

CHAPTER 6

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The previous chapter presented the result of the data analysis. This final chapter presents a discussion and summary of the hypotheses' results, followed by the study's contribution to theory, practice, and methodology. The chapter also outlines the limitations of the current study and suggestions for future research.

6.2 SUMMARY OF THE FINDINGS

The three main objectives in this study provide insights into the factors that may influence the performance of the ECF-funded firms in Malaysia. The primary focus of this study emphasizes the strategy that the firm uses to ensure its performance. The strategies proposed include:

- The financial management practices.
- Social networks affiliation.
- Equity crowdfunding platform providers' impacts on the firm's performance from financial and non-financial perspectives.

The inclusion of non-financial performance indicators would complement the financial metrics as a performance measure. The non-financial indicators (customer performance) can communicate better information through "information-sharing" to accomplish a firm's strategic planning that cannot be explained by the conventional

financial measures (Dossi & Patelli, 2010). Especially during the uncertainty, it helps lead to better firm performance analysis (Hoque, 2005). The non-financial measures have been regarded as a separate measurement system used in quality enhancement attempts or strategic planning (McNair *et al.*, 1990). According to Cumby and Conrod (2001), the limitations of the financial measurements in evaluating firm performance in a new economy demand the inclusion of non-financial measures. A study by Fullerton and Wempe (2009) highlights those non-financial measures which mediate the firm's strategy and financial performance.

This current study was also conducted to investigate the effects of business intelligence on firm performance through the firm's financial management practices, specifically, financial analysis and reporting and financial planning and control. Finally, the research model also shown to have a strong power of prediction. Due to the pandemic Covid-19, the questionnaire was distributed with the assistance of the equity platform providers as they have a higher level of accessibility to the recipients of equity crowdfunding. Instead of distributing the hardcopy questionnaires, Google form was used with lesser questions to obtain a better response. The total number of firms receiving funding via equity crowdfunding platforms was 77. Each of the firms was pleaded to answer the survey by three of their top management team, including the founder, BOD, director, and CEO, all who have a say in financial matters. Only 101 respondents were analyzed (n=101). However, in assessing the performance, only firms established three years and above were selected. Therefore, the final sample size was 92 respondents that met the criteria. The statistical tool used to analyze the data was the SmartPLS version 3.0. The outcomes of the data analysis for Model 1 (financial) and Model 2 (customer performance), and the results for mediation testing are

summarised in Table 6.1. Subsections 6.3 and 6.4 go over the various findings for each of the models in more detail.

Table 6.1: Summary for Hypotheses and Mediator Testing

Hypotheses	Model 1 (H1)			Model 2 (H2)		
	Significant	f ²	Mediator	Significant	f ²	Mediator
AIS (H1a, H2a)	X	No 0.01		√ (+ve)	Small 0.08	
FAR (H1b, H2b) (H1g, H2g)	X	No 0.00	X	X	Small 0.06	X
FPC (H1c, H2c) (H1h, H2h)	√ (+ve)	Moderate 0.27	√ 0.466 → 0.600	√ (-ve)	Moderate 0.16	√ -0.317 → -0.190
WCM (H1d, H2d)	X	No 0.00		√ (+ve)	Small 0.08	
SN (H1e, H2e)	X	No 0.01		X	Small 0.06	
PP (H1f, H2f)	X	No 0.01		√ (+ve)	Large 0.33	
R ²	0.440			0.568		
Q ²	0.335			0.431		
Q ² predict	Strong predictive power			√ - supported	X - not supported	

6.3 THE RELATIONSHIPS BETWEEN THE DETERMINANTS OF FINANCIAL MANAGEMENT PRACTICES, SOCIAL NETWORKS, AND EQUITY CROWDFUNDING PLATFORM PROVIDERS ON THE PERFORMANCE OF ECF-FUNDED FIRMS

The findings are discussed in the following subsections 6.3.1 to 6.3.3.

6.3.1 The Relationship between Financial Management Practices and Firm's Performance

The first objective of this study was to investigate how the selected financial management practices influence the ECF-funded firms' performance. Financial management involves coordinating the firm's financial resources, including planning, directing, and controlling mechanisms (Gitman, 2007; Weston & Brigham, 1996). It deals with financial decisions and investment decisions (Gitman, 2000). Thus, it requires systems that can efficiently and effectively manage the firm's resources to achieve the firm's goals (Chung & Chuang, 2009; Chung & Chuang, 2016).

The practices involve working capital management, financial reporting and analysis, accounting information, investment appraisal, capital structure management, financial management expertise, and financial advice (Hailu & Venkateswarlu, 2016). In financial management literature, the components of financial management practices being studied vary. Thus, this study focused on accounting information systems, financial analysis and reporting, financial planning and control, and working capital management. According to Wolmarans and Meintjes (2015), the previous research on FMP is not restricted to a particular practice. Often, academicians think it essential to practice, but to SMEs, it is not. However, it has been reported that not all financial management practices practised in the firms of any industry would eventually increase the firm performance (Kitonga, 2013). The findings of the current study had shown mixed results for both models.

6.3.1.1 The relationship between accounting information system (AIS) and firm performance

This study hypothesized that the accounting information system (H1a and H2a) will positively influence the firm's financial performance. However, Model 1 did not support hypothesis 1a ($\beta=0.063$, T value=0.761, P value=0.447, BCI LL=-0.079 and

BCI UL=0.240). In contrast, hypothesis 2a was supported in Model 2 ($\beta=0.200$, T value=2.672, P value=0.008, BCI LL=0.064 and BCI UL=0.363).

The result in Model 1 is identical to the empirical study conducted by Swarnapali and Rathnayaka (2016). They concluded that AIS did not impact firm performance. However, in Model 2, AIS was found to be significant in influencing the firm's performance. This is in line with the studies conducted by Ismail and Mat Zin (2009), and Ismail and King (2014), in which AIS was found to positively impact firm performance. AIS was further found to be important for all types and sizes of ventures. AIS assists the founder/ manager to curb issues such as analyzing, planning, budgeting, cash flow, and cost accounting. Hartono, Permatasari, Faridah Ulfah and Sugianto (2019) and McMahon (2001) opine that AIS could provide efficient and effective reporting outcomes needed to facilitate the analysis and reporting of financial statements accurately and timely. Thus, this leads to better decisions involving the firm's financial standing.

In short, AIS offers information to use for scrutinizing and controlling purposes, especially in the fast-changing environment (Shahwan, 2008). The effectiveness of the firm's internal processes affects both its financial and customer performance (Hariyati et al., 2019).

6.3.1.2 The relationship between financial analysis and reporting (FAR) and firm performance

This study hypothesized that financial analysis and reporting (FAR) would positively influence firm performance (H1b and H2b). Conversely, the findings revealed that hypotheses 1b and 2b were insignificant.

FAR may not directly contribute to the performance of the firm performance. This impact is constant with the conclusion of previous researcher, Swarnapali and Rathnayaka (2016). However, employment of FAR in the organizations enable them to track their performance faster and to determine whether they are on the right direction or perhaps need to rectify any reported issues. Matuszyk and Rymkiewicz (2018) opine that FAR enables the integration between financial and non-financial data that the management could use as an effective tool to interact with the stakeholders. They also stress that as the technology develops, the presentation of FAR also develops. Financial and accounting information are critical determinants that significantly assists in governing the firms' activities (Randøy & Goel, 2003), making decisions (Carraher & Van Auken, 2013), and measuring firm performance (Halabi & Lussier, 2014).

Furthermore, with the computerized accounting system, the preparation of FAR becomes faster, accurate, and reliable (Hartono *et al.*, 2019; McMahon, 2001; Rajaram & O'Neill, 2009; Wolmarans & Meintjes, 2015). The firms' ability to provide quality information regarding their businesses positively influences external funding opportunities (Sarapaivanich & Kotey, 2006). Unfortunately, the low financial literacy rate among the founder-managers in understanding the importance of providing good information on the firm's financial standing is the reason many small and medium enterprises fail to provide financial reports, thus affecting their performance (Halabi *et al.*, 2010).

6.3.1.3 The relationship between financial planning and control (FPC) and firm performance

This study hypothesized that financial planning and control would positively impact firm performance (H1c and H2c). In the results, both H1c and H2c were

statistically significant. This is as revealed in Model 1, ($\beta=0.466$, T value=3.813, P value=0.000, BCI LL=0.201 and BCI UL=0.678), and in Model 2 ($\beta=-0.177$, T value=3.836, P value=0.000, BCI LL=-0.492 and BCI UL=-0.158).

Model 1 has a strong positive statistical significance relationship with the financial performance measures. Meanwhile, the second model has a negative relationship with the customer performance measure. Perhaps, this is due to the financial planning that fails to consider factors that can increase customers' performance. It is probably due to the high concentration on their financial performance measures that underestimated the non-financial measures in evaluating the firm's overall performance (Obeng *et al.*, 2014).

The findings of this current study in both models are in parallel with previous studies. Kraus *et al.* (2008) and Alharafsheh *et al.* (2021) posit that planning is a tool for monitoring and controlling that positively impacts the firm performance. Documenting the planning increases the revenues of the firm. Even new ventures benefit from planning and controlling mechanisms by gaining a slight increment in their firm's achievement (Schulte, 2009). Moreover, planning has a very close relationship with firm survival and performance (McKenzie, 2017).

Troise (2020) forwards that proper planning and the ability to portray continuous planning activities in an organization under the ECF context signals the firm's seriousness in developing the firm and, importantly, in achieving its business goal, thus, maximizing its value. FPC activities also limit the asymmetry of information and, as a result, assist the investors and the potential funders in making an investment decision. In this way, entrepreneurs could persuade a higher number of investors to invest more financial resources. The investor will translate a company that lacks

planning activities and proactive actions as a form of inactiveness (Lumpkin & Dess, 1996).

6.3.1.4 The relationship between working capital management (WCM) and firm financial performance

This study hypothesized the WCM would positively influence firm performance (H1d and H2d). Model 1 did not support hypothesis H1d. In Model 2, hypothesis H2d was supported ($\beta=0.239$, T value=2.252, P value=0.025, BCI LL=0.032 and BCI UL=0.417).

Working capital management facilitates the operation of any firm, thus positive statistical significance in influencing the firm's performance (Kamande, 2015; Swarnapali & Rathnayaka, 2016). Most previous studies relate the topic to the corporate firms, but Nobanee and Abraham (2015) examine the cycle of net trade and the firm's liquidity in small firms. The result showed a significant negative relationship between the firms' net trade cycle and their profitability. Small firms are struggling with liquidity issues and resource scarcity and need better WCM.

According to Howorth and Wilson (1999), many small firms fail to follow standards in managing their credits which is vital for their financial constancy in the long run. Another factor is the inability to prepare a detailed cash flow budget, thus neglecting the expected future payment. Failure to have better WCM will lead to firm failure. The failure rates among the small firms are substantially higher (Storey *et al.*, 2016).

This study shows that nearly 80% of the respondents' firms are categorized as micro and small as defined by SME Corp. The insignificant sign in Model 1 could be due to ROE and ROA's effect. Since firms are micro and small sizes

firms, typically rely solely on financial assets in the balance sheet, the operation activities have only a small impact on ROA and ROE (Deloof, 2003; Vural *et al.*, 2012).

In short, financial management is one of the crucial areas in the managerial process in any business which has attracted the attention of both government and academics. Practicing robust financial management, especially in financial planning, can ease the control process, and in turn, can help improve the company's financial performance. However, to ensure long-term business performance, this planning should consider factors related to improving customer performance. Customers are essential as they can influence a company's long-term performance. This performance can be achieved by conducting activities or promotions that can attract more customers, reduce the risk of customer dissatisfaction, and retain existing customers.

6.3.2 The Relationship between Social Networks and Firm Performance

This study hypothesized that social networks would positively influence company performance (H1e and H2e). The results of the study found that both models did not support the hypotheses. Perhaps due to Malaysia's relatively new ECF market, entrepreneurs' social networks such as family and acquaintances are those who successfully helped them raise funding. However, their networks' strength is not strong enough to influence the firm's performance.

This finding is supported by a study conducted by Liao, Zhu and Liao (2015) and Surin and Wahab (2013). They also discovered that social networks significantly affected the projects' funding campaign, but not the growth of the firm. Nevertheless, Sadler-Smith *et al.* (2000) and Lang and Wittig-Berman (2000) argue that network has a positive influence on a firm's growth. Pratono (2018) also discovered that social networks insignificantly affected the firm's performance. This was unless the firms

were able to boost the networks' trusts. Consequently, the firms have the capacity to set a price and selling ability that is able to influence their business performance.

Further, the social capital network theory recommends that firms rely on the credibility of their founder-managers to obtain resources that are economically beyond their control by using their networks. Watson (2007) also argues that founder's networks positively impact the firm's survival and promote to a small degree of growth. However, there is no effect on its ROE. In addition, Ozcan and Eisenhardt (2009) contend that networks with strong profiles positively affect company performance. Networks could emerge from the industry as founder-managers expand networks through fundraising-platform relationships. They simultaneously build new and more prominent contacts that strategically influence the firm's performance.

6.3.3 The Relationship between Equity Platform Provider (PP) and Firm Financial Performance

The third objective of the study was to investigate whether the ECF platform has impacted the ECF-funded firms' performance. This study hypothesized that an equity crowdfunding platform positively impacts firm performance (H1f and H2f). Model 1 did not support hypothesis H1f. Meanwhile, Model 2 supported hypothesis H2f ($\beta=0.525$, T value=5.291, P value=0.000, BCI LL=0.306, and BCI UL=0.702).

This research proved that the ECF platform could attract customers to approach the issuers. In line with Ordanini, Miceli, Pizzetti and Parasuraman (2011), the ECF platform is not only the intermediary that connects financiers and fundraisers. It also acts as a marketing platform for the ventures to introduce and promote their products and services. When the products or services offered meet their expectation, investors

can also eventually become consumers. Thus, it helps to increase the number of customers, increase sales, and encouraging performance.

Greenberg, Hui and Gerber (2013) argue that, in general, the crowdfunding platform positively promotes collaborations and establish chances for start-ups and SMEs to narrow down their financing gap (Mollick, 2014; Ordanini *et al.*, 2011). However, the roles of crowdfunding platforms vary according to their motives, either pecuniary or non-pecuniary (Calic & Mosakowski, 2016). Ruschmeyer (2013) explains that equity crowdfunding platforms receive 4%-10% fees from successful funded campaigns. Thus, certainly, the platform seeks to create a win-win situation for issuer-funders as it will also reap the rewards from the transactions. Furthermore, Lacan and Desmet (2017) opine that platform roles are more influential than word of mouth attraction when marketing the entrepreneur's project on the platforms. Importantly, platforms with a higher number of investors subsequently attract other investors to participate in the campaign activities (Jiang *et al.*, 2018).

McMahon (2001) opines that external funding is vital for SMEs future growth and profitability. However, it may lead to liquidity issues.

6.4 THE ROLE OF BUSINESS INTELLIGENCE IN MEDIATING THE RELATIONSHIPS BETWEEN THE CONSTRUCTS OF FINANCIAL ANALYSIS AND REPORTING, AND FINANCIAL PLANNING AND CONTROL TOWARDS FIRM PERFORMANCE

The fourth objective of this study was to investigate if business intelligence has any influence on financial analysis and reporting (H1g and H2g), and financial planning and controlling (H1h and H2h).

This study investigated the mediation of business intelligence between financial analysis and reporting (H1g and H2g), and financial planning and control (H1h and H2h) towards the firm's financial and non-financial performance. However, the study's results only supported hypotheses H1h and H2h. In both models, business intelligence merely partially mediates the relationship between financial planning and controlling practices towards performance. In Model 1, both the direct and indirect effects have the same direction (positive), thus portraying the complementary partial mediation. Business intelligence in planning and controlling the firm's financial resource gives more valuable information and is cost-effective. It thus reduces the firm's operating expenses and increase its profitability. Nowadays, investment in business intelligence is possible for SMEs and start-ups with the innovation of cloud computing (Nedunchezian *et al.*, 2012).

In contrast, Model 2 showed a competitive partial mediation because the direct and indirect effects had a different direction. This may be due to the pricing and online networks that affect customer performance (Pratono, 2018). Therefore, from technological innovation perspectives such as big data, crowdfunding allows entrepreneurs, investors, and businesses to retrieve the opportunities, especially when preparing business and financial planning. The robustness of planning in an organization reflects the direction it is heading towards for. In contrast, the traditional financial ecosystems lack this feature. Thus, it enhances the platform's competency in connecting fundraisers and funders (Wilson & Testoni, 2014).

6.5 DEVELOPING A PREDICTIVE MODEL OF ALL VARIABLES UNDER STUDIED

This study observed that the proposed model has strong predictive power. This is because all the exogenous and endogenous variables examined in this study displayed values lower than LM's RMSEA or MAE. As such, new cases can replicate this model (Nor-Aishah *et al.*, 2020). Based on these results, the entrepreneurs or firms that plan to approach the equity crowdfunding platform to fulfil their funding gaps would use this model as a guideline to ensure that they are on track from the beginning stage. Thus, this will assist them in providing the trail not only for financial management but also for every valuable action. These trails provide a quality signal to the stakeholders, especially the potential investors' trust and participation. Thus, these signals are essential for future expansion or future funding requisition.

6.6 CONTRIBUTIONS OF THE STUDY

This section represents the theoretical, knowledge-based, practical, and methodological contributions of this study. The research findings revealed that the results and discussion exhibited in the previous sections made for the following contributions.

6.6.1 Contribution to the Literature

This study will assist the entrepreneurs, financial-based crowdfunding platforms, investors, the government and its agencies, managers, researchers, and students to better understand the relationship between the adoption of financial

management practices, social networks, and ECF platforms, and the measurement of firm performance under the ECF realm.

This study contributed to the literature by highlighting the demographic of the respondents and the firms. As demonstrated by previous studies, this study indicated that male entrepreneurs lead in penetrating ECF in Malaysia. Thus, more female entrepreneurs should be educated and encouraged to grasp the advantage and opportunities offered under the ECF ecosystem. More than 80% of the respondents who approach the ECF platform are classified as millennials (30–49 years old). It appears that the ECF draws young entrepreneurs who are looking for finance through the ECF or online. Even if ECF isn't a full-fledged financial aid to the company, being in the mainstream provides more exposure and prospects for future growth.

This survey found that the technologically connected industry accounts for 90% of the issuers (firms) under the age of ten years old in the Klang valley. Being closer to the ECF platform allowed issuers to obtain information faster than those outside of the Klang Valley. As a result, government agencies such as PEMANDU, as well as platform providers that function as intermediaries, may be able to contribute to the inclusion of more SMEs in the ECF market.

The PitchIN Platform has been approached by many respondents (61%) for their ECF. It's crucial to choose which platform to partner with because each platform serves issuers and investors in a different way. The platform that is concerned about their issuers is more likely to provide additional consultation and engagement with potential funders. Platforms with touch and go services towards their issuers, on the other hand, are more likely to have fewer issuers and investors. Despite the fact that the platform is not required to supervise issuers after the post ECF event, doing so demonstrates their quality and credibility. Furthermore, the majority of responders

adopted ECF for cost-effective and time-consuming reasons. ECF is quicker and faster to obtain than traditional banking.

This study found that most of the ECF is used for technology development (70 per cent). 71 per cent used ECF for marketing purposes, 57 per cent for working capital, 24 per cent for renovation, 21 per cent for product development and 5.4 per cent for R&D. Firms are being driven to adjust to the present entrepreneurial climate as a result of contemporary technological breakthroughs.

This study has also shown how the interference of business intelligence would mediate the relationship between the financial management practices, especially in financial planning and controlling functions.

The SMEs in Malaysia that have and planned to include ECF into their funding portfolio need to realize the importance of the financial management practices, the strength of the networks and the platforms, and the benefits of using the business intelligence, especially under the current entrepreneurial landscape that changes rapidly. The usage of business intelligence would be costly and impossible, especially to small and start-up firms, but it is possible with cloud computing. More than that, the firms must realize the benefit offered by the business intelligence would be significant.

According to Kaplinsky (2019), technology adoption by start-up and small firms are significantly related to their online funding success and, subsequently, firm sustainability. Therefore, it is vital to consider the factors associated with online funding for micro-enterprise and SMEs' betterment (Azman *et al.*, 2020). Particularly during the planning stage, thorough information from the various departments is needed, especially concerning the financial part. Financial planning is the heart of the planning itself. Thus, business intelligence promotes accuracy dan details information for planning and control purposes.

The firm with a promising planning must bravely penetrates online funding to maintain its existence and to create a competitive advantage. The implication of using equity crowdfunding could be more than they could imagine. For example, they may be acquired by an outstanding corporation, receive funding from venture capitals, and obtain expert's consultancy.

6.6.2 Contribution to the Methodology

This study adopted positivism epistemology and used deductive hypothetical quantitative data approach. This is the first study that uses a survey questionnaire to investigate the performance of ECF in Malaysia. This study investigated the post-crowdfunding event of the ECF-funded firms on their performance relationships between the financial management constructs, social networks construct, and ECF platform towards the firm's performance. Previous studies used quantitative, qualitative, and mixed methods. However, the studies had examined the investors' related constructs. For instance, the intention to invest in ECF campaigns (Wulandari *et al.*, 2020), intrinsic and extrinsic motivation factors with vote investors to invest in ECF project (Jayaraman *et al.*, 2018), and investor's gender impact (Wasiuzzaman *et al.*, 2019) that influences their decision to participate in ECF, and investor's motive and willingness to support towards the decision to invest in ECF (Wasiuzzaman *et al.*, 2021).

This study grand mean values of all variables (likert scales) are greater than 3.41, and the standard deviation is approximately one, except for BI (0.5069) which indicates that the respondents agreed with the questionnaire's questions. Due to the epidemic and movement restrictions, the researcher's original plan to conduct a face-to-face survey was thwarted. As a result, this study employs the "authority of the

sender" and "pleading for help" tactics to reach out to the respondents. The researcher uses the ECF platform in this scenario. As the "authority of the sender," the ECF platform provider has the ability to communicate with all ECF receivers. The platform provider has been informed about the survey's purpose and the importance of distributing the survey to the correct responder. Prior to disseminating the questionnaire, the platforms advised the researcher to utilise an online questionnaire rather than a pdf or Word doc file, and to avoid asking too many questions. As a result, the researcher suggests that by looking at the responses (likert scale) without having an explicit yes or no response, the researcher may determine if the respondents agree or disagree.

In fact, according to Wright and Schwager (2008), an invitation from a known person in control (ECF platform provider) and a shorter introduction to the survey improves the survey respondents' response quality and speed. Hence, when confronted with an unforeseeable incidence like Covid 19, future researchers should alter their data collection approach accordingly.

6.6.3 Contribution to Theory

This study helps extend the theory of entrepreneurship under the ECF environment in Malaysia. This study brings together the signaling theory and the financial theory of bricolage under the umbrella of RBV theory. Subsequently, the firm should be able to capitalize its internal resources (FMP) and external resources especially the PP, that are vital for the firm's performance, survival, growth, and sustainability, hence, its competitive advantage. The founders/managers acting as the proxy to the firm, their educational background, experiences, and exposure to the entrepreneurial programs seem to benefit the firm, especially when the firm is

unfavorable in its financial standing or operations. The firms' involvement in the ECF activities show that their human capital resources have been accelerated to bring in financial capital into the organization. Also, during Covid-19, many firms have successfully approached the ECF platform to fund their project. Regardless of the pandemic, the investors have shown their supports and interests in the ECF market.

The signaling theory used in this study does not intend to discuss the agency costs that could emerge from the ties between the entrepreneurs and platforms, entrepreneurs and investors, or the platform and investors. Instead, this theory shows that the firms implement strategies that could signal to the potential investors and other stakeholders about their strengths that request the funding. The founders and top management teams' background, business models, campaigns activities on the platform, the history of their achievement and financial projections, and in this study the FMP, SN and ECF platform that could signal their quality. The signaling theory is related to the entrepreneurs' ventures and the platforms that act as the intermediaries that connect the fundraiser and the funder. The ECF platform's strength and popularity signal good vibes to the investors and the entrepreneurