

FUNDING FROM THE CROWD, A SYSTEMATIC LITERATURE REVIEW

**Ahmad Shekib Popal, Dawit Negussie, Ebrahim Mohammed,
Zaid Tareq AbdulHameed, Dr. Gurudutta P. Japee**

Ministry of Industry and Commerce, Kabul, Afghanistan
ICCR Ph.D. Scholar, School of Commerce, Gujarat University
E-Mail: popalshekib@gujaratuniversity.ac.in/ popalshekib@hotmail.com
Mobile #: +91 957 444 07 44/ +93 775 153 153

Ph.D. Student S.D. School of Commerce, Gujarat University
E-Mail: dawitnegus@gujaratuniversity.ac.in
Mobile: +91 83477 57465

Ph.D. Student S.D. School of Commerce, Gujarat University

Ph.D. Student S.D. School of Commerce, Gujarat University
E-Mail: Zaidt1587@gmail.com
Mobile: +964 781 339 9368

Associate Professor-Commerce,
Head of Department of Advanced Business Studies, Gujarat University
E-Mail : drdutta@gujaratuniversity.ac.in
Mobile # : +919879109040

Abstract

This report presents a systematic literature review (SLR) conducted from 2015 to 2022 on the subject of crowdfunding as a finance option. The review comprises 38 articles sourced from various journals and employs a qualitative technique for analysis. The objective of the study is to explore the role of crowdfunding as an alternative funding source, emphasizing its significance in the financial landscape. The search yielded 96 out of 29 papers that specifically analyze crowdfunding, providing descriptive findings. However, none of the contributions included qualitative analysis, highlighting a gap in the existing literature. The practical implications of the review extend to policymakers, investors, entrepreneurs, and the finance sector, aiming to facilitate informed decision-making in investment pursuits. The study adds value to the literature by contributing to a deeper understanding of crowdfunding's importance as an alternative funding source.

Keywords: Systematic literature review, crowdfunding, finance, investment, entrepreneurship

INTRODUCTION

Crowdfunding is an important alternative funding source for technology ventures (Clauss et al., 2018). Crowdfunding has grown quickly and attracted significant scholarly attention (Gleasure & Feller, 2016). 'Crowdfunding' is a method of raising money and finance to capitalize on projects of various kinds (Langley & Leyshon, 2017). Crowdfunding has enabled large crowds to fund innovative projects (Polzin et al., 2018). Many entrepreneurs struggle with delivering a successful fundraising pitch on crowdfunding platforms (Block et al., 2018). However, in the Social Web era, crowdfunding has become an increasingly important channel for entrepreneurs to raise funds from the crowd to support their startup projects (Yuan et al., 2016). Entrepreneurs, investors, policymakers, as well as academic scholars are increasingly interested in the crowdfunding phenomenon, i.e., "the practice of funding a project or a venture by raising many small amounts of money from a large number of people, typically via the Internet. Since 2011, the number of crowdfunding platforms, the number of projects posted on these platforms, and the total capital raised through crowdfunding have grown exponentially (Gary Dushnitsky et al., 2016).

Several kinds of literature understand the crowdfunding phenomenon from the perspective of participating consumers or the firm that organizes and facilitates the activity (Ordanini et al., 2011).

Crowdfunding is attractive to startups as an alternative funding source and offers nonmonetary resources through organizational learning. It encompasses outsourcing a corporate function through IT to a strategically

defined network of actors (i.e., the crowd) through an open call—specifically, requesting monetary contributions toward a commercial or social business goal (Paschen, 2017). Crowdfunding has grown quickly and attracted significant scholarly attention. However, the diverse approaches to crowdfunding that have emerged and the uncertain relationship of these approaches to the umbrella concept of crowdsourcing means it is unclear to what extent crowdfunding presents theoretically novel behaviours, nor what those behaviours may be (Gleasure & Feller, 2016). Crowdfunding is a novel way of collecting money for innovators to introduce products or services they ultimately wish to launch. The question arises, however, of what makes funding projects on these online platforms, with their different features of project evaluation and risk management, more successful than traditional fundraising approaches (Kim et al., 2017). Crowdfunding is regarded as a financing mechanism that could improve the funding opportunities of businesses with a pro-social orientation. Indeed, it is assumed that on digital platforms, citizens are inclined to provide more support to projects with a social benefit than those without such an orientation, with significant ethical implications for the common good (Defazio et al., 2021).

RESEARCH QUESTION

The researcher has differing views on the existing situation and has not yet been able to offer a substitute that might be effective in the current setting and lead the entire nation and the international community to a more favourable conclusion. The present study aims to analyze the literature about funding a project or venture by raising many small amounts of money from many people, typically via the Internet. Crowdfunding is raising capital through the collective effort of friends, family, customers, and individual investors. This approach taps into the collaborative efforts of a large pool of individuals, primarily online via social media and crowdfunding platforms and leverages their networks for greater reach and exposure. Startups often face the challenge of a shortage of capital, the so-called funding gap, which can be overcome by raising small amounts of money from many individuals (Kunz et al., 2017).

RESEARCH GAP

The paper is aimed to explore the contribution of crowdfunding along with the benefit that shows the right research direction to increase awareness in countries amid and encouraging crowdfunding. The absence of minority entrepreneurs has received increasing media attention but few academic analyses. In particular, the funding process creates challenges for either audit or correspondence methods, making it difficult to assess the role or type of discrimination influencing resource providers (Younkin & Kuppaswamy, 2018). Crowdfunding is a materialization of the evolution of entrepreneurial finance, permitting raising funds from a crowd of investors through online platforms. Crowdfunding is a new phenomenon, so literature remains incipient (Martínez-Climent et al., 2018).

METHODOLOGY

To reply to the research questions of this paper

Search strategy: We developed a search strategy to identify relevant literature for the systematic search strategy. This search strategy was one database: Scopus, and the search terms used were "crowdfunding" All searches spanned from database inception until 2022 and included journal articles, review papers, and research reports published in English only.

Selection criteria: The criteria were based on the PRISMA statement (Moher et al., 2009). The preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) research method was applied. PRISMA is a minimal set of elements for systematic reviews and meta-analyses based on evidence (Pahlevan-Sharif et al., 2019). The search mainly focused on mapping existing literature on crowdfunding in the social sciences, arts and humanities, econometrics and finance, and others. The search then narrowed to the social science fields. The search span was from the year 2015 – 2022. All articles before 2015 were excluded from the search. A total of 125 research articles were excluded at this stage. There were 96 records extracted at this stage.

Quality assessment: The study is based only on original research articles and review papers. To maintain the quality of the review, all duplications were checked thoroughly. The abstracts of the pieces were checked deeply for the analysis and purification of the articles to ensure the quality and relevance of academic literature included in the review process. A careful evaluation of the research paper was carried out later. The next exclusion criterion was to limit the paper to being published only in English. Other language papers were excluded.

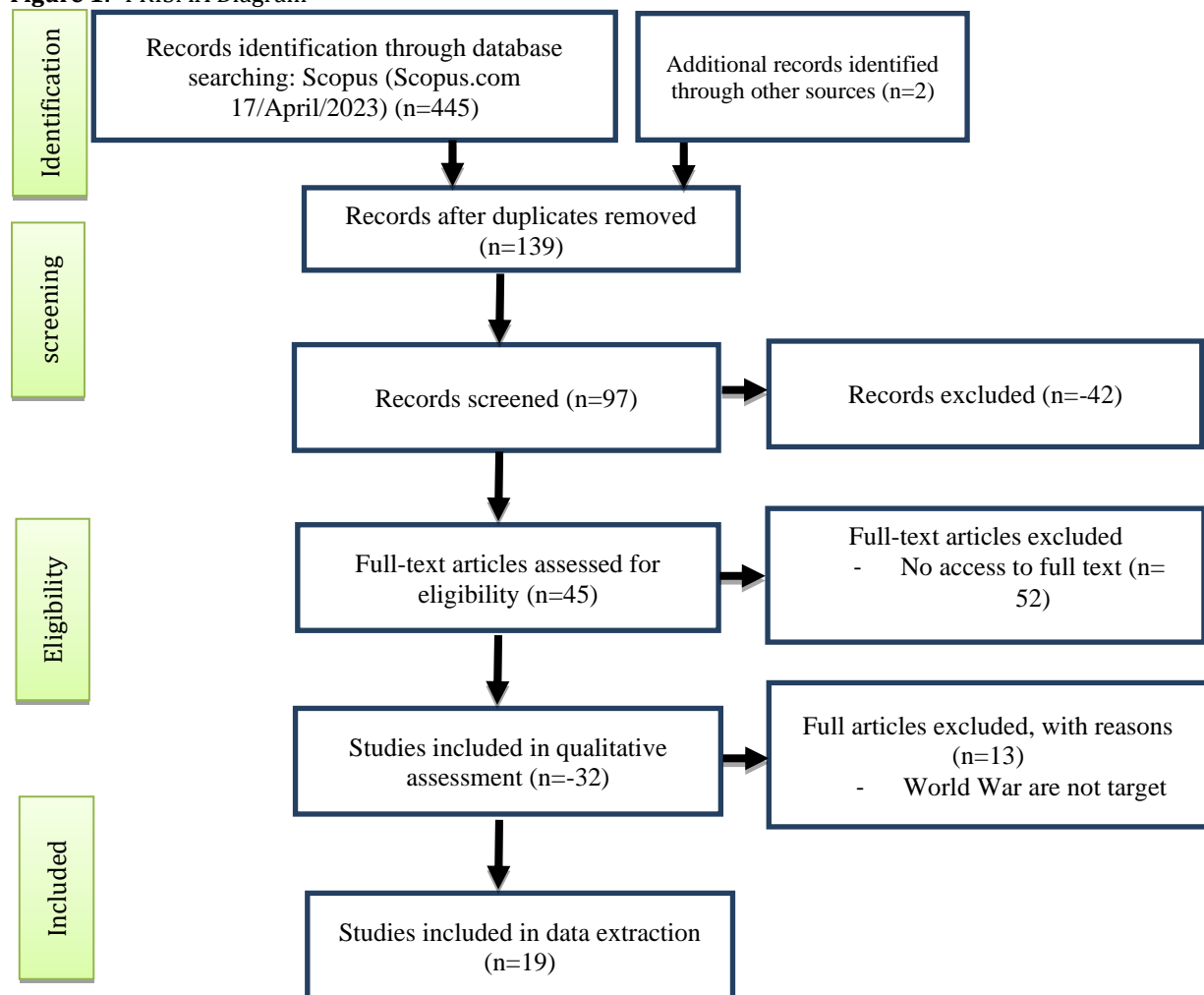
Furthermore, there were no duplicate records found. We selected 96 articles after assessing each article on the inclusion and exclusion criteria. Figure 1 shows the literature inclusion and exclusion at every stage. (PRISMA statement)

Data extraction: In the data extraction phase, 445 document results were selected, and the characteristics extracted were: (1) Articles must be original papers or review papers. Published reports, (2) The article must be in English and from the field of Business, management and accounting; economics, Econometrics and Finance, and Social sciences, (3) Extracted articles were published between 2016 – 2022, (4) The extracted papers were from all counties, (5) Language – English, (6) Document type – Article, (7) Publication stage – Final, (9) Keywords – crowdfunding, crowdsourcing, finance, funding, entrepreneurship, and (10) Source type – journal

DATA TOOL AND COLLECTION

The data of this study was in a textual form; in other words, it is secondary data. On 17 April 2023, from Scopus academic search engine data was retired TITLE-ABS-KEY (crowdfunding AND funding) AND (LIMIT-TO (PUBSTAGE , "final")) AND (LIMIT-TO (PUBYEAR, 2023) OR LIMIT-TO (PUBYEAR, 2022) OR LIMIT-TO (PUBYEAR, 2021) OR LIMIT-TO (PUBYEAR, 2020) OR LIMIT-TO (PUBYEAR, 2019) OR LIMIT-TO (PUBYEAR, 2018) OR LIMIT-TO (PUBYEAR, 2017) OR LIMIT-TO (PUBYEAR, 2016)) AND (LIMIT-TO (DOCTYPE, "ar")) AND (LIMIT-TO (SUBJAREA, "BUSI") OR LIMIT-TO (SUBJAREA, "ECON") OR LIMIT-TO (SUBJAREA, "SOCI")) AND (LIMIT-TO (EXACTKEYWORD, "Crowdfunding") OR LIMIT-TO (EXACTKEYWORD, "Crowdsourcing") OR LIMIT-TO (EXACTKEYWORD, "Finance") OR LIMIT-TO (EXACT KEYWORD, "Funding") OR LIMIT-TO (EXACTKEYWORD, "Entrepreneurship")) AND (LIMIT-TO (LANGUAGE, "English")) AND (LIMIT-TO (SRCTYPE, "j")) search terms. The results showed 445 documents. With condition years of publication to 2016 to 2023/April/17.

Figure 1:- PRISMA Diagram

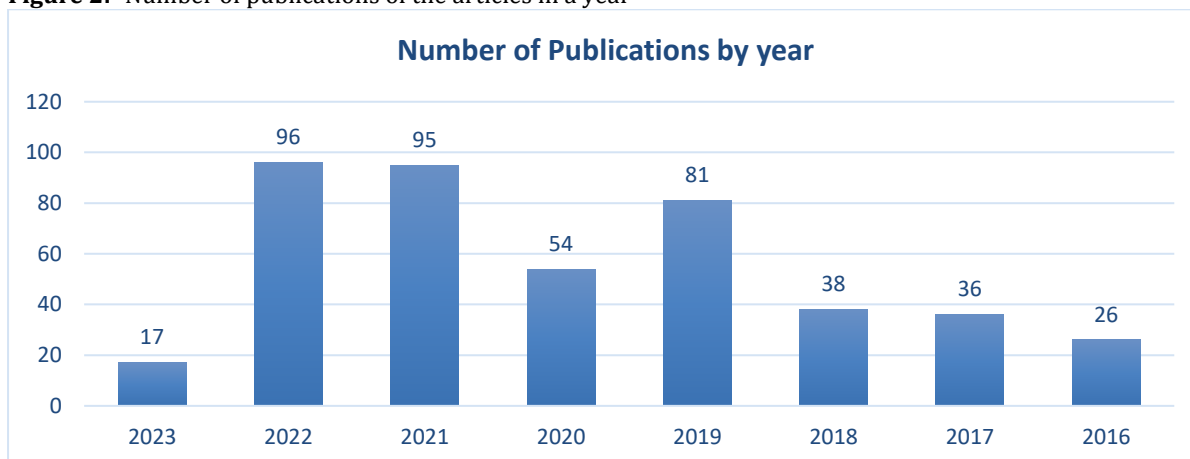


RESULTS

The result section sets out a summary of the systematic literature review (SLR). The authors identified that up to date, 2022 reviewed 19 review papers. The study selection process has been summarized in Fig.1. While the literature search against the databases and search engines resulted in 19 records, 52 additional, were eliminated as they were not systematic reviews.

DESCRIPTIVE ANALYSIS OF THE YEAR OF PUBLICATION

Figure 2:- Number of publications of the articles in a year



The table above shows the number of documents created in different years. The data covers the years from 2016 to 2023, and it appears that the number of documents created varies significantly from year to year.

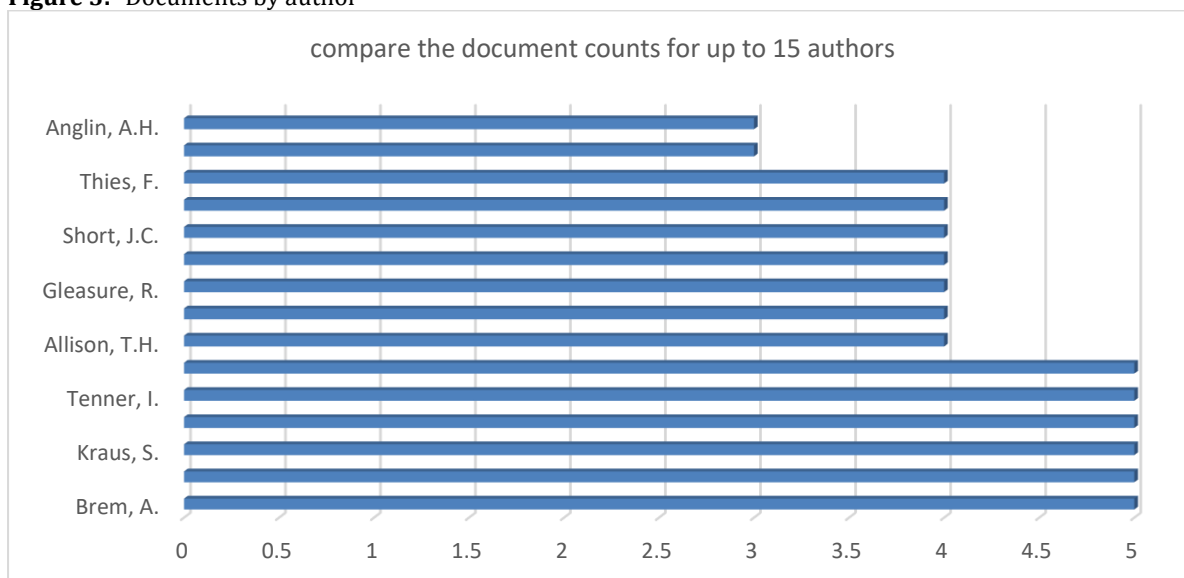
In 2016, there were only 26 documents created. This number increased by about ten in 2017 and 2018, reaching 38 in the latter year. In 2019, the number of documents jumped to 81, more than doubling the number created in the previous year. However, this number dropped by almost half in 2020, with only 54 documents created.

