship with lending activity. Increase in distance between investor and investment project, decreases the willingness of investors to invest. However, contradicting Burtch et al. (2014), Munim et al. (2020) has shown that proximity has no significant relationship with investors' intention to invest. Due to contradictions of significance, we propose the third hypothesis:

*H3: Investors' physical distance negatively affects their intention to invest*

### **Cultural distance**

The argument of cultural distance being a barrier for foreign direct investments (hereby FDI) may apply for cross-border crowdfunding investments as well. Barbopoulos et al. (2014) has proven that cultural difference has no significant impact in FDI announcement returns from British banks to emerging markets. The research explained that this result was due to the Hofstede's cultural dimensions being too outdated and will need further research to prove their significance. Indeed, when Burtch et al. (2014) used the cultural coordinate pairs from World Values Survey responses, cultural differences have proven to be negatively associated with lending activities. Given that this

variable has been less researched in the context of crowdfunding, it triggers attention and hence, we propose the fourth hypothesis:

*H4: Investors' cultural distance negatively affects their intention to invest*

### **Personal interest**

Personal interest is an independent variable that has been frequently used in research, through different forms, such as “interest” (Ryu & Kim, 2016), “desire to promote personal values” (Sherman & Axelrad, 2021), “personal utility” (Sharma et al., 2021), and “liking the idea” (Munim et al., 2020). In all the studies, the different forms of personal interest used has proven to have a direct, positive, and significant effect on the investors' intention to invest in a project. Ryu & Kim (2016) even concluded that the grouping ‘avid fan’ investors, is the most active group of sponsors due to their personal interest in the projects. Therefore, based on empirical research, we believe that the investors’ personal interest in the product or the projects funding has a positive effect on their willingness to invest. Hence, we propose the fifth hypothesis:

*H5: Investors' personal interest in the product positively affects their intention to invest*

### **Perceived risk of crowdfunding**

A less frequent independent variable in the research is perceived risk. Studies have shown that risk is a factor that will affect consumer behavior (Cho et al., 2014, as cited in Zhao et al., 2017), their intention to fund, and the amount of investment (Martinez-Climent, 2020). Maier (2016) has also proved that lower risk will lead to faster financing. Interestingly, Zhao et al. (2017) has found a positive association between risk and investment intention, which challenges the traditional view on the effect of risk in investment. As the concept of crowdfunding is still in development, the uncertainty remains high. To develop a better understanding for the perceived risk, we propose the sixth hypothesis:

*H6: Investors' perceived risk of crowdfunding negatively affects their intention to invest*

### **Perceived risk of investment in developing countries**

FDI is a channel for individuals and corporations to discover new opportunities in foreign markets that result in a possibility of great returns on investments. However, due to factors such as political instability, local regulations, legislation, and corruption, it increases the risk of investments, hence

making investors resistant to invest in developing countries. Nevertheless, Barbopoulos et al. (2014) proposed that political stability has a significant positive effect on return on FDI. Similar to the reasoning of the previously presented hypothesis, contrasting Barbopoulos et al. (2014)'s study, we believe that perceived risk has a negative effect on investors' willingness to invest in developing countries and therefore propose the seventh hypothesis:

*H7: Investors' perceived risk of investment in developing country negatively affects their intention to invest*

### **Self-efficacy**

The TPB suggests that PBC is a factor that affects ones' intention to engage in a certain behavior (Ajzen, 1999, as cited in Shneor & Munim, 2019). Investors' capability to financially contribute to crowdfunding campaigns can be associated with internal and external controls. While PBC is considered an external control, self-efficacy, which relates to one's knowledge and experience that forms an individual's perception and judgement, can be considered as internal control. Shneor & Munim (2019) also suggested an extended framework of the TPB which adds self-efficacy as one of the factors that contributes to intention in engagement in crowdfunding and found a significant positive relationship between self-efficacy and financial contribution intention. Likewise, Akhtar & Das (2019) also found a significant positive effect between financial self-efficacy and investors' investment intention. To build on this extended framework, we propose to test the eighth hypothesis:

*H8: Investors' self-efficacy positively affects their intention to invest*

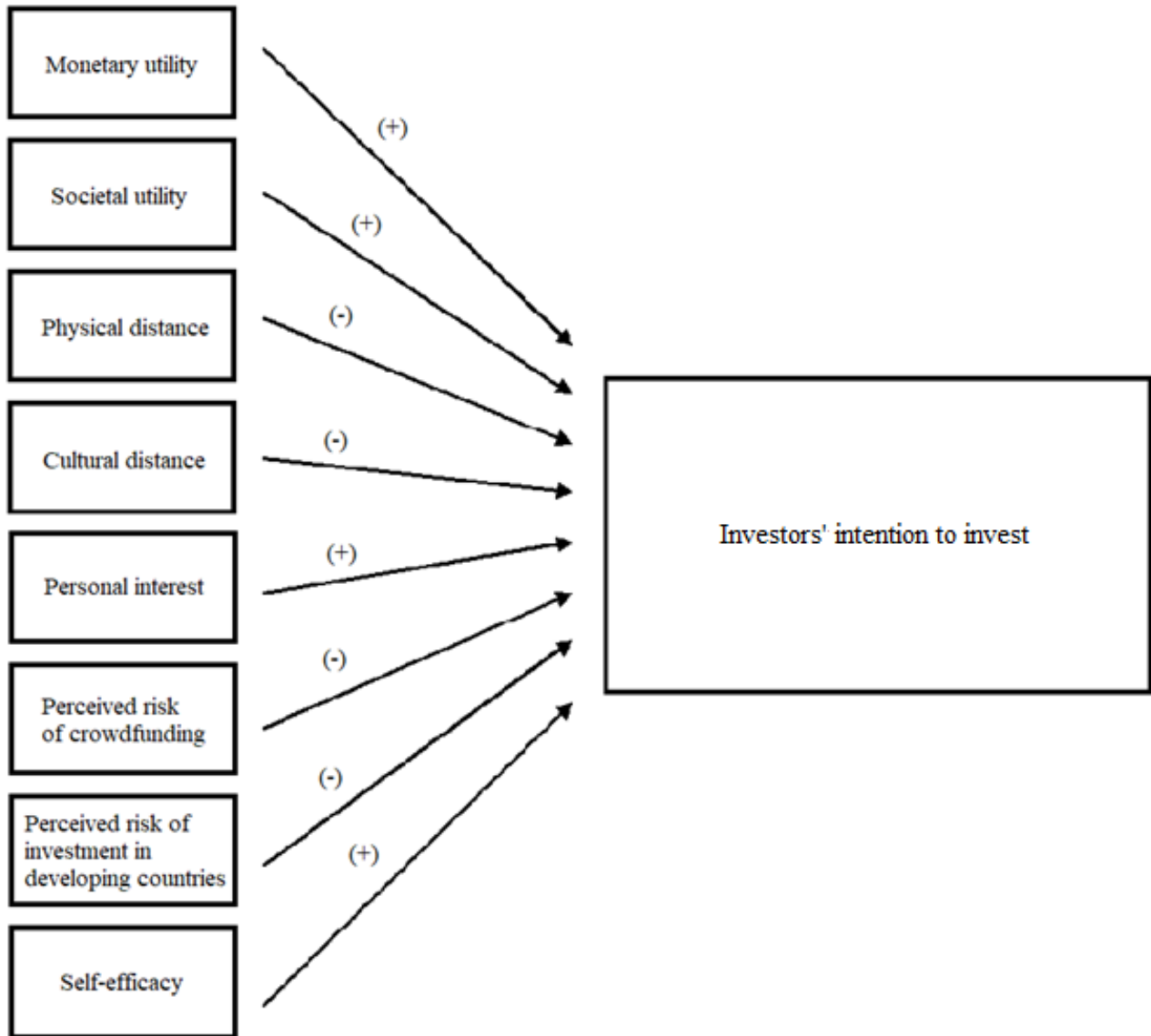


Figure 2: Conceptual model

## **Methodology**

### *Context*

The Nordic region had been in continuous growth and placed third in terms of market volume on the alternative financial market in the EU, following France and Germany (Ziegler et al., 2019). Compared to other Nordic countries, the Norwegian market was relatively small, with donation-based crowdfunding dominating the local alternative financial market.

However, with the recent introduction of equity-based crowdfunding Norway experienced the fastest growth rate, with 141%, among the Nordic countries in 2017. The total crowdfunding market size was then €11.8M. Increases in P2P-lending platforms also contributed to this growth (Ziegler et al., 2019).

Since the introduction of crowdfunding in the Norwegian market, 21 crowdfunding platforms have entered the market with 14 locally found (Ziegler et al. 2019, p. 25). Spleis.no is a significant player in reward-based and donation-based crowdfunding which has gathered more than 150 million Norwegian kroner with over 12 500 projects (Spleis, 2022). Culturabank.no is also an influential platform in the Norwegian crowdfunding market which works on sustainable projects (Cultura Bank, 2022). Folkeinvest.no is, on the other hand, a fast-growing crowdfunding platform that has accumulated over 544 million kroner over the years of operation (Folkeinvest, 2022). Other platforms worth mentioning are Sponsor.me, Kameo.no, Fundingpartner.no, and Monio.no (Norsk Crowdfunding Forening, 2022).

In 2014, Norwegian governmental FDIs comprised of 1% of total GDP (Hveem, 2015). The Norwegian government focused on strategically placing the investments in the private sector, which in return would create jobs and increase overall standards in the countries. Different departments and organizations connected to the Norwegian government have offices and the relevant competence to help private investors succeed in their international ventures, by displaying a political presence (Utenriksdepartementet, 2012). According to SSB (2022), who collected investment information from different Norwegian companies, with a minimum stake of 20% in international companies, it showed investments in 2020 totaling 1 867 billion Norwegian kroner.

The Norwegian government further implemented an action plan in 2019, granting 300 million Norwegian kroner per year for five years, to Norwegian companies focusing on developing

sustainable energy solutions in developing countries (Regjeringen, 2022). Focusing more specifically on crowdfunding as the investment tool, a Swedish crowdfunding platform offers the specific type of investment we are researching. Their investments are focused on using solar energy in developing countries to provide electricity to the people and have a mission to give people triple return on their investment (Trine, 2022).

To test our hypotheses, we decided to conduct research in developed countries with a focus on the Norwegian market. Our main objective was to learn about the factors that affect investors from an advanced market to invest in developing countries. IMF (2020) defined Norway as an advanced market, and we therefore considered it as a target of our research. Due to limitations of time and money, we decided to run and spread an online questionnaire by approaching relevant groups, organizations, investors, embassies, and people within our personal networks.

### *Measurement*

To collect the necessary data, this paper used the survey tool SurveyXact to create an online questionnaire. The survey consisted of forty-nine different items relating to the variables captured in our research. Each variable in the study measured using 3-5 measurement items. Unique measurement items establish a collective measurement for the factors that create the separate independent variables. Respondents evaluated the statements containing the measurement items on a 7-point Likert scale. For this questionnaire, a point of 1 equaled to strongly disagree with the statement, a point of 4 equaled to being neutral to the statement and lastly, a point of 7 equaled to strongly agree with the statement. The study treated the Likert scale as an interval scale, given that this allowed us to use the data to test our hypotheses (Sekaran & Bougie, 2016, p. 211). In order to increase the likelihoods of capturing different and significant nuances in the responses, the Likert-scale had seven points. Although, in certain cases, single-item measurement was proven to be equally valid as multi-item measurement (Bergkvist & Rossiter, 2007), Diamantopoulos et al. (2012) expressed a need for caution when using this type of measurement, as it should be limited to use in specific circumstances. Therefore, multi-item measurement was deemed appropriate in this research to secure proper understanding by respondents and ensure more complete measurement of the variables. Furthermore, as our variables were subjective measures, we needed multi-item measures to let the respondents weigh the different statements subjectively. Having both the dependent and independent variable measured in the same survey paired with the same

response method, there is a possibility of creating common method bias in the respondents (Kock et al., 2021). In this questionnaire, a randomization of the statements and measures helped combat common method bias to the best extent possible.

### *Items and definitions*

#### **Dependent variable**

The study's dependent variable, the investors' intention to invest, was captured by four statements in the survey, to investigate the different effects the independent variable created. These statements retrieved from Shneor & Munim (2019) originally measured the financial contribution intention of their study subjects. In our analysis, each item was given the variable name CF\_Intention followed by a number from 1 to 4.

#### **Independent variables**

Monetary utility was the first independent variable which measured the investors perception on financial return from a project. The variable was measured by 4 items in the survey which enveloped the effect return on investment have on the dependent variable, the intention to invest. Derived from Sharma et al. (2021), the items were modified to fit our research objective, and to create a flow in the survey. For the analysis, the items were given the name Monetary followed by a number from 1 to 4.

Societal utility was the second independent variable, which measured societal or environmental benefits rather than financial or personal return. This variable was measured by 5 items that would investigate if the effect the project has on the environment and the society would affect the investors' intention to invest. Similarly, to the previous variable, the items were also derived from Sharma et al. (2021) with modifications to fit our research objective. The items were named Societal with a number from 1 to 4 for ease of analysis.

Geographical distance was the third independent variable. Instead of measuring the physical distance from the investor to the location of the campaign, we use 4 items that ask the subjective feeling of the respondent if geographic distance had an impact on their intention to invest. The authors developed the different items. Following the same pattern, the items were named with Geographical\_Distance with a number from 1 to 4 in the analysis.



Cultural distance was the fourth independent variable. Contrasting the research by Barbopoulos et al. (2014), the items in the questionnaire asked about the subjective opinion of the respondents on whether cultural distance had an influence on the intention to invest or not. It was also measured by 4 items that were developed by the authors. The items were named with Cultural\_Distance in our analysis followed by a number from 1 to 4.

Personal interest was the fifth independent variable that measured the investors personal utility of the campaign. The personal interest was measured by 3 items taken from Sharma et al. (2021) asking if the investors felt a personal utility from the campaign, and the fact that the campaign itself was beneficial for them will increase their intention to invest. Again, the items were named Interest with a number from 1 to 3.

Perceived risk of crowdfunding was the sixth independent variable. This was measured by 5 items that were developed in discussion with the supervisor and measured the investors' perceived risks on using online crowdfunding platforms and websites with potential issues such as privacy and online monetary transactions. In the same manner as previously used, the items were given the name Financial\_Risk along with a number from 1 to 5.

Perceived risk of investment in developing countries was the seventh independent variable. It was measured by 5 items that were also developed with the discussion with supervisor and measured the investors' perception of the risk level connected with investing in developing countries. Questionnaire included questions such as the chance of losing money and profitability weighed against the risk involved in the investment. The items were represented with the name DC\_Risk together with a number from 1 to 5.

Self-efficacy was the eight independent variable, which was measured by 4 items that were taken from Shneor & Munim (2019). These items captured the respondents' opinion on their own confidence and ability to navigate and invest in crowdfunding campaigns. In the analysis, the items were represented with the name Self\_Efficacy together with a number from 1 to 4.

### **Control variables**

In addition to the dependent and independent variables in the study, we also included six control variables. The control variables were age, gender, income level, nationality, knowledge and experience of crowdfunding, and time spent on various online activities. We used single-item

measures to measure the control variables, as opposed to the multi-item measures used for the independent variables. Single item was used as the control variables only needed an objective measure. Finally, we proposed an optional question which asked respondents if they would like to invest in a developing country, with the option to elaborate their answer to collect extra qualitative data on the reasoning behind their investment intention and choice.

Appendix contains a full list of items.

### *Data Collection*

This study was conducted with an explanatory quantitative approach to understand an individual's intention to invest. An explanatory approach was a rational choice as we tried to explain the correlation between, and how the independent variables can affect the dependent variable. In our research, we collected first-hand data using an online questionnaire (Sekaran & Bougie, 2016, p. 43). The data collected occurred between March 22<sup>nd</sup>, 2022, and April 28<sup>th</sup>, 2022, with a goal of reaching, at a minimum, two hundred respondents.

Collection of data started by distributing the online questionnaire created to measure the different items. An advantage of an online survey was convenience due to the structured questions and its ability to reach a larger number of people in a more accessible way. There were, however, disadvantages as mentioned by Sekaran & Bougie (2016, p. 144) such as respondents opening the survey without answering. Other issues pointed out, that needed consideration, were that the generalization of the findings would be challenging, and sampling issues (Sekaran & Bougie, 2016, p. 144). To address the last two issues, the survey distribution was done with the intent of reaching a specific audience demographic. To collect the data from optimal audience and receive most accurate results, our target respondents were preferably individuals with a certain amount of knowledge of the concept of crowdfunding, and the financial ability to invest.

### **Distribution of survey**

Distribution of the questionnaire happened exclusively online through various channels. To reach our preferred segments, we contacted different crowdfunding and investment groups on Facebook and posted the survey in the respective groups. Further, we contacted various Norwegian embassies in developing countries, different Norwegian crowdfunding platforms, and Norwegian investment organizations in developing countries via email to receive responses to the survey and

assists in the further distribution of the survey. Other forms of distribution used, were to contact different investment firms and people with influence via LinkedIn. To increase the number of responses and create more ease of use, the survey participants had the choice of answering a survey in their preferred language, either Norwegian or English.

## **Sampling**

Initially the sampling method used for this paper was purposive sampling, more specifically judgement sampling (Sekaran & Bougie, 2016, p. 248). This was due to the preferred participants being people with enough disposable income to potentially invest their money into a crowdfunding project in a developing country. Preference in sample individuals created partial discrimination, as we did not target students or teenagers in general. Children were also excluded because of multiple factors such as knowledge, access, and money.

The purpose of the study was to find respondents that had partial or extensive knowledge of crowdfunding and had sufficient disposable income to make potential investments. Choosing these specific people, the results of the study could only be applicable to be generalized to that niche part of the population and give an impression of this groups' investment intentions.

The limited success with the original choice of sampling method provided an obstacle that had to be overcome. To increase the number of responses, there was a new sampling strategy and approach. Convenience sampling was chosen to increase the number of responses. Relatives and acquaintances were issued the survey and increased the response rate by distributing further it within their networks (Sekaran & Bougie, 2016, p. 247). With the obstacles that arose connected to collecting responses, forcing the collection of responses from another demographic, there is a more general application of the results found in the study. Results presented in the research can give a broader impression of people's intention to invest in developing countries and be generalizable to the adult population of the country. However, our relatively small sample may constrain our ability to identify weaker predictions and only allow us to identify the most dominant effects.

The end of the data collection period presented underwhelming results. Survey participation was substantially lower than anticipated and expected. Collection of responses accumulated to a total of 79 sufficiently answered, with 67 being fully completed and 12 being partially completed. For

the analysis of the data all 79 answers were used, except for the regression analysis, in which the number with sufficient data was 76. To finalize the total sample size, we looked at all the data and found responses that were completed in a satisfactory way, so they could be included in the analysis.

## **Findings and analysis**

### *Validation*

All data collected from the survey was downloaded from SurveyXact and converted into an Excel file to combine data from the surveys, as we had two separate surveys. In the development of the questionnaire, selected questions had a negative wording to avoid the tendency in respondent to choose one alternative for all questions. When customizing the collected data to fit our needs, there was a need to reverse code collected responses with negative connotations, which produced negatives in the SPSS analysis. For two of the items, the labels had to be recoded to match when combining the data from the two surveys. The labeling for the item measuring internet use was different between the surveys, one from 2-7 and one from 1-6. The same applied to the question regarding income levels. To correct this, we relabeled them both to from 1-6, corresponding with the labels for the remaining data. In SPSS, five different analyses were run. Since we used multi-item measurement in the data collection, we needed to validate the measures of our items to ensure the items correctly measured the underlying factors (Hinton et al., 2014, p. 339). To do so, we began by performing a factor analysis in SPSS.

### **Rotated factor analysis**

The factor analysis is an appropriate statistical procedure which checks for underlying factors between the large sets of data that might explain the original variables' variation (Hinton et al., 2014, p. 339). For this analysis, we selected the varimax rotation method, Table 2, which is a simple method that rotates the factors, so that we can gain a better picture of which factors load on each other. It allows us to ensure that items of the same variable are loaded on the same component. We also suppressed the absolute values to less than 0.4 in the coefficient display format. The purpose was to eliminate values under 0.4 and to only show items that have sufficient loadings.

Those items which were cross loading in more than one component were removed as their variance proved to be not significant enough to measure the variable. Simultaneously, the items with a loading of less than 0.5 were also removed as it was weakly associated with the variable, meaning it indicated a low internal consistency of the measure (Hinton et al., 2014, p. 347). Due to the reasons discussed, all four of the items for monetary utility, all five of the items for perceived risk of investment in developing countries and all the three items for personal interest needed to be

fully removed from our analysis. Two of the items measuring societal utility, and one of the items measuring cultural distance, were also removed due to their insufficient loading. Again, a larger sample may have resulted in more factors identified but based on our data we proceeded with; five factors were identified.

**Rotated Factor Matrix<sup>a</sup>**

	Factor				
	1	2	3	4	5
CF_Intention1		.856			
CF_Intention2		.791			
CF_Intention3		.882			
CF_Intention4		.892			
Cultural_Distance1	.837				
Cultural_Distance3	.690				
Cultural_Distance4	.678				
Financial_Risk1				.887	
Financial_Risk3				.567	
Financial_Risk4				.610	
Financial_Risk5				.629	
Geographical_Distance1	.657				
Geographical_Distance2	.822				
Geographical_Distance3	.831				
Geographical_Distance4	.856				
Self_Efficacy1			.789		
Self_Efficacy2			.837		
Self_Efficacy3			.882		
Self_Efficacy4			.688		
Societal3					.765
Societal4					.775

Extraction Method: Principal Axis Factoring.  
 Rotation Method: Varimax with Kaiser Normalization. <sup>a</sup>

a. Rotation converged in 6 iterations.

*Table 2: Final Rotated Factor Matrix*

Systematically removing different items resulted in us being left with the 21 items shown in the table above. The remaining items in the analysis were not cross loading with other items and were all well-loaded. Items belonging to the different independent variables were all measured within

the same separate component, except for cultural distance and geographical distance which were measured within the same component. We recognize multicollinearity between the two variables, meaning that they measured the same phenomenon or that the variables were too highly correlated to each other (Hinton et al., 2014, p. 341). This indicates that the respondents did not differentiate between the individual items measuring cultural distance and geographical distance.

### Transformation of variables

Having ran the factor analysis, there was a need to transform the different items to separate variables in order to proceed with the regression analysis. The items used to measure the same factor with correct loadings, were transformed into one variable. Calculating and presenting the mean value from the responses from the distinct categories created new variables. When running the factor analysis, three variables, monetary utility, personal interest, and perceived risk in developing country, became obsolete. As a result, those did not transform into new variables due to the removal of all the items used for the variables. Results from the factor analysis showed that the items measuring the cultural and geographical distance were not differentiated by the respondents, and thus measured the same effect. This implied that to transform the variables, these 7 items were combined to create a joint variable, measuring the psychic distance.

### Cronbach's alpha

Reliability Statistics	
Cronbach's Alpha	N of Items
.963	4

Table 3: Cronbach's Alpha of Intention

Reliability Statistics	
Cronbach's Alpha	N of Items
.905	7

Table 4: Cronbach's Alpha of Psychic Distance

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.840	4

*Table 5: Cronbach's Alpha of Financial Risk*

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.950	4

*Table 6: Cronbach's Alpha of Self-efficacy*

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.807	2

*Table 7: Cronbach's Alpha of Societal Utility*

Furthermore, we examined the internal consistency of the combined items by conducting Cronbach's alpha analysis on the independent variables. This is a method to examine reliability of the items, analyzing if they measure the same construct consistently. Although still debatable, many statisticians suggested Cronbach's alpha above 0.7 as an acceptable value, while above 0.8 indicates that the items measured the constructs well. (Hinton et al., 2014, p. 352). The Cronbach's alphas of all variables in Tables 3-7 presented above illustrated a value above 0.8 which indicated a prominent level of internal consistency and that there is a high correlation between the different items in each variable.



Tests of Normality						
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Intention	,149	79	,000	,944	79	,002
psychic_distance	,118	79	,009	,973	79	,090
Financial_risk	,147	79	,000	,965	79	,028
Self_Efficacy	,106	79	,029	,943	79	,001
Societal	,174	79	,000	,929	79	,000

a. Lilliefors Significance Correction

*Table 8: Test of Normality*

We initially used the Kolmogorov-Smirnov test to test the normality and distribution of the sample data. The normality test measures the distribution of the sampled data, thus explaining the sample's generalization of the population. In the table above, the Kolmogorov-Smirnov test, Table 8, showed that none of the variables used in the study were normally distributed, with all showing a p-value of less than 0.05. Consequentially, none of the variables followed the normal distribution in a population. Nevertheless, only psychic distance showed a weak normality in the Shapiro-Wilk test at a p-value more than 0.05. The Shapiro-Wilk test was able to calculate possible normal distribution despite the sample size, as this test only requires a sample between 3 – 50 (Shapiro & Wilk, 1965). Ahad et al. (2011) claim that the Shapiro-Wilk test is the best test for normality as it rejects the null hypothesis at the smallest sample size. In the same study, it is further stated that to indicate that the data is not normal in the Kolmogorov-Smirnov test, a sample size of 77 is needed.

Correctly, the lack of normality would force us to use nonparametric regressions for the analysis. Despite this, the study used multiple regression analysis. Assumptions are made that a larger sample size would give a different result in the test for normality, hence a multiple regression analysis will be sufficient.

### Descriptive Statistics

	Mean	Std. Deviation	N
Intention	3.6447	1.80012	76
psychic_distance	4.3571	1.08759	76
Financial_risk	3.4572	1.05150	76
Self_Efficacy	4.1612	1.87426	76
Societal	5.5789	1.10771	76
Gender	1.5132	.50315	76
Income	4.0658	1.26844	76
Age	39.0000	13.59902	76
CF_Knowledge	1.4474	.50053	76
CF_Invest_Developing	1.8421	.36707	76
CF_Invest_Experience	1.8026	.40066	76

*Table 9: Descriptive Statistics*

After the validation of our variables, we were left with 5 variables for analysis, which were the intention, psychic distance, financial risk, self-efficacy, and societal utility. The three remaining variables; gender, income level, and age, presented in the table, were the control variables used in the study. To analyze the variables' effects on our dependent variable we used a standard regression analysis, more specifically a multiple regression analysis. Multiple regression analysis is a multivariate technique that explains the variance on the dependent variable, by multiple independent variables (Sekaran & Bougie, 2016, p. 314). The presented descriptive statistics in Table 9 were the ones that were used in the regression analysis. Differentiating from other parts of the analysis, the regression only has a sample size of 76. The change, can occur from partial responses lacking data on the remaining variables, thus excluding them from the analysis.

Testing Pearson's correlation, the correlation matrix below, Table 10, shows that no correlation exceeds 0.7 which indicates that no independent variables correlate too strongly with each other. This avoided the variables being multicollinear, which was similar to what the rotated component matrix calculated. Moreover, the correlation showed the basic type of relationship between the variables whether it is positive or negative

**Correlations**

	Intention	psychic_distance	Financial_risk	Self_Efficacy	Societal	Gender	Income	Age	CF_Knowledge	CF_Invest_Developing	CF_Invest_Experience	
Pearson Correlation	Intention	1.000	-.162	-.493	.589	.481	-.171	.172	-.001	-.384	-.323	-.330
	psychic_distance	-.162	1.000	.034	.112	-.042	-.064	-.081	.274	-.136	.052	-.229
	Financial_risk	-.493	.034	1.000	-.650	-.310	.130	-.190	-.035	.468	.362	.344
	Self_Efficacy	.589	.112	-.650	1.000	.393	-.248	.060	.268	-.735	-.408	-.459
	Societal	.481	-.042	-.310	.393	1.000	-.026	.029	.193	-.377	-.297	-.190
	Gender	-.171	-.064	.130	-.248	-.026	1.000	-.158	.080	.347	.228	-.020
	Income	.172	-.081	-.190	.060	.029	-.158	1.000	-.334	-.026	-.292	-.105
	Age	-.001	.274	-.035	.268	.193	.080	-.334	1.000	-.247	.112	-.274
	CF_Knowledge	-.384	-.136	.468	-.735	-.377	.347	-.026	-.247	1.000	.390	.313
	CF_Invest_Developing	-.323	.052	.362	-.408	-.297	.228	-.292	.112	.390	1.000	.329
	CF_Invest_Experience	-.330	-.229	.344	-.459	-.190	-.020	-.105	-.274	.313	.329	1.000
	Sig. (1-tailed)	Intention	.	.081	.000	.000	.000	.069	.068	.497	.000	.002
psychic_distance		.081	.	.386	.169	.360	.290	.244	.008	.120	.326	.023
Financial_risk		.000	.386	.	.000	.003	.131	.050	.384	.000	.001	.001
Self_Efficacy		.000	.169	.000	.	.000	.015	.303	.010	.000	.000	.000
Societal		.000	.360	.003	.000	.	.412	.400	.048	.000	.005	.050
Gender		.069	.290	.131	.015	.412	.	.086	.246	.001	.024	.432
Income		.068	.244	.050	.303	.400	.086	.	.002	.412	.005	.183
Age		.497	.008	.384	.010	.048	.246	.002	.	.016	.167	.008
CF_Knowledge		.000	.120	.000	.000	.000	.001	.412	.016	.	.000	.003
CF_Invest_Developing		.002	.326	.001	.000	.005	.024	.005	.167	.000	.	.002
CF_Invest_Experience		.002	.023	.001	.000	.050	.432	.183	.008	.003	.002	.
N		Intention	76	76	76	76	76	76	76	76	76	76
	psychic_distance	76	76	76	76	76	76	76	76	76	76	76
	Financial_risk	76	76	76	76	76	76	76	76	76	76	76
	Self_Efficacy	76	76	76	76	76	76	76	76	76	76	76
	Societal	76	76	76	76	76	76	76	76	76	76	76
	Gender	76	76	76	76	76	76	76	76	76	76	76
	Income	76	76	76	76	76	76	76	76	76	76	76
	Age	76	76	76	76	76	76	76	76	76	76	76
	CF_Knowledge	76	76	76	76	76	76	76	76	76	76	76
	CF_Invest_Developing	76	76	76	76	76	76	76	76	76	76	76
	CF_Invest_Experience	76	76	76	76	76	76	76	76	76	76	76

Table 10: Correlation Matrix

## Results

The research was designed to investigate both positive and negative effects the different independent variables have on our dependent variable, investors' intention to invest, in developing countries with a particular focus on crowdfunding.

Previous research investigated different sets of variables, and after considering a multitude of the previously researched variables, this study developed eight different hypotheses for testing. Selected variables used in this study were both retrieved from previous studies and self-developed by the authors. Through collection, validation, and analysis of data, we have been able to test 5 of the hypotheses. The other three hypotheses: monetary utility (H1), personal interest (H5), and perceived risk of investment in developing country (H7), were not tested in this research design, due to different factors, as explained in the testing and analysis section of the study.

		Coefficients <sup>a</sup>										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics		
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	1.444	2.530		.571	.570						
	psychic_distance	-.305	.154	-.184	-1.982	.052	-.162	-.239	-.171	.856	1.168	
	Financial_risk	-.137	.203	-.080	-.677	.501	-.493	-.084	-.058	.528	1.893	
	Self_Efficacy	.485	.151	.505	3.205	.002	.589	.369	.276	.299	3.348	
	Societal	.513	.159	.316	3.218	.002	.481	.371	.277	.769	1.301	
	Gender	-.308	.345	-.086	-.891	.376	-.171	-.110	-.077	.796	1.256	
	Income	.067	.138	.048	.490	.626	.172	.061	.042	.787	1.271	
	Age	-.019	.014	-.140	-1.333	.187	-.001	-.163	-.115	.669	1.496	
	CF_Knowledge	.501	.488	.139	1.027	.308	-.384	.126	.088	.403	2.482	
	CF_Invest_Developing	.295	.523	.060	.565	.574	-.323	.070	.049	.652	1.534	
	CF_Invest_Experience	-.681	.477	-.152	-1.429	.158	-.330	-.174	-.123	.657	1.521	

a. Dependent Variable: Intention

Table 11: Coefficients Matrix

Through running the multiple regression analysis, the significance level of each variable has been calculated. Calculations in the provided table above, Table 11, showed that neither of the control variables used in the study had a significant effect on the investment intention of individuals ( $p$ -value  $> 0.05$ ). Moving to the independent variables in the study, H2, the societal utility showed a strong significance in its effect, and thus we can accept this hypothesis. The combination of variables created for H3 and H4, the psychic distance, had claimed to have a weak significant effect on investment intention, and as a result, was accepted in the study. H6, the perceived financial risk, was calculated to have no significant effect on the investment intention and was

rejected in the study. Lastly, H8, self-efficacy was calculated to have a strong significant effect on the investment intention, thus we accepted this hypothesis.

Hypothesis	Findings
H1	Removed
H2	Supported (p < 0.05)
H3+H4	Weakly supported (p < 0.1)
H5	Removed
H6	Rejected
H7	Removed
H8	Supported (p < 0.05)

Table 12: Summary of Hypotheses

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.720 <sup>a</sup>	.519	.445	1.34136	.519	7.008	10	65	.000

a. Predictors: (Constant), CF\_Invest\_Experience, Gender, Income, Societal, psychic\_distance, Financial\_risk, Age, CF\_Invest\_Developing, CF\_Knowledge, Self\_Efficacy

Table 13: Model Summary

The model summary, Table 13, demonstrated the R Square for the model, which was computed to 0.519. This indicates that the independent variables explained 51.9 % of the variance in the dependent variable in the study. As the study was trying to explain what affected the investors' intention to invest in crowdfunding from developing countries, it would be preferred to have the R Square be relatively high, yet not 100% because it signifies an error in the analysis as no study is perfect. However, considering the removal of three variables from the study due to insufficient data, 51.9% was a decent indication for the model's explanatory power.

#### Additional findings

Due to limitations in the distribution of the survey, 94% of the respondents were Norwegian nationals. Attempts were made for the survey to be distributed both within and outside Norway, as the main interest was for the Norwegian participants.

Our survey offered a voluntary question, which aimed at gaining a better understanding of the location of investments, the participants potentially would be interested in. The voluntary question resulted in 16 answers with different variations and nuances. A majority was interested in investments in countries in Africa, such as Tanzania and Ghana, or countries in South-East Asia, like India. From all the received answers, two had given distinct responses, answering Moldova and Peru. When asked to collaborate on the reasoning behind the selections, respondents claimed to have either extensive knowledge about, or connections with knowledge, in the respective countries.

## **Discussion of findings**

**H1:** Investors' monetary utility positively affects their intention to invest – was removed during the study. This was due to the lack of enough loading in the factor analysis, as explained in the analysis section.

**H2:** Investors' societal utility positively affects their intention to invest – was fully supported.

In the presented research, societal utility is one of the two most significant factors that affect investors' investment intention. The results coincide with the research by Gerber & Hui (2013), Ryu & Kim (2016), Sharma et al. (2021) and Steigenberger (2017), which propose that societal utility plays a significant role in affecting investors' intention to invest in crowdfunding campaigns from developing countries. To be able to positively affect the environment and society is proved to be a major factor that can attract potential investors from developed countries.

Indeed, the discussion of sustainable growth has risen since the 1980s (Becker, 2019, p. 175). Sustainability addresses the ability to maintain certain entities, such as systems, business welfare, species, or processes. In 2015 the United Nations (UN) developed the 17 sustainable development goals (SDGs), to emphasize the importance of sustainability, which all members have committed to reach by 2030 (United Nations, 2022). To show its dedication, the European Commission initiated the European Green Deal which adapted a set of policies with a goal to reduce carbon emission by 55% by 2030 compared to the level in 1990s (European Commission, 2019). To finance the Green Deal, 600 billion euro from the NextGenerationEU Recovery Plan, as well as EU's seven-year budget will be invested. With such commitment, it encourages the financial market to actively invest in projects that are beneficial for society and the environment, which can be a part of the explanation for the result of our analysis.

Another explanation of the result we can connect with the qualitative answer of our survey. Investors from developed countries are willing to invest in developing countries where they have personal contacts which they want to support or possess extensive knowledge of the individual market. Hence, the interest in the well-being of their contacts in developing countries can explain why investors are more willing to invest in developing countries.

**H3+H4:** Investors' psychic distance negatively affects their intention to invest – was weakly supported.

The transformation of **H3** and **H4** into one variable creates a discussion of the effects that needs to apply to both parts of the new variable. The existing research needs to be understood as a whole, when comparing the results. Contradictions in studies has led to interesting research of these two parts of the variable. Although both Barbopoulos et al. (2014) and Munim et al. (2020) have stated in their studies that physical and cultural distance has no significance in affecting investors' willingness to invest, our study has proved to be the opposite. However, as stated previously, the study of Barbopoulos et al. (2014)'s calculation of the cultural difference using the Hofstede's cultural dimensions was deemed to be outdated. Furthermore, the measure of cultural distance in our study is fundamentally different from Hofstede's cultural dimensions, which can be a cause for the conflicting result. Although crowdfunding is taking advantage of the internet, the physical location of the campaign is still significant for investors. The negative significance of the finding could suggest that the investors would like to have a possibility of seeing the results of the final product in person, which becomes increasingly harder with the geographical distances.

On the other hand, changes in the variables which lead to this result fully supports Burtch et al. (2014)'s claim that from a lender's perspective, the two types of distance are substitutional. The study argued that this substitution can arise either due to the prioritization of one in the decision-making process, or only being able to focus on cultural differences when aware of these differences. Applying it to our research, there could have been a simple prioritization from the respondents. The questionnaire issued did not specify any particular developing countries, leaving the possibility of the lack of knowledge about differences, making them not consider these, and thus seeing culture as substitute of distance. Cultural differences create reduced trust, communication difficulties, and conflicts which can drive investors away. Compared to this research, the study from Burtch et al. (2014) had a larger sample size, observing over 3 million lending actions on the online crowdfunding platform Kiva. We may assume that a larger sample size might result in a stronger significant level of the relationship between psychic distance and investment intention.

As proximity is often associated with familiarity, it is reasonable that the further away the campaign is taking place, the less willing the investor is to invest. Zajonc (1968) examines the mere exposure effect in which proved a linear relationship between exposure and attitude.



Investors will have a higher possibility of being exposed to cultures of countries nearby than faraway, thus hold a positive attitude with projects from those countries.

**H5:** Investors' personal interest in the product or project positively affects their intention to invest – was removed during the study. The removal stems from the same issues connected with H1.

**H6:** Investors' perceived risk of crowdfunding negatively affects their intention to invest – was fully rejected.

It is interesting to be able to challenge the previous studies which have proven significant relationships between perceived risk and investors' willingness to invest (Cho et al., 2014, as cited in Zhao et al., 2017; Martinez-Climent et al., 2020; Maier, 2016). Although different studies have been contradicting each other in terms of the type of relationship between perceived risk and willingness to invest to whether be positive or negative, they have all proven to have a degree of relationship. Despite these earlier findings, we could not accept the hypothesis. An explanation of this phenomena could be that the amount of investment in crowdfunding was minor compared to other form of investments, so that the risks were less significant. Another explanation is that the questions that we were asking for perceived risk in crowdfunding were not explicit enough for the respondents to consider it as a barrier for them to invest in crowdfunding.

Our questionnaire measures perceived risk of crowdfunding by asking about the risks involved in the use of crowdfunding platforms. While a number of crowdfunding platforms may be perceived secure, other platforms might be perceived riskier depending on number of users, user recommendations, transactions methods or types of campaigns. Differences in investors' experience and knowledge of the Internet may give varied responses. Therefore, without referring to the specific platform, the positive effects may cancel out the negative effects and give a non-significant result.

**H7:** Investors' perceived risk of investment in developing country negatively affects their intention to invest – was removed during the study. The removal stems from the same issues that were connected to H5 and H1.

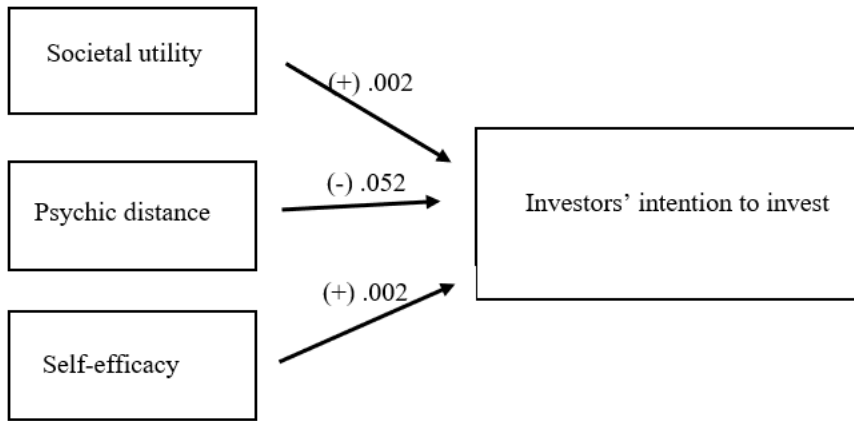
**H8:** Investors' self-efficacy positively affects their intention to invest – was fully supported.

Self-efficacy refers to the self-perceptions of having the knowledge and experience necessary to perform a certain action (Shneor & Munim, 2019). As the results support the proposition, it implies that in the context of crowdfunding, self-efficacy plays a significant role in affecting investors' intention to invest. The optional question in the questionnaire had also confirmed the hypothesis where investors are more willing to invest in countries where they have extensive knowledge about. Undoubtedly, knowledge and experience reduce the uncertainty that lies in investment. Investors were more interested in investing in countries where they had extensive knowledge about the market. To be able to accept this hypothesis contributed to the extended framework of theory of planned behavior (TPB) by Shneor & Munim (2019). It suggested that self-efficacy affected the investors' financial contribution intention in crowdfunding. Even in a different context, Akhtar & Das (2019) has also shown significant positive relationship between financial self-efficacy and investment intention in India.

#### *Control variables*

Findings from our analysis showed that all the control variables used did not have any significant effect on the investment intention of people. This coincided with the findings of Shneor & Munim (2019), which also found that age did not affect financial contribution behavior. An explanation of this could be that crowdfunding is still a recent phenomenon, so neither relatively older or younger adults have enough knowledge for it to affect their investment intention or willingness, keeping in mind that our respondents were all adults well into their working life while excluding students and teenagers. Moreover, since the investment intention appeared to be more influenced by social value creation, it is possible that relatively small investments for well-being in developing countries may have any significant differences, while investment for financial gains may differ.

Other control variables used such as gender and income level did not have a significant effect on the investment intention. Given that crowdfunding allows smaller amounts of capital coming from a large audience, the income level of investors might have considerably less effect on investors' investment intention. Gender having a non-significant effect contradicts the findings of Shneor & Munim (2019) which found that females reported higher financial contribution behavior than males. This is an interesting finding, given that the research was in both cases carried out in an advanced market. There could be nuanced cultural differences between the genders in the two countries, that we are not aware of, which could have explanatory power.



*Figure 3: Revised conceptual model*

## **Conclusion**

The aim of this research was to explore the relationship between investors from developed countries and their willingness to invest into developing countries, with a focus on crowdfunding. Moreover, the thesis attempted to contribute to the limited research in the crowdfunding field to potentially expand knowledge on the subject.

Numerous studies were conducted in different contexts and with different methods to explain factors that influence the investors' intention to invest in developing countries. A literature review table was constructed to summarize relevant research that had contributed knowledge in this field previously. This thesis studied 20 research papers to detect similarities and contradictions in findings and developed eight hypotheses to investigate the effects of eight different variables have on investment intention into developing countries.

A survey was created to collect data from investors from developed countries about their opinions on what influences their intention to invest in developing countries through crowdfunding. After validation of the items, three of the eight independent variables had to be removed due to inadequate data. This study of the investment intention of developed countries provided results that showed a positive effect of self-efficacy, and societal utility. On the other hand, psychic distance had a weak negative effect on the investment intention. Supporting earlier findings, we were able to contribute to further support the application of the theory of planned behavior in explaining crowdfunding intentionality, as proposed by Shneor & Munim (2019). Contradicting earlier studies, perceived risk of crowdfunding and other control variables such as, age, gender, and income level had proven to have no effect on investment intention.

### *Limitations*

The proposed research has clear limitations as no study is perfect. We have tried to explain the factors influencing investors' intention to invest in crowdfunding campaigns using selected variables. Throughout the literature review, we have tried to limit subjective perspectives by including a variety of articles that used different approaches. However, due to time limitation and the scope of our research, we cannot include all research conducted on crowdfunding or investment intention that might lead to biases in terms of selection of articles and variables. For example, attitude has been a variable that several studies have used to investigate investment intention. We

have chosen to exclude this variable in our study due to other variables being more interesting to analyze.

Furthermore, there is a limitation of scale in our research. To find respondents for our survey, we have mostly been able to reach out to people within our network, and a few others using secondary connections. This highly limited the number of responses to our survey and led us to only include people from the same social circles, which can cause a skewness in our statistics and is not generalizable to the population.

Lastly, although we are looking at investors' intention to invest in developing countries, we have focused on the Norwegian market. This might not indicate the correct investors' intention to invest from advanced markets. The Norwegian crowdfunding market is relatively minor compared to the world market, and the number of investments in developing countries might be limited.

#### *Future research*

For our analysis, 94% of respondents in the survey were Norwegian nationals. In a future study, the current variables can be applied in a different context, more specifically in a different country, to examine the investment intention in that specific country and if there are any significant differences between countries, especially between advanced markets. A similar study could be done for investigating the relationship to specific countries, one developed and one developing. The variables in the study are also subject to change and improvement in a future study, for example, by including more independent variables. These independent variables could, for example, be investigating if the financial literacy or education level have any effects on the investment intention.

Further, researchers can build their study in a more proficient way by increasing the number of respondents to a potential survey that is issued. Larger sample size can provide improved results of the data and possibly create better normality scores in the study, as well as identify more factors in the factor analyses. A more targeted approach can also be favorable, to specialize the research to become a better representative for separate groups. However, there is also the possibility of reaching an even more general audience to have better insight into the general population's attitude towards this concept.

The same variables could also be run again in the same context to discover potential differences between the results in the research. Three hypotheses have not been testable in this study, and this summons a need to replicate this study in the same context, but with a larger pool of respondents and more targeted participants. This could create a better understanding of the attitudes, as there is more data and opposing views on the matter, which can further inspire even more research on the subject matter. On the other hand, the hypotheses could be tested using a different approach such as qualitative methods to collect subjective opinions to explain why certain investors would like to invest in developing countries using crowdfunding.

### *Implications for practice*

By understanding what influences investors decision, crowdfunding campaign owners can improve the marketing strategies in reaching their target market and raise funds more effectively. Our study supported the hypotheses of societal utility and self-efficacy being factors that positively affect investors' willingness to invest in crowdfunding campaigns, while psychic distance had a negative effect. This suggests crowdfunding campaign owners from developing countries to use it in a way to attract investors from developed countries to fund their campaign, for example to package their project with altruism, showing its benefits for the society and the environment. The target audience of their campaign are recommended to be investors with knowledge and experience with crowdfunding, or to involve simplified processes to avoid concerns about necessary skills. As psychic distance was revealed to have a slight negative effect on investment intention, it is recommended that entrepreneurs and platform operators start promotions of campaigns in countries nearby and then expand. To counter the negative perception of the difference in psychic distance, entrepreneurs and platforms can try to pitch their projects with a focus on the similarities between countries, to increase understanding and interest.

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## **Appendix**

### *List of items*

CF_Knowledge
CF_Experience
CF_Invest_Experience
CF_Invest_Startup
CF_Invest_Developing
CF_Intention1
CF_Intention2
CF_Intention3
CF_Intention4
Monetary1
Monetary2
Monetary3
Monetary4
DC_Risk1
DC_Risk2
DC_Risk3
DC_Risk4
DC_Risk5
Cultural_Distance1
Cultural_Distance2
Cultural_Distance3
Cultural_Distance4
Financial_Risk1
Financial_Risk2
Financial_Risk3
Financial_Risk4
Financial_Risk5
Geographical_Distance1

Geographical_Distance2
Geographical_Distance3
Geographical_Distance4
Self_Efficacy1
Self_Efficacy2
Self_Efficacy3
Self_Efficacy4
Societal1
Societal2
Societal3
Societal4
Interest1
Interest2
Interest3
Browsing
Email
Social_Media
ECommerce
Other
Age
Norwegian
Gender
Income
Intention
psychic_distance
Financial_risk
Self_Efficacy
Societal

*Survey, English version:*

Hello!

This is a questionnaire that is being issued to help our research for our master's thesis on crowdfunding and investment willingness. It would be greatly appreciated if you could take the time to answer all the questions. The survey takes roughly 5 minutes to answer.

All answers are anonymous, and you do not have to expect any follow up of any kind.

**Do you consider yourself has having some knowledge of crowdfunding?**

- (1)  Yes
- (2)  No

**Have you contributed to a crowdfunding campaign before?**

- (1)  Yes
- (2)  No

**Have you invested in an equity crowdfunding before?**

- (1)  Yes
- (2)  No

**Have you invested in a startup company before?**

- (1)  Yes
- (2)  No

**Have you invested in a firm from a developing country before?**

- (1)  Yes
- (2)  No

These next questions can be answered using a scale from 1-7, where the appointed values can be seen below.

**1** -Strongly disagree

2 - Disagree

3 - More or less disagree

4 - Neutral

5 - More or less agree

6 - Agree

7 - Strongly agree

	Strongly disagree	Disagree	More or less disagree	Neutral	More or less agree	Agree	Strongly agree
Given the chance, I intend to financially invest in crowdfunding campaigns from developing countries.	(1) <input type="radio"/>	(2) <input type="radio"/>	(3) <input type="radio"/>	(4) <input type="radio"/>	(5) <input type="radio"/>	(6) <input type="radio"/>	(7) <input type="radio"/>
It is likely that I will financially contribute to crowdfunding campaigns in developing countries in the future.	(1) <input type="radio"/>	(2) <input type="radio"/>	(3) <input type="radio"/>	(4) <input type="radio"/>	(5) <input type="radio"/>	(6) <input type="radio"/>	(7) <input type="radio"/>
I have the intention to financially contribute to crowdfunding campaigns from developing countries.	(1) <input type="radio"/>	(2) <input type="radio"/>	(3) <input type="radio"/>	(4) <input type="radio"/>	(5) <input type="radio"/>	(6) <input type="radio"/>	(7) <input type="radio"/>
I intend to actively invest in crowdfunding campaigns from developing countries.	(1) <input type="radio"/>	(2) <input type="radio"/>	(3) <input type="radio"/>	(4) <input type="radio"/>	(5) <input type="radio"/>	(6) <input type="radio"/>	(7) <input type="radio"/>
I have confidence in my ability to invest in crowdfunding campaigns.	(1) <input type="radio"/>	(2) <input type="radio"/>	(3) <input type="radio"/>	(4) <input type="radio"/>	(5) <input type="radio"/>	(6) <input type="radio"/>	(7) <input type="radio"/>



Investing in developing countries is too risky for my taste. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I am confident in my ability to navigate and use crowdfunding platforms' websites. (1)  (2)  (3)  (4)  (5)  (6)  (7)

There is a chance of making good money with a small investment in crowdfunding campaigns (1)  (2)  (3)  (4)  (5)  (6)  (7)

I think using crowdfunding websites puts my privacy at risk. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I am confident in my ability to invest in campaigns through crowdfunding platforms' websites. (1)  (2)  (3)  (4)  (5)  (6)  (7)

In general, making payments on crowdfunding websites is secure. (1)  (2)  (3)  (4)  (5)  (6)  (7)

The investment conditions sound good enough to invest in crowdfunding campaigns (1)  (2)  (3)  (4)  (5)  (6)  (7)

I'm interested in projects with outcomes that have a positive impact on the (1)  (2)  (3)  (4)  (5)  (6)  (7)

environment and its sustainability

I have the expertise needed to invest in crowdfunding campaigns. (1)  (2)  (3)  (4)  (5)  (6)  (7)

The purpose of projects I'm interested in is to ensure the well-being of the maximum amount people (1)  (2)  (3)  (4)  (5)  (6)  (7)

I'm interested in projects that seem to be of good economic value (1)  (2)  (3)  (4)  (5)  (6)  (7)

I am more interested in investing in projects that are located faraway than those located nearby. (1)  (2)  (3)  (4)  (5)  (6)  (7)

The potential profits from successful investment in developing countries surpasses the risks involved. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I'm interested in projects with the purpose of having a large community benefit (1)  (2)  (3)  (4)  (5)  (6)  (7)

Investment in developing countries is only relevant for people with high risk tolerance. (1)  (2)  (3)  (4)  (5)  (6)  (7)

Campaigns from locations closer to me are more appealing than campaigns located faraway. (1)  (2)  (3)  (4)  (5)  (6)  (7)

If I invest abroad, I will invest in countries whose culture is more similar to mine (for example – Denmark and Sweden). (1)  (2)  (3)  (4)  (5)  (6)  (7)

I am likely to invest if I personally see a utility of the product for me (1)  (2)  (3)  (4)  (5)  (6)  (7)

I'm interested in projects with outcomes that would be beneficial for society as a whole (1)  (2)  (3)  (4)  (5)  (6)  (7)

It is easier for me to invest in countries with culture that is similar to mine than in countries whose culture is very different. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I prefer investing in projects that are closer to me geographically. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I think using crowdfunding websites in monetary transactions has potential risk. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I am more likely to invest in campaigns by fundraisers who are located close than faraway. (1)  (2)  (3)  (4)  (5)  (6)  (7)

The idea of investing in projects from countries with different cultures is more appealing than investing in projects from countries with a culture similar to mine. (1)  (2)  (3)  (4)  (5)  (6)  (7)

There are high chances of losing money when investing developing countries. (1)  (2)  (3)  (4)  (5)  (6)  (7)

Crowdfunding websites cannot be trusted to safeguard my privacy. (1)  (2)  (3)  (4)  (5)  (6)  (7)

Investment in developing countries is very lucrative and profitable. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I can make easy money through crowdfunding campaigns (1)  (2)  (3)  (4)  (5)  (6)  (7)

I prefer investing in countries with similar culture to mine than in countries with different culture to mine. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I just see crowdfunding investments as another way of making money (1)  (2)  (3)  (4)  (5)  (6)  (7)

Using online money transfers for investments on crowdfunding websites is safe. (1)  (2)  (3)  (4)  (5)  (6)  (7)

I am likely to invest if I personally feel the campaign is good for me (1)  (2)  (3)  (4)  (5)  (6)  (7)

**These final questions are more general control questions.**

**Roughly estimating, how many hours each day do you spend on the Internet (via mobile, tablet or computer devices) for the following purposes:**

0 Up to 1 hour 1-2 hours 2-3 hours 3-4 hours 4 hours or more

Online browsing, searches, and news (2)  (3)  (4)  (5)  (6)  (7)

E-mail communications (2)  (3)  (4)  (5)  (6)  (7)

Social and professional networking sites (2)  (3)  (4)  (5)  (6)  (7)

E-Commerce and online shopping (2)  (3)  (4)  (5)  (6)  (7)

Other Internet uses (2)  (3)  (4)  (5)  (6)  (7)

**Year of birth**

(1)  1935

Up to and including (respondents choose one on a roll-down window)

(56)  2004

**Nationality**

(1)  Norwegian

(2)  Other

**If you answered "Other" on the last question, could you please specify?**

\_\_\_\_\_

**Gender**

(1)  Male

(2)  Female

(3)  Other

**Income annually (in NOK)**

(1)  >100 000

(2)  100 000 - 300 000

(3)  300 000 - 500 000

(4)  500 000 - 700 000

(5)  700 000 - 1 000 000

(6)  1 000 000 <

**If you were to invest in a developing country, which one would it be? (This question is optional)**

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**If you answered the previous question, why these country/countries?**

---

Thank you for your time and cooperation!

## **Introduction**

After one and a half year of intensive study of international management, I have received the opportunity to investigate a topic that my fellow student and I have found interest in. As we are both still novice in academic research, it has been a pleasure to learn about the process of producing an academic paper, to be able to leverage the knowledge and skills that we have learned in the classroom and spend 5 months in pouring all that we have learned in this final submission in our life as a student.

This reflection note will discuss the findings of our research paper and its relation to the theme of responsibility with the knowledge that I have gained through the master programme at University of Agder, Master's Programme in Business Administration with specialization in International Business. First, a summary of the thesis and its findings will be presented. Then, we will move on to related it to the topic of responsibility and the ethical challenges that the major stakeholder of crowdfunding will encounter. Afterwards, a small section will be assigned to elaborate the ethical challenges that we faced different parts of the paper will be discussed. Lastly, a conclusion will be drawn.

## **Summary of the research paper**

For our master thesis, we have decided to conduct research on the topic of crowdfunding as a form of contribution to economies of developing markets. Crowdfunding has been a rising investment form due to technology advancement. However, due to the need of internet access, crowdfunding, as well as other Financial Technological (FinTech) services, have been more widespread in advanced markets than developed countries (Ziegler et al., 2019). This paper aims to explain the drivers and barriers of investors from advanced markets to invest in developing countries using crowdfunding. It suggests ideas to crowdfunding campaign owners or entrepreneurs from developing countries about how they can modify their campaign and improve their marketing strategies to better target their audience from advanced markets.

Out of the 20 research articles that we have looked at, we were able to propose 8 hypotheses to test through our research. Due to limitations, we developed an online questionnaire and distributed it to Norwegian potential investors as it represents the population of investors from advanced



markets. A total of 79 responses were recorded, with 94% of the respondents with Norwegian nationality and the rest from other developed countries. The data collected was then transferred to SPSS for validation using rotated factor analysis and Cronbach's alpha, and analysis using multiple regression to explain the different relationships.

As a result, 3 of the hypotheses, the relationship between monetary utility, perceived risk in investing in developing countries, personal interest, and intention to invest, were not able to test through this research due to being not well-loaded factors in the factor analysis. The cultural distance and geographical distance had to be merged to psychic distance and had proven to have a weak positive relationship with investors' intention to invest in developing countries through crowdfunding which contradicts some of previous studies. This signified that the investors did consider the psychic distance to invest in developing countries a barrier for them to invest. Perceived risk of crowdfunding had found to have no relationship with intention to invest, which is an interesting finding that had contradicted to most of previous studies. Both societal utility and self-efficacy had been proven to have a strong positive relationship with investors' willingness to invest. Suggestions for future research was recommended to test the 3 hypothesis that were unable to test through this research. Implications for practice suggest campaign owners to consider these factors when developing the marketing strategies to attract investors from developed countries.

## **Responsibility**

For my discussion, I was assigned to the topic of responsibility and how it is related to my master thesis. Responsibility is a trending topic around and is highly relevant to our master thesis. Our topic of investments in developing country discusses the social responsibilities of investors from developed countries to developing countries, how people from developing countries can support people in need from other parts of the world. As the economy of alternative financial market is growing, so is the concern of ethical practices in the sector. It is in all stakeholders' responsibility to act responsible when participating in crowdfunding activities. The three main stakeholders that have direct relationship with crowdfunding are the investors, campaign platform, and the campaign owners. Other stakeholders that are not discussed in this reflection note but are worth mentioning are the regulators, local communities, customers, suppliers, and employees.

As an investor, the choice of projects that the investor decides to invest encircles the topic of responsibility. The investors might encounter many ethical challenges along the way of investing

in crowdfunding. One of the independent variables that we have included in the model is the social utility, which refers to if the investor is conscious about social responsibility when investing in crowdfunding, if the main goal is just to looking for monetary return or that the investors are looking for projects that benefits the society. Although it is the investors decision to choose project with high monetary returns, it is important to consider the benefits or demerits that the project they invest in can give consequences of. Moreover, the idea of investing in developing countries might lead to less investment in important local projects. Yet, as a capable investor, they need to consider the capability of helping the poor in other parts of the world as well. To make an ethical decision, the investors can consider the tolls presented by Shneor & Torjesen (2020) mentioned below.

The crowdfunding platforms have a huge responsible of developing the concept of crowdfunding. Their responsible lies in providing a secure platform to connect investors with the projects. Not only do they have to secure the monetary transaction, the privacy of all partners, the projects that shows on their platform and how they market to the investors, but also ensuring that the activities are following legislation and ethical practices, lies in the platforms' responsibility. Campaigns that lead to unethical practices should be removed from the platforms to minimize the possibility of investors funding the projects that may lead to demerits in society or environment.

Lastly, the crowdfunding campaign owners, as any businesses, have a responsibility to deliver what they have promised to their funders. As per definition (Ganti, 2022), the social responsibility of the business is to not only maximize shareholders' profit, but also consider the societal benefits it can contribute to. Our research has demonstrated that there is a need of ethical practices in crowdfunding campaigns for raising fund among potential investors from developed countries. Together with other stakeholders, we can build a secure business environment for crowdfunding.

### **Ethical challenges**

For the different actors in crowdfunding, with different roles, they might face different ethical challenges. Not only operating legally, but also ethically has been a challenge for many businesses. As a classical ethical problem, to use child labour in the production process can minimize the cost of production hence maximize shareholder's profit, yet it takes away the rights of a child to be a child and use their time to go to school and play instead of working. We continue to discuss the different challenges that the stakeholders in crowdfunding might confront and propose tools that have been developed for ethical business decision making.

Our unit of analysis are individual investors. Even as they respond to their responsibility to help those in need in developing countries, they also face an ethical dilemma to support projects that are local. In the case of donation-based crowdfunding, rather than donating to a project that might improve the quality of life for the people involved, the question debate of donating to professional organizations such as UNICEF who focuses on philanthropical activities might be a better choice to give help in a larger scale. Another challenge that investors often face are projects with higher returns versus projects with better societal utility.

Crowdfunding platforms faces larger ethical challenges compared to investors. Not only do they hold the responsibility to the investors, but they also have to responds to the campaign owners' needs. The common challenges that they face will be which projects they put on their frontpage to attract investors. Some projects give better monetary return, while some might benefit the environment with larger impact. Larger projects might have the ability to advertise their campaigns better on the platform, yet the smaller projects that might give better return might not have the capability to better market themselves to the investors. The level of investigation of the projects that the platform conduct raises a dilemma. History has shown cases where crowdfunding has been used to fraudulent activities such as the Ponzy scheme (Zhang & Miller, 2017 as cited by Shneor & Torjesen, 2020). While they must provide sufficient information for the investors to avoid misappropriation of funds, they might also consider the campaign owners' right of confidential as to not leak they business strategies to potential competitors.

As a campaign owner, they are encountering the ethical challenges that normal businesses might experience. However, as mentioned above, many fraudulent actions have been conducted through crowdfunding. Yet, simply legal does not indicate ethical. Although the business might follow every lawful action, the ethical consideration should also be taken into account. Misinformation, misleading contents, indirectly harming humans or the environment and so on are activities that should in all situation be avoided. The fundraiser have the responsibility to maximize shareholders' profit, but ethical practices should be taken into consideration as a public entity in the society.

When encountering the challenges, the classical approach of business ethical decision making can be a solution. The moral instinct of human can become the reasoning to defend its ethical actions. Shneor & Torjesen (2020) have proposed the three schools of business ethics: Kantian deontology;

utilitarianism; and virtue ethics. Each of them acts as a guidance for us to explain if our practices are optimal before we make our decision.

In the development of this master thesis, we have faced many ethical challenges ourselves. As each case is different, we must consider the ethical practices in each step in constructing the paper. The most relevant part will be the data collection segment, where we are obligated to report to each respondent that the data that we have collected how it will be used and that it will remain anonymous. In the case if we have chosen another methodological approach in which we take in-depth interviews instead of online questionnaire where anonymity cannot be ensured, we will need to adjust our report about the participants to protect their privacy, for example only save the data on a secure place, only report data that the owner cannot be traced etc. On the other hand, we require honest responses from the respondents for correct representation of the population. While we progress with the segment of analysis, we must frankly report the results and draw conclusions in an unbiased point of view. To do so, we will need objective research on past studies and theories in order to stay neutral in our discussion. As hypotheses that cannot be tested due to insufficient data, it has also been genuinely described in the paper.

## **Conclusion**

The writing of this paper has not been an easy task. The Master's Programme in Business Administration at University of Agder has provided me insights into the international market and has fully integrated the discussion of responsibility through and ethical challenges in the journey, which have provided foundation to build this thesis. We have learned that every action we take in the business world, we should not only consider the responsibility that rests on us, but also the consequences and impact it might indirectly effects. As a rising FinTech service, ethical consideration should be taken with cautious in the development of crowdfunding to ensure a healthy growth of the topic. For ethical decision making, there are tools for different actors to utilize when facing ethical challenges.

It is an honour to be able to participate in this programme and write this master thesis with my fellow student. The knowledge and skills that I have acquired in these two years is something that is going to be valuable for the rest of my life, no matter what field I am pursuing.

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## **Introduction**

For the reflection note I was assigned to discuss the word “Responsible” and how this can be incorporated when reflecting both my master’s education at UiA and my current master’s thesis.

Crowdfunding can be categorized as a social investment, which entails that the monetary investments are aligned with increasing the social standards where the investments are placed (Network, 2022). This type of investment could be seen as responsible in the sense that the need to help someone less fortunate is filled. Crowdfunding is not dependent on large sums of money from few individuals invests but can create sizable investments through small sums of money from a large pool of individuals via an online market platform (Belleflamme, Omrani, & Peitz, 2015). The concept of crowdfunding is part of the alternative finance group. Alternative finance is a term that defines “*digital finance activities that have emerged outside of the incumbent banking systems and traditional capital market and occur online*” (Ziegler, et al., 30)

### **1.1 Master thesis**

For my master thesis I chose to write and research the concept of crowdfunding. Both me and my study partner were interested in writing something in accordance with the specialization on our masters, which is International Business. The topic of crowdfunding was presented, and even though we both knew of the concept, I personally did not initially have a great understanding of the concept and was eager to increase my knowledge. Researching the existing literature on crowdfunding there was limited information on the concept in general, but especially on crowdfunding investments from developed countries to developing countries. Thus, we figured the topic would be interesting to further investigate and research if this could be a good tool for financial investments from developed to developing countries. Based on circumstances, connections, and network, we chose to look at Norwegians specifically, and what affects their investment intention. For the thesis we created the research question, “*what drives crowdfunding investment decisions of investors from developed countries in developing countries.*”

The master thesis looked at previously written literature in the field of crowdfunding and investments in developing markets. The concept of crowdfunding is a relatively new concept, thus there is limited relevant literature on the phenomenon. After conducting the literature review, we

developed eight testable hypotheses' we considered valuable for testing. These were how monetary utility, societal utility, geographical distance, physical distance, self-efficacy, personal interest, perceived risk of crowdfunding and perceived risk of investment in developing countries, with both negative and positive connotations affect investment intention. Additionally, we added control variables such as gender, income level and age. To test the different hypotheses,' we issued an online questionnaire, which presented obstacles. There was a clear lack of responses, despite different strategies and efforts made, so as a result the numbers used for the analysis were smaller than desired. Further we conducted different statistical analysis on the data collected, and finally ran a regression analysis. During the analysis, we were forced to transform two of the hypotheses into one variable, due to the understanding of the question from the participants. We were forced to remove three of the hypotheses, as they were not measured correctly. Both the transformation and removal of hypotheses could potentially have been avoided, if the number of responses reached the desired number. The results from this analysis left us with four hypotheses ready for testing. Three, societal utility, psychic distance, and self-efficacy, of the four hypotheses were supported, either fully or weakly, while one, perceived risk of crowdfunding, was rejected. Our findings both coincided with previous studies and found contradicting results. The research can be categorized as a contribution to the evolving field of crowdfunding, and leaves room improving the research in the future.

## **1.2 Responsibility and ethics**

Having the specialization of international business on my masters, I have been able to increase my knowledge on a subject I find particularly interesting, which is how businesses operate in an international context and the different challenges and opportunities that arise in this environment. The word responsibility is very relevant in this setting. Being a company that operates in different markets and countries, there are different rules, regulations and traditions that need to be considered. Further, the responsibility to respect the differences and adopt is a major success factor in being successful in a new market.

The Cambridge Dictionary defines the word responsibility as: “*something that is your job or duty to deal with*” (Cambridge Dictionary , 2022). Reflecting on the word responsible, there is a need to understand responsibility as well. Connecting the two, it could be argued that it is our duty to do the “right” job, meaning we all must understand how we as people are expected to act and what

decisions we are making, especially the results of our actions. Possessing the correct ethical values, can be applied in the same context. Responsibility and ethics have been a prevalent part of the entire master's course, with a number of courses having a great focus on this topic, such as Sustainable Capitalism. The increase in focus in course material shows the importance of increasing the knowledge on this topic and how important it is to have a great focus on our responsibility to understand the impact of what we do, to maintain a sustainable future. This integration of responsibility and ethics needs to be applied to how a business affects the surrounding environment, but also how the business itself is ran.

### **1.3 Responsibility and ethics connected with the master thesis**

Having the master's thesis in mind, the word responsible can be quite easily incorporated. We are looking at investment willingness of Norwegians, particularly, and people from developed countries, into developing countries, particularly through crowdfunding. The responsible part comes in quite clearly as it could be argued that there can be some form of responsibility connected to investment in developing countries. From feeling responsible just to helping the less fortunate on a general level, to making sure the business practices in those countries are as responsible as possible, within the limited capabilities the crowdfunders possess. However, the question can be raised to counter the responsibility felt to help the less fortunate in developing countries when we still have less fortunate people in Norway. Is it right to focus all the money and resources toward those countries when there are people in Norway that need it? According to SSB, in their latest pole, 19% of households could not afford any unforeseen expense (Statistisk Sentralbyrå, 2021). In this case crowdfunding can be of assistance, as there are possibilities of investing in crowdfunding projects located in Norway as well, through different Norwegian platforms such as spleis.no (Sparebanken 1, 2021).

Having crowdfunding as an option to help others in a monetary way, can be a great new avenue to use for helping less fortunate individuals. Instead of having the money go through major organization, where a lot of it ends up paying different wages and expenses, there is a more direct distribution channel, has the possibility of increasing the amount transferred. This can be argued to be a more responsible way of contributing with money. There is also a responsibility from all different stakeholders in the crowdfunding process to be responsible and maintain the integrity and continued evolution and improvement of the concept. If some stakeholders in the process are acting



irresponsible, there is a risk of the product losing its perceived value. For example, the different platforms need to follow through on their promises of payment of funds and are responsible for the projects being responsible themselves. If a project seems irresponsible in any way, they have an obligation to not allow this type of project to be a potential investment. There have been multiple examples of people using crowdfunding to defraud investors (Shneor & Torjesen, 2020, ss. 161-162). Other ethical dilemmas can be drawn from the fact that it is very hard to follow up on whether the money that has been invested, is distributed, and utilized as advertised. This could be a potential concern which limits individual to invest their money in helping a good cause. Each investor would have to calculate the risk and draw a conclusion, either resulting in them accepting the risk or not. A challenge when investing in projects in developing countries is that the threat of corruption is more prevalent, which is something that needs to be considered by potential investors and the platforms that are promoting the projects.

Looking at crowdfunding through a societal lens, it can be connected to utilitarianism, as a majority of crowdfunding investments, especially ones with a societal and environmental focus, will collectively improve the well-being of the recipients (Shneor & Torjesen, 2020, s. 164). If a project that requires a crowdfunding campaign to obtain funding results in an increase in value of some sort for most of the people, then it is successful. However, several crowdfunding campaigns might be the opposite of this, where the benefits of the campaign are only collected by one or a few people. Then the question can be raised on whether it is ethical to help only one when there are many that need the help. However, helping the one might help others down the line, without the changes being imminent enough to see within a desired timeframe.

The ethics related to crowdfunding have been researched by (Shneor & Torjesen, 2020). They built on a framework for democratization of finance (Ertuk et al., 2007, as cited in Shneor & Torjesen, 2020, p.166-167) and found five distinct ways, crowdfunding helps improve the overall democratization of finance. Further they discussed other great improvements that crowdfunding present. However, there are some negatives that arise to, such as the “madness of the crowd” (Shneor & Torjesen, 2020, s. 168). This democratization of finance is a great way to combat the negatives in finances, that are facilitating unequal opportunities in the financial markets. The ethical problems that arise, which is discussed in (Shneor & Torjesen, 2020), focus on the fact that crowdfunding needs to appeal to the masses, and if the correct answer is always obtained by

listening to the masses. This statement can be argued infinitely, as there are different ethically correct answers to each individual case.

A clear ethical challenge that can occur with any research, is that researchers are changing and optimizing numbers and results to be able to fit their personal interest. This is easier to combat when the research is done independently, opposed to for a company. Having the pressure of a company might force this type of optimizing. The data collection is the stage of the thesis that is most exposed to this type of ethical challenge, both regarding the processing of the information as we could have taken the opportunity to inflate our numbers by answering the survey ourselves, and the to keep the anonymity of the survey respondents. As the survey was conducted online, there is of course the challenge of being certain that the participant is answering truthfully, so that the information used for the analysis is actually representative of the intentions of the population. This challenge is impossible to manage when using an online survey, and it is hard to combat in general, as even an in-person survey can pose the same issues. One possible way to combat would be to sit with each individual while they answer the survey, but the time constraint would make this close to impossible.

#### **1.4 Conclusion**

To summarize the reflection, with the word responsible in mind, there are many different aspects and uses of the word. The word has been prevalent throughout the entire masters. My master's thesis was looking at factors influencing the investment intention of people from developed countries into developing countries, with a particular focus on crowdfunding. There were some challenges connected to the writing of the thesis, as explained earlier. However, despite these challenges we were able to get some results that were both in agreement and disagreement with previous findings. Crowdfunding strongly is related to the word responsible. There are many aspects of the concept that are heavily influenced by influence, such as the responsibility of platforms to conduct themselves appropriate, entrepreneurs to handle investments responsibly, and investors to be responsible in their investment choices. The ethical challenges connected with both crowdfunding and the thesis are also prevalent. However, crowdfunding combats some ethical challenges, with measures such as democratizing finance.

This thesis, and the master's degree as a whole, have both been extremely valuable. I have acquired a lot of knowledge and competences in different relevant areas and grown as a person too. The

master's course at the University is a great way to prepare oneself for entering the workplace and apply the knowledge.

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