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Why startup entrepreneurs acquire capital through equity crowdfunding?

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ABSTRACT

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The thesis aims to understand why startup entrepreneurs go through equity crowdfunding to acquire capital among other external equity funding sources. Theory suggests that there isn't only financial gain in getting finance from crowdfunding but also non-financial values play an important role like testing the product or service, increasing publicity and marketing initiatives in general. This study is qualitative and the empirical findings are generated from integrative analysis of related literature as well as secondary data and case study analysis. The empirical suggestions driven from interviews support the research framework that is formed out of literature review findings. The results figured out through this thesis work suggest that for growing startups in their development stages even in early phase or growth period, equity crowdfunding could be the best option based on the intended outcomes and type of the business, it is also considered as a convenient financing method. The equity crowdfunding campaign provides much needed capital for development of startups which are continuously in need of money and benefit them through non-monetary advantages as well. This funding source from the crowd doesn't limit entrepreneurs' control over the business and their desired directions contrary to traditional equity sources. Empirical findings of the study and literature review reveal that running successful equity crowdfunding campaigns help startups to scale up their business by better access to follow on funds and approaching to new partners and customers besides providing new entrepreneurial learnings, visibility, customer loyalty, development of the strategy or business model and product/service optimizations. For startups, this thesis presents practical practices that can help entrepreneurs to understand how such young and innovative firms can benefit from equity crowdfunding as an alternative financing channel both tangibly and intangibly to develop their operations.

Keywords: Crowdfunding, External equity funding, Equity crowdfunding, Entrepreneurial finance, Start-ups

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Gratefully yours,

Hanieh Esmaeilpourmotlagh

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1. INTRODUCTION

In recent years, alternative finance has been a hot topic in financial markets and crowdfunding as a new phenomenon is placing itself in the financial ecosystem. Finance for startups was always a perennial problem and lots of literature addressed this difficulty of access to finance for young and new firms (Beck & Demirguc-Kunt (2004); Berger & Udell (1998); Cassar (2004)). Due to new ventures' information opacity combined with a limited lending track record, most new and small entities have problems with credit access from mainstream lending institutions like banks (Binks et al.,1992). Such difficulties hamper new innovative ventures from getting much needed seed and startup capital (Colombo & Grilli, 2007), a problem that the recent global financial crisis 2007-2008 has been brought to the fore (Cowling et al., 2012).

It could be well understood the considerable attention also in literature has been attracted towards crowdfunding, a phenomenon which presented a prominent new channel for alternative entrepreneurial finance for young innovative firms (Lehner et al., (2015); Mollick (2014); Short et al., (2017)). Crowdfunding has benefited from developments in communication and information technology which provides the ability to finance a business by small amounts from many individuals thru online crowdfunding platforms (Cumming & Vismara, 2017). Crowdfunding in recent years, has established itself as a key alternative source of finance for new ventures (Block et al., (2016); Moritz et al., (2015)), enabling entrepreneurs to tap the crowd rather than relying on specialized investors or banks (Belleflamme et al., (2014)), with the potential of making radical change in the market of entrepreneurial finance (Bellavitis et al., (2017); Cordova et al., (2015)). As interest of investors in crowdfunding platforms is increasing, it proves that crowdfunding can position itself as a legitimate source of funds in comparison with traditional banking and finance (Massolution, 2015). With the spreading wave of crowdfunding globally, the entrepreneurs are foreseeing its great potential for more growth in the near future (Steinberg, 2012). Organizations such as the World Bank, governments, venture funds, and NGOs are monitoring crowdfunding attentively to see if the phenomenon has the potential for solving the "last mile funding problem" which many startups are faced with. (WorldBank, 2013)
Importance of crowdfunding is in particular relevant to young and innovative firms because of their crucial role in creating jobs and economic growth (Haltiwangner et al, 2010; OECD,

2013; Stangler and Litan, 2009). That's why crowdfunding is attracting attention increasingly, specially recently because of its potential in providing equity funding for start ups.

Generally, crowdfunding is categorized in four types: donation, rewards, lending based and equity based depending on the investment method and funding purpose (World Bank, 2013). This work's focus is on equity based crowdfunding which is a subcategory of crowdfunding. Most research till now focus on donation model or rewards based model of a US firm "Kickstarter" which is the world's most well-known rewards based crowdfunding platform (Colombo et al., (2015); Gerber et al., (2012); Giudici et al., (2017); Mollick, (2014)). The two best known reward based crowdfunding platforms globally are Indiegogo (founded in 2008) and Kickstarter (founded in 2009) which were established in the succession of the recent financial crisis (Freedman & Nutting, 2015) and became two enormous platforms by providing funds for more than 100,000 projects, for example Kickstarter with finances about 2,7 billion dollars (Kickstarter, 2016) and Indiegogo with around 950 million dollars (Indiegogo, 2016). Meanwhile, the concept of crowdfunding in terms of format and geography has expanded very fast (Hemer (2011); Lin & Viswanathan (2015); Short et al., (2017); World Bank (2013)).

Within crowdfunding's short time of presence, it has accompanied outstanding growth rates, for example the Crowdfunding Industry Report (2013) reveals that only in 2012, the number of funded projects went beyond one million campaigns which have raised $2.7bn via online crowdfunding platforms from the crowd (Massolution, 2015). Based on World Bank predictions, crowdfunding industry could extend to around $90 billion between 2020 to 2025, and normally more and more startups will consider crowdfunding as their fundraising channel as well as individual investors who invest money on crowdfunding platforms. Hence, financing startups will not be a privilege of VCs or just wealthy individuals, but would be available for almost everyone (EU-startups, 2017). In recent years, crowdfunding market in Finland also has grown significantly and rapidly. In a survey that was conducted by Finland's Ministry of Finance, the estimated number of total amount on crowdfunding in 2016 was €153 million, while in 2015, it was €70.5 million and €52 million in 2014. According to the report of Equity Crowdfunding Network (ECN,2017), the increase in the size of the crowdfunding market in Finland from 2015 to 2016 was fast in relation to equity and lending crowdfunding. The market size for the equity crowdfunding increased 184 percent from €14.5 million in 2015 increased approximately to €41.3 million in 2016.

Anyhow, the phenomenon brings questions regarding appropriateness of crowdfunding in providing equity finance for new ventures in their seed and early stage phase as well as concerns about how crowdfunding market could be developed and regulated (Wilson & Testoni, 2014). In addition, Mollick (2014) asks whether the pervasive utilization of crowdfunding might play a disruptive role to traditional financing channels and threaten classic funding instruments like venture capital, angel investment and bank loans or not. However, when role of banking intermediation is under pressure, it is needed to look for alternative financial intermediation forms (Sapir & Wolff, 2013). As Chance Barnett, CEO of Crowdfunder.com pointed out crowdfunding surpassed angle investing in 2015 and the trend show surpass of crowdfunding to venture capital in 2016 (Forbes, 2015).

Accordingly, it can be seen that the role of crowdfunding, this specific field of alternative finance, and in particular equity based crowdfunding in raising money from external equity sources for startups and emerging business ventures can not be neglected. Equity based crowdfunding could fit in early stage of financing where entrepreneurs face difficulties to get adequate funds and other feautures related to equity based crowdfunding made it popular as an alternative financing method for filling the funding gap in the financial ecosystem.

1.1 Background and research gap

Although the term crowdfunding itself is a new research domain and academia showed interest towards it but still limited number of peer reviewed publications worked on the subject and only a minority of academic articles specifies equity crowdfunding and focused on this model of crowdfunding (Mollick, 2014). The study of Duggal and Sassoon (2015) worked on investors' motivations to equity crowdfunding and the researches of Gerber et al., (2012) and Gerber & Hui (2013), notes that the underlying motivators of entrepreneurs' engagement in crowdfunding, from both the creators' and funders' perspectives haven't received much attention. Although many scholars started to discuss merits of the crowdfunding concept (Harrison, 2013), but Fraser et al., (2015) points that more understanding about "entrepreneurial cognition" to underpin this type of funding model is needed. Although, the supply side of crowdfunding and motivations for investing in crowdfunding campaigns have been investigated in a number of studies (Cholakova &

Clarysse (2015); Kuppuswamy & Bayus (2017); Moritz et al., (2015)), but very few is known about the demand side (Brown et al., 2017) or what drives entrepreneurs into using crowdfunding in general (Belleflamme et al., 2013) and in particular equity crowdfunding (Ahlers et al., 2015). Many entrepreneurs seem classic “discouraged borrowers” (Kon & Storey, 2003) but for these entrepreneurs while running innovative, consumer oriented and early stage entities, this type of fundraising can enable financing quickly with relatively little diminution of their equity or autonomy (Brown et al.,2017).

Although, equity crowdfunding is rapidly establishing itself as a funding source for novice entrepreneurial ventures but still little is known about the nature of demand for equity crowdfunding and its impacts on recipient ventures (Brown et al.,2017). Scholars also to a large extent have not investigated effects of equity based crowdfunding on firms’ development and success (Moritz & Block, 2016), which results in lack of understanding given to effectiveness of disintermediated entrepreneurial finance (Cumming & Vismara, 2017). As Kuppuswammy and Roth (2016) reminds crowdfunding research mostly focus on startups during a crowdfunding campaign process and what happens afterwards is left with little information.

Based on the identified research gap, research questions and purpose of answering them are presented in the next section. The study aims to contribute to the nascent literature of equity crowdfunding as entrepreneur’s choice for the startup ventures and exploring the way this funding process impacted tangibly and intangibly on development of these firms.

1.2 Objectives and research questions

Due to difficulties and lack of access to mainstream sources of finance for entrepreneurs’ ventures and these startups’ constant need of funds to grow and develop, these project creators have to find innovative ways to obtain much needed funds. The focus of this study is on discovering what motivating factors encourage entrepreneurs to select equity crowdfunding as a relatively new method in alternative finance compared to traditional equity sources of capital. This thesis work also aims to identify what impacts a successful equity crowdfunding campaign brings for the startup ventures afterwards and how optimal impacts can be achieved. The primary goal of this research is to provide helpful information for entrepreneurs and startup companies that are trying to find a suitable method of finance. The findings of the study could be valuable for all three actors involved in crowdfunding by helping entrepreneurs for decision making in choosing between all potential funding methods and providing useful guidance for project creators and startup companies that are going to launch a crowdfunding campaign, also for individual investors and crowdfunders by providing a viable outlook of this new funding channel and a perspective of crowdfunded startups' status after collecting funds and lastly for equity crowdfunding platforms or other related service providers bring information on requirements and expectations of other two parties in order to get the most desired goals.

This work uses data on entrepreneurs and startup companies that selected equity crowdfunding for their venture projects and launched successful campaigns to ask their rational for this choice and experience of the crowdfunding process to explore whether their incentives to this financing method helped enhancing the ability to get follow-on funds for sustaining the business as it develops or what other non-financial outcomes, positive or negative, brought about after fundraising success. Therefore, this study asks two main research questions and the sub questions related to each of them as follows:

RQ_1: Why entrepreneurs choose equity crowdfunding to obtain finance for their startup companies?

Sub RQ_{11}: What motivating factors entrepreneurs see in equity crowdfunding?

Sub RQ_{12}: What factors differentiate equity crowdfunding compared to other equity fundraising sources for entrepreneurs?

RQ_2: What impacts equity crowdfunding have on startup ventures after finishing campaign?

Sub RQ_{21}: What monetary impacts running successful equity crowdfunding campaign brought for the startup company?

Sub RQ_{22}: What non-monetary impacts or other outcomes did the startup venture faced after funded through equity crowdfunding campaign?

Given to the presented research questions and sub questions, this thesis aims to gain profound understanding of the motivating factors from entrepreneurs' side in selecting "equity crowdfunding" among other possible funding channels and equity financing options as well as the post-campaign impacts that a successful equity crowdfunding process will have on recipient startups' activities and development.

1.3 Exclusions and limitations

There exist limiting factors regarding content of the topic as "crowdfunding" in general and the chosen context of equity crowdfunding in Finland. The data available on Finnish crowdfunding provide little information about crowdfunded companies identity and there is limited access to equity crowdfunding platforms publicly and almost only one Finnish equity crowdfunding platform reveal much needed data. Therefore, studying other types of crowdfunding rather than equity crowdfunding in Finland is excluded and acquiring primary data from different platforms' practices could not be carried out. In addition, the projects which failed during the campaign to raise target funds usually leave without any trace due to lack of credibility issue. However, the possibility that chosen startups might have experienced other platforms or might have had unsuccessful campaigns previously exist that makes different practices' comparisons happening to some extent. On the other hand, due to newness of crowdfunding phenomenon and recently legally authorized Acts and jurisdiction regarding equity crowdfunding in Finland, there aren't still comprehensive data or time series statistics on long term effect and performance of crowdfunded ventures for a quantitative study. Besides, adopting this type of investing by the Finns is another crucial factor that influence on developing the crowdfunding industry in the country but this dimension is left out of this study as entails comprehensive investigation in cultural and societal context of the population.

1.4 Structure of the thesis

The study is presented in five chapters. The next chapter is the literature review part of the study. In the second chapter at first the notion of crowdfunding is studied including the definitions, categories, process and the related scientific research. Then in chapter 2.2 entrepreneurial finance and alternative funding sources are analyzed. The most relevant sources of external equity are compared with equity model of crowdfunding to recognize factors which differentiate it from those traditional equity sources. Also, capital structure and financing startups are explained. Next, in chapter 2.3 motivations to crowdfunding and in particular entrepreneurs and companies seeking capital through crowdfunding is studied. In chapter 2.4, benefits and drawbacks of this fundraising method after finishing successful campaigns are studied in order to assess impacts of equity crowdfunding on recipient startup ventures. Next, in chapter 2.5 the research framework is illustrated to describe why entrepreneurs choose equity crowdfunding rather than other external equity sources and do incentives and disincentives of this fundraising channel explain expected impacts on the recipient startup ventures.

In the third chapter, research method and design is described as well as research context and case description. Methods of data collection and their analysis are explained. The empirical data are collected through semi-structured interviewees by case companies' representatives with deep understanding of entrepreneurship and crowdfunding practices. Next, in chapter 4 findings of the study are explained to answer the research questions based on the study framework. Lastly, in chapter five conclusions of the study are presented and different aspects of research findings are discussed in relation to the literature followed by practical implications of research findings then at the end, limitations and directions to future research are mentioned.

2. LITERATURE REVIEW

2.1 Definition of crowdfunding

Crowdfunding in fact is a very old idea. There are examples to mention from centuries ago when Beethoven and Mozart used public subscription for financing their concerts and new music compositions or the Indian mosques which were build through donation of bricks from locals. However, the term crowdfunding lays down as a subset of the concept crowdsourcing which is the outsourcing of problem solving tasks to a distributed network of individuals (Hermer, 2011; Howe, 2006). In fact, crowdfunding provides financial resources for those who necessarily need capital to pursue their projects and have limited access to traditional funding sources such as banks or venture capitalists. Crowdfunding through online transactions gives the opportunity to people with disposable income, a new investment method to give money to others' that without their financial support, those projects might even never happen (Gerber & Hui,2013). Crowdfunding make it possible for creators, people who request resources, to acquire funds directly from supporters who are a distributed audience via online request in crowdfunding platforms. The absence of financial institutions as intermediaries distinguish crowdfunding from traditional fundraising methods, such as applying for funds from banks or foundations (Gerber et al., 2012). The main difference between conventional fund raising methods and crowdfunding as Belleflamme et al., (2014) notes is the funding process itself where through an open call entrepreneurs attempt to get funds on a crowdfunding platform and by the provided information investors decide whether to fund the project or not

Schwienbachet et al., (2010) explains crowdfunding as an open call, basically through the Internet in order to obtain financial resources in different forms either donation or exchanging some kinds of reward and/or voting rights for supporting initiatives of specific purposes. Ordanini et al., (2011) define crowdfunding as "a collective effort by consumers who network and pool their money together, usually via the internet, in order to invest in and support efforts initiated by other people or organizations". Powers (2012) describes the phenomenon as a financial mechanism that by means of website intermediaries startup ventures can ask for financing from the general public. In an entrepreneurial context, crowdfunding is funding efforts of entrepreneurial individuals and groups to solicit relatively small contributions for their ventures from a large number of individuals using the internet, without the assistance of financial intermediaries (Mollick, 2012). Also, Valanciene and Jegeleviciute (2013) describe crowdfunding as “a method to establish the connection between entrepreneurs, who aim to raise capital, and novel investors, who form an emerging source of capital and are willing to invest small amounts, through internet-based intermediaries”. European Crowdfunding Network, ECN (2013) provides a comprehensive definition of crowdfunding as “mechanism of pooling and distributing relatively small financial investments from a large audience of supporters in exchange for equity or liabilities carrying financial returns or other non-financial rewards, where supporters are people or organizations who network, usually via the internet, to jointly support other people or organizations.”

Lehner (2013) describes the phenomenon as “tapping a large dispersed audience, so-called ‘the crowd’, for small sums of money to fund a project or a venture through social media communication via the Internet”. As Golic (2014) concluded about crowdfunding, it is an outgrowth of social media, and a system that requires close cooperation between three parties of it including entrepreneurs, crowdinvestors and crowdfunding platforms. A number of notions of crowdfunding can be seen in Table 1 below.

Therefore, the full definition of crowdfunding not only should express the most important features of it, but also need to emphasize the link between the three key parties as well. The results of the successful linkages are raised capital and new investment possibilities that could not be reached if one of the parties fails to cooperate with others. (Valanciene & Jegeleviciute ,2013)

Schwienbacher & Larralde (2010)	Crowdfunding is an open call, essentially through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward and/ or voting rights to support initiatives for specific purposes
Ordanini et al., (2011)	Crowdfunding is a collective effort by consumers who network and pool their money together, usually via the internet, in order to invest in and support efforts initiated by other people or organizations.

Powers (2012)	a financial mechanism that allows startup companies to solicit funds from the general public through website intermediaries
Mollick (2012)	Funding of efforts (cultural, social or business) by drawing small contributions from large number of individuals using the internet
Lehner (2013)	Tapping a large dispersed audience, dubbed as 'the crowd', for small sums of money to fund a project or a venture through social media communication via the Internet
Valanciene & Jegeleviciute (2013)	Crowdfunding is a method to establish the connection between entrepreneurs, who aim to raise capital, and novel investors, who form an emerging source of capital and are willing to invest small amounts, through internet-based intermediaries
European Crowdfunding Network ECN (2013)	Crowdfunding is the mechanism of pooling and distributing relatively small financial investments from a large audience of supporters in exchange for equity or liabilities carrying financial returns or other non-financial rewards, where supporters are people or organizations who network, usually via the internet, to jointly support other people or organizations

Table 1: Deinition of Crowdfunding

2.1.1 Definition of equity crowdfunding

Given to focus of this thesis work on equity model of crowdfunding in particular, a number of definitions for it are presented and can be seen in Table 2 below. According to Bradford (2012), equity based crowdfunding is a model where funders receive an interest either in the form of equity or equity-like arrangements in the ventures they made investments. Vulkan et al., (2016) also bring a similar definition where a large number of online investors contribute with small amounts for fractions of company ownership. Belleflamme et al., (2014) also define it a funding model in which investors receive a financial compensation. According to the definition Ahlers et al., (2015) presented for equity crowdfunding, entrepreneurs sell a pre-determined amount of equity or bond-like shares of a company to a group of (small) investors thru an open call on internet based platforms for funding. Contrary to the last definition's emphasize on the role of retail or a small group of investors, Brown et al., (2017) notes that crowdfunders are from a disparate range of external investors including both small and large, non-specialist, professional and institutionally based actors.

Bradford (2012)	Equity crowdfunding is a model in which funders receive an interest in the form of equity or equity-like arrangements (e.g., profit sharing) in the ventures they fund
Ahlers et al., (2015)	Equity crowdfunding is a method of financing, whereby an entrepreneur sells a specified amount of equity or bond-like shares in a company to a group of (small) investors through an open call for funding on Internet-based platforms.
Vulkan et al., (2016)	Equity crowdfunding is where a large volume of online investors contribute smaller amounts for fractions of company ownership
Brown et al., (2017)	Equity crowdfunding is a funding process whereby entrepreneurs sell an equity stake in their venture in return for investment from a disparate range of external investors, both large and small, mediated via online platforms

Table 2: Definition of Equity-based Crowdfunding

This study defines equity crowdfunding as “an external equity financing method through which capital seekers whether entrepreneurs or early stage startup ventures raise funds from a large online community by means of intermediary platforms”.

2.1.2 Types of crowdfunding

Although the literature of crowdfunding suggests many types and classifications, four main recognized categories include reward based crowdfunding, donations, equity and debt/lending crowdfunding. There are other smaller subcategories as well, such as royalty based crowdfunding through which investors get a percentage of the future earnings of the project (Smith & Green, 2015). Types of crowdfunding varies depending on the funding purpose and investment method (World bank, 2013). Bellaflamme et al, (2014) emphasizes on understanding the importance of an entrepreneur’s choice of a specific form of crowdfunding.

The four mentioned models vary in level of uncertainty and complexity as well. According to Hemer (2011), the simplest model is the donation based form and the most complex one is equity crowdfunding. Moreover, there are other possibilities in form of hybrid structures that comes from a combination of the main mentioned models, but mainstream platforms rarely choose them (De Buysere et al., 2012).

 In another categorization, Kirby and Worner (2014) classified crowdfunding models into community crowdfunding and financial return crowdfunding. As can be seen in Figure 1, reward and donation models are collectively considered as “community crowdfunding”. These two fundraising models of crowdfunding are used for charitable and social causes, projects with creativity, or pre-paying for an innovative product or service which is developed by a business or start-up. These forms of crowdfunding don’t bring any financial return or return on investment (Pierrakis & Collins, 2013). The lending (also called “P2P” or peer to peer lending) and equity based forms of crowdfunding place under investment crowdfunding (World bank, 2013) or financial return crowdfunding form (Pierrakis & Collins, 2013).

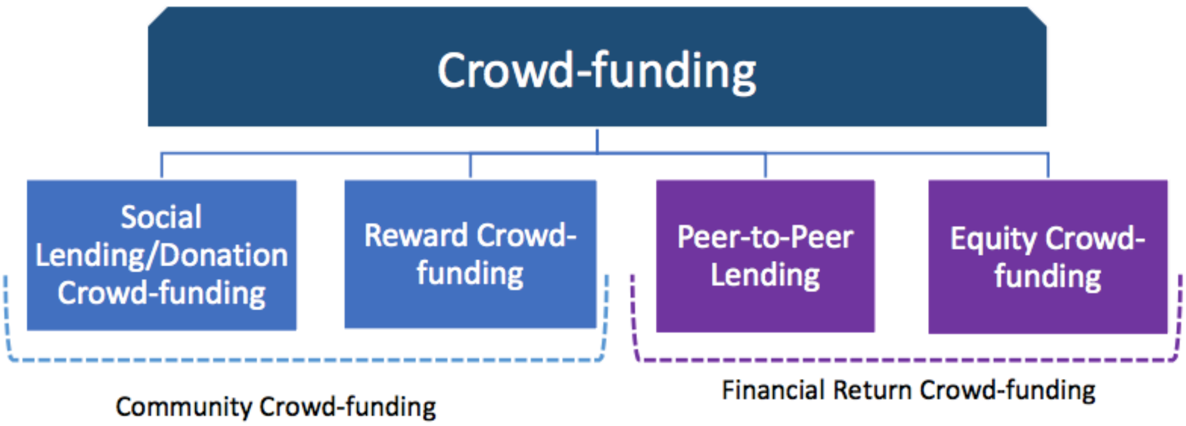

Figure 1: Different forms of Crowdfunding (Pierrakis & Collins, 2013)

Community crowdfunding campaigns usually have little risk and low cost, meanwhile considered as efficient funding sources, but marketing of the campaigns need to be carried out very well so that the project receives visibility from the potential benefactors. As reward and donation based crowdfunding are often derived out of social and intrinsic motivations, people as contributors like to have a social connection to the cause and the personal effort of this crowd can help increasing visibility of campaigns as well. (Kosonen, 2016)

Below, each of the four main categories are described within their common application contexts. Reward based crowdfunding can be most easily compared to pre-sales when a project group or business markets its product or service and looking forward to launch it to the market in future (Invesdor, 2017). The rewards are often the initial promised product or service of the firm or startup and usually special editions of the product are delivered as rewards (Ng et al., 2015). In the so-called “pre-sales” model of crowdfunding (Chaudry, 2013), the considered reward is the product or service itself. As defining a boundary between pre-sales and reward based crowdfunding is hard sometimes, in most literature they are easily considered as reward based crowdfunding. At the moment, Kickstarter and Indiegogo are the most popular reward based crowdfunding platforms which are internationally used (Ng et al., 2015). Reward-based crowdfunding has been used increasingly for preselling customer oriented products/services and commonly applied by entrepreneurs who search funding for a campaign. Crowdfunders supporting a project or preorder a product/service may receive a token gift as appreciation. In fact, a funder pays an entrepreneur beforehand in reward-based/pre-ordering crowdfunding and the money is actually the working capital for making the products or providing the services (Lam and Law, 2016).

Donation based crowdfunding is applied in general for funding innovative projects and activities via social gain in general and it is also commonly used by Non-Governmental Organizations (NGOs) in order to fund their core costs and projects ((Lam and Law, 2016); (De Buysere et al., 2012)). As donation crowdfunding involves charitable donations, contributors don’t expect monetary compensation or anything tangible and financially valuable. Typically, ordinary people or small charitable organizations run these types of campaigns (Invesdor, 2017).

Debt or lending based crowdfunding involves investors’ contributing funds to the company in return for accrued interest (Smith & Green, 2015). According to the definition by Kirby and Worner (2014), in lending based crowdfunding an online platform connects lenders and investors together to provide unsecured loans. The loan can be borrowed to either a business or an individual. Based on an agreed schedule, lenders get a fixed interest debt providing for repayment of principal (World bank, 2013). The interest rate that the crowdfunding platform sets is usually less than traditional loans to the borrowers and higher than the saving rates available to the lenders (Lam & Law, 2016).

Equity crowdfunding is a financing model whereby investors receive a share of the company, in exchange for the invested capital (Smith & Green, 2015), this model provides an offer of securities for sale, through an online platform by a private business to the general public (Collins & Pierrakis, 2012). Through equity based crowdfunding, many individuals can invest in a business and gain an equity stake. The amount of money to be raised in exchange for a percentage of equity is determined by the entrepreneur or the startup and each investor receives a *pro-rata* share (usually ordinary shares) of the company based on the fraction of the target amount they decide to commit (Wilson & Testoni, 2014). For instance, when a startup targets to raise $100,000 in exchange for %25 of its equity and each investor provides $1000 (1 percent of $100,000), then the investor will get 0.25 percent (1 percent of 25 percent) of the firm's equity. The process of going through equity crowdfunding is relatively similar to initial public offering, but requirements for regulatory approvals are much simpler which makes it cheaper for the entity to arrange (Dorff, 2013). Investors may subscribe for shares in private businesses that haven't been listed on a stock market yet and as a result obtaining small parts of equity stake via the crowdfunding portals. Apparently, investment between public companies on stock market and equity-based crowdfunding has differences. Private companies' fundraising through equity crowdfunding don't have to fulfill strict reporting standards but share acquisition via stock exchange is needed to be fully in compliance with publicly listed firms. Moreover, through a crowdfunding platform, there is an opportunity of direct interaction between the potential investees and investors while in stock market access is only granted to authorized brokers and listed companies in compliance with formal requirements (Lam & Law, 2016).

Despite of relatively newness of crowdfunding but it is steadily growing and more countries are adopting it as funding method (Vismara, 2016). Equity crowdfunding wasn't legal few years ago in many major economies but it is passing the initial significant legal challenges and experiencing rapid growth as legal barriers are being relaxed in many countries (Ahlers et al., 2015). Also, more academic literature showed interest towards equity based crowdfunding in recent year, as an important source of finance for nascent entrepreneurial ventures (Collins & Pierrakis (2012); Block et al., (2016); Ralcheva & Roosenboom (2016); Vismara (2016); Vulkan et al., (2016)).

Opposed to donations or rewards models which are mostly deregulated, equity crowdfunding need regulatory approvals in order to operate that resulted in having the smallest amount of crowdfunding market with only 5 percent among other forms of it by 2013 (Vulkan et al., 2016). In providing the regulatory approvals, the UK was one of the pioneer countries and now is leading in the equity crowdfunding market in terms of size as well as number of offerings (Baeck et al., (2014); Signori & Vismara (2016)). However, equity crowdfunding has grown very fast and became a major player in the crowdfunding landscape (Cordova et al., (2015); Vismara (2016)). This recently developed type of crowdfunding is getting popular as well in the recent years (Audretsch et al., 2016). The first online equity crowdfunding platform "Grow VC" presented its commercial launch in 2010 (Syndicate Room, 2014). The initial development of equity based crowdfunding has started in Europe and after few years adopted to U.S, particularly when President Obama signed the so-called "JOBS Act" in 2012 which obtain exceptions for the previous regulations regarding startups and so authorizing equity crowdfunding in U.S (Antonenko et al., 2014; Chaudry, 2013). However, the so called "Jumpstart Our Business Startups Act"-known as the JOBS Act- in the United States that was set for enabling startups in gathering funds through equity crowdfunding (Cunningham, 2014), actually encouraged other countries as well to ratify such Acts which led to increasingly growing the number of crowdfunding service platforms after that (Ng et al., 2015). Eventually, in Finland after four years in 2016, the government decided to lift restrictions and make clarifications in use of equity crowdfunding as the eight country in European Union (Helsingin Sanomat 13.4.2016).

2.1.3 Crowdfunding process

In a crowdfunding ecosystem, three main actors are present in every crowdfunding process including creators/entrepreneurs, an intermediary/platform and the crowd or funders who invest (Scholz, 2015). The Figure 2 depicts crowdfunding players' role and the ecosystem.

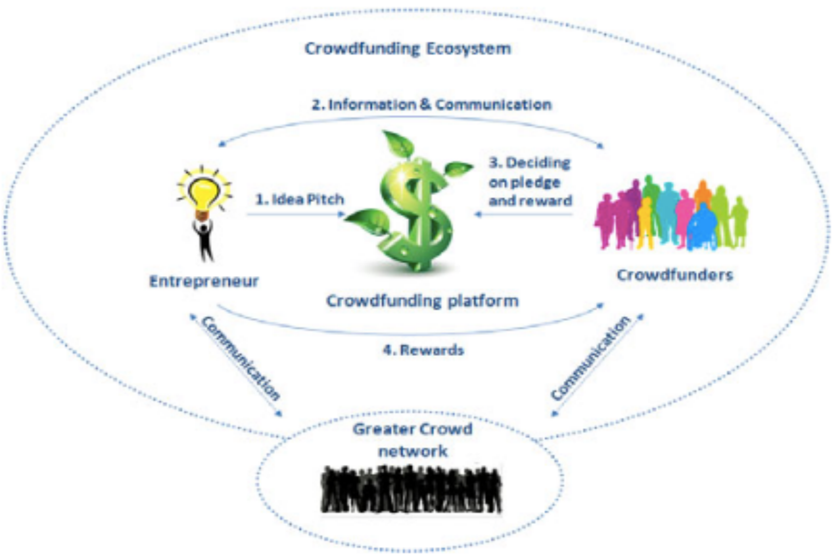

Figure 2: Ecosystem of Crowdfunding (Scholz, 2015)

Each of these three parties has a mission which brings them together for achieving the desired goal. The role of the entrepreneur is usually played by individuals, small to medium size enterprises (SMEs), non-governmental organizations (NGOs) and by means of crowdfunding entrepreneurs not only would be able to raise funds for their projects/businesses from a large group of individuals but also they can test their business ideas. As De Buysere et al., (2012) indicates entrepreneurs gain feedback through crowdfunding on some critical attributes of their new product prior to releasing them into the public marketplace. The entrepreneurs or project creators publish their idea on a chosen platform to get financial support and direct market access via a crowdfunding platform from potential customers. Then, entrepreneurs need to catch and maintain attention of potential funders through attractive web pages, project photos and promotional videos (Scholz, 2015).

Investors as another party of this ecosystem, the so called "crowdfunders", who may be ordinary people without the competence of professional investors (Golic,2014), converge as a large pool of members of the general public (Lam & Law, 2016). They are crowdinvestors who decide to fund the project if the idea worth it or not (Tomczak & Brem, 2013) after recognizing the potential of a project or considering certain ideas promising and in return receiving financial compensation or non-financial benefits. Prospective investors typically watch pitch videos and elect to invest over the Internet (Mollick, 2014).

Another crucial party of crowdfunding is the platform which is a virtual electronic intermediary by which all communications and fundraising related issues between entrepreneurs and investors take place through the platform (Golic, 2014). Basic services of platforms include using their website for presenting the project and administration necessities of procedures like transactions. In fact, the crowdfunding platform acts similar to transaction facilitator which provides a standardized investment contract and settles the payments (Scholz, 2015). Platforms could also provide other services such as public relations and due diligence consultancy (Hemer (2011); Schwienbacher et al., (2010)). Some platforms perform more actively in screening and evaluating ventures than others. In addition, role of platforms during investment and post investment phases can vary from each other to a large extent and great variation exist among adopted approaches by different platforms (Collins and Pierrakis, 2012).

Most platforms define a minimum and maximum target for companies' campaigns. By reaching the minimum amount, the campaign is considered successful and then money can be transferred to the company, otherwise the funds will be returned to investors or backers. This is the “all-or-nothing” model which is known as the standard in crowdfunding industry. Moreover, most crowdfunding portals get paid only by success of the campaign. In addition to this success fee, other small sums for upfront listing fees and post campaign closing fees might be charged by platforms. As crowdfunding is all about volume and the platform helps with volume and so it’s always better that the crowdfunding site get more traffic and eyeballs on the pitch. In this sense, a crowdfunding campaign needs to be planned as a marketing campaign and digital channels in a marketing plan are the most scalable ones. In every marketing campaign the marketing mix need to be oriented to that specific project but what almost all successful crowdfunding campaigns have in common is a good story, so companies need to consider telling their story properly. (Invesdor,2017)

However, different platforms’ practices in the process flow may vary but the procedure mainly happens in four steps including; screening, campaigning, closing and post-investment. Firstly, in selection and valuation phase, platforms vet submitted applications from entrepreneurs and decides if the venture is qualified for campaigning on the platform or not. In the next step, when the investments are going to happen, the entrepreneur launches the fundraising campaign in which the target amount and time frame are set. During the campaign, a pitch is created often in form of video containing relevant information of the project in order to attract potential investors so entrepreneurs benefit from an effective method of marketing while receiving feedback, comments and ideas from the crowd. Firms market the campaign through their networks and beyond so interacting with potential investors, answering their questions and giving updates on the campaign are significantly crucial. When fundraising closes, if the target is reached by the end of the period then platforms transfer funds to the firm, if not the funds will be returned to investors. Lastly, in the post-investment phase, investors have the option to continue interactions with entrepreneurs and in some cases they receive voting rights as well. (Collins and Pierrakis, 2012)

It should be mentioned that equity crowdfunding can be further divided into subcategories depending on how the campaign process is organized. The term “open equity crowdfunding” is referred to the process whereby the platform publicly brings all the ongoing crowdfunding campaigns forward and the term “closed equity crowdfunding” is the case where only the registered users of the platform can observe the ongoing campaigns (Juva, 2017). In other words, the campaigning step is often splitted into a hidden phase and a public phase as can be seen in Figure 3. The reason for having a hidden phase is to provide at least 30 percent of the minimum funding target before marketing the campaign publicly. In the hidden phase before public release of the campaign, the company secure the first investments from closest networks because a campaign without any investment lacks social validation and chance of attracting investments (Invesdor, 2017).

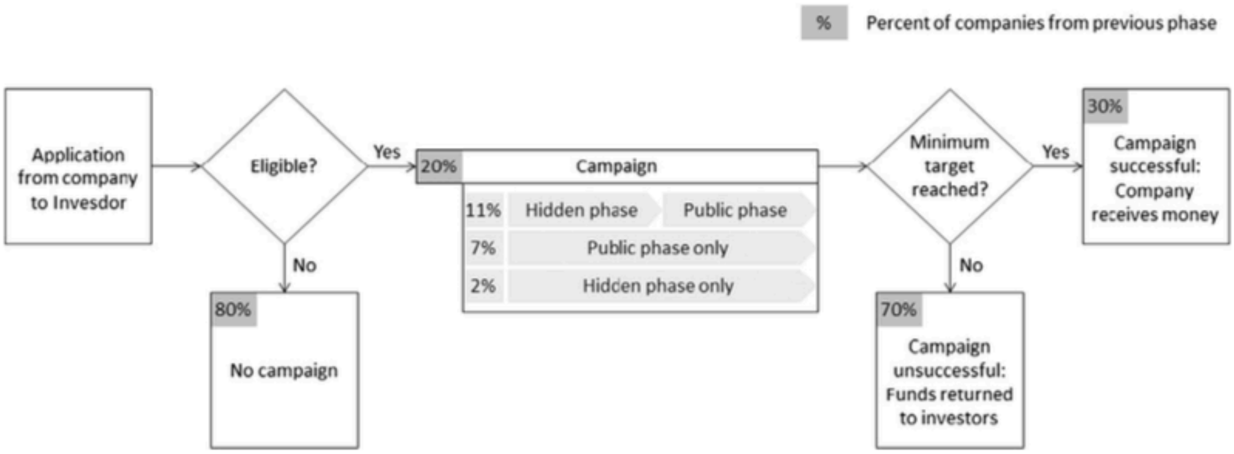

Figure 3: Equity Crowdfunding Process (Lukkarinen et al., 2016)

Below, each three main players' role and presence in different stages of an equity crowdfunding process can be seen in Figure 4. By finishing a successful equity crowdfunding campaign, entrepreneurs could access to collected funds and new sources of finance, backers would be able to continue their communication with the company or sell their shares to new investors, and platforms then release funds to the project creators as well as their monitoring and mentoring duties.

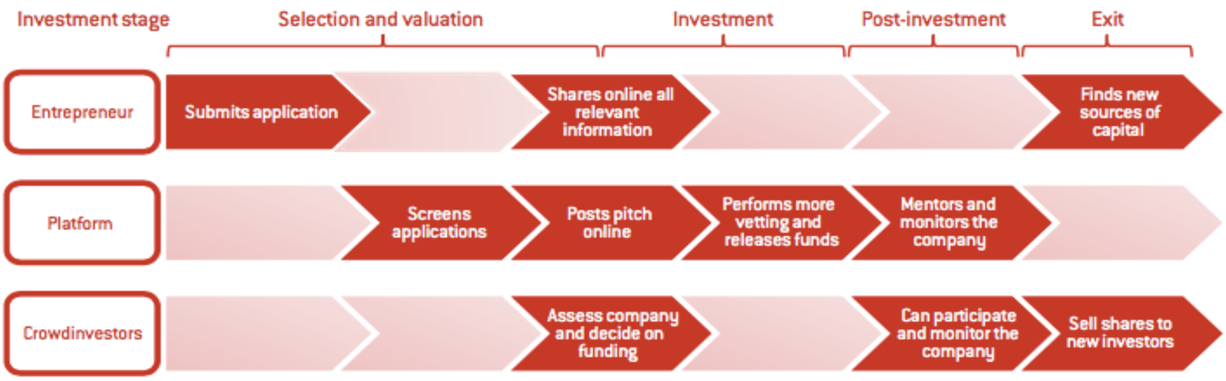

Figure 4: Roles of Three Key Players in Equity Crowdfunding Process

(Wilson & Testoni, (2014); Collins and Pierrakis, (2012)) 2.1.4 Global market of crowdfunding and regulations

According to Massolution report (2015), volume of the total crowdfunding industry globally would reach $34 Billion in 2015, which breakdown of main crowdfunding models in order of volume include: peer to peer lending with highest amount of $25Billion, reward and donation crowdfunding by $5.5Billion and equity crowdfunding $2.5Billion with the lowest amount. Also, based on the website Crowdexpert that provides crowdfunding statistics, the total crowdfunding investment globally reached the level of $34.4 billion in 2015. As mentioned in the Crowdfunding Industry Report (Massolution, 2015), total funding volume internationally in 2012 was $2.7 Billion then in 2013 reached $6.1Billion and $16.2Billion in 2014. It can be seen that the market size of crowdfunding industry or funds volume has almost doubled every year with the average annual growth of approximately 135 % and in Figure 5 below, the aforementioned statistics are illustrated.

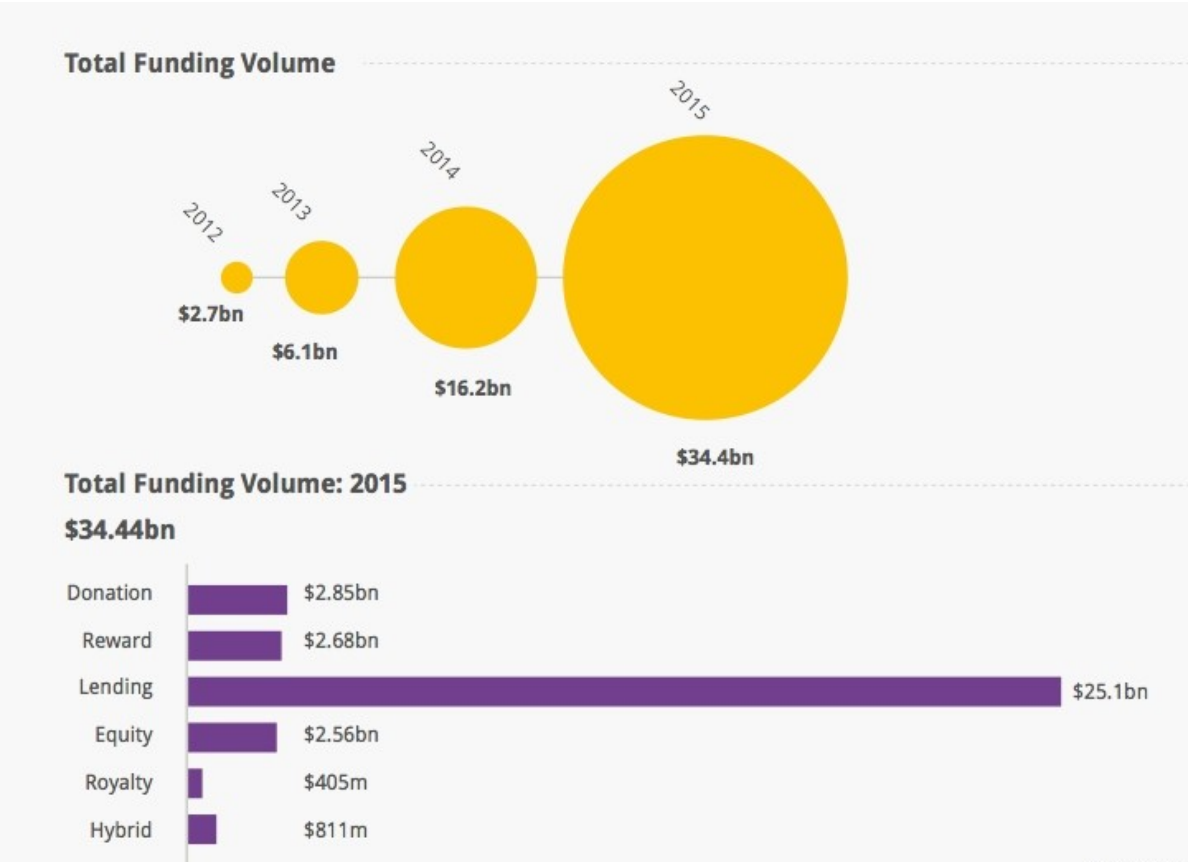

Figure 5: Global Crowdfunding Growth Prediction for 2015 (Massolution,2015)

In the crowdfunding industry, steady growth in investment volumes can be seen as well as emerging of more service providers. The industry is predicted to grow over $300 billion by

2025. According to preliminary modeling estimates related to the possible market potential of crowdfunding, the industry could reach up to $96 Billion only in developing countries, that is about one third of the estimated volume of global crowdfunding industry by 2025. In such developing countries, small crowdfunded investments in community businesses helps to provide answers for the current regulatory, infrastructure and cultural challenges. (WorldBank, 2013)

The Massolution report (2015) shows that North America has the largest crowdfunding market by funding volume but the rapid growth in Asia led it to become the second largest region and overtaking Europe. Equity crowdfunding, also called crowdinvesting, has currently smallest share of the crowdfunding market. However, equity crowdfunding is currently more active in Europe than in other regions (Wilson & Testoni, 2014). Ng et al., (2015) point that focus of crowdfunding in Europe from reward based model is moving to equity crowdfunding and it can be estimated logically that in the following years, equity crowdfunding would surpass reward based model.

Regulations around crowdfunding

Crowdfunding has got attention from governments, as it has the potential to stimulate growth of small and medium size entities which accelerate economic recovery (WorldBank,2013). After the JOBS Act in U.S., in many other countries, several equity crowdfunding platforms regarding unaccredited investors as well as new regulation for equity crowdfunding jurisdiction has been implemented or guidelines have been prepared in order to help development of the crowdfunding market (Wardrop et al., 2015).

The regulations of financial return crowdfunding pushed some jurisdictions to designate the markets as exempt or to unburden the regulations around issuance of shares through equity crowdfunding in order to help growth of SMEs. Generally, the equity based crowdfunding regulations exist under three main regimes. In the first regime, some countries prohibit equity based crowdfunding. Under the second regime, it is legal but the regulation makes tough barriers to entry. In the third regime, regulation may allow the industry to exist but with strict limitations. (Kirby and Worner, 2014)

Equity crowdfunding is relatively new amongst other main forms of crowdfunding with the smallest share of the crowdfunding market. Equity based crowdfunding is now more active in Europe than in other regions (Wilson & Testoni, 2014). The regulatory landscape in

Europe as Gray et al. (2015) find is multifaceted and fluid, whereas the uniformity helps development of a pan-European industry by easing cross-border deals, therefore lack of consensus brings vague on whether equity crowdfunding could be welfare-enhancing or not (Wilson & Testoni, 2014). There are variety of attitudes toward existing and proposed regulation in the industry. From a legal standpoint, currently in some jurisdictions equity crowdfunding is possible by exploiting exemptions to existing securities regulations (Hornuf & Schwienbacher, 2014). In the EU, exemptions as defined in national regulations pertaining to prospectus and registration requirements, allow startups to gain access to the general public through equity crowdfunding (Hornuf & Schwienbacher, 2014). In Europe, the total amount that can be offered without a prospectus varies between €100,000 and € 5,000,000 depending on the jurisdiction where the offer is made (Hornuf & Schwienbacher, 2016).

Regarding the equity crowdfunding platforms, the EU member states have intended on whether the portals must be registered as investment intermediaries or they need to acquire a bank license. Equity crowdfunding in Europe started with portals which launched their first successful campaigns in 2011 such as *Crowdcube* in the United Kingdom and *Seedmatch* in Germany (Hornuf and Schwienbacher, 2014). Regulation regarding crowd investing platforms in Germany for instance, express that they do not undertake any brokerage service or investment advice and they don’t have to provide any documentation for the advisory records or no obligation to act in the interest of the investor (Dapp and Laskawi, 2014). According to the report of European Crowdfunding Network (ECN, 2013), most German platforms are not registered as investment intermediaries. In the UK, the equity crowdfunding portals are regulated by the Financial Conduct Authority (FCA). The equity crowdfunding platforms in France provide advice in financing and they are registered as financial investment advisers (ECN, 2013; Hornuf and Schwienbacher, 2016). In gaining capital from equity based crowdfunding, a formal prospectus doesn’t exist unlike traditional capital raising models. The reason behind necessity of prospectus is to inform and support investors, but its preparation is costly. However, legal protection for funders is still low and the crowdfunding market is not fully regulated. Meanwhile regulators try to provide best interest of publics in order to maintain integrity of market as well as protecting investors. All in all, equity based crowdfunding platforms and crowdfundees look for regulation that doesn’t restrict their activities, not very limiting and not too costly. (Kosonen, 2016)

2.1.5 Crowdfunding market in Finland and regulations

According to the statistics on private investments and venture capital investments in Finnish companies in 2016, released by the Finnish Business Angels Network (FiBAN) and Finnish Venture Capital Association (FVCA), the total amount invested in 2016 in Finnish early stage companies was 383 million euros through which over 400 startups received investments. The breakdown as can be seen in the Figure 6 below, consists of €80 million from the Finnish venture capital investments, €216 million from direct foreign investments, €53 million through business angel investments and €34 million from other financing sources including crowdfunding. (FIBAN, 2016)

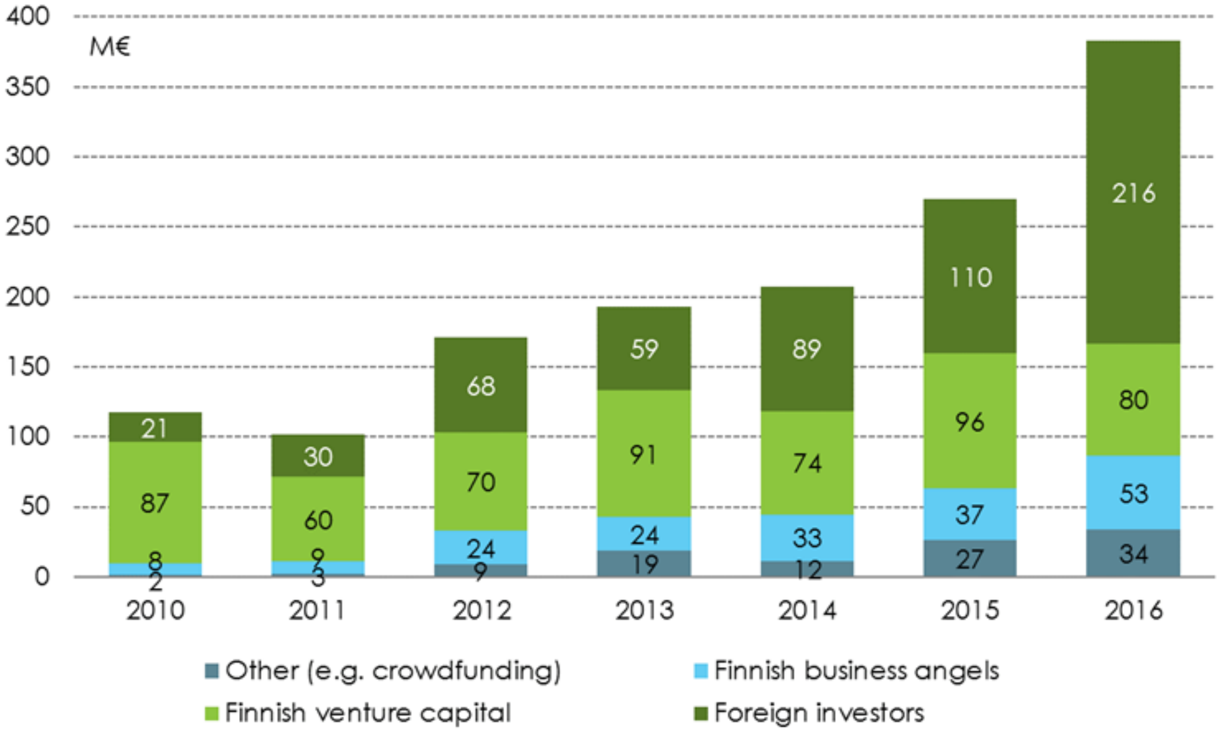

Figure 6: Startup Investments in Finland from 2010 to 2016 (FiBAN, 2016)

The report also notes a new record high for investments in Finnish early stage companies reached that have grown 42 % in 2016. The foreign direct investments have been doubled within a year that speaks volumes of the quality of Finnish growth companies and startup ecosystem. (FIBAN, 2016)

According to the Global Entrepreneurship Monitor (GEM, 2015), Finland with its innovation-driven economy is on rise for early-stage entrepreneurial activity and entrepreneurial intention. In Finland, entrepreneurship is seen as a desired career choice particularly among younger generation and as a result, it can be seen that the demand for entrepreneurial finance in Finland is also increasing (Lasrado & Lugmayr, 2013). Enterprises are crucial engines for economic development and growth, so without enterprises and entrepreneurs, little innovation, productivity growth, and consequently few new jobs will generate (EU-startups, 2017). More than 90% of businesses in Finland operate with less than 10 employees and 26% of all employees work in such micro entreprises (Yrittajat.fi, 2015).

Given to the Europe 2020 Strategy, role of crowdfunding was seriously discussed within the European institutions as an alternative for SME financing (Valancience & Jegeleviciute,2013). After the resent global financial crisis, equity financing has decreased drastically in Finland (Lasrado & Lugmayr, 2013). In addition, angle investing and VC investments dropped about 30 to 40 percent per venture in comparison with 2007 in Finland, before recession (FVCA, 2012). Also banks reduced loans and debt financing after the crisis which makes even tougher situation for novice entities because banks hesitate to lend such firms and follow a low risk policy towards new high risk ventures (Napier et al., 2012).

Entrepreneurial success can not be carried out in a vacuum and entrepreneurs' activities happen in the context of their geography, economy and society. The GEDI, Global Entrepreneurship and Development Institute, reveals annually the index of Global Entrepreneurship which measures the health of the entrepreneurship ecosystems in 137 countries based on their infrastructure, resources and attitudes. The index demonstrates how each country performs domestically and internationally. The GEDI reports this index for Finland with world rank 12 and regional rank 9 in the year 2018. (Gem, 2018)

For startup entrepreneurs, the government grants provide financial aid monthly (Finlex, 2012) that was about €27 million in 2013 (Tem,2013). Most nascent business ventures in Finland are funded at least in part from the government agencies (Lasrado & Lugmayr, 2013). As traditional sources of finance have become less available for new entrepreneurs, crowdfunding gained popularity in Finland. The phenomenon is still in an emerging state in Finland and lags behind other developed countries and innovative economies. Meanwhile, drivers to set Finnish crowdfunding platforms backs to the Finnish attitude of supporting localized services and Finnish specific fundraising laws. Also, social and especially economic drivers were important and Finns contribution to crowdfunding is not different from rest of the world. However, Finns are slow to adopt new innovations and financial services. (Lasrado & Lugmayr,2013)

By increasing rate of Finnish informal investors, more affluence of Finns and higher risk taking tendency in investments a huge investor base has formed for individuals who seek for investing opportunities. The lack of entrepreneurial capital and the aforementioned reasons create a business opportunity in Finland for crowdfunding. However, understanding Finnish laws related to crowdfunding and educating the Finns, the crow and the entrepreneurs, are the main challenges of the platforms and service providers. (Lasrado & Lugmayr, 2013)

Regulating crowdfunding in Finland

The Finnish Crowdfunding Act (734/2016, "CFA") has been ratified in September 2016 in order to establish regulatory regime in specific for crowdfunding in Finland. Through this Act, Government aimed to reform and deregulate legal provisions for supporting Finland's growth, strengthening country's competitiveness and promoting digitalization, as part of key government projects action plan by Prime Minister Sipilä. By means of this Act, crowdfunding's ground rules are clarified and entry to the market is facilitated so it is expected to affect on this market's further growth. The CFA facilitated regulation of equity crowdfunding model in particular because before this Act, general financial market legislation was used to the provision of investment services through crowdfunding. It is expected that the clarification in legislation bring new entities to the market of crowdfunding. In 2016, two new firms providing equity based crowdfunding asked for registration from the Finnish Financial Supervisory Authority ("FIN-FSA") as a crowdfunding intermediary. Moreover, some banks of Finland have entered into this market recently by cooperating with existing crowdfunding platforms or establishing their own equity crowdfunding platforms. (ECN, 2017)

The Finnish Ministry of Finance emphasized on objectives of the Crowdfunding Act to clarify the responsibilities of various authorities in the supervision of crowdfunding, improve investor protection and to diversify the financial markets. The ratified regulation executes in Finland for Finnish investors and firms which goes into concerns of mediation and acquisition of crowdfunding in Finland. According to the mentioned Act, the process of registration for crowdfunding intermediaries would cost less, more simple and fast. In order to increase investor protection, the crowdfunding intermediaries' registration and approval is supervised by the Finnish Financial Supervisory Authority. The intermediaries must be firms having reliable management and adequate knowledge of the financial markets. According to the Crowdfunding Act, the intermediaries have to operate honestly, fairly, professionally and in the interest of client. They are also obliged to ensure investors of getting true and sufficient information regarding issues which will affect company's value and debt sustainability. Moreover, intermediaries aren't allowed to raise funds for bankrupt entities or the ones in insolvency situation. The Crowdfunding Act also covers other concerns by policies regarding confidentiality, conflict of interest, risk disclosure obligation and how crowdfunding is marketed, as a few to mention. There are determined fines in case of breaking the law and even imprisonment. The Crowdfunding Act doesn't apply to lending, donation and reward based models of crowdfunding, it only applies to investment based and loan based crowdfunding. (Database for Finnish Government and Registries and Ministries Programs, 2016)

There are a number Finnish crowdfunding platforms providing services related to equity crowdfunding such as Invesdor, Innovestor, Kansalaisrahoitus Oy, Venture Bonsai and PocketVenture Oy (Finlex, 2016), however, almost all of them provide limited public access to the information of the funded companies except Invesdor which is the most recognized Finnish equity crowdfunding portal and a pioneer in Nordics. Invesdor place among the ten best equity-based crowdfunding platforms in Europe (EU-startups, 2017).
Invesdor founded 2012 in Helsinki with offices in Stockholm and London as well. This online investment platform is authorized by FIN-FSA in 2016 after the Finnish Crowdfunding Act (CFA) and matches European growth companies with funders from all around the world. Focus of Invesdor as a financial technology (fintech) company is on digital fundraising and investment crowdfunding in forms of 1. Equity (shares) and 2. Debt crowdfunding (bonds). Currently, clients of Investor are private and publicly trades companies not only from Finland but also from Sweden, Norway, Denmark and the UK as well as more than 5,000 funders from more than 70 countries. The platform helped more than hundred successful business rounds so far by raising more than 44 million euros from about 3,000 applications. (Invesdor, 2018)

Kansalaisrahoitus Oy founded in 2012 with the goal of attracting a large number of Finnish investors to partake in the story and financing of growth companies in Finland. This investment firm operates under license of Finnish Financial Supervisory Authority (FIN-

FSA) and has raised €59 million capital from 38 crowdfunding rounds so far (Kansalaisrahoitus, 2017). Innovestor founded in 2014 in Helsinki, with offices in Moscow and Stockholm, as well. The company is authorized by FIN-FSA in 2016 and provide direct investment channel to the most promising growth companies as 17 companies raised capital in 22 investment rounds through funders of Innovestor who made more than €20 million investments so far.

2.1.6 Crowdfunding as an area of scientific research

Crowdfunding is a phenomenon that got the interests of academia only recently (Ordanini et al., 2011), most crowdfunding literature is rather young and there are many research areas in this field. Many research studies regarding crowdfunding follow a "phenomenon-based-approach" (Von Krogh et al., 2012). Therefore, studies attempt to develop definitions and descriptions of the matter plus a differentiation to relevant concepts and subjects. Before entering the term "crowdfunding" in literature, the term "social lending" (Hulme & Wright, 2006) and "P2P lending" were used in articles related to lending based crowdfunding (Freedman & Jin, (2014); Klafft, (2008)). During the last decade, crowdlending was mainly on focus of the research as well as reward based crowdfunding. But equity crowdfunding hasn't received much attention, mostly due to prohibitions under US securities law for investments done by non-accredited investors until recently after the JOBS Act. In the first scientific article directly mentioning the term crowdfunding, legal restrictions under the U.S. law was studied (Kappel, 2008). Then studying venture financing through crowdfunding has been started by Belleflamme and colleagues in 2010 and researches continued by others (Belleflame et al., (2010); Belleflame et al., (2013); Belleflame et al., (2014); Schwienbacher & Larralde, (2012)). After discussing venture finance in terms of crowdfunding and studying structures and processes of the phenomenon, researches entered into selective areas, for example analyzing the role of geography in crowdfunding efforts (Agrawal et al., 2011; Mollick, 2014), investigating entrepreneurial legitimacy in reward based crowdfunding model (Frydrych et al, 2014), creating a conceptual crowdfunding investment model (Tomczak & Brem, 2013), and motivating factors of people who post and fund projects on crowdfunding platforms (Gerber et al., 2012). There have been other studies with descriptive, explanatory and concept based approaches which mostly incorporated case studies within the relevant national context (Giudici et al., (2012); Hemer, (2011); Hemer et al., (2011); Ingram et al., (2014); Klaebe & Laycock, (2012); Kortleben & Vollmar, (2012);

Martínez-cañas, (2012); Meinshausen et al., (2012); Mitra, (2012); Tomczak & Brem, (2013); Vitale, (2013); Wheat et al., (2013)). In addition, the first empirical researches were qualitative in which analysis of the initial market data and findings derived from interviews to describe the phenomenon (Aitamurto, (2011); Gerber et al., (2012); Hemer et al., (2011); Ley & Weaven, (2011); Röthler & Wenzlaff, (2011)). Then quantitative studies presented after crowdfunding platforms emerged as intermediaries and transaction volumes become available (Ahlers et al., (2013); Burtch et al., (2013); Mollick, (2014); Mollick & Kuppuswamy, (2014); Collins & Pierrakis, (2012)).

Hereby, a number of studies are selected with focusing on capital seekers' incentives to go through raising funds from crowdfunding in general and specially equity based model of it. The crowdfunding context and the main findings of the studies are presented in Table 3, that gives an outlook of what factors motivate entrepreneurs to this alternative fundraising model to acquire capital for their young startup ventures.

Author(s)	Crowdfunding context	Key findings
Belleflame et al., (2010)	Motivations of entrepreneurs to CF compared to traditional external sources of finance	Main motives include raising funds, getting public attention, gaining feedback
Shwienbacher & Larralde (2010)	Incentives of both project creator and investors to crowdfunding	Creators incentives: getting funds, expanding networks Funders incentives: to be part of a startup, networking with other investors
Hemer (2011)	Applicability of crowdfunding for startup financing and creative projects	CF is suitable for pre-seed and seed stage financing and as a complementary funding alternative in later stages
Gerber et al., (2012)	Incentives of creators and funders to CF beyond raising capital and experiencing new products	Entrepreneurs feel commitment to funded project promises and crowd investors have feelings of connectedness to a likeminded society
Shwienbacher & Larralde (2012)	Crowdfunding in the context of entrepreneurial finance	CF fits for small innovative-focused ventures, not for all small entities and big ventures
		Incentives for creators: funds, awareness of work, connecting with others, approval, control, and new skills Deterrents: public failure; inability to

Gerber & Hui (2013)	Grounded theory of motivations and deterrents to CF for entrepreneurs and crowdfunders through a cross-platform qualitative study	attract investors; time and resource commitment Incentives for funders: rewards, helping others, being part of a community Deterrents: lack of trust to investors, poor communication, delays (in case of reward/product delivery)
Belleflame et al., (2014)	Comparing pre-ordering CF and profit-sharing CF and importance of community benefits for crowd investors in increasing their utility	Profit-sharing model of CF is optimal for entrepreneurs with big capital need and existence of a supportive community is vital for a viable CF mechanism
Cholakova & Clarysse (2015)	Effect of financial or nonfinancial motivations to invest for equity CF and having invested for equity can motivate the crowd to fund the same project or not	Nonfinancial motives don't play significant role and having invested for equity is considered as a positive signal for individuals to invest in that project
Ahlers et al., (2015)	Impact of venture quality (human, social, and intellectual capital) and uncertainty on fundraising success of equity CF	Retaining equity and providing risk information act as effective signals while social and intellectual capital show little significance in funding success
Hornuf & Schmitt (2016)	Survival rate of crowdfunded startups and access to follow-on funds from Bas and VCs	For equity CF investors turning a profit is crucial, if ECF fail to yield higher returns, crowdfunders switch to the lending model of CF
Brown et al., (2017)	Demand nature of entrepreneurs and startup ventures seeking for equity CF and its impact on recipient firms based on bricolage theory	Improvisational entrepreneurs in innovative and early stage firms found equity CF as a fast access to capital with low diminution control and many intangible benefits: firm valuation, product validation, network augmentation

Table 3: Crowdfunding Literature Focusing on Capital Seekers Motivations

Belleflame et al., (2010) study the conditions through which entrepreneurs prefer crowdfunding to traditional external funding sources within a model based approach. The empirical findings of the study indicate that there are significant motivating factors in crowdfunding for entrepreneurs such as: raising money, getting public attention, and gaining feedback. In addition, another result of the study show that non-profit organizations tend to be more successful in utilizing crowdfunding.

Schwienbacher and Larralde (2010) carried out a case study from interviewing with founder of one crowdfunded company and a survey questionnaire from the company's investors, results indicate that obtaining funds wasn't the only motivation of the entrepreneur and expanding networks was important for his participation in crowdfunding, meanwhile backers indicated their desire to be part of the "adventure of building a startup" as well as expanding networks with other investors.

Hemer (2011) explored applicability of crowdfunding in funding creative ventures and research projects as well as start-up financing. The interview results out of this qualitative case study research note that crowdfunding performs well in the pre-seed or seed stage when a relatively small amount of seed capital, usually some thousands euros, is needed but in the later stages, it can complement traditional sources of entrepreneurial finance instead of replacing them. In addition, for the creative industry like music and film, crowdfunding already established itself as one of the few financing instruments in this sector. Also, it was mentioned that crowdfunding seems less fitted to business concepts which are easy-to-understand and easy-to-copy products.

The qualitative exploratory study of Gerber et al., (2012) from three popular crowdfunding platforms (U.S. reward based platforms: Kickstarter, Indiegogo, Rockethub) looked beyond common predictable incentives of creators and funders. The findings of the semi-structured interviews indicate that social interactions thru platforms motivate participation of the crowdfunding community. From creators' side, moreover to secure funding, entrepreneurs feel commitment to implement their project or idea due to received feedbacks and support of the crowd and from funders' perspective, beyond consuming the promised products and new experiences, the feeling of connecting to a likeminded community with similar interests and ideals were significantly important.

The study of Schwienbacher & Larralde (2012) discusses crowdfunding as an alternative method for financing projects, particularly focusing on small entrepreneurial ventures within a mix of qualitative and quantitative approach. They considered crowdfunding in the context of entrepreneurial finance and looked for influential factors on entrepreneurial preferences to crowdfunding. Through performing questionnaires, interviews and the case study of a French startup (Media No Mad), Schwienbacher and Larralde conclude that crowdfunding make sense for small ventures with a reasonably low amount of capital need, innovation-oriented with an interesting topic, the ones which plan to grow big and willing to extend their skills. In addition, big ventures might fail to satisfy shareholders in their need for participation, so that excludes them in this sense.

Gerber & Hui (2013) studied motivations of the ”emerging online community” to increasing number of projects through crowdfunding as a new ”social phenomenon”. They performed grounded theory of motivation by making the first cross-platform qualitative study from both sides of creators and funders to extend and validate the preliminary findings of their previous study Gerber et al., (2012). The results out of 83 semi-structured interviews, revealed entrepreneurs’ incentives as: raising funds, expanding awareness of work, connecting with others, gaining approval, maintaining control, and to learn new skills; and motivators of funders as: desire to collect rewards, helping others, supporting causes and be part of a community. The study also explored disincentives of participation that for creators include: fear of public failure and exposure; inability to attract investors; time and resource commitment and from supporters’ side, lack of trust to creators in use of funds was mentioned. Despite of this incentives and deterrents categorization, they are inter related in fact (Reiss, 2004).

The study by Belleflamme et al. (2014) have compared two forms of crowdfunding as a conceptual model based on price theory of economics. The two crowdfunding models include pre-ordering model or reward based crowdfunding and profit sharing model or equity based crowdfunding in particular. They looked importance of community benefits for crowdfunders in increasing their utility. The findings show that the profit sharing model of crowdfunding is optimal when entrepreneurs’ capital requirements is large. In addition, the entrepreneur need to build a community that supports them in order to benefit from crowdfunding as a viable funding mechanism.

Cholakova and Clarysse (2015) studied the extent to which monetary or nonmonetary motivations affect on decision making to invest for equity or to pledge. Moreover, they explored if having invested for equity can motivate individuals to keep a pledge for the same project. The results out of 155 surveys from investors in the largest equity crowdfunding platform in the Netherlands revealed that nonfinancial incentives don't play significant role and having invested for equity acts as a positive predictor for keeping a pledge.

The research of Ahlers et al., (2015), carried out a first-ever empirical examination regarding the effectiveness of signals which entrepreneurs use to motivate investors, from 104 equity crowdfunding campaigns of the Australian platform ASSOB. The study explored the impact of venture quality including human, social, and intellectual capital as well as uncertainty on success of fundraising. The findings based on signaling and social capital theories emphasize that retaining equity as well as releasing information in detail about risks act as effective signals that strongly impact on the probability of successful fundraising. On the other hand, venture quality in terms of social capital and intellectual capital, have shown little significance or no impact on success of fundraising process.

Hornuf and Schmitt (2016) investigated survival rates of startups and success or failure in acquiring funds after equity crowdfunding campaigns from business angels and venture capital investors by considering Germany and the United Kingdom due to having the largest equity crowdfunding markets in the world (Dushnitzky et al., 2016). The results emphasize that equity crowdfunding investors are initially interested in turning a profit unlike donation or reward model of crowdfunding in which philanthropic contribution to the entrepreneur was predominant. In addition, if equity crowdfunding fail to yield higher returns to crowdfunders, many of these investors switch to lending based crowdfunding in the near future and many equity crowdfunding platforms might advance coexistence of VC and crowd investors.

The recent study by Brown et al., (2017) explore the nature of the demand for equity crowdfunding or its impact on recipient companies' development within a qualitative approach. The results out of interviewing with entrepreneurs of 42 equity crowdfunded startups in the United Kingdom found strong demand for this funding form. For discouraged borrowers who are in fact improvisational entrepreneurs within innovative, consumer-focused, early stage firms, equity crowdfunding allows them to reach finance fast without extensive diminution of their equity or autonomy. In addition, equity crowdfunding seems to provide values more than money to recipient ventures such as firm valuation, product validation and network augmentation.

2.2 Entrpreneurial finance

Entrepreneurs have had few options historically for high-growth financing ventures, but recently increasing alternative funding methods brought about important implications. These new choices may enhance power of entrepreneurs in their selection, negotiations, and management of ongoing relations with investors. There are still research areas to understand how traditional theories, assumptions and dynamics would be challenged and changed due to expanding funding options for entrepreneurs. (Drover et al., 2017)

2.2.1 Existing sources of finance

In a broad view, sources of finance can be categorized mainly to equity and debt. By investing money for equity, it goes straightly into capital of the company for which investors receive shares in turn. Consequently, they get some level of control over the company and simultaneously bearing risk. On the other hand, the ones who give finance for debt (mainly bank loans) remain as external parties and usually a detailed contractual agreement link them to the company. They are faced with lower risk due to collateral and seniority of their claims over equity. The case with many startup firms is that due to lack of the needed collateral nor stable cash flows to guarantee regular interest payments, they cannot access debt finance (Berger and Udell, 1998).

In each of these two categories, equity or debt, different sources of financing exist which are described in Table 1. Some of them can be applied together with crowdfunding, especially the bootstrapping techniques (Ebben & Johnson, 2006). Crowdfunding has similarities to bootstrapping in certain points. For example, bootstrappers try to use the most possible alternative resources like what entrepreneurs do while crowdfunding to exploit capabilities of crowdfunders in the best way. Moreover, founders in both cases use creative methods to raise funds, while avoiding traditional investors. However, crowdfunding and bootstrapping have many differences, the most important one to mention is that founders via crowdfunding look for attracting external investors, while bootstrappers basically rely on internal resources and active cash management techniques (Schweinbacher & Larralde, 2010).

	Investor	Description
Equity	*Entrepreneur and team members*	The entrepreneur invests his own money in the company, or money he obtained through a personal loan
	Friends and family	The entrepreneurs' friends and family
	Business angels	Wealthy individuals willing to invest in small projects
	Venture capitalists	Specialized investors gathering money from non specialists and placing it into bigger projects for a period of 5-7 years
	Other companies/ strategic investors	Other companies can decide to invest in projects they believe have strategic importance to them
	Stock markets	Members of the public invest in the company through a public offering
Debt	*Banks*	Loans
	Leasing companies	Provide equipments and office space to entrepreneurs against lease payments
	Government agencies	Subsidy for particular projects
	Customers/ suppliers	e.g., trade credit
	Bootstrapping	Use of trade credit, credit card and other methods, including working capital management

Table 4: Entrepreneurial Finance Investors (Schwienbacher & Larralde, 2010)

In recent years, crowdfunding as a new funding method has facilitated financing in early stage ventures for entrepreneurs. Previously, many innovative projects might remain unfunded as banks seen them too much risky, the return amounts weren't considerable and transaction costs were very high for private equity and venture capital funds, and such ventures' capital need were too much for friends and family to support as investors (Klöhn and Hornuf, 2012). Therefore, the important gap in the funding cycle that exist at the pre-seed and seed stage might be filled through crowdfunding (Hornuf & Schmitt,2016).

2.2.2 The funding gap

The concept behind most theories regarding development stages of entrepreneurial is related to typical financing cycles. In every stage of the financial growth cycle, various financing sources become significant, the general idea can be seen in Figure 7. The development of startups take place in separate phase which are often defined as follows (Waggoner, 2015):

First, *Seed stage* in which the concept or product is under development, but researches haven't fully completed or other needed operations. This phase typically takes less than one year and half time.

Second, *Early stage* in which the product/service is being tested or the pilot production is going on. Given to the nature of the product, there is possibility of already being commercially available and even generating revenue for the startup company. In general, this phase is supposed to last less than 3 years.

Third, *expansion stage* in which the product/service is being produced and commercially available. In this phase, revenues are indicating significant growth, not necessarily profit amounts.

Lastly, *Later stage* is considered to begin as the startup is generating continuous revenues, most likely accompanied with positive cash flows and usually the company is profitable as well. At this stage, the start-up may start to spin-off projects for the initial product as well.

At the beginning, when it's pre-seed and seed stage, angel investment is rarely possible, at the same time personal funds and finance from the 3F's (family, friends, founders) are mainly wearied. At the very early stage, it is hard to convince formal investors about the innovation's sufficient market viability and high-growth potential. The classical sources of finance like Business Angel, Venture Capital or banks become accessible at a later development stage, mainly at early stage and later stage, when the project shows its "Proof of Concept" (Fraunhofer Institut, 2012). As a result, between seed stage and later stage, the market depicts a funding gap called the "Valley of Death" that might influence entrepreneurial success or failure (Cumming & Johan, 2014). This is where crowdfunding can raise pre-seed or seed capital from the crowd and bridge that financing gap. However, it's not clear yet that crowdfunding would become a viable financing alternative to formal investment methods or merely play role as a supplementary tool (scholz,2015).

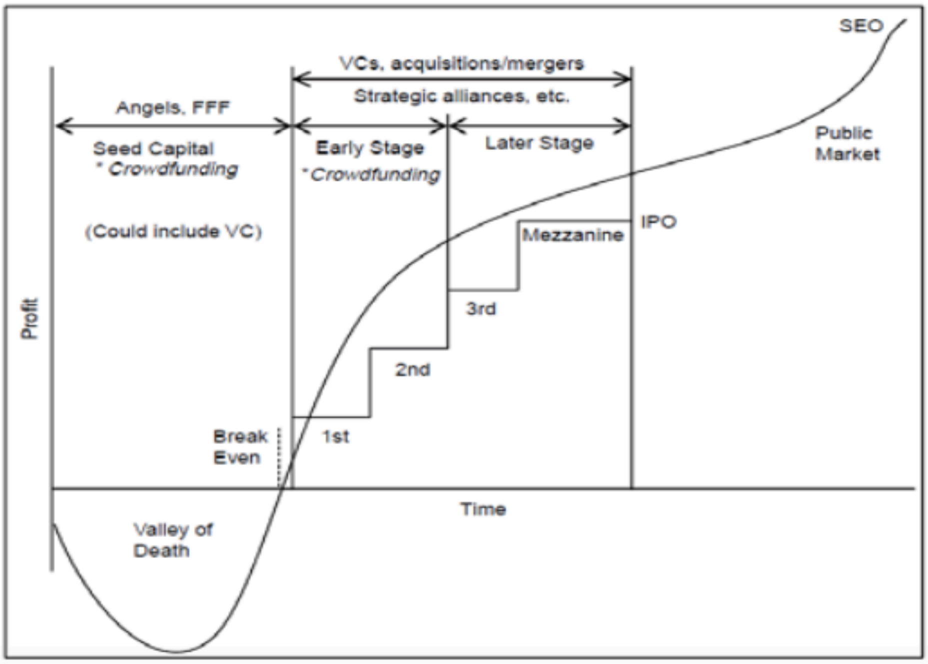

Figure 7: Stages of Entrepreneurial Firm Development (Tomczak (2013); Drake (2012))

In order to know how equity crowdfunding in seed and early stage finance can complement the market incumbents, such characteristics need to be considered like investment size, the investment model, investment motives, the risk/return profile and investor characteristics. (Wilson & Testoni,2014)

After the recent financial crisis, banks have become more reluctant to finance young firms than before due to lack of collateral and perceived riskiness of such ventures (Wilson and Silva, 2013). In recent years, importance of angel investors increased due to the difficulties young innovative firms confront in securing funds from other channels. Angel investors, especially those financing through syndicates or groups are active and partake in this investment segment so help in filling this increasing funding gap (Wilson & Testoni,2014). Meanwhile, investments by venture capital firms is more carried out on later stage phase that results in a significant gap at the seed and early stage funding. Angel investors and venture capital firms do not only partake to provide finance but also they actively monitor the companies where they made investments and usually their contribution is accompanied by critical resources such as a valuable network of contacts and industry expertise (Gorman and Sahlman, 1989; Baum and Silverman, 2004). Anyhow, equity based crowdfunding will

likely pose considerable challenges to angel investors and VC financiers in the near future (Vulkan et al., 2016).
The transition from seed to early stage seems to be the most difficult part of development for startups as the firms haven't developed enough to generate cash flows and for venture capitalists still the scale of the business is too little (Tomczak & Brem, 2013). This funding gap is widely noted in the research of startups (Ley & Weaven, 2011).

2.2.3 Main equity funding sources for startups

Traditionally, for startups and young innovative ventures, there are three sources of equity funding: founders, family and friends; angel investors; and venture capitalists (Wilson & Testoni, 2014). As all these three forms including equity crowdfunding, angel investing and venture capital address funding needs of growing companies, they are usually compared to each other and assessed together (Buysere et al., (2012); Hornuf & Schwienbacher (2016); Wilson & Testoni (2014)). Equity crowdfunding has characteristics that clearly makes it different from other funding forms, although some features provide similarities to rewards-based model, but other factors resemble it to business angel and venture capital investing forms (Lukkarinen et al., 2016).

We address our sub research question (Sub R_1Q_2) build on two funding forms adjacent to equity crowdfunding in the funding life cycle. This approach is similar to what Dorff (2013) have applied due to lack of theory regarding equity crowdfunding. By analyzing data on angel investing, Dorff (2013) conclude that angel investing presents "the closest analogue to equity crowdfunding" and extracted conclusions for equity crowdfunding that way. Besides, in comparing equity crowdfunding and venture capital investing, Manchanda and Muralidharan (2014) point that there might be some direct competition for venture capitalists from equity crowdfunding, but distinct characteristics of these two forms may result in playing complementary role of them to each other.

Angel investors are commonly experienced entrepreneurs or business people and their contribution doesn't only limit to potential financial return of their own funds investment to a venture but also to give back through helping other entrepreneurs. Business angels' investment typically happen in seed and early stage phase of ventures and investment amounts range is between $25,000 to $500,000 in general. Venture capital is considered as ‘professional’ equity, a funding form run by general partners that target investments in firms within their early to expansion phase of development. Typically, venture capital firms’ investment per round in a company is around \$3m to \$5m and the source of capital pooled into venture capital funds is mainly from institutional investors. (Wilson & Testoni, 2014) According to Getty (2014), VCs are only interested when the investment amount is higher than 1 million dollars.

Numerous literature studied the investment criteria of BAs and VCs, however, the investment criteria vary from one investor to another but several common patterns have been identified as well (Streletzki & Schulte (2013); sudek (2006)). The two most important and agreed decision criteria for BAs and VC investors in literature include: 1) the entrepreneur and 2) the full management team (MacMillan et al., (1985); Streletzki & Schulte (2013)). And, according to Buysere et al., (2012), investors of the three aforementioned models of financing share similarities with each other.

Similarities between equity crowdfunding and angel investing as Wilson and Testoni (2014) studied, include similar motivations behind investing, lack of active financial intermediaries, and decision making power of the investing individual. Moreover, motivations of equity crowdfunders and angel investors for investment don’t limit to financial return. Crowd investors might seek social and emotional benefits as well from financing an entity. By the way, they are probably motivated to finance a company in order to be in contact with an entrepreneurial venture that shares their own values, vision or interests (Wilson & Testoni,2014). For angel investors and crowd-investors, the financing decision is made finally by the individual investor. Prowse (1998) believes that the primary selection criterion for angel investors is the knowledge and trust in the entrepreneur. Other important criteria for angels’ investors include soundness of the business plan, revenue potential, market growth potential, valuation, and planned exit path (Prowse (1998); Sudek (2006)). The study of Hornuf & Schwienbacher (2016) also points that sometimes the boundary between business angels’ and equity crowdfunders is vague and investors of these forementioned groups may compete for the same investments.

The criteria for venture capitals’ investment are to a large extent similar to business angel investors criteria. Both emphasize on the importance of the entrepreneur, management team, market, and product, however, BAs may value more to the entrepreneur and VCs emphasize more on the market and product (Sudek,2006). The criteria related to product which VCs look for them include competitive advantage, proprietary protection, innovativeness, proven acceptance, and a sufficiently advanced status. Also, the criteria related to market refer to market size and growth and financial criteria relate to expected return and liquidation opportunities. In addition, another relevant factor for VC investors is the target company's life cycle stage, as too early stage is considered a potential reason for an investment to be rejected (MacMillan et al., (1985); Streletzki & Schulte (2013)).

In Table 5, a selection of the mentioned features can be seen. The similarities between equity crowdfunding and the adjacent forms of funding are shown with gray highlights. The partial overlap of features and leveraging neighboring fields supports the use of literature from related funding areas in research for equity crowdfunding.

Features	Reward based crowdfunding	Equity crowdfunding	Business Angels	Venture Capitalists
Funder background	Various, many have no investment experience	Various, many have no investment experience	Former entrepreneurs	Finance, consulting, industry expertise
Source of funds	Own money	Own money	Own money	Managing a fund and/or other people's money
Investment stage	Seed stage	Seed and early stage	Seed and early stage	Range of seed, early stage and more likely later stage
Funding instruments	Non-financial, e.g., products	Shares	Shares	Shares
Deal flow	Web platform	Web platform	Social networks and/or angle groups	Social networks and proactive outreach
Due diligence	Very limited; may be conducted by individual, if at all	Conducted by individual, if at all, and sometimes by the platform	Conducted by individuals based on their own experience	Conducted by staff in VC firm with assistance of outside firms e.g., law firms

Geographic proximity of funders	Online, funders often distant from venture	Online, funders often distant from venture	Most investments local	Invest nationally and/or internationally with local partners
Post investment role of funders	Most remain passive	Depends on the individual investor, most may remain passive	Active (hands-on)	Active (Strategic)
Return on investment and motivations	Financial return not relevant	Financial return important but not the only reason for investing	Financial return important but not the main reason for angle investing	Financial return critical

Table 5: Comparison of Equity Crowdfunding with Adjacent Forms of Financing

(Lukkarinen et al., (2016); Wilson & Testoni (2014))

There are also dissimilarities to mention as can be see in the Table 5 above as well. Crowd-investors are generally individuals who doesn't necessarily have experience of financial markets and knowledge of early-stage financing whereas BAs and VCs are usually sophisticated investors with high net worth or former entrepreneurs. Also, transactions and the deal flow in equity crowdfunding are intermediated through online platforms unlike traditional angel investments and venture capital firms. In addition, unlike classical investment transactions that mostly rely on word of mouth, market efficiency can be improved in crowdfunding due to online dimension of platforms that provides better and faster matches between investor and company. Moreover, geographical factors in crowdfunding might have less importance on funding process, while in classical forms of seed and early stage financing, geographical factors might affect, for example, business angels prefer to invest locally but crowdfunders may invest in startups which are in a far distance from them (Mollick, 2013; Agrawal et al., 2011 and 2013).

Another difference between venture capital and angel investment with equity crowdfunding is publicly disclosing business idea and strategy by entrepreneurs in equity crowdfunding platforms, that is not mentioned in the table above. The early disclosure of information might be harmful for firms with an innovative business model which can be imitated easily (Hemer, (2011); Agrawal et al, (2013); Hornuf and Schwienbacher, (2014)). Hence, crowdfunding might be most beneficial for startups whose business is not specifically innovative or the ones that can protect their intellectual capital through means other than secrecy. (Wilson & testoni,2014) Likewise, venture capital firms typically prefer high-risk and high-return investments for example sector of technology based companies whereas business angels tend to invest in a broader range of sectors and geographies, in a way that covers some investment segments that venture capitals would not usually invest (Wilson, 2011).

2.2.4 Startups' finance

The way startups are financed has always been one of the most fundamental questions of enterprise research. In the financing procedure of a firm, effective management is vital for the financial welfare of the company. Firms need to manage their capital structure carefully as a false decision on capital structure could lead to financial distress and even bankruptcy eventually. (Vasiliou et al., 2009)

Start-ups companies are relatively new firms which have brought an innovation and supposed to have high potential of growth. There isn't a clear age to say when a company stops to be so called a start-up, but somewhere between 5-7 years the line should be drawn (Bplans, 2016).

In order to differentiate a new business from a new startup, the following key differences are recognized: first, they are designed to grow fast, it means that startups have large potential markets and ability to scale up; second, startups' constant need to grow requires big need of financing and refinancing that basically means startup entities need to rely upon equity financing whereas small businesses grow with their own earnings which may take their time and; and third, startups are prepared with a designed exit strategy that means most often they are ready ultimately to be sold for bigger companies or listed in the stock market. (Bplans, 2016)

As Ramadani (2009) describes the concept of startup finance, it relates to recently founded companies which aren't grown yet to mature enough for using all the same financing alternatives that the more mature companies utilize. Startups have to a large extent rely on external investments because they are rather new companies and basically due to lack of cash in-flows, startup entities cannot finance themselves effectively (Miglietta & Parisi, 2014). The more an entity matures, the more alternatives would be available for the company in order to finance its operations (Cumming and Johan, 2009).

2.2.5 Capital structure of startups

Theoretical principles relevant to capital structure and financing choices broadly present two frameworks including static trade-off and pecking order theory. Static trade-off theory entail tax benefits of leverage and bankruptcy costs (Myers & Majluf,1984). For novice firms less tax benefit is considered and eventually more use of debt (Day et al., 1983) whereas entrepreneur feel a personal burden and more concern with debt than tax benefits (Fourati & Affes, 2013), hence, for young ventures, trade-off theory isn't profitable (Mac an Bhaird,2010). Based on the pecking order theory or hierarchy of financing choices, firms firstly rely on internally generated funds, then they will turn to debt and if additional funds are needed, finally they will issue equity to attain any remaining capital requirements (Myers & Majluf,1984). For explaining this pattern in preference, two main rationales have been advanced as: (1) external financing transaction costs; and (2) asymmetric information theory. Due to the first set of logics, transaction costs related to providing new external funds play an important role in capital structure decisions of a firm. Unlike external funds, providing internal funds do not comprise any transaction or flotation costs. In addition, given to asymmetric information theory, internal financing avoids detail investigation of capital suppliers. If additional funds are required, then debt is preferred because investors who possess less information than managers, consider debt issues as a positive signal. This is due to the management belief that never issue an undervalued security. Moreover, based on the asymmetric information theory, the pecking order pattern indicates that the firm should issue the safest possible securities with the least changes in their future value when the inside information is revealed to the market by managers (Myers,1984). The order of preferences depends on "value volatility", in other words, the least volatile source is favorite. Hence, the order of preferences presents as: retained earnings; new debt; new equity.

As Vasiliou et al., (2009) states, traditional financing models like the pecking order theory is largely true for established entities as owners first prefer the use of internal funds, then external debt and lastly external equity due to the avoidance of loss of control. Although, most previous researches indicate that pecking order theory fits more to the financial choice of new firms but empirical validation of the theory prediction for a sample of business startups has little been developed (Paul et al.,2003). Accordingly, results of the study by Fourati and Affes (2013) prove an inverted pecking order as for such young ventures equity is the main source of finance rather than debt. The research followed a dynamic approach by examining financial theories including information opacity, asset specificity, agency problem, transaction costs, signaling theory and human capital in order to predict the capital structure for business startups. The majority of cases in the research through depth interviews revealed two underlying reasons: first, entrepreneurs see debt as a personal liability with personal guarantee requirements and second, entrepreneurs intentionally search for equity investment in order to obtain added value as proper choice of external equity provide business skills and social capital as well through access to relevant networks and commercial contacts. Moreover, the study of (Sau, 2007) have also suggested a revised version of pecking order theory in which external equity is preferred to external debt by innovative firms, which might not be necessarily young startups.

Information opacity prevents startups from attracting any external financing sources in the form of debt or equity (Guidici & Paleari,2000). Due to opacity of information problem, the entrepreneur is more likely to be financed firstly by personal saving, then external equity and finally less chance by external debt. The novice firms' information opacity problem may create some agency problems as well. The loan provision from investor to the entrepreneur will form an agency relationship between the entrepreneur in the role of agent and the investor who is the principal (Cherif,1999). In small entrepreneurial firms, agency problems are more magnified than large firms. In fact, in presence of information opacity, the pecking order in a reversed version applies; internal funds, external equity and external debt at the end. (Frouti & Affes, 2013) According to transaction costs theory (Williamson, 1998) specific assets make quasi-rents for businesses. The asset specificity is a source of competitive advantage in the market (Ireland et al., 2003). For an entrepreneurial firm, assets may be specific to it and the financial contract which minimizes the transaction costs is the optimal one. From creditors' point of view, the tangible assets are important and a firm with more tangible assets will be less sensitive to information asymmetry as well. The entrepreneurs in startups not only contribute their own managerial skills but also their financial capital, knowledge and human capital (Audretsch et al., 2009). The intangible assets' relative importance doesn't always allow banks to have guarantees (Jacquin, 2003), therefore such assets with high transaction costs don't let bankers to hedge against the risk of bankruptcy. The entrepreneur's contribution in the project is considered as a signal of quality (Leland & Pyle, 1977), and the entrepreneur's capital as credit guarantees has a signal effect (Boot et al.,1991). Characteristics of the owner are a determinant of the capital structure and the financial characteristics of the new activities. Factors like age, education and gender produce a signal on quality of the human capital. In addition, characteristics of the activity play a crucial role in defining financial structure of the business. (Frouti & Affes, 2013)

2.3 Motivation for crowdfunding

There has been numerous literature on personality traits' analysis and entrepreneurs' motivation but results were mixed and not conclusive (Segal et al., 2005). Entrepreneurial behavior and activities could exist everywhere as Thompson (1999) claims either in business, for community initiatives (known with general term social entrepreneurship), for public sector initiatives, art, music, theatre, military, sport or even exploration. As Lasrado and Lugmayr (2013) claims, a strong link exists between the investment need and characteristics of the individual and the type of finance chosen. According to De Buysere at al., (2012), motivations of the crowd contributing in crowdfunding could be in general for social return, financial return, and material return (products or services), as illustrated below in Figure 8.

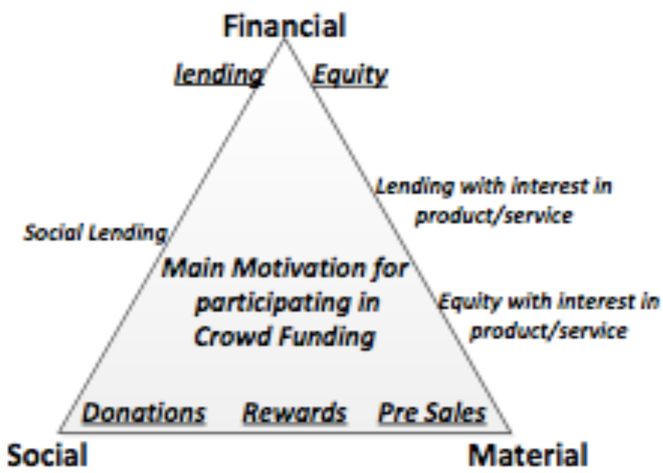

Figure 8: Motivations to Crowdfunding (Lasrado & Lugmayr, 2013)

In addition, the study of Thompson (1999) indicate that intellectual capital of entrepreneurs could be generated to make three main forms of financial, social, artistic or aesthetic capital. According to Lasrado and Lagmayer (2013), most ventures while creating capital also feature a combination of six perspectives namely; business, service, engineering/design, social/public service, design/creativity and environmental/cultural perspective. The study adds that as most business or entrepreneurial ventures represent a mix of the six aforementioned aspects, and concludes that the same is applicable to crowdfunding initiatives as well. Figure 8 depicts a summary of crowd's motivations for investment along with motivation of entrepreneurs or project owners to crowdfunding, by interpolating the return or capital type and different perspectives associated with crowdfunding. The overlapping circles in Figure 9, reveals the fact that usually entrepreneurial ventures bring two or three of these capitals at the same time. Accordingly, projects with crowdfunding initiative might also create entrepreneurial capital in form of social, financial, artistic capital or a combination of two or more. However, it can be seen that in case of equity crowdfunding, achieving financial capital is the prominent motive beside others.

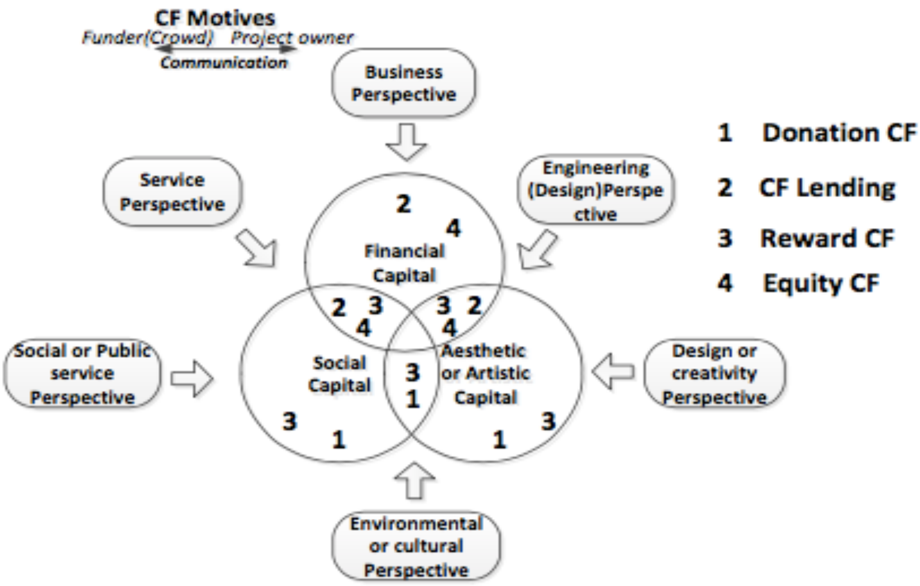

Figure 9: Motives of Different Forms of Crowdfunding (Lasrado & Lugmayr, 2013)

2.3.1 Motivations of entrepreneurs to equity based crowdfunding

There are a number of literature which contributed to the motivating factors of entrepreneurs to crowdfunding in general and mostly focusing on reward based model (Belleflamme., (2010); Schwienbacher & Larralde (2010); Gerber et el., (2012); Gerber & Hui (2013)). The findings revealed entrepreneurs' incentives to this fundraising model as a combination of both monetary and non-monetary factors, however, in case of equity crowdfunding different points of view presented about importance of raising funds as the only motivation for this type of crowdfunding. For example, Cholakova and Clarysee (2015), convey non-financial factors don't play significant role regarding equity crowdfunding initiatives where as Brown et al., (2017) emphasize on both tangible and intangible factors of fundraising through equity based crowdfunding.

Although, initiatives of crowdfunding for project owners is mainly for fund raising or obtaining financial capital, but at the same time receiving public attention and getting feedback are essentially considered by them (Belleflamme et al., 2010). Similarly, the research by Mollick and Kuppuswamy (2014), studying the outcomes of crowdfunding after campaign indicates that moreover to potential benefits beyond capital acquisition, this fundraising method helps in providing access to customers, press, employees, and outside funders.

Entrepreneurs are not only motivated to raise money but it should be in a democratic way to reflect their core values as well. Entrepreneurs are also willing to establish relationships with funders for long term interactions. Receiving validation also motivates entrepreneurs because when they get public recognition by their success, the perception of ability can increase their confidence and expanding the capabilities as a result. Entrepreneurs are also motivated to replicate successful experience of others as seeing success cases provides social proof that anyone can become a creator on crowdfunding platforms. Expanding awareness through social media also motivates creators to use crowdfunding and influence their online profile. (Gerber et al.,2012)

The study of Gerber and Hui (2013) by applying a grounded theory regarding motivations and deterrents for participation of creators and backers in the crowdfunding community is used as a benchmark in this work providing the main incentives of entrepreneurs. The study sums up six motivating factors for a creator's participation in crowdfunding, which in order of dominance include: raising funds, expanding awareness of work, forming connections, gaining approval, maintain control and learning new fundraising skills. In addition, another incentive as "benefits for community" is considered as online aspect of crowdfunding make it possible through both local and global means as well (Valanciene & Jegeleviciute,2013) that can even help sustainable development of the business or startup venture.