The most recent data shows some fluctuation in the number of documents created in 2021 and 2022. In both years, there were roughly 95 documents created. However, there was a significant decrease in 2023, with only 19 documents created.

Overall, the data suggests that there may be some patterns or trends influencing the number of documents created from year to year. However, without additional information or context, it is difficult to draw any firm conclusions about why the data varies in this way.

The following graph shows compare the document counts for up to 15 authors.

Figure 3:- Documents by author



The table shows the number of documents published by various authors. The authors are listed in descending order based on the number of documents they have published.

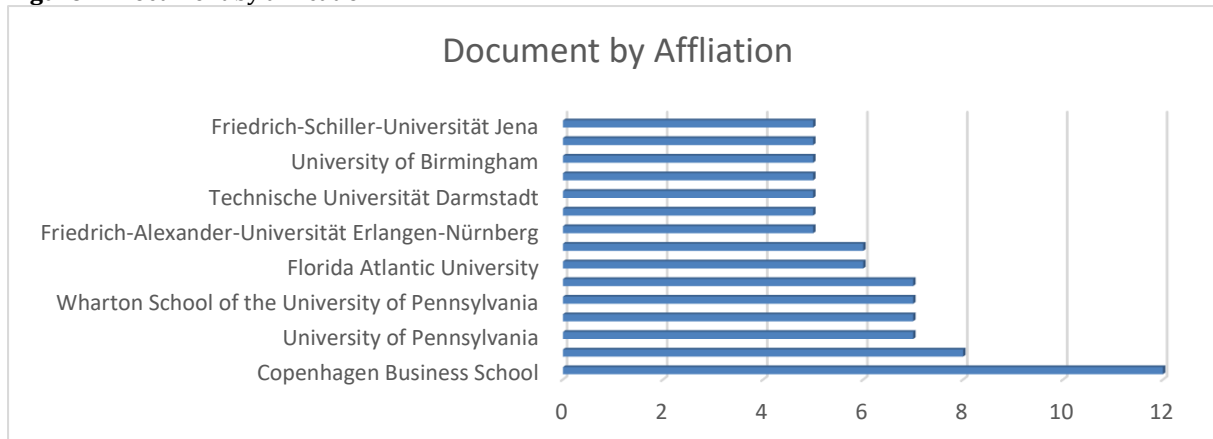
The top six authors, Brem, Hörisch, Kraus, Regner, Tenner, and Wessel, have all published an equal number of documents (5). The next six authors, Allison, Benlian, Gleasure, Hornuf, Short, and Snyder, have all published an equal number of documents (4). The final two authors, Alegre and Anglin, have each published 3 documents.

The table does not provide information about the content or subject matter of the documents published by each author. It simply shows the number of documents published.

Overall, the table may be of interest to individuals looking for prolific authors within a certain field or topic. It could also be useful for individuals looking to collaborate with authors who have published a significant number of documents.

The following figure compare the Document count for up to 15 Affiliations

Figure 4: Document by affiliation



The table represents the frequency distribution of the number of documents that have been published by different affiliations. The affiliation that has published the most documents is Copenhagen Business School (12 documents).

The University of Science and Technology of China is the second most productive affiliation in terms of document publication (8 documents).

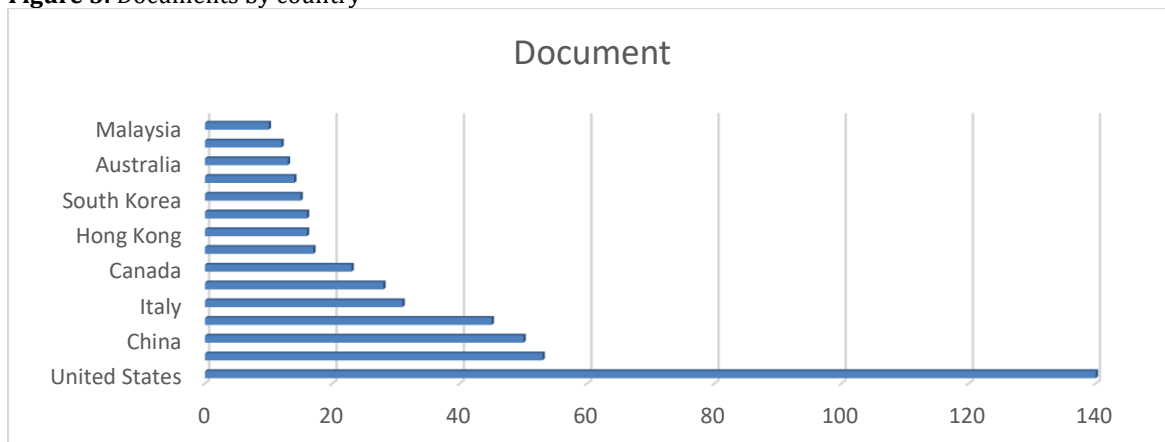
There is a three-way tie for the third position, with University of Pennsylvania, Erasmus Universiteit Rotterdam, and Wharton School of the University of Pennsylvania all having published 7 documents.

Leuphana Universität Lüneburg, Florida Atlantic University, and University of Oklahoma have all published 6 documents.

Friedrich-Alexander-Universität Erlangen-Nürnberg, Chinese University of Hong Kong, Technische Universität Darmstadt, Texas Christian University, University of Birmingham, University College London, and Friedrich-Schiller-Universität Jena all have published 5 documents.

Compare the document counts for up to 15 countries/territories.

Figure 5: Documents by country



The table shows the number of patents granted in different countries or territories. The data reflects the level of innovation and research and development activities in the respective regions.

The United States leads with the highest number of patents granted (140), followed by Germany (53) and China (51), emphasizing their position as technology and innovation powerhouses. The United Kingdom (45), Italy

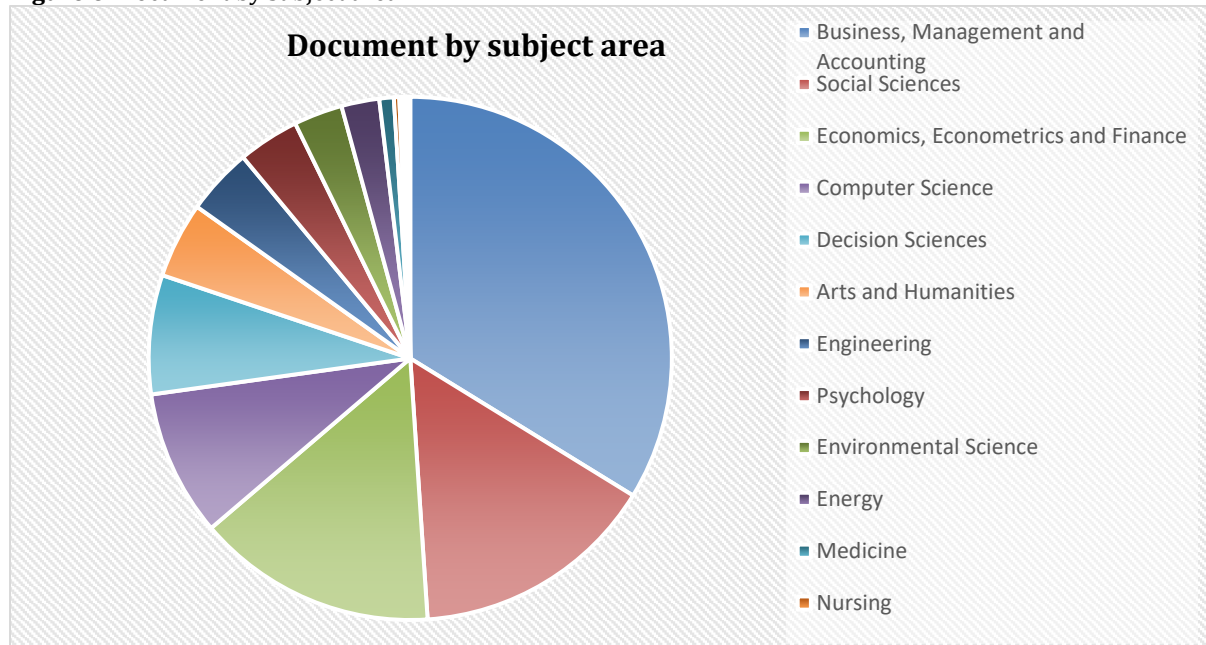
(31), and France (28) are also among the top countries, demonstrating their contribution to technology advancement.

Canada (24), Denmark (17), Hong Kong (16), and Netherlands (16) have moderately lower numbers, indicating a relatively lower rate of innovation but still maintaining a healthy presence in the field.

South Korea (15), Switzerland (14), Australia (13), and Spain (12) bring up the rear, although they still manage to contribute significantly to the technological landscape.

Overall, the table showcases the varying levels of technological advancements across different regions, emphasizing the need for countries to invest more in research and development to remain competitive in a global market.

Figure 6: Document by subject area



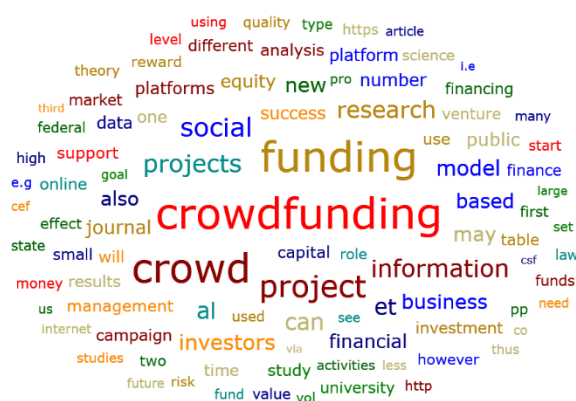
The table shows the number of documents published in various subject areas. The subject area with the highest number of documents is "Business, Management and Accounting" with 303 documents. "Economics, Econometrics and Finance" is the second highest with 134 documents, followed by "Social Sciences" with 138 documents.

The subject areas with the lowest number of documents are "Pharmacology, Toxicology and Pharmaceutics" and "Earth and Planetary Sciences" with only 1 document each. "Agricultural and Biological Sciences" and "Mathematics" also have very low numbers with only 2 documents each.

Overall, the table shows a wide range of subject areas being researched and published, with a particular emphasis on social sciences and business-related fields. It also highlights some areas where there may be less research being conducted.

The following word cloud on crowdfunding, created using ATLAS.TI 20 qualitative analysis application software.

Figure 7:- Descriptive of the word cloud



A word cloud is a collection or cluster of words depicted in different sizes and forms of visual representation. It is a grouping of terms displayed in various sizes: the bigger and bolder the word appears, the more frequently

selected it appears in a document and the more important it is. Word Clouds are a powerful way to visualize your audience's thoughts about a topic. They are easy to read, quick to produce, and simple to understand. As a result, the word is more likely to appear in a document frequently and is, therefore, more essential, as evidenced by the word cloud figure 4. The word clouds provide font colours, word frequency analysis, and unique word images in addition to text data visualization. As a result, the funding from the crowd is visible in the word cloud as crowdfunding, crowd, funding, project, management, finance, information, business and other things.

Moreover, The word cloud reflects the growing popularity of crowdfunding as a means of funding social and business projects. Such a model enables individual investors to pool their resources and finances with others, leveraging the power of the crowd to drive research and innovation.

In this era of information and technology, the impact of financial support from the crowd has demonstrated to be substantial, which has led to higher funding success rates for various projects. The greater access to information and communication has undoubtedly made crowdfunding more accessible to entrepreneurs and investors.

CONCLUSION

The study discusses the growth and importance of crowdfunding as an alternative funding source for technology ventures, as well as its potential to improve funding opportunities for businesses with a pro-social orientation through online platforms. It also highlights the challenges faced by entrepreneurs in delivering a successful fundraising pitch on crowdfunding platforms and the need for further research to understand the diverse approaches to crowdfunding and its theoretical novelty. However, there is currently limited literature on crowdfunding, particularly in relation to the role or type of discrimination influencing resource providers and its contribution to encouraging crowdfunding in different countries.

REFERENCE

- [1] Block, J., Hornuf, L., & Moritz, A. (2018). Which updates during an equity crowdfunding campaign increase crowd participation? *Small Business Economics*, 50(1), 3–27. <https://doi.org/10.1007/s11187-017-9876-4>
- [2] Clauss, T., Breitenecker, R. J., Kraus, S., Brem, A., & Richter, C. (2018). Directing the wisdom of the crowd: the importance of social interaction among founders and the crowd during crowdfunding campaigns. *Economics of Innovation and New Technology*, 27(8), 731–751. <https://doi.org/10.1080/10438599.2018.1396660>
- [3] Defazio, D., Franzoni, C., & Rossi-Lamastra, C. (2021). How Pro-social Framing Affects the Success of Crowdfunding Projects: The Role of Emphasis and Information Crowdedness. *Journal of Business Ethics*, 171(2), 357–378. <https://doi.org/10.1007/s10551-020-04428-1>
- [4] GaryDushnitsky, MassimilianoGuerini, EvilaPiva, & CristinaRossi-Lamastra. (2016). Crowdfunding in Europe: Determinants of platform creation across countries. *California Management Review*, 58(2), 44–71.
- [5] Gleasure, R., & Feller, J. (2016). Emerging technologies and the democratization of financial services: A meta triangulation of crowdfunding research. *Information and Organization*, 26(4), 101–115. <https://doi.org/10.1016/j.infoandorg.2016.09.001>
- [6] Kim, T., Por, M. H., & Yang, S. B. (2017). Winning the crowd in online fundraising platforms: The roles of founder and project features. *Electronic Commerce Research and Applications*, 25, 86–94. <https://doi.org/10.1016/j.elerap.2017.09.002>
- [7] Kunz, M. M., Bretschneider, U., Erler, M., & Leimeister, J. M. (2017). An empirical investigation of signalling in reward-based crowdfunding. In *Electronic Commerce Research* (Vol. 17, Issue 3). Springer US. <https://doi.org/10.1007/s10660-016-9249-0>
- [8] Langley, P., & Leyshon, A. (2017). Capitalizing on the crowd: The monetary and financial ecologies of crowdfunding. *Environment and Planning A*, 49(5), 1019–1039. <https://doi.org/10.1177/0308518X16687556>
- [9] Martínez-Climent, C., Zorio-Grima, A., & Ribeiro-Soriano, D. (2018). Financial return crowdfunding: literature review and bibliometric analysis. *International Entrepreneurship and Management Journal*, 14(3), 527–553. <https://doi.org/10.1007/s11365-018-0511-x>
- [10] Moher, D., Liberati, A., Tetzlaff, J., & Altman, D. G. (2009). Preferred reporting items for systematic reviews and meta-analyses: the PRISMA statement. *Journal of Clinical Epidemiology*, 62(10), 1006–1012. <https://doi.org/10.1016/j.jclinepi.2009.06.005>
- [11] Ordanini, A., Miceli, L., Pizzetti, M., & Parasuraman, A. (2011). Crowdfunding: Transforming customers into

- investors through innovative service platforms. *Journal of Service Management*, 22(4), 443-470. <https://doi.org/10.1108/09564231111155079>
- [12] Pahlevan-Sharif, S., Mura, P., & Wijesinghe, S. N. R. (2019). A systematic review of systematic reviews in tourism. *Journal of Hospitality and Tourism Management*, 39(November 2018), 158-165. <https://doi.org/10.1016/j.jhtm.2019.04.001>
- [13] Paschen, J. (2017). Choose wisely: Crowdfunding through the stages of the startup life cycle. *Business Horizons*, 60(2), 179-188. <https://doi.org/10.1016/j.bushor.2016.11.003>
- [14] Polzin, F., Toxopeus, H., & Stam, E. (2018). The wisdom of the crowd in funding: information heterogeneity and social networks of crowd funders. *Small Business Economics*, 50(2), 251-273. <https://doi.org/10.1007/s11187-016-9829-3>
- [15] Younkin, P., & Kuppaswamy, V. (2018). The colorblind crowd? Founder race and performance in crowdfunding. *Management Science*, 64(7), 3269-3287. <https://doi.org/10.1287/mnsc.2017.2774>
- [16] Yuan, H., Lau, R. Y. K., & Xu, W. (2016). The determinants of crowdfunding success: A semantic text analytics approach. *Decision Support Systems*, 91, 67-76. <https://doi.org/10.1016/j.dss.2016.08.001>