Given to financial incentives, Cumming and Johan (2013) indicate that one of the main motivations to use crowdfunding is lack of other alternatives. Likewise, a key rational for entrepreneurs seeking for this funding channel according to Bruton et al., (2015) is that "discouraged borrowers may turn to newer forms of alternatives" as the only available option left for them. Therefore, crowdfunding is not always a direct competitor of other sources and the feature of crowdfunding that not necessarily require companies to have financial proof of their performance, make it unique compared to other sources (Juva, 2017). Moreover, applying crowdfunding for startups may reduce the costs of acquiring funds and get their product known by bigger audience than with the traditional methods (Cumming & Johan (2013), Ng et al., (2015)). Creators prefer this fundraising channel in particular when it's hard to reach financial support from traditional sources like banks, angel investors and venture capitalists.

In addition to raise funds, creators expand awareness of their work by publicly campaigning their crowdfunding project through social media, news and popular press (Gerber & Hui, 2013). Creators are motivated to expand awareness of their work to the general public in order to market their projects beyond their close social network (Gerber et al., 2012). The study of Ordanini et al., (2011) reveals that the crow participating in crowdfunding play a proactive role as customers and investors for the projects besides providing support and financial assistance, therefore crowdfunding couldn't be merely considered as participation of an online community. Unlike traditional funding channels that only the application reviewers were informed about the project, crowdfunding succeeds better in reaching potential investors and the interested audiences (Lordeman et al., 2014). Internet has grown potential of crowdfunding and online platform campaigns raise awareness of anyone on the Internet who views the project pitch and additional descriptions (Chaudry (2013); Gerber & Hui, (2013)).

Besides raising funds and awareness of work, creators are motivated to built long term interaction with project supporters or backers beyond a single financial participation (Gerber & Hui, 2013). Crowdfunding platforms provide direct communication between creators and supporters so answering questions and providing project updates by creators is done continuously. Such long term interactions with creators might involve backers in the creative process as well. Through crowdfunding, long term relationships could form due to duration of the process, in contrast to many other short time relationship, for instance online financial transactions in a marketplace like Amazon. However, what crowdfunding has in common with many online communities, the ones without financial transactions focus, is desire for social contact and peer companionship (Kraut et al, 2012). Crowdfunding for creators also provide the opportunity for collaboration and informal learning through connecting them to their like-minded creators. Connections with other supporters and other creators form in an extended period of online engagement that happens through platform communication mediums, social media and face to face interactions (Gerber et al., 2012). In this way investors are also able to take part in decision making and development process (Belleflamme et al., 2014).

In addition to get funds, awareness and making connections, creators get motivated through satisfying a desire for approval that can increase the confidence level both for themselves and for their work. The approval of an idea can be considered as positive feedback to one's project, as monetary success might mitigate risks long term and indicate its worthwhile cause (Gerber & Hui, 2013). Bandura (1997) believes the desire for approval is sometimes prior to the desire to get funds. people get more confidant to their abilities when they receive public recognition because of their success. Moreover, he adds that monetary backing and online encouragement provides the perception of approval to one's ability to complete a task.

Although, the external equity can be viewed as a dilution of control (Paul et al., 2007), but startups prefer financing sources which retain control of the owners and entail lower transaction costs (Cosh et al., 2009). Creators are motivated to participate in crowdfunding to maintain control as it can bring choices about direction of their work and freedom to decide which development route to follow, unlike many traditional fundraising methods with their limiting forces (Gerber et al., 2012). Autonomy gives feeling of competence to creators to undertake their project true to their vision and the confidence in their personal ability to complete a task on their own (Gerber & Hui, 2013). Equity crowdfunding changes the ownership dispersion from traditional venture investing. This is due to shifting power to the entrepreneur because through equity crowdfunding a handful of bigger external investors will be replaced with a multitude of many smaller investors. In scholars of finance and management, there have been concerns about ownership dispersion trade-offs in many organizational settings, for instance access to a wider financing pool might cause greater agency costs. (Drover et al., 2017)

Moreover, learning new fundraising skills as another motivation happen as creators' control over a crowdfunding campaign pushes them to obtain experience in fields out of their professional expertise. Creators posting projects on a crowdfunding platform connect with with different audiences and they need to learn new forms communication like photography, videography and writing for addressing the general public. Even creators who had completed campaigns were motivated to participate in crowdfunding again to further improve their skills in fundraising areas such as marketing, communication, management, risk taking and financial planning. Therefore, it can be concluded that by working the crowd, substantial entrepreneurial learning can occur. (Ordanini et al., (2011), Gerber & Hui (2013), Belleflamme et al., (2014))

Creators perceive crowdfunding as an easy, efficient and organized way to obtain financial support from contribution of a large number of supporters with small amounts. The financial transactions made possible because of web based technologies such as online payment systems and crowdfunding platforms (Gerber et al., 2012).
In addition, some creators perceive fundraising process through crowdfunding platforms is less time consuming compared to traditional funding methods. In addition, unlike grant applications and waiting time for their approval or rejection, creators are motived by the speed of campaign acceptance and receiving funds from crowdfunding platforms (Gerber & Hui, 2013). Eventually, the speed of acquiring funds through equity crowdfunding helps to the strong bias for action which is very crucial for entrepreneurs and their early stage start up ventures that provides organizational legitimacy for them (Frydrych et al., 2014). Hence, creators are motivated to use crowdfunding for a wide range of purposes in addition to overcoming financial constraints. Traditional funding channels such as grants, venture capital funding and also online social communities could not satisfy multiple motivations that crowdfunding platforms can provide simultaneously.

In comparison to traditional funding channels, Agrawal et al., (2014) see creators' incentives in raising capital through crowdfunding because of two main reasons: (1) lower cost of capital, and

(2) access to more information. In the study, it was mentioned that lower cost of capital through crowdfunding is derived from three underlying factors including provision of better matches, bundling and information. Better matches between creators and funders forms through crowdfunding as these two parties connect to each other across a global pool of funders, whereas in traditional fundraising methods access is limited to local pool of potential investors. And, bundling between creators and investors shapes because of reasons like early access to products, recognition for discovering innovations, partaking in a new venture's community of supporters and so on. By the way, creators may be able to lower their cost of capital by selling goods that are otherwise difficult to trade in traditional markets for early-stage capital. In addition, information that is generated through crowdfunding may increase willingness of funders to to pay, thus lowering the cost of capital. Thus, if crowdfunding would be able to make more competition in provision of early stage capital, then it may reduce the cost of capital across other sources of early stage funding as well. More information not only affect on lowering the cost of capital, but also may provide additional benefits for creators. Crowdfunding can act like marketing research and the pre-buying approach gives an informative signal about post-launch demand. Crowdfunding embrace advanced selling which is not like most marketing research that led to providing incentive oriented and compatible demand signals which substantially increase quality of the signal (Ding, 2007). Therefore, crowdfunding decreases the error related to assessing demand before launching a completely new product. This result in increasing the quality of products to launch and consequently higher success rate among launched products (Lauga & Ofek, 2009). Similarly, Schwienbacher and Larralde (2010) reveals that entrepreneurs by using crowdfunding try to get insight to the market potential of a product and collaborating with backers can decrease new product development time and increases customer acceptance. Hence, besides a market signal regarding the demand for a product, whether be a real demand from carrying out presales or predicted demand from evaluating equity sales, crowdfunding attain project creators a mechanism that may provide them with input from users and investors' side on their product or business plan which may help in the early development of an ecosystem around the product. (Agrawal et al., 2014)

2.3.2 Motivations of investors to equity based crowdfunding

Entrepreneurs' awareness of investors' expectations who fund via equity crowdfunding platforms can help them in improving their campaign success and projectsas well. As a result, understanding investors motivation to equity crowdfunding might relate and affect to motivating factors from entrepreneurs' side.

In equity and peer to peer lending crowdfunding which are categorized as financial return crowdfunding, investments are done in expectation for financial return. The study of Collins and Pierrakis (2012) indicates that in equity crowdfunding, intrinsic motives of investors are also involved as they tend to participate in entrepreneurship causes and entrepreneurial ventures. According to Belleflamme (2014), community benefits are involved in crowdfunding ventures. In equity crowdfunding, not only the entrepreneur and investors have the possibility of direct interaction but also investors within the investor pool can communicate to each other (Collin and Pirrakiss, 2012). The mentioned studies found intrinsic and social motives to crowdfunding participants. Also, the results of the survey by Kosonen (2016) regarding investors' motivation to equity based crowdfunding revealed that there isn't a single reason but a mix of intrinsic, social, good-will and financial motives exists for investors. The study findings affirm social motivation as a strong motivator because social dimension of individual investor's preferences can range from belonging to an investor community to supporting a business idea or a charity for instance. Kosonen (2016) found that investors engaging in equity based crowdfunding, perceived it as an investment in a new asset class of emerging companies and a way to partake in entrepreneurial activities of small growth companies.
According to Agrawal et al., (2014), funders' motivations to crowdfunding classifies at least into five main reasons including: (1) access to investment opportunities, (2) early access to new products, (3) community participation, (4) support for a product, service or idea and (5) formalization of contracts.
The first defined incentive as investment opportunity only applies to equity crowdfunding. Typically in traditional financing methods for early stage venture, funders are limited to local investment opportunities. The second motivation describes that utilizing hybrid models of crowdfunding which let creators to join equity with early access to products or pre-buying may even play more significant role in the crowdfunding process by enabling new product enthusiasts to be early shareholders, that eventually led to increase in the value of company as well. The third incentive as community participation indicates that for many investors partaking in crowdfunding projects is considered as a social activity and this is the primary

reason through which they get acess to their preferred entrepreneurs. Some funders' tendency to invest is due to receiving recognition from the creator within the community. In addition, consumption value is derived due to funders' feeling of being part of the entrepreneurial initiative (Schwienbacher & Larralde, 2010) and between a select group of early adopters. The fourth motivating factor for funders to support an idea, product or service originates from philanthropic reasons. This is true especially for major platforms which are not financial return crowdfunding models (e.g., Kickstarter, Indiegogo). The fifth incentive express on intermediary role of crowdfunding platforms to formalize contracts without which funders' investment was considered as informal finance. In crowdfunding platforms like other many investment settings, friends and family are usually early investors who support the entrepreneur (Agrawal et al., 2011). The platforms enhance financial contracts among family, frieends and the entrepreneur through making a balance between costs and benefits of social relationships (Lee & Persson, 2012). The family and friends' social pressure can positively encourage the entrepreneur in the crowdfunding process whereas in the absence of a formal contract, they can disincentivize risk taking of entrepreneurs, as failure could also negatively impact the social relationship. Meanwhile, platforms' goal is maximizing the size and number of successful projects. The prerequisites to achieve this goal is to attract a large community of investors and entrepreneurs besides designing the market to catch high quality projects, reducing fraud and facilitating proper match between ideas and capital (Agrawal et al., 2011).

2.4 Impacts of equity crowdfunding for recipient companies

There are both optimistic and pessimistic opinions towards crowdfunding, this innovative capital formation strategy (Sigar, 2012). For investigating this new phenomenon, qualitative evaluation through prism of SWOT analysis -as a powerful tool for gathering information and decision making- allow a comprehensive understanding of crowdfunding (Valanciene & Jegeleviciute, 2013). According to Briciu et al., (2012), timely apprehension of threats allows adopting proper actions for avoiding or minimizing their impact. By means of SWOT analysis past and present condition of crowdfunding as well as future perspective can be illustrated, as Valanciene and Jegeleviciute, (2013) describe the strength and weakness of crowdfunding besides opportunities and threats arising from external environment to the method as follows:

1. Strengths are specifications of crowdfunding and benefits of applying it compared to other financing methods. Strengths originate internally from nature of the method, how it is designed and utilized.

2. Weaknesses are internal negative characteristics which crowdfunding is lacking compared to other capital raising channels.

3. Opportunities are environment attributes which can be applied for improving or more use of the method.

4. Threats are adjoining to negative external elements that are harmful to crowdfunding and decrease performance of the method.

In Table 6 below, SWOT analysis of crowdfunding can be seen. Strengths of crowdfunding include: chance of testing marketability, capital access, benefits for communities, entrepreneurs' decision making and control over their own company. Weaknesses of crowdfunding are: accounting and administrative issues, stealing ideas, fraud potential, weak investor protection and lack of advice for investors. Opportunities identified as: a niche information society, positive effects on economy and threats can be mentioned as: unappropriated legal restrictions and risky nature of small businesses. (Valanciene & Jegeleviciute, 2013)

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (attributes of the crowdfunding)	**STRENGTHS**	**WEAKNESSES**
	Entrepreneurs keep the right to make company's decisions themselves.	Administrative and accounting challenges.
	Accessibility of capital.	Only internet-based, lack of advise
	A chance to test the marketability.	Ideas and business models presented public can easily be stolen.
	Benefits for communities through both local and global means.	Weaker investor protection and potential for fraud.
External origin (attributes of the environment)	**OPPORTUNITIES**	**THREATS**
	The existence of information society (social networks for promotion, possibility to couple with crowdsourcing)	Current legal restrictions are not suitable for equity crowdfunding.
	Positive effects crowdfunding is expected to have on economy	The risky nature of small businesses
	A niche investment opportunity / way to raise capital	

Table 6: SWOT Analysis of Crowdfunding (Valanciene & Jegeleviciute, 2013)

2.4.1 Benefits of equity based crowdfunding

As Agrawal et al., (2014) indicates, benefits of crowdfunding won't be distributed uniformly. For some certain types of ventures, this new financing method would be more beneficial. As an example, types of ventures which are related to consumer products in which value proposition can be transmitted simply by text and video or kind of unique products that can't be imitated easily. However, such ventures may still tend to be financed from traditional fund raising methods whereas through crowdfunding, they face with significantly lower capital costs and additional benefits as a result of interactions with geographically dispersed and heterogeneous crowdfunders. Agrawal et al., (2014) also indicates that the intensive competition in this new equity-based funding model will boost innovations and lessen market failure.

In general, there are many benefits to mention regarding equity based crowdfunding not only to entrepreneurs but also to investors and equity crowdfunding platforms as well. For start up entrepreneurs normally the first available funding options are their own wealth and so-called "love money" (James, 2010) also known as "Three F's"- Family, Friends and Fools" (DeGennaro, 2010) but crowdfunding provides a new funding source as well as spreading the risks from their social circle to the crowd which at the same time provides more opportunities for crowdinvestors to diversify their portfolio as well (Ng et al., 2015). In addition, through equity crowdfunding, the crowd can reach to a class of assets which has been hardly accessible by non-professional investors, a transparent way of investing in unlisted entities (Kosonen, 2016). Regarding benefits for or from platfroms, Kriby and Worner (2014), points the added benefit of convenience for online platforms as they're "readily accessible" unlike traditional funding sources restrictions like opening hours.

Now, as the crowdfunding phenomenon is becoming more established, more institutional investors are also interested towards it. For example, Nordea was the first bank in Finland which has launched an equity crowdfunding service that offers a flexible and structurally light financing model for companies looking for funds through an online platform to make matches between them and providing an opportunity for investors to participate in Finnish growth stories (Nordea Press Release, 28.11.2016). The Finnish bank Osuuspankki (OP) also provided services for crowdinvesting (op.fi). In this way, the lead investors could help the industry to develop either by participating in syndicates or through providing references to credible ventures. Anyhow, it could be beneficial for the institutional or professional investors as well because when early stage finance is available for more entities then investment opportunities for professional investors will also increase in future. Eventually, in a bigger perspective, higher capital sources of companies enable them to create more job opportunities which results in empowering the economy through lowering unemployment rate and increasing tax revenues.

Brown (2017) emphasize on both financial and non-financial benefits of equity crowdfunding like concept validation and company valuation, which are very important for startup or companies in their early stage of business. Entrepreneur respondents in the study indicates that through crowdfunding, they have received a more desirable valuation than what they would have had from BAs or VCs. Regarding concept validation, Brown (2017) as well as Manchanda and Muralidharan (2014) indicate that for a startup firm, crowdfunding can act as a marketing tool by increasing product or brand awareness among the general public which gives genuine feedback about the idea as well and if the target capital isn't received, the idea is needed to get another thought. Moreover, Brown (2017) mention other non-monetary advantages of equity crowdfunding on startup ventures as more autonomy and control on their business due to dispersed structure of ownership in equity crowdfunding instead of a single main shareholder. Also, benefit of having external investors provides a monitoring by them who have their own stake in the business and helps to enhance the performance of such firms. Finally, the study draws intangible network related benefits for firms following equity crowdfunding as: media exposure, interacting with new shareholders, end-user engagement and feedback.

2.4.2 Risks of equity based crowdfunding

Crowdfunding provides many promising incentives regarding creators but has its own challenges as well. Kirby and Worner (2014) listed the risks regarding equity crowdfunding as risk of default, fraud, illiquidity, risk of platform failure, risk of cyber-attack and lack of transparency and disclosure of risks. The risk of investment failure or default is high among startups or ventures in their early stages. There is misconception about startups' success rates and return on investment (Shane, 2008) and average individuals aren't aware of them. The estimated default risk in equity crowdfunding is about fifty percent. However, the actual success rates and return on investment of crowdfunded firms are unknown because many platforms started operating recently and the available data are inconclusive (Wilson &

Testoni,2014). The risk of fraud incorporated in equity crowdfunding could arise due to the anonymity of the online aspect of the industry. The risk of illiquidity is when investors face with problems for selling their participations as a secondary market doesn't exist. In case of platform failure or closure, investors endure a higher risk compared to many other investment types. The risk of cyber attack because of online nature of this model of funding is inherent. Disclosure of risks and lack of transparency usually doesn't reveal till an investor becomes the platform's member. (Kirby & Worner,2014)

Additionally, Manchanda and Muralidharan, (2014) point to lots of time and effort that is needed for promoting an idea through campaigns and promotions as Brown et al (2017) reveals similar disadvantages such as: administrative burden and time consuming process regarding liaising with platforms, providing requirements for government investment schemes, answering to requests for business plan, company information and responsiveness to mass of investors. The study of Brown et al., (2017) that interviewed with entrepreneurs of 42 equity crowd funded startups in the United Kingdom point out hesitation about efficiency of crowdfunding for follow-on funds whether with repeating another crowdfunding round or using other entrepreneurial sources when their firm goes to expansion phase.

The study of Wilson and Testoni (2014) indicates that the risk associated with equity crowdfunding is significantly higher than the risk borne by the business angels and venture capitals. The study points that due to characteristics of crowdfunding, investments in seed and early-stage companies could contain even more risks. Regarding, equity crowdfunding, the problem of information asymmetry common to seed and early-stage financing are intensified and other risks could also exist in each phase of the investment. For example, the risks could originate from reasons such as: inadequate screening in pre-investment phase and due diligence, weaker investment contracts and poorer support and monitoring in post-investment stage. Despite of successful equity crowdfunding cases like Antabio, a biotech start-up in France, which had appositive return for its investors and failure cases like liquidation of SporTrade in Germany, there is no track record to determine whether the industry is able in creating value for both investors and entrepreneurs or not. Moreover, it is argued that information asymmetry problems common to seed and early stage financing is resonated in equity crowdfunding and makes the potential for fraud and investments even in the well-intentioned entrepreneurs' start-ups riskier due to lack of proper assessment regarding competence of the entrepreneur and quality of the business plan. (Wilson &

Testoni,2014)

Compared to other funding sources, the disclosure requirement in crowdfunding might be the biggest difference. In traditional financing methods, entrepreneur's innovation was kept secret not only from the general public but also from competitors before selling the product or service. This factor is most annoying for creators with concerns about imitation, particularly in the period from raising capital to launching the product. Moreover, the risk of too much information disclosing to competitors might have other negative consequences given to protection of intellectual property rights or patentability and also on bargaining power with potential suppliers. In case of equity crowdfunding, the disclosure risk is magnified as project creators have to unfold their plans for the company such as their strategy, costs, key employees, customers as well as the new product or service. (Agrawal et al., 2014) Hence, the fear of confidential loss of the idea exist because it is shared with many others and stealing the idea and being implemented before the pioneer is a considerable risk (Manchanda & Muralidharan, 2014). To mention another risk of crowdfunding in comparison with conventional funding channels, the study of Agrawal et al., (2014) point out the opportunity cost of fundraising from the "crowd" instead of professional investors. While BAs and VCs as traditional equity investors often attach additional value to the company like industry knowledge, status and relationships (Hsu, 2004), but in crowdfunding setting, the nonprofessional investors are also less likely to do such efforts in bringing those benefits due to probably their less investment amounts and accordingly lower returns, so crowdinvestors have less incentives to perform due diligence (Wilson & Testoni,2014).

Another challenge associated with crowdfunding for creators is the investor management. The investment amounts by crowd funders are smaller compared to angle investors and except few crowd-investors, most of them are required to pay a predetermined amount of capital. Hence, in a situation faced with managing a sheer number of funders, costs might be considerable as well. Crowdinvestors also might fail to partake in follow-on investment rounds and eventually their shares get diluted (Wilson & Testoni, 2014). It should be mentioned that raising follow-on funds for creators through equity crowdfunding might be difficult due to confronting an "unorthodox cap table" which comprise a large number of dispersed small funders. (Agrawal et al., 2014)

Due to the ecosystem nature of crowdfunding, benefits and risks of all three players in this process affect on each other in a cause and effect way. Hence, crowdinvestors' disincentives should not be hindered by entrepreneurs as as the study of Agrawal et al., (2014) point out crowdfunders encounter with three main detterents including incompetence of creator, fraud and project risk. In case of equity crowdfunding in which level of information asymmetry is high and minimal oversight and regulation exist, all three mentioned challenges intensify. Incompetency of creators generally refer to their inability in delivering the promises and funders are often relatively optimistic regarding the issue. Generally, creators aren't that much experienced in building a product, managing logistics and dealing with suppliers. Often projects that received capital beyond the funding target, deliver the promises late due to inability in adjusting to the demand (Pepitone, 2012). In a study of 247 successfully funds projects in Kickstarter in the field of design and technology, delivery of more than fifty percent of the goods were delayed and two months was the average delay time, so they can be substantial (Mollick, 2012). Another risk exposed to inexperienced and too optimistic funders may led them to invest in bad projects and even worse trap them to outright fraud. In addition, professional criminals may consider crowdfunding as an attractive target for example by making pages similar to genuine crowdfunding campaigns with false information. Moreover, funders' low investment amounts exacerbate the risk because of less tendency of investors to carry out due diligence. Therefore, due diligence may be the underinvested by the crowdfunding community and in return investors may lean on wisdom of the crowd, others' investment decisions. The project risk is associated normally with early stage ventures and projects which means they face highly to chance of failure. In addition to creator incompetence and fraud, many other potential failure sources exist. Despite of considering risk inherently while investment decision making of funders, but the costs of these risks increases considerably because of information asymmetry. (Agrawal et al., 2014)

2.5 Research framework

The following section depicts the main concepts and literature from previous studies related to the topic for answering research questions. In Figure 10, the applied concepts and their relations regarding main questions of the study and sub research questions are illustrated. The research framework demonstrates the problem of startups' capital demand and lack of sufficient financing sources that makes entrepreneurs to look for novel methods to utilize as substitutes to traditional funding channels, at the same time, satisfying their incentives and expectations for the desired impacts on their startup ventures.

It has been always a major problem for small entrepreneurial entities to raise funds for the development of their ideas. According to Cosh et al. (2009) providing finance from external resources at pre-seed and seed stage for new ventures is hard due to these reasons; Firstly, the 2008's financial crisis led to less availability of bank loans accompanied with stricter credit regulations and collateral requirements. Secondly, because new ventures' product viability is unproven so higher-volume early-stage equity is limited for them from Venture Capital or Angel investment (Berger & Udell, 1998). Traditionally, private equity investors are the first external investors of startups (James, 2010). These investors broadly are recognized in two categories: individuals who invest their own money and known as business angles and institutional investors that are also known as venture capitalists. Business angles are traditionally wealthy individuals who were entrepreneurs or had entrepreneurial experience before and tend to invest in fields where they had personal experience (Ramadani, 2009). Business angles' investment are considered to occur in seed stage, earlier than venture capital's investment which presents later in early stage (Cumming and Johan, 2009). Venture capital investments are carried out by companies that conduct more systematic due diligence, bigger amounts of funds than business angels and tend to invest at a later stage (Schwienbacher (2007); Sudek (2006)). Finally, for companies presenting a sufficient track record funding from institutional investors could occur (World Bank, 2013).

In recent years, more investments of traditional sources of risk capital like Business Angles (BA) and Venture Capitalists (VCs), have been moving upstream, making bigger investments for more developed companies (Collin and Pierrakis, 2012). Therefore, many ventures would remain without funds (Belleflamme et al., 2010) which have to only count on getting funds from the 3F's. In this sense, entrepreneurs seek for alternative sources of finance to acquire capital for their startup ventures. Through crowdfunding, creative founders access to new possibility of informal financing which brings seed capital for them from the 'crowd' or the general public (Steinberg, 2012). As investing via crowdfunding platforms is basically possible for anyone, Dorff (2013) suggests that this funding method only could be a modern version of the 3F's where investment happen by means of crowdfunding platform as a channel. On the other hand, the study of Tomczak & Brem (2013) indicates that crowdfunding has already started to replace business angels rather than replacing the three F's. This view is in the same direction with the thought of BAs that are willing to invest in groups or syndicates in order to provide more value to the company (Lahti, 2011), but on the other hand, crowdfunding doesn't necessarily provide the same amount of control for business angels compared to what traditional private equity investment could brought for them (Taulli, 2012). Meanwhile, as Dorff (2013) and Taulli (2012) studied, there is evidence indicating that some BAs and VCs refuse investing in startups seeking crowdfunding, because they see it as a sign that the start-up is bad and unable to get funds from traditional sources.

However, equity investors provide finances in exchange for a portion of company ownership but different types of equity funding vary in terms of investment focus, strategic objectives, investment amounts, geographic focus, and the nature of involvement (Drover et al., 2017). Hence, as crowdfunding is establishing itself as a key source of alternative finance (Block et al., 2016) and entrepreneurs increasingly go through equity crowdfunding to acquire funds for their ventures, motivations of project creators and the impacts on crowdfunded firms need to be studied. In a bigger perspective, Agrawal et al., (2014), indicates that the intensive competition in this new equity-based funding model will boost innovations and lessen market failure. It should be note that equity crowdfunding is often subject to capital market rules, that makes it limited in terms of funding level, geographical scope and promotion possibilities as well (Gajda & Mason, 2013).

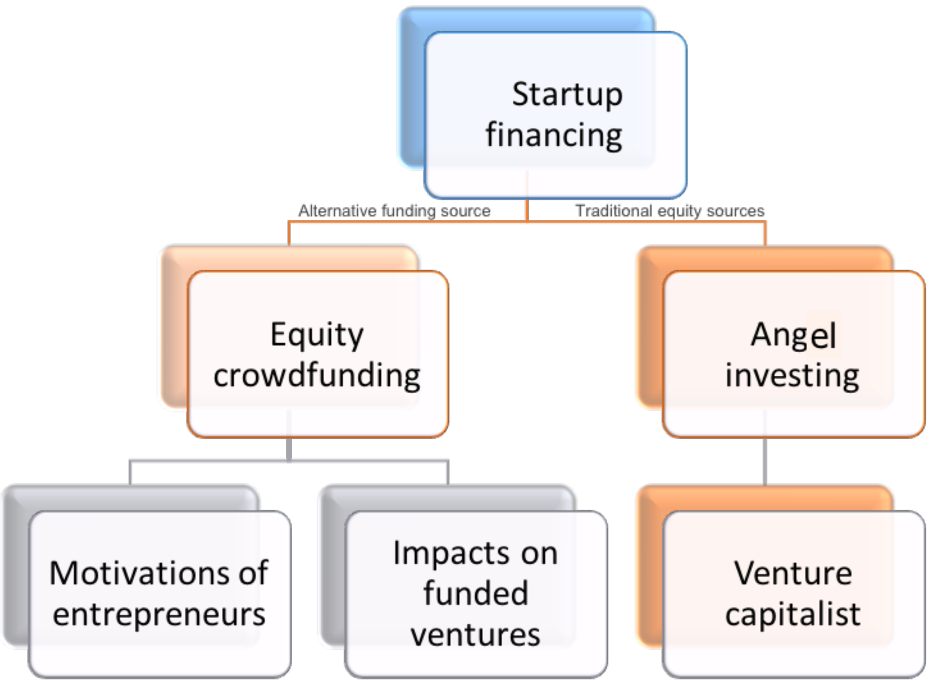

Figure 10: Framework of the study

All in all, despite much higher investments by business angles or venture capitals in general than individual’s investment in equity based crowdfunding (Belleflamme et al., 2014) but entrepreneurs’ motivations to this funding channel generates from a range of incentives which traditional equity sources do not satisfy them. The preliminary framework shown above, will extend after findings of the study and the relations will be displayed.

In the next chapter, methodologies of the study, data analysis and case interviews are presented.

3 RESEARCH METHODOLOGY

This thesis work aims to answers entrepreneurs' motivations in selecting equity crowdfunding as an alternative financing channel and its impacts on supported startups. The focus of the research isn't on the whole crowdfunding industry, but it will concentrate on equity based model of crowdfunding and five experts within crowdfunded startups who are familiar with entrepreneurial finance and experienced entrepreneurs in the field of crowdfunding.

In this chapter, the research methodology is presented as well as validating the means to perform the study. In the second part of the chapter, data collection and the sampling methods for selection of the five experts are described. Next is the data analysis method and in the final section, validity and reliability of the study is explained.

3.1 Research methods and approach

There are two main research method categories including quantitative and qualitative approach. In quantitative method which is usually conducted in large scale, the goal is to create numerical and statistical results out of a big received amounts of data. This method often leaves aside the subjective interpretation of the matter and presents rather simple and factorial results. (Saunders et al., 2009)

In qualitative approach, the information and data is gathered in more detail and subjective form which results in a deeper insight to the issue. This method allows explanation of rather complex topics in a better way and studying them in context of current happenings and societal circumstances. Also, in qualitative research method, there is room for interpretation where understanding of the topic is in the spotlight but the quantitative approach wouldn't allow this. (Saunders et al., 2009)

The research process of qualitative method is presented below in Figure 11. The process begins with specifying the research gap (i.e. why the research is needed) and framing research question(s) that the study aims to answer them. In the next step, choosing relevant subjects which support the research is done. It is necessary to look previous studies and theories that have been applied regarding topic of the research to know what has been found to the matter so far. Then, it is time to collect the data that can be even primary or secondary data. After gathering data, next stage is analyzing and interpreting them by the researcher.

Findings of the research need to be figured out through previous theories for exploring new or different aspects provided by this research. Finally, the research come to conclusion at the end of the process. (Bryman, 2008)

Figure 11: Qualitative Research Process (Bryman, 2008)

This research adopts an inductive approach and as Bryman and Bell (2011) explains that is often associated with qualitative studies so the study will be theory-generating from its empirical data. The qualitative research is useful to gain insight into the fundamentals of the phenomenon and to answer "approximately" to 'How' and 'Why' questions, e.g., by asking views of a limited number of people (Thomas, 2009). In that sense, for crowdfunding's very young existence, this empirical study employs the notion to gain views, meanings, concepts and characteristics of the challenges and impacts of equity crowdfunding that can be captured by qualitative research (Berg, 2004). Moreover, a qualitative study transforms words to create an understanding of a social phenomenon, whereas numbers do that in a quantitative approach (Bryman & Bell, 2011).

Contrary to inductive approach, another way to proceed with the investigation of empirical material is deductive approach in which existing theory is assumed (Bryman & Bell, 2011) and hypotheses are tested against empirical examinations for a given context. According to Saunders et al., (2009), deductive approach is used to create an understanding of the relationship between theory and practice, so moving from theory to data, or in brief called as "collection of quantitative data". In our work, we rejected using deduction on the ground of intension to collect empirical data given to the newness of crowdfunding as a recent capital acquisition method in order to enhance our understanding of the entrepreneurs' choice of equity crowdfunding and its impacts on recipient startups.

In this study, the selected method for the interviews is semi-structured interview in which the same or almost comparable questions are asked from all the interviewees. This kind of interview almost follows a pre-structured order, meanwhile provides freedom in further expanding certain topics by adding additional questions based on answers of the interviewee. Hence, the semi-structured interviews allow additional findings beside the initial questions and hypotheses of the study (KvaliMOTV, 2016).

Case study is defined as an empirical inquiry that investigates a phenomenon within its real life context (Yin, 2011) and can be in form of single or multiple case that the latter approach facilitates greater generalizability (Yin, 2003). Moreover, Yin (2011) indicates two main strengths of case study; firstly, for asking how and why a particular phenomenon behaves and secondly, for exploring topics without prior strong theory.

Due to inductive nature of the research questions, a qualitative and case based approach is applied in this study. This is a useful technique when a research aims to get deeper understanding of a new phenomenon that the concepts and contexts aren't yet defined because of a lack of former theory (Eisenhardt, 1989), and no adequate coverage of the phenomenon in the existing literature (Yin, 2003). Crowdfunding entails the above features so it is suitable to follow case-based approach for investigating this subject.

3.2 Data collection methods

Due to qualitative nature of the study, selection of cases was done attentively to find the right informants. The startup companies chosen in the study all shared their experience in the field of equity crowdfunding either by partaking directly in campaigns on platforms or being professional entrepreneurs. As interviews were an important part of this research, substantial amount of time was spent to gather proper interviewees. The needed information has been collected by interviews for each case.
This qualitative study considers in-depth semi-structured interviews with open-ended questions that seek to answer "how" and "what" questions. This method can be used in a situation when acquiring evidence is problematic through quantitative methods of data collection (Guest et al.2006). According to Boyce and Neale (2006), through qualitative research technique of in-depth interviewing intensive individual interviews are conducted with a few number of respondents in order to explore their perspectives on a particular idea, program, or situation. Berg (2004), implies that mix of standardized and non-standardized interview type keeps it focused on investigating key issues and also respects the subjective perspective of the both discussion partners to their views, opinions and world's understanding. Also points out that using open-ended questions make interviewees to give meaningful responses and nearly complete opinions.

Since objective of the study is to generate deeper understanding around impacts of equity crowdfunding on startup ventures from project creators' point of view, where the availability of expertise on the matter is limited, the purposive sampling method is appropriate (Rubin & Babbie, 2007). The purposive sampling is utilized in qualitative research widely, because of many constraints like availability of time and other resources. In addition, in conducting purposive sampling, selecting cases different on a range of aspects is important because it increases the possibility of recognizing important common patterns that cut across variations (Patton, 2002).

For identifying eligible cases oriented to the purpose of this study, it was necessary to specify several sampling criteria (Cook et al., 2002). The required elements were set based on the research question and sub research questions. In this study, the selected cases are all young Finnish firms involved in crowdfunding activities. The companies chosen for the study are all operating in Finland and active in different sectors but all share focus on importance of innovations in their businesses. And the individuals selected for the interviews are representatives of startup ventures either as former or present entrepreneurs who experienced crowdfunding one time or more. The last but not the least prerequisite of the sample is that companies have successfully conducted an equity crowdfunding process and still operating with at least one-year life span post campaigning so that assessing the impacts of equity crowdfunding practices on the recipient firm could be possible.

The considered Finnish startups have had fundraising through Invesdor, the most recognized equity crowdfunding platform in Finland. Invesdor acts as a matching service between companies and investors. The competitive edge of this platform is due to its supplementary services that ranges from giving legal advice, brand development to auditing services and so on. Such long-term commitment in helping the companies to grow, makes this Finnish crowdfunding intermediary as the largest cross-border Nordic equity crowdfunding platform (EU-startups, 2017). The platform provides companies with full discretion on the way of raising money, including requirements for eligible investors and deciding who can see their investment requirements. The process is formed in a three phase crowdfunding round that first in a hidden phase, offers companies case evaluations and pitching only to partners of Invesdor before campaign goes public.

In order to choose interviewees for this study, it was important that the informants possessed information on both of the subjects' concerning crowdfunding and entrepreneurship as well as knowledge about entrepreneurial financing. Theoretical sampling was used when the choices were being made of the interviewees. For finding the right interviewee applicants, the candidate needed to fulfill the following attributes:

- Preferably an entrepreneur in a management position or an expert with a relevant experience concerning crowdfunding
- A decision maker in regard to firm's entrepreneurial finance and capital structure
- Working experience in startups
- Knowledge about equity crowdfunding practices

Therefore, the aim of the research was to get a wider representation of entrepreneurial practices regarding equity crowdfunding by constructing interviews predominantly with informants that have appropriate knowledge and experiences in the field.

In total 5 interviews with five different startup ventures were conducted. The informants' details are presented in Table 7. Due to privacy issues and ethics, interviews were carried out anonymously and imaginary names are used for respondents and the companies.

No	The company Name	ID	Interview method	Background and interest in crowdfunding
1	Alpha	A1	Skype	Entrepreneur and experienced as International Business developer and now with the focus on startup business development, innovation acceleration and change management. Enthusiast regarding concept of equity crowdfunding.
2	Beta	B1	Skype	In Management team, youngest member and bringing fresh views on leadership. In the family startup business with the CEO, involved in the crowdfunding process from scratch and with positive attitude towards the phenomenon.

3	Gamma	G1	Skype	Professional manager in sales and marketing of branded consumer products, distribution channels and international business. Experienced a successful equity crowdfunding campaign beforehand as well.
4	Delta	D1	Skype	In management team, experienced in risk management and financial auditing with perspective of marketing towards equity crowdfunding campaigns.
5	Omega	O1	In-person	Entrepreneur, economist and professional manager in consumer Internet services. Expreienced two successful equity crowdfunding camapaigns.

Table 7: Interviewee Cases

Regarding the procedure, four out of five interviews were conducted verbally through Skype and one interview carried out in-person which all lasted approximately one hour in the period from 20 April to 17 May 2018. In order to arrange interviews, firstly, we have made contact via phone call with the interviewees and explained our research question and objectives to get their attention toward the study and importance of their participation. Afterwards, interview schedules were agreed via Email and a set of pre-formulated questions was sent to interviewees so that it helps their narrative flow for the discussion. The interview questions have been summed up according to the literature review on the subject and the framework based on research question and sub questions of the study which are presented earlier. Prior to the start of each interview, for rapport building with the interviewees, the research purpose was reviewed again as well as encouraging them to talk about their project and storytelling. All interviews were audio recorded with the interviewees' agreement in order to be transcribed for analysis after the interviews. The complete interview questions can be found in Appendix A.

The semi-structured interview is framed with three themes. At first, interviewees were asked about their professional background and their involvement in the equity crowdfunding process. Then, participants were asked to describe their incentives to this fundraising model and how they differentiate it compared to conventional financing methods. In the second stage, informants' experience after running successful equity crowdfunding campaign and its impacts on the startup venture were asked in order to see how much the expectations were fulfilled. At the third and last part of questions, opportunities for the development of equity crowdfunding as an alternative finance were asked in the context of Finnish startups.

3.3 Data analysis

After gathering the data, main ideas of each interviewee to the questions were written as well as listening to the recorded voices. Later coding of the information in different categories was done given to the topic. The previously created framework of the study applied as guidelines in data collection and coding. In qualitative research, it is needed to determine and refine essential concepts.

In the initial analysis, the collected facts bring out categorization of different themes. According to Strauss and Corbin (1990), this method is called "open coding". Such data reduction has been carried out from beginning to the end of this study.

Later, different viewpoints offered by the interviewees were combined in order to provide an overall approach to figure out how equity crowdfunding can help entrepreneurs in developing their startups.

Lastly, based on analytic induction where research logic is used to collect data, cross-case data assessment is done to develop analysis and organize presentation of research findings to compare information across cases. (Smelser and Baltes, 2001)

In Figure 12, steps of qualitative data analysis is illustrated.

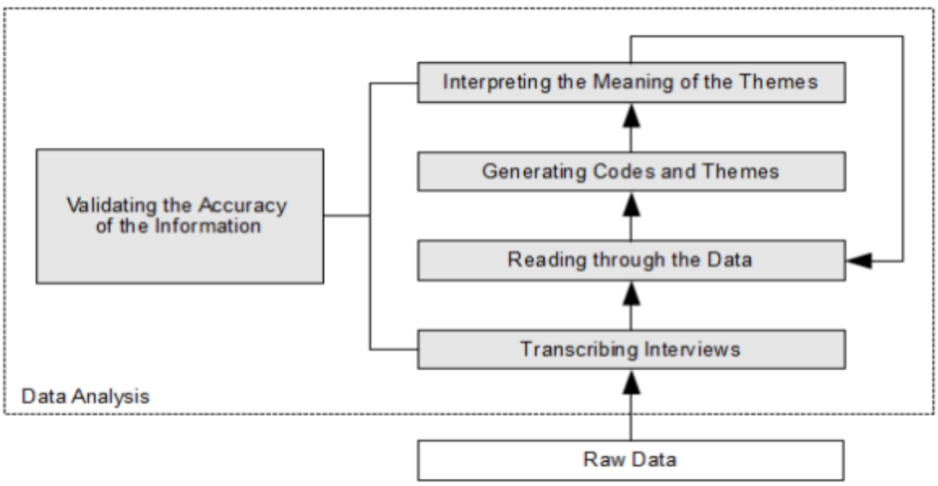

Figure 12: Steps of Qualitative Data Analysis (Creswell, 2009)

3.4 Reliability and validity

There is no standard for evaluating validity of a qualitative study but to a large extent the data collection authenticates the research that is the very beginning point of any credible research. Also, in this study from the very starting point, it was focused to craft and detect relevant information which their contribution brings outcomes to the thesis. In this thesis, great attention was paid to the evidence and methods through which findings were based.

Great importance has dedicated to find proper and the right participants for interviews. The validity and reliability of a study can be observed when the interviewees provide similar answers for the same topic or when respondant(s) refer to the same fact (Alasuutari, 1995).

One of the main encounters in evaluating legitimacy of a qualitative research is the need to create the correlation between those associations that are under the scope of the study (Nicholls, 2009).

Validity indicates if the study could measure the initial objective of the research successfully or not. Having clear objectives and focusing on the most relevant issues contributes to validity of the research. Throughout the study, answers to all research questions has been figured out and aim of the study has been achieved. In addition, theoretical contribution of the study and data derived out of conceptual definitions had compatibility and harmony together. Validity is undertaken from consistency of interviewees and their professional experience in the area being studied. Hence, sampling was so important and needed to be done carefully. This refers to the fact that participation of inappropriate informants in a study is equivalent to obtaining meaningless and invalid data (Godambe, 1982).

Reliability determines if the research is generating reliable information of reality or not. In qualitative study reliability refers to credible analysis and process of data. In this work, several research methods are used to ensure the study's reliability. The theoretical part of the research can be noticed reliable as it applied present and professional academic literature. Also, the utilized material for the theory part is compatible with the examined phenomenon under study.

The interview atmosphere and feeling trust between interviewees and the researcher was pleasant which improves reliability of the study. The empirical part formed from five experts' personal experiences and opinions which obviously had effects on results of the study. Hence, generalizations can't be carried out based on this work. The applied method of case study entails general limitations to mention. According to Ruegg & Jordan (2007), case study method is considered less persuasive in general compared to statistical approaches and generalization from descriptive results of case study is more challenging.

4 FINDINGS

In this section, findings of the study are presented. It is aimed to answer the main research question of why entrepreneurs choose to acquire funds through equity crowdfunding campaigns for the startups. Through relevant sub questions, it is tried to analyze different aspects of this fund raising model and its impacts on recipient ventures' functioning in order to provide a coherent picture of equity crowdfunding as an alternative source of finance chosen by entrepreneurs for startups.

In this chapter, the interviewees responses to the main research questions and related sub questions are presented.

4.1 Description of case companies

In this thesis, for case companies given names are used as "Alpha, Beta, Gamma, Delta, Omega" to stay anonymous based on their will. In Table 8, the industry and the development phase in which case companies are operating can be seen as well as position of interviewees then following each answer's background later in the analysis would be easier.

Company's name	Industry	Position and ID's	Development phase
Alpha	Internet Business	CEO, A1	Seed stage
Beta	Food and Drink	Country Manager, B1	Growth
Gamma	Consumer products	CEO, G1	Early stage
Delta	Consumer products	CFO, D1	Growth
Omega	Education	CEO, O1	Growth

Table 8: Background of the Case Companies

All of the chosen case companies considered themselves as a startup firm, one in the seed stage at the time of campaign and another one in the early stage of development and the other three ones in growth phase. According to one respondent's statement, the startup firm is in expansion or growth stage "*If doubles the turn over every year*". One interviewee described the startup's situation in early stage fairly good as the cash flow become positive and growth margins has been steadily increasing over the last six month.

The oldest case firm founded in 2010 and the youngest in 2016. For two companies, one year has been passed after runnig the equity crowdfunding campaign in Spring 2017, for one company more than two years of its campaign in 2015 and two other cases, two years post campaign in 2016. The pre-money valuation of startup case companies rangeded approximately between €1,500,000 to €9,000,000. Valuation refers to the value of a company and the commonly used term of pre-money valuation usually refers to valuation prior to an investment (FiBAN, 2018a). The amount of equity share of companies ranged approximately between 5 to maximum 20 percent which has been calculated according to valuation of the company and the amount of needed capital at the time of camapign. The interviewees mentioned that they tried to be realistic and not too optimistic in setting the minimum and maximum of the target fund to acquire in the equity crowdfunding process.
The receieved funds through the campaigns ranged approximately between €120,000 to €1,200,000. In addition, it should be note that role of the platform in monitoring and guiding the whole process was significantly mentioned by all the interviewees.

4.2 Key findings of the cases

This section presents findings and responses to the main questions of this research through startup companies' entrepreneurs' point of view. It has been mentioned earlier that interview questions are categorized in three themes studying main incentives to go through equity crowdfunding, its impacts on reciepent companies afterwards as well as barriers and future opportunities of this funding model in the context of Finnish startups.
Here, to remind main research questions, they are presented below.

RQ$_1$: Why entrepreneurs choose equity crowdfunding to obtain finance for their startup companies?

RQ$_2$: What impacts equity crowdfunding have on startup ventures after finishing campaign?

4.2.1 Incentives to go through equity crowdfunding campaign

In the literature review part previously, there were many reasons of why entrepreneurs or companies go through crowdfunding. First sub question of the first research question aimed to answer what are the motivations toward equity crowdfunding for startups.
All participants during the interviews found reasons more than just raising funds in the process of equity crowdfunding campaign through which their entity has benefited from this financing method.

The Table 9 below, briefly shows interviewees' answers and the incentives in selecting equity crowdfunding to finance their startup companies.

	A1	B1	G1	D1	O1
Capital gain	x	x	X	x	x
Visibility/Awareness of work	x	x	X	x	x
Form connections	x			x	
Gain approval	x				
Maintain control	x	x	X		

Table 9: Incentives of Equity Crowdfunding

As the table 9 shows, all participants mentioned gaining capital and increasing visibility or awareness of work as the main incentives to go towards equity crowdfunding.

For all interviewees, equity crowdfunding was the best option to get funds at that time to acquire their much needed capital. For example, B1 mentioned that "*We are in growth phase which requires lots of funds to keep expanding*" or informant G1 described that "*It was an easy way not to bother old shareholders, go out and get fresh money*". The respondant D1 expressed that "*We have been exhausted from BAs and VCs. The need for capital was higher than available from those sources at that time so we decided to do the crowdfunding to raise more capital*". Based on all interviewees' responds, it was an easy and fast acess to funds they needed, for example as O1 stated they wanted money to accelarate the growth as the revenues were increasing and product had the potential to develop.

Another aspect which all respondents indicate was from marketing point of view. They emphasized on increasing their awareness of work or visibility. A1 clearly stated that they wanted to be noticed and get attention. The interviewee O1 also mentioned the same point and said "*The company wasn't very well-known and we could get publicity that way*". The participant B1 noticed as well "*If you do crowdfunding well, it's like marketing campaign itself, we had a nice video and it was a good way for us to tell someone about our company*". D1 believed that "*It functions as a marketing campaign and that's how it should be treated more*". G1 also notice the marketing aspect of equity crowdfunding campaign and said "*It's*

kind of two way street, at the same time you're marketing for your company and collecting monetary funds for building and developing the company." The respondent also adds that in order to get the money, your story needs to be good enough and then it works very well. The interviewee reminded that the Invesdor platform has a gate and not all stories get in. This point was mentioned earlier in explaining equity crowdfunding process (Figure 3) that only %20 of the requests to run a campaign on Invesdor would be eligible at the end and %80 of the applications are rejected by the platform.
One informant point that "*In another form of crowdfunding that many platforms do like Kickstarter, that's even more marketing related as you show your products for pre-order to get the money for starting the business or producing the product*."

Another incentive rather than obtaining money was getting approval for the product/service through equity crowdfunding campaign that was mentioned by informant A1 who said "*Bank loan wasn't really our option, we wanted to test and follow our business idea and see what others think about that, if it is good enough or not*."

One more factor indicated by interviewees was the desire to form new connections through equity crowdfunding campaign. However, respondent D1 wasn't satisfied in that sense and stated "*We expected to reach extensive conncetions but our connections came from other sources*".

In addition, maintaing control was mentioned as a motivators to go through equity crowdfunding. The interviewee B1 expressed that they wanted to get owners who didn't have active role at that time but may in future. The participant described that "*We knew we had many potential and value in the company, it was a harder thing when we were new but our employees and customers could see and impressed by the quality and value*".

Apart from financial gain and visibility, different participants emphasiezed on distinct incentives to this funding model that could be related to the type of industry and development stage of the startup firm. Next, regarding the first research question, in the following section, informants' answers for the second sub question are presented. Interviewees were asked to describe how they differentiate equity crowdfunding compared to other private equity investors, in particular BAs and VCs.

4.2.2 Differentiating factors of equity crowdfunding compared to other private equity investors

The two funding forms adjacent to equity crowdfunding including angel investors and VCs has been compared together in the study of Droff (2013) due to lack of prior theory to this alternative financing model. The question aimed to better understanding of incentives to equity crowdfunding from entrepreneurs' point of view by comparing these three equity funding sources from different aspects.

One important factor that all of the case companies had in mind was keeping amount of equity shares to crowd investors not that high and not releasing voting rights to them so they cannot change any serious thing in the game and the main big shareholders will have their own right. G1 stated that "*Sharing this much of equity didn't mean that crowd investors want to buy or to become owner of the company, otherwise they don't go through equity crowdfunding*."

As mentioned earlier, the amount of offered equity to crowd investors was on average ten percent, except one case with the biggest pre-money valuation which released about twenty percent of the company shares. All respondents conveyed that they tried to estimate amount of share release realistically based on needed money and company valuation. The participant A1 indicated that "*If you have many shareholders with voting rights through equity crowdfunding, VCs can see it as a negative thing.*"

Similarly, the interviewee B1 also mentioned that it's harder to agree on pricing with some professional investors and they can have some thoughts on re-structure as well. The informant added that investment companies or angel investors might have some preferences on how active role they want to play in the company and having one or two board positions. By this, B1 meant that they weren't looking for active role of investors while gainging capital at that point. Therefore, B1 prefered passive role of equity crowdinvestors after funding as an incentive in chosing this type of fundraising.

To mention another prefernce of this financing model, interviewees emphasized to the positive and facilitating role of platform in funding process. The respondents A1, B1, G1 and O1 considered this portal as a good partner for them from different points of view. For example, G1 stated that "*Invesdor have a fairly flexible simple approach, you need to make*

the pitch and the financials" or B1 indicates that "*Invesdor platform does a good job already, and as a crowd investor, you have to answer a test before you make the investment*". The informants showed satisfaction to the platform's responsibility in protecting crowd investors and carrying due diligence on behalf of many people who aren't professional investors.
There is another benefit in runnig equity crowdfunding campaign with credible platforms which is faster access to capital. However, there are service providers that offer software modules to launch the campaign through your own website and investors can then subscribe to share or equity there but A1 suggests that "*It is faster when there is a credible platform where everything is ready, proved and tested*". A1 was also satisfied with the platform in other ways and explained "*They even concentrate on your messaging and helping you to make your message clear and sell your round*".
In addition, respondent G1 noted that professional investors do due diligence every time and look whether to put the money here or somewhere else. The informant concluded that, it's not easy to ask such investors for new investments every now and then as "*It's not a charity! Having wealth makes you also very precise where to put your investments*."

To describe another differentiating factor, the respondent A1 pointed to the funding source of equity investors and said "*Angel investors ask double questions, money per investor is much higher than the crowd investors. There is correlation between how much you invest and how active you are*." Almost all interviewees indicate that most crowd investors remained quite passive and only a few of them with big shares play active role. As A1 explained about their case "*The biggest crowd investors are active in our advisory board as well as our first round BAs. We meet them frequently and asking their opinion, feedback and comments on the direction and strategy*".

Another point that the informants observed in merit of equity crowdfunding, was that crowd investors' contribution to have a few piece of company's share is not necessarily for financial return in near future. However, there exist a shareholder agreement in which different contract details are described and signed mutually. As B1said "*It is kind of long term investment, no dividend payments in short term and there exist some sort of exit either to a listing or when an outside money is coming in from an investment*". Another respondent also refered to the same point and explained "*There exist kind of exit strategy for smaller owners* *to have the possibility of selling off some of their owned shares, if they want to liquid and the biggest shareholders are restricted to sell their shares for a certain period of time*".

One other thing that differentiates equity crowdinvestors from BAs and VCs is that funders are online and can be far from venture whereas angel investors usually invest locally or VCs often invest nationally or with local partners internationally. The majority of the crowd investors in the case companies were from Finland but regarding geographic dispersion, the investors through the campaigns were from 10 to 15 nationalities in average. Only for one of the startup firms under study, all investors through the equity crowdfunding campaign were from Finland. It's good to notice that due to online characteristic of this type of investing and the fact that crowdinvestors could be from different countries, the capability of platform to perform well with communicating in English is crucial. One informant wasn't satisfied with another platform in that sense and believed it reduced amount of investments from abroad.

The participant O1 believed that equity crowdfunding is like a small VCs investment and stated "*If VC investments starts from 1 million or 1.5 million euros, crowdfunding can be used instead of that*". O1 explained that they decided to acquire funds from equity crowdfunding among their three options and explained that "*We didn't go for VCs funds as we had expertise on board and equity loan is good if you exactly go on with your plan and interests are quite high*".

To sum up, based on the responses mentioned above by the interview participants, there are many benefits in equity crowdfunding compared to other external equity sources like angle investors or venture capitalists for startups that eventually makes access to needed capital easier and faster.

In the next two sections, the second research question is presented which asks about impacts of equity crowdfunding after the venture get funded from the camapign.

4.2.3 Impacts of equity crowdfunding on recipient startups

Given to the mentioned research question above, the first sub question asked participants about monetary and non-monetary impacts of running successful equity crowdfunding campaign for the startup companies.

Respondents figured out many positive outcomes both monetary and non-monetary which the startups benefited post camapign. All mentioned consequences can be seen in Table 10, which is created after the initial coding from answers of the participants in two categories of tangible and intangible benefits.

Advantages of ECF for startups		A1	B1	G1	D1	O1
Tangible	Access to new customers/partners	x	x	x	x	x
	Increased valuation of company	x	x	x	x	x
	Acess to follow on funds	x	x	x		x
	More employees		x	x	x	x
	Investment opportunity for shareholders	x	x	x		x
Intangible	Development of the product or service	x	x		x	x
	Gaining press and media attention	x	x		x	x
	Strategy/Business model developments	x				
	Customer loyalty		x		x	
	Community creation		x		x	
	Entrepreneurial learning	x				x

Table 10: Advantages of equity crowdfunding for funded startups

The advantages that all case benefited after campaign were access to new partners/customers and increased valuation of company. In other words, running a successful equity crowdfunding led to scale up the business for all companies under study.

Reaching to new customers or business partners took place for all case companies after campaign. One respondent announced that they have been approached by some giant industrial partners and they signed with the biggest manufacturer in the world which also showed interest to buy about one fifth of the company. The interviewee stated that ”*It's a good news for investors when you get financial strength*” and added that by getting a big partnet, you would be so much more powerful than what you have today and don’t have to build everything from scratch.

Another positive outcome indicated by all informants was increased valuation of company after the equity crowdfunding round. One respondent explained that as a rule of thumb, the valuation of company calculates as five times as pre-money valuation. Therefore, value of the company increases when the company revenues increases. The turn over of three startup companies which where in the growth stage even exceeded compared to the promised revenue estimations at the time of campaign and two other cases increased their revenues significantly.

Regarding facilitating acess to follow on funds post equity crowdfunding campaign, the interviewee B1 stated that ”*We got a bank loan with good condition*” or A1 explained that they are in the process of discussing with VCs to open their next funding round.

In scale up the business given to number of employees, only A1 mentioned that the headcount of their companies decreased. A1 explained about hiring IT experts regarding their software asset that ”*It seems the job market for developers is running hot, competeting for their salaries and other values that why a developer work for a company or a startup company indeed*”.

As another financial benefit of the process, the respondents A1, B1, D1 and O1 point out to the opportunity of investing in unlisted companies for all shareholders as crowd investors or owners as B1 said ”*It’s like an stock option alternative available for leaders*”. The informant O1 also mentioned that "*You can multiply your investment*”, it can happen later when the company is listed or profitable in future. O1 added that ”*The value of share prices increased, if crowd investors want to sell their shares, they can get some benefit*”.
In addition to monetary benefits, the interview participants mentioned different intangible advantages for the startup companies after the successful campaign as: development of the product/service, press and media attention, strategy/ business model developments, customer loyalty and community creation.

Forming community was another non-monatary advantage mentioned by D1 and B1. As B1 explained ”*When people invest in a company, intentionally or unintentionally, they become embassodors for the company, so it's not wrong to have many embassodors around the world who really know us and and want to share about us*”. D1 also described that ”*As a personal person, not as a company representative, I felt more desirable through equity crowdfunding from getting some sort of benefits and being part of community, and not the actual gain or dividends some day in future*”. D1 believed what attracts equity crowd investors is to have something personal in stake and brings the example that ”*We promised discount offers for all our products and a person who regularly shops with us, would find that a good benefit or our supplier wanted to be part of our community and have something more in stake than just as a supplier*.”

The other intangible benefit approached afterwards is customer loyalty. B1 mentioned that ”*We wanted to give every one a chance to get into the business*” and added that ”*It was also a good option to commit employees in financial way as price of shares was quite low and we had small discount for our employees to show our thank or appreciation to them*”. Also, informant D1 expressed that ”*The most funds we gathered came from companies who saw synergy benefits with us*”.

As another non-financial advantage, learning new skills was mentioned by A1 that stated ”*The best thing rather than money from equity crowdfuding was that the campaign forced us to make the communication material and the message very clear, otherwise you can't present and deliver it for selling to investors*.” The informant O1 also indicated that knowledge of the team has increase and they were better prepared for the second equity crowdfunding round compared to the first round. The also they provided comprehensive investment memo for crowdinvestors to help them knowing more about details of their investing.

Press and media attention was another outcome post equity crowdfunding campaign. A1 expressed that without the equity crowdfunding round, they didn't get that much media attention and stated that ”*Every time, a media talked or wrote about us, there was always an increase in registration or download numbers. Visibility paid back that way*.”

Development of strategy or business model was also a non-monatory advantage provided after campaign for A1 and D1. The informant D1 conveyed that ”*Strategy wise, we got positive feedback from one of these new investors.*” Also A1 stated that *”The concept has changed somewhat after the funding round. We were presenting in sales messages more as B2C solutions but now sales messages more changed to B2B. The strategy is different now*.” Related to A1 interviewees’ opinion, another respondent mentioned the point that ”*We have both B2B and B2C clients but in Finland, B2B has the largest growth potential and there we can find multiple ways of creating revenue sources. In B2C sector, there are limits to expand and grow due to facing saturation*”.

Another point mentioned by respondents A1and D1 was development on product or service. As participant A1 explained that continuous process of collecting feedback and trying to listen end users led to optimizations of their sotware asset and its finalizing development. The O1 interviewee also explained ”*Surprisingly, we got advice from high profile crowdinvestors and with the good feedback from the first campaign experience, we have made some innovations” and added about asking their comments when a new product is coming.* O1 summed up that *”We got funded, visibility, technical and business expertise in the ownership, more employees and we got expanded*”.

All in all, running successful equity crowdfunding campaign helped all case companies to move forward in scale up their businesses. The case company A1 was in initial stage at the time of campaign, then they proceeded with the product developments and generating revenue post campaign. According to development stage of startups mentioned earlier in literature, the case company A1 moved forward to early stage, the informant A1 stated that ”*We are between seed stage and A-round*”. The G1 startup company at early stage in the campaigning time mentioned that ”*We became cashflow positive*” with significant increase in sales and revenues. For other three case companies which were in growth stage, the revenues increased extensively and profits generated slightly as well after campaign.

Challenges of equity crowdfunding for startups

In the same part of interview, the respondents were also asked about negative outcomes or that the startup companies encounter during and after campaign period. Overally, all interviewees indicated that running equity crowdfunding campaign didn’t challenge them negatively. Howerver, different respondents emphasized different risks this type of fundraising might have for startup ventures which crowd investors might be affected by them as well.

The common risk of failure was mentioned by B1. The informant believed that they didn't have any real negative sides or negative surprises as they knew what they were doing and it was the best option for them. B1 brings the notion that "*May be for smaller companies, it can be harder than it seems as we almost hear about successful cases but there are many unsuccessful cases that they spend time and money to make the pitch, but not reaching the goal and it's a risk. For us also, it was this risk but it went well*."

Another point is lack of advice from investors as reaching to crowdinvestors is through Internet and online platforms without knowing them. Accordingly, B1believes one downside of equity crowdfunding is that you just get the money and not the support. Informant B1 indicates that when members of the board are from different competences and areas and every thing covered in the team and the board then equity crowdfunding is a good choice but if the company start without those supports, may be investment company would be a really good thing to come and guide the startup through the growth phase with their expertise and knowledge.

G1 reminded the risk of stealing the product/ service idea through public exposure of project through equity crowdfunding campaign process and said "*Patents are as strong as your lawyers and how deep your pocket is, you can protect yourself and your patents*". One respondent mentioned that in order to keep small secrets, they haven't made any production in China on purpose as Chinese aren't that much loyal unfortunately. Despite the risk, the interviewee O1 from another point of view expressed that "*You can find good partners when they see what you are doing*".

The respondent G1 mentioned to the point of managing so many shareholders, giving them information in time and treating them like other equity holders. The respondent added that "*The only obstacle, I can see is when one day the company is being sold*" and noted to be careful with the number of investors to be manageable. However, G1 mentions that "*There exist a platform to buy shares from companies that go through crowdfunding, kind of stock market for unlisted companies. It's like off the counter trading*." The informant O1 also indicated that managing crowd of investors wasn't challenging yet and described about reducing their questions by preparing newsletter for shareholders four times a year both in English and Finnish, O1 also stated that "*You have to report how things are going and so on, like a listed company in that way*".

The mentioned Finnish investment service is Privanet group that is formed to trade unlisted shares and to manage financing needs of companies. Privanet offers many different services aiming at connecting investors and those in search of finances. This investment service group is pioneer in public offerings of SMEs as well as organizing bond markets and developing secondary market liquidity. Privanet also introduced AROUND as its own automatic mobile crowdfunding platform. AROUND is aimed at both Finnish and international capital markets so that Finnish startups can use it for financing their businesses from Finland and other EU members as well. (privanetgroup.fi)

A1, B1, G1 and O1 mentioned about success rate of startups and risk of failure as they refered to a number of cases which collapsed after campaign. The example which B1 explained was related to the pre-selling model of crowdfunding and crow investors got back their money or received the product but such failures may discourage crowd investors for the second time. A1 stated that "*Angel investors know that if you make 10 investments, not all the businesses might face success, 2 or 3 failures happen and 1 out of 10 becomes big hit. So as a crowd investor and familiar with startup investments, you need to be prepared, burn your fingers few times before*", D1 also brought a similar example to A1.

B1 reminds the importance of investor protection and expresses that it's good to have in mind while going through equity crowdfunding, in fact, you're dealing with people who look too much to the story and and not that much to numbers, and emphasize that "*You should seriously take the responsibility, otherwise you make a lot of people upset.*"

Only A1 and D1 mentioned about their unsatisfied experience of the campaign in two points. The informant A1 refered that "*There was big amount of hidden cost at the end that platform didn't communicate clearly, it was kind of negative experience for unlisted fees. Next time, we also look for less costly alternatives compared to Invesdor*." The participant O1 mentioned about time consuming process of preparing the material and documentation, however added that it’s the same from any other source like banks or VCs as well and said “*You need to spend the management time and best people in a team about one month to work on it*”. The point which D1 explained was that “*From administrative point of view, it’s easier and faster to find a single investor or a few investors from other sources than equity crowdfunding*”. The informant added that as usually the minimum investment is set as hundred euros so “*You face with huge mass of investors which means more questions, information and feedback they want. It’s an administrative hassle*”. But from the point of view of participant A1, “*The process itself wasn’t time consuming, much time was needed for preparing the material and messages*”. Contrary to A1 and D1, the interviewee B1 believed that “*When you do the equity crowdfunding campaign, you need to put some more extra money to make a clear video for potential buyers and some money to advertising. There are some costs, but it’s not more time consuming than when you go through investment companies*.”

All respondents had good knowledge of this type of fundraising and its risks. The interviewees mentioned different negative aspects that relate to startup companies’ operation and equity crowdfunding process that can be seen in Table 11 below and the two highlighted factors are the experienced disadvantages revealed by A1 and D1 through the campaign.

Factors	A1	B1	G1	D1	O1
Administration process of campaigning				**X**	x
Hidden costs/unlisted fees	**X**				
Responsibility for investor protection		x			
Risk of fraud/stealing idea	x		x		x
Managing crowd of investors			x	x	
Risk of failure	x	x	x		x
Lack of advice		x		x	

Table 11: Disadvantages of Equity Crowdfunding for Startups

At this point after understanding positive impacts and challenges post campaign through equity crowdfunding, the interview participants were asked to share their views on how to optimize equity crowdfunding market for start ups in Finland. The second sub question related to the second research question regarding impacts of equity crowdfunding is answered in the next section.

4.2.4 Opportunities and barriers related to development of alternative finances and equity crowdfunding in Finland

In order to understand the ways through which the most desired outcomes of equity crowdfunding can be reached for startups in Finland, the informants were asked to explain about barriers and opportunities of this market in Finnish context. This part answers the last sub question of the second research question that reflects importance of macro level factors to the matter. Firstly, respondents' views on barriers are presented and then opportunities mentioned in participants' answers.

Barriers of equity crowdfunding in Finland

First, it should be mentioned that all respondents had positive feedback about current legislations regarding equity crowdfunding environment in Finland. The interviewees mentioned that they haven't experienced or heard of any big problem. The informant A1 indicated that there is more control and regulation compared to few years ago and O1 also mentioned that "*There are limitations but they should be*". Moreover, they point out to the satisfactory performance of platforms as well which relates to the ratified Finnish Crowdfunding Act (734/2016, "CFA") in 2016. The B1 informant stated that "*Invesdor does the due diligence and going through the numbers before the customers, for example, we couldn't go with imaginary high valuation number for the company*".

One barrier that all informants point out was that people in Finland are risk averse. A1 expresses on encouraging Finnish people to be less conservative and take risks to invest and stated that "*The Finnish mentality and mindset is to invest for their own house and rest in the bank account*". A1 refers to the U.K as having the biggest and most active equity crowdfunding market in Europe and suggests "*We can see and compare what they're doing differently*".

Another factor is lack of financial markets knowledge as mentioned by G1 that "*The general knowledge of the financial market and how stock market works is one of the reasons, not* *only investing in startups but investing in general*". Also D1 stated that "*In this country, circles are very small and crowdfunding is not known, people don't know what it is*".

The other barrier was lack of owning shares culture as G1explained "*We don't have the culture of owning shares unlike U.S. Finns have more than 80 billion euros on bank accounts and I think a lot of people believe, it's safer to keep money on bank rather than buying shares*."

Opportunities of equity crowdfunding development in Finland

All respondents indicated on educating people for enhancing the knowledge of financial market. In addition, they mentioned about the important role of government, banks, financial market and crowdfunding brokers.
As G1 expressed "*It's kind of educational process. You can start with small amounts and it's like a game, sports, nice to go! You can spread the risk, not only invest in one company*". Also B1 refered to the same point as "*In Sweden high school students, have some training in stock investing one hour per week just to open up, at least to hear and learn about fundamentals of investing and understanding the idea, that's the real way to open people toward this*".

The respondent D1 and G1 indicated that it's job of financial markets to come up with solutions and banks should have more active role. Given to providing equity crowdfunding services by the Nordea and OP banks, the interviewee A1belived that "*Such banks which are well known and people trust in them, make the public image of crowdfunding more reliable and fades the nasty conception towards it*". A1 adds that banks are seen trustworthy that keep your money safe unless they pay you back less and suggests that more reliable financial institutions provide these kind of services to support startups. D1 also indicates the important role of banks as they have large clients and adds "*If banks can market to their entire client base that they have, surely they can increase the amount of crowdfunding campaigns and that's a huge advantage*". It can provide a win-win situation both for banks and their clients including personal and business customers. The respondent D1views contribution of banks very positive and says "*As a personal consumer, it's an easier way for me to log in to my online bank and see there's an advertisement asks do you want to invest in this and that* *company*". The interviewee O1 believes that although banks are reliable but they are acting slow and too expensive regarding this financing model and crowdfunding brokers can put more effort to develop the market.

To sum up, interviewees had somehow similar approaches towards barriers and opportunities for development of the equity crowdfunding regarding startups in Finland which mainly include:

- Financial markets' role to come up with solutions
- Educating people about fundamentals of financial markets
- Promoting the culture of owning shares and making investments

The respondents eventually considered it as a positive experience and suggesting it to other startups as a financing method. For example, G1indicated that "*It's a very positive way for companies with a product or service to publish their ideas, looking how and what the market think and collect the needed finance because the banks aren't easy to deal with and push all risks to the entrepreneur*". The informant B1 also expressed that "*For sure, it's a very good option to have on table, it definitely competes with banks and other investment companies*", the interviewee points out to the type of business and believes "*It's difficult with equity crowdfunding, if you aren't a consumer company.*" According to B1, for a company operating as B2B and doesn't have brand awareness, which is very important in doing crowdfunding, more promotion and explanation is needed to sound the project interesting compared to what consumer companies have to do. However, it differs for the company case by case as B1 mentioned. The respondent B1 optimistically views this investing model and believes "*Equity crowdfunding may seem more accessible and understandable for people who see investments in stocks risky and they even don't touch the stick*". The participant A1 states that "*Finland has a small market, there are some challenges here but there is space for this market and it has its role definitely. I still believe in the concept. There aren't too many ways for startups to collect and get funds*". A1 also suggested that it's a good time to promote this investment to unlisted companies. The interviewee O1 believed that the role of this funding model is increasing and more people are interested to invest in this kind of companies and knowledge of people who are investing by a few hundered euros is increasing. O1 desribes that for two reasons people are interested to invest and this type of fundraising is going to increase in Finland. Firstly, because the stock value of listed companies is relatively high and interest rates are very low indeed and secondly, the interest rate of banks is quite low.

5. DISCUSSION AND CONCLUSIONS

This chapter summarizes the concluding remarks of the whole study by incorporating highlights of the interviews and secondary data from the literature review which was studied earlier in prior sections. The aim of presenting these two parts together is to figure out similarities and understand contradictory points. As the aim of analysis is to answer the main research question so the two research questions and the related subquestions are reminded below as:

RQ_1: Why startup entrepreneurs acquire capital through equity crowdfunding?

$SubRQ_{11}$: What motivating factors entrepreneurs see in equity crowdfunding?

$SubRQ_{12}$: What factors differentiate equity crowdfunding compared to other equity fundraising sources for entrepreneurs?

RQ_2: What impacts equity crowdfunding have on startup ventures after finishing campaign?

$SubRQ_{21}$: What monetary and non-monetary impacts running successful equity crowdfunding campaign brought for the startup company?

$SubRQ_{22}$: What barriers and opportunities the startup ventures encounter after getting funded through equity crowdfunding in Finland?

The whole study was built on these questions and the empirical part in which informants' views have been analyzed to answer them.
The next sections present main findings of the study and learnings from participants of the interviews at first then followed by theoretical contributions of the research and practical implications after that. At the end, limitations of this thesis work and future directions are discussed.

5.1 Summary of the main findings

The empirical findings of the study and contribution of the literature complied with each other and several similarities can be recognized from entrepreneurs' incentives to this type of fundraising and the expected outcomes or impacts on funded startups post equity crowdfunding campaigns. Gaining capital from a convenient source of money without many difficulties and pre-requisites as well as marketing initiatives which this type of fundraising obviously provides them simoultaniously was highlighted as the most persuaisive factors. Meanwhile, desired consequences out of equity crowdfuding can facilitate continous finance need and development of startup companies to happen.

Moreove, in an equity crowdfunding ecosystem, existance of professional and trustable platforms is crucially important as they provide easier and better match between entrepreneur who presents the novel product/service and its startup company is in need of money with potential investors who are enthusiast to make investments in entrepreneurial projects and be part of them.

Throughout the interviews, respondents revealed their positive attitudes towards the choice of equity crowdfunding and were satisfied with efficiency and effectiveness of this type of fundraising post campaign on their ventures. The interview informants also expressed the huge potential of this alternative financing method to support small to medium size enteprises (SMEs) and startups as numerous companies in Finland place in this category of firms. Almost all interviewees stated that for a funding round in future, running another equity crowdfunding campaign is an option on table and highly suggest it to other startups based on their own experience and optimistically viewed this market to sustain and grow in future.

The empirical findings not only expressed the potential of alternative finance methods and in particular equity crowdfunding but also respondents highlighted many barriers and challenges existing in the development of them. It can be siad that considered barriers such as risk averse of Finns, hardness of dealing with banks and lack of investment knowledge mostly relates to macro-level determinants of equity crowdfunding market in Filand and needs to be treated by government and financial markets due to their big role and influentional power. And the mentioned challenges regarding this financing sector like failure of small businesses or Intelectual Property (IP) and patent problems relate to operations of such ventures in micro-level and the way startups function and manage their performance during and after equity crowdfunding process.

5.2 Theoretical contributions

The focus of this study on equity crowdfunding was due to difficulties of startups and entrepreneurs in the first stages of their development to be financed and the limited traditional funding sources which exist for them. The equity crowdfunding campaigning is considered as an alternative funding channel for such young companies to raise capital through this novel financing method which also brings other values to the funded ventures. According to Virtanen (1997), entrepreneurial finance is offered during the phase ventures seek opportunity recognition till listing in the stock market or IPO (Initial Public Offering) and defines corporate finance for large ventures with capability of getting listed in stock exchange. The cases in this study are all startups as unlisted companies.

As mentioned earlier, projects and ventures with crowdfunding initiative generate entrepreneurial capital in form of financial, social and artistic capital or a mix of 2-3 of them. Howere, regarding equity crowdfunding often financial capital is the prominent incentive beside others.

5.2.1 Incentives to choose equity crowdfunding

The case companies listed various reasons that motivated them to select equity crowdfunding to finance their startup and aquire the capital need with this alternative financing model. The points interviewees mentioned and theoretical contributions aligned together.
A key rationale for entrepreneurs going through equity crowdfunding is the perception of lack of financial alternatives (Brown et al., 2017). This reinforeces the thought that discouraged borrowers may go for new alternative forms as the only option available for them (Bruton et al., 2015). This point was indicated by the participants as getting proper bank loans given to startups' condition is hard to achieve and financial institutions requirements to make investment has its own difficulties.
Although, raising funds is considered as the main purpose of equity crowdfunding campaigns but companies that chose to run equity crowdfunding campaigns usually have other goals as well. Such companies look for testing the market, building relationships, collecting feedback, as well as promotion and marketing. (Lukkarinen et al., 2016)

Accordingly, the respondents also expressed the incentives to go through equity crowdfunding to raise funds, gain approval or test product/service, form connections, maintain control, accelerate developments and marketing initiatives as well.

As Hemer et al., (2011) describes companies' motivation towards crowdfunding is due to getting funds and filling the early stage gap of a firm's life cycle. It was quite true for case companies in intial stage and early stage as the campaign helped them by providing capital for the developments and more visibility which also led to generating revenues for them as well.

In addition, Moritz (2014) also indicates that there are many other incentives in crowdfunding to mention like speed and flexibility in funding process, less formal requirements and obligations, multiplier effects, product testing in the market, and use of "wisdom of the crowd" for different company tasks. The answers of respondents from case companies in growth stage revealed that fast and easy acess to obtain capital from a source without limiting prerequisites was a motivator to go through this fundraising model. In the study of Brown et al., (2017) also majority of entrepreneur participants point out appropriateness of equity crowdfunding as a short-term, easy and limited source of fund.

5.2.2 Differenting factors of equity crowdfunding to other equity sources

In literature review part, it was mentioned that startups and young innovative firms have traditionally three sources of equity funding including 3Fs, angel investors and venture capitalists (Wilson & Testoni, 2014). As these three forms as well as equity crowdfunding provide funding for growing companies, they often compare to each other (Hornuf & Schwienbacher, 2016). Features of equity crowdfunding clearly differentiates it from other financing models but it has some similarities to angel investing and VCs investments as well (Lukkarinen et al., 2016). According to Dorff (2013), equity crowdfunding and angle investing has the most resemblance to each other and in that sense, all case companies except one which was founded only with 3Fs' capital, others had angle investor partners from their prior connections or Finnish Business Angle Networks (FiBAN) from intial stage of establishment and believed that the role of their angle investor partners were not controling or limiting but also constructive. Business angels in Finland between 2010-2017 have invested at least 202 million euros in 1423 startups (FiBAN, 2018b). In Finland business angels are typically investing € 20.000-100.000 per round and all FiBAN services are free of charge for startups (FiBAN, 2018c) and the conditions through which startups are eligible to ask for funds include:

- Use of funds from own network (FFF)
- committment to the company and invested own time or money
- company at early stage (Seed –A round, valuation €100,000 to €2million, max €5million)
- growing fast and scale up in the near future
- seeking advisors, not only investors–need of board members or good advisors
- willing to give away some ownership of the company
- willing to sell company or make an exit in the future

One differentiating factor of this funding model is that crow investors are from online community on Internet through platforms and the process happen online contrary to conventional equity funding sources which requires direct face to face contacts. This online based feature provides benefits for equity crowdfunding compared to investments by BAs and VCs. Given to reliance of crowdfunding platforms on technology rather than physical infrastructure, they have an advantage compared to financial institutions like low transaction and fixed costs that eventually, the saving of which may be passed on to entrepreneurs and crowd investors (Lam & Law, 2016). Also, new technologies make access to funds globally and fade geographical barriers, however most entrepreneurs concentrate on projects within their geographical community whereas trying to access funds globally. (Blechter et al., 2011)

According to responses, case companies have receieved crowdinvestors' funds from many different countries and all participants were satisfied with costs of the campaigning process except one respondent. However, the informant A1 point out the benefit of equity crowdfunding via online platforms and stated "*The good point was that time duration of campaign is clear and when everything is ready, you press the launch and you see how much investments are coming*". The respondent D1 viewed online-based characteristic of equity crowdfunding as a disadvantage and explained "*When you're contacting one or multiple investors or institutional investors, you can actually influence them the way you tell them your story. In crowdfunding, you loose the personal touch, you don't have that opportunity. You need to make a good video and a good presentation of yourself. Still, it's somewhat impersonal*."

In the merit of BAs and VCs as external equity investors A1 indicate that ”*They can help not only by giving capital but also by opening doors, bringing customer prospects and challenging your plans as well*” and added that ” *They want pay back for their investments and we use knowledge and expertise of the so-called smart money*”. Also participant D1 mentioned that ”*If company needs to raise funds faster and a more strategic capital, then I suggest more BAs and VCs*”.

Equity crowdfunding keeps power for the entrepreneur as it replaces a handful of larger external investors with a multitude of many smaller crowdinvestors (Drover et al., 2017). This feature was also highlighted as an incentive or benefit of equity crowdfunding compared to other equity sources. Accordingly, the interviewees indicated to this point in common that low percentage of offered equity was owners' desire to keep voting rights and control over decision makings of the company. As Brown et al., (2017) indicates crowdfunding can be seen as a diluted type of equity funding which inhibits less limitations to entrepreneurial autonomy in relation to other equity funding forms.

The respondent G1 mentioned to their funding rounds and revealed that they are opening a financial round soon, it's the forth round and equity crowdfunding was the third through which much needed capital was receieved. However, the respondent stated that ”*We are too small to become target for VCs yet.*” The first two rounds capital was provided from private equity investors. G1 also mentioned that before starting the campaign publicly, four of the previous investors financed 30 to 40 percent of the crowdfunding money in the hidden phase. Earlier, it was mentioned that before opening an equity crowdfunding campaign, it's needed to fund at least one third of the minimum target amount to make it credible and encourage crowd investors to partake in the project. The statement of informant G1 and other respondents indicates to different motivators that they see in equity crowdfunding compared to other external equity sources like VCs and banks.
According to Vasiliou et al., (2009), traditional financing models like the pecking order theory is largely true for established entities as owners first prefer the use of internal funds, then external debt and lastly external equity due to the avoidance of loss of control. Fourati and Affes (2013) prove an inverted pecking order as for such young ventures equity is the main source of finance rather than debt. Therefore, preference of equity crowdfunding

compared to other equity funding sources for startups is consistent with the reversed pecking order theory based on answers of the interview participants.

5.2.3 Tangible and intangible impacts of equity crowdfunding for startups post campaign

The successful equity crowdfunding campaign run resulted in several monetary and non-monetary advantages to the startup case companies according to participants' answers. Literature indicates to both tangible and intangible benefits of equity crowdfunding for funded ventures from interacting with crowd investors (Belleflamme et al., 2014; Lehner et al., 2015; Stanko and Henard, 2017).
According to Brown et al., (2017), entrepreneurs see impacts of equity crowdfunding process 'more than money'. The financial benefits from raising capital helps to scale up the business through new jobs or hiring more employees and better access to follow-on funds as having had a successful equity crowdfunding campaign can attract attention of BAs and VCs and open doors to other types of equity financing in future. Moreover, the important non-financial advantages that firms received from this funding model include interaction with new shareholders, media exposure, end-user engagement and feedback. (Brown et al., 2017)
The mentioned tangible and intangibles outcomes are inter-related together and one reinforces another. Likewise, one outcome of successfully raising capital through equity crowdfunding is that for uninformed third parties, it can work as a signal of quality by providing legitimacy for the new Based on interviewees responses, tangible outcomes of this fundraising process for startups post campaign include:

- Access to new customers and partners
- Increased valuation of company
- Acess to follow on funds
- More employees
- A niche investment opportunity for all shareholders

The mentioned tangible benefits are inter-related with intangibles outcomes and they reinforce each other. Likewise, one outcome of successfully raising capital through equity crowdfunding is that for uninformed third parties, it can work as a signal of quality by providing legitimacy for the new venture and eventually facilitate future investments (Hsu, 2004; Plummer et al., 2016).

In addition to monetary benefits, informants refered to other non-monatry advantages after the equity crowdfunding round as follows:

- Development of the product or service
- Gaining press and media attention
- Strategy/Business model developments
- Customer loyalty
- Community creation
- Learning new skills

The non-financial outcomes of equity crowdfunding mentioned by the respondents are the same as marketing initiatives. For the project owner, crowdfunding provides relevant information about product and feedback because of direct interaction with customers (De Buysere et al.,2012) as well as testing potential market demand and marketing purposes like generating hype and getting press attention (Lambert & Schwienbacher, 2010). In addition, Ward and Ramachandran (2010) indicates that crowdfunding sheds light into the experience goods market and participation is more affected by peer effects rather than network externalities. Crowdfunding can be a good way for people who tend to invest in their own communities which also helps to create sustainable economic health (Kitchens & Torrence, 2012). Crowdfunding not only provides opportunities for talented people with limited resources but also benefit investors who want to keep those talents in the community (Valanciene & Jegeleviciute, 2013).

The point which mentioned by respondents A1 and O1 was in accordance with literature as indicated by Belleflamme et al., (2014) as well as Gerber and Hui (2013) that through working the crowd, important entrepreneurial learning can happen.

Challenges of equity crowdfunding

The interviewees point out different challenges regarding equity crowdfunding during and post campaign based on their own experiences throughout the process or just sharing their knowledge that not necessarily happened for their own startup venture.

One key feature of crowdfunding is that the process happens in virtual settings. Prospective crowd investors make decisions by watching pitch videos and carry out the investments over the Internet (Mollick, 2014). This prominent characteristic arises questions regarding crowd investors that how they evaluate opportunities. In many platforms, the legitimacy of new ventures measures by social proof or other signaling mechanisms (Drover et al., 2017). Another potential disadvantage in case of not meeting the target amount of funding is the reputational risk which impacts negatively on public perception of the firm, whereas equity crowdfunding is supposed to provide better visibility compared to raising capital from BAs and VCs (Brown et al., 2017).

The administrative burden and time consuming process of coopertating with platform is indicated in the study of Brown et al., (2017) and relates to providing prerequisites, responding to requests for business plan, company information and answering to crowd of investors. D1 refers to the same point and believes that crowdfunding is more to everyday consumers and they are the target group in crowdfunding so managing mass of investors was a challenge as they got their connections from other sources and the existing investors with their valuable expertise.

B1 mentions that the problem with this type of fundraising for amateur investors and some ventures is that a nice video and a good story can be too selling and crod investors might make mistakes, investing to wrong companies. It’s a risk that a company which isn’t doing well make a good pitch but at the end people lose their money and the company doesn’t perform well. People who aren’t experts in investing can’t assess the business plan or the economics of the companies. May be there need to be training to investors so that they know exactly how the numbers look before investing. These are risks that people may know about them but don’t fully understand before losing money. Due to online based feature of this investing model, eligibility and capability of platforms to carry on due diligence for crowdinvestors play very important role to keep the process trustworthy and help to increase funded projects and the transaction volumes.

5.2.4 Barriers and opportunities to the growth of equity crowdfunding

By increasing the funding alternatives, many implications are brought about alongside one another. As Drover et al., (2017) mentioned, in most studies funding sources are considered in isolation whereas by evolving the landscape, interconnectedness of different financings

becomes greatly important. As historically entrepreneurs were faced with few options for ventures with high growth, now new alternatives may empower entrepreneurs in selecting, negotiating, and managing the ongoing relations with investors (Drover et al., 2017). According to respondent O1, equity crowdfunding is complementary beside other funding sources and B1 indicates "*It's a good way for your company to start with it*" and accompany with other channels during developments in early stage and growth phase and so on. On the other hand, the participant D1 stated that "*The problem we are facing as a growth company is that, this country lacks the mid market for capital.*" D1 mentions that seed capital is available through angles or a few ten thousand euros from grant institutions and easy to acquire for startups. D1 adds that big companies can get money from banks or stock market whereas there is vacuum of mid-size capital for small companies which are growing fast and soon will be mid-size. D1 refers to Germany where majority of companies are mid-sized, although Finland has smaller economy size but there could be lessons to benchmark.
All interviewees believed in efficiency of equity crowdfunding for startups and shared their success stories. O1, G1 and A1 expressed that this fundraising model has come to stay and sustain.

Despite of no consensus about positioning of crowdfunding but it should be noted that startups can obtain funds from many sources simultaneously. However, it is agreed that crowdfunding cannot happen after venture's financial stage of Initial Public Offering (IPO) (Juva, 2017). However, it should be noted that peer to peer lending or debt based crowdfunding the company need to pay interest that normally limits their investment amount into the growth and entails stricter requirements for the cash flow (Kiisel, 2013). Therefore, the debt form crowdfunding can merely be considered at later stages of financing cycle of a venture.
Crowdfunding might not be the answer to all entrepreneurs, as Agrawal et al., (2014) describe "*creators who incur greater-than-average costs from disclosure and/or derive greater-than-average benefit from professional investors above and beyond access to their capital will be less likely to seek capital though crowdfunding*."

Unlike transactions via BA investment and most VCs, crowdfunding is being online based and deals reveal their data trail on entrepreneurs, backers, firms. During time, analyzing such data could help crowdfunding platforms in shaping better investor-company matches which led to maximizing the crowd and product demand correlation (Wilson & Testoni, 2014).

Crowdfunding is well-positioned to exploit from the so called paradigm of 'big data' (Agrawal et al., 2013).

The vast growth of technological innovations is estimated to change the current financial market sector in the future extensively. In Finland, however, the Ministry of Finance is cooperating with other actors of financial market recently which tries to provide an environment that facilitates more widespread utilization of financial services technologies in order to create a more viable ecosystem of financial services.
New forms of financing like crowdfunding, new payment methods as well as large-scale digitalization bring serious new issues related to the control of such financial activities and also the risk tolerance of financial system. Besides the current regulated entities operating in the financial services sector, other new types of players are indeed emerging that require the needed regulation set to the case.(vm.fi)
It is needed that government and financial market come along with the fast growing trend of FinTech. The term "FinTech" combined from words Financial and Technology is currently used widely, in particular for information technology applied in banking, insurance, financial, investment or payment services. The word is also used nowadays for growth companies that develop new financial technology or new financial technology services (finanssivalvonta.fi).
Accordingly, there would be opportunities and risks for financial institutions and new market participants. In Figure 13 below, effect of technological innovation in different financial sectors is illustrated.

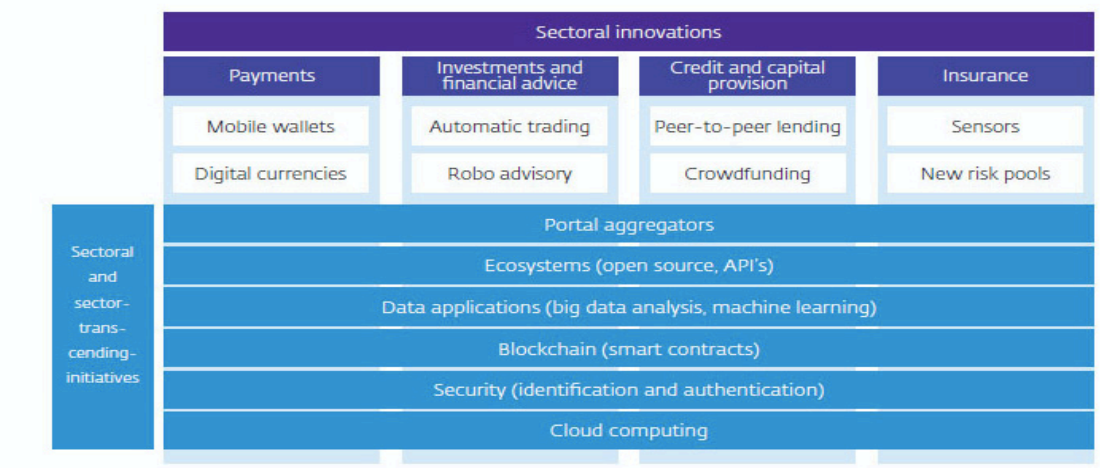

Figure 13: Technological Innovation in the Financial Sector

(Technological innovation and the Dutch financial sector, 2016)

The term FinTech can apply to any innovation that relates to how people transact business. In the near future, new technologies such as machine learning or artificial intelligence (AI), predictive behavioral analytics and data-driven marketing, would bring the guesswork and habit patterns out of financial decisions. There will be *learning* apps which figure out the users' habits and often even hidden to themselves, but by engaging them in learning games designed to enhance their automatic, unconscious spending and saving decisions. (Investopedia, 2018a)

5.3 Practical implications

The whole crowdfunding ecosystem including crowdinvestors, startup projects or entrepreneurs and the crowdfunding portals benefit from this financing model.

For entrepreneurs, this type of crowdfunding provides an opportunity to share their idea, company values, development and introducing the category or presenting the product/service. This type of fundraising is an important channel to consider as one interviewee expressed specially for a startup company in need of capital between €50,000 to €5,000,000 which is the maximum legal amount at the moment.

However, from managerial point of view, one informant believed that this type of fundraising can be carried out once or twice for a startup company and rest of the capital need needs to be financed from somewhere else and you can't make an equity crowdfunding run every second year indeed.

Equity crowdfunding campaign success can also help startups to sustain and proceed for more years of developing the firm for growth by acquired funds. In fact, it keeps and startup company alive for longer time and support the operations. Also, it helps significantly to reach further funds from other sources as one interviewee indicated that getting loan is possible only if the company is well funded. The tangible and intangible outcomes of equity crowdfunding post campaign will pay off financially for the company at the end because the successful fundraising process not only facilitates access to capital but also non-financially brings more customers, experts, business partners, product/service innovations and developments which in turn helps increasing the revenues and profit margins finally.

Equity crowdfunding also gives a chance to amateur investors for testing their financial knowledge by start investing from small amounts so that through the learning process, investment risks mitigate and proper investment opportunities would be recognized as a result. As one respondent indicate more people are now aware and interested about this funding model but it’s important to understand correctly if the aim is to support an idea and giving money for good purpose or it’s for investing money to get profit or return and eventually which platform to choose based on that.

Equity crowdfunding is supposed to be expanded in Finland specially with Nordea and OP entering the market and providing services as reliable banks along with the existing portals in this field. However, qualified platforms like Invesdor established themselves as a trustworthy and professional match maker between equity crowd investors and startup companies which are serious competitors to Nordea and OP as it takes time for new entrants to prove their capabilities and capacities. As one respondent reminded although banks are credible but they have to start acting in a more agile and low-cost manner regarding this funding channel.

Not only the equity but also the lending model of crowdfunding will grow, in particular for investors who seek for return on investment (ROI) and higher returns for their investments. One respondent mentioned that spreading the success stories of the startups funded through this type of financing can easily make other people greedy and encourage them for such investment activities and opportunities.

In a bigger perspective, alternative entrepreneurial finance methods like equity crowdfunding and other hybrid forms of it can be developed in particular by crowdfunding brokers’ efforts as well as governmental support and financial market efforts through long term planning. There are actions to be taken to reach such goals like involving educational sectors through cooperation between portals and universities or training people about financial practices through public and social media to provided better understanding of these investment methods. Last but not least, benchmarking success of other countries in this field and framing them in the Finnish context and economic scale of Finland can build a realistic picture of practical actions to implement.

5.4 Limitations and future research

Limitations regarding this thesis work is that sampling of the case companies was not made by statistical sampling. The selected companies for this study had all experienced a successful equity crowdfunding campaign whether by reaching little above the minimum target amount or even more than the maximum goal. Accessibility to startup companies which failed in equity crowdfunding process was not possible without direct connections with them as they do not put any trace in public to keep their credibility and image. It could be a future study to compare performance of startup companies which get funded through equity crowdfunding with the ones which failed in campaigns and looked for other financing sources. Besides, the platform which the sample companies carried out equity crowdfunding campaign was the same, so different platforms comparison can be an option to study in future.

Also, the companies in the sample were operating in different industries and different development stage so for future study, it would be interesting to see how each of these two variables correlate with the equity crowdfunding performance.

In addition, given to the fact that startup cases were all operating in Finland and interview results concerning development of equity crowdfunding were Finnish culture biased responses, hence, for the forthcoming researches, these cultural related characteristics could be a study to work on.

Moreover, as credible banks of Nordea and Osuuspankki (OP) which Fins trust them have recently provided crowdfunding services for their personal and business clients, for future proposes, it could be studied that how such banks' campaigns perform in comparison with existing crowdfunding platforms. Also, it is interesting to study how financial markets can promote alternative funding channels and help development of entrepreneurial finance in Finland.

This thesis work does not include all aspects of equity crowdfunding, alternative finances and startups financial activities. The study aims to explore the topics through the case companies and their perception on the matter. However, there is a possibility of inaccurate data from the informants. In addition, despite of mentioning that the data provided by the informants assumed to be fairly reliable when several intervieews provided similar responses or talked of the same fact- it needs to be considered that selection of the case companies remained relatively small. Therefore, future studies can be framed with larger sample cases of informants.

This thesis studied startups which experienced equity type of crowdfunding. As other forms of this fundraising method like lending based or the hybrids models are growing, they can be taken into account to be applied in forming the next framework for a study.

Looking to the future, by growing the equity crowdfunding industry in Finland, increasing number of startups getting funds from this kind of alternative finance and bigger number of

Fins investing in this market, the more data and statistics will be available and published regarding the subject. In few years, by releasing relevant quantitative data, it could be understudy to measure effectiveness of this fundraising model in country’s job creation and success rate of startups because of equity crowdfunding as a means to support small to medium size enterprises.

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APPENDIX 1. Interview questions

1. Please introduce yourself, entrepreneurial journey, professional background and current roles.
2. Did you or your team tried other forms of crowdfunding before? how many times if any?
3. In which growth stage is your startup now? In which stage you did ECF campaign? And how old is your startup?
4. What was your main goal in choosing ECF among other financing channels?
5. What monetary and non-monetray incentives encouraged you to go through ECF campaign?
6. How you differentiate ECF model of fund raising with other external equity sources (e.g., BAs, VCs)
7. What positive impacts did utilizing this type of equity fundraising had on your venture post campaign?
8. What expectations didn't fulfill through ECF for your business, any negative impacts or disadvantages?
9. What barriers and opportunities you see regarding ECF in Finland?
10. How you see role of ECF in the future of entrepreneurial finance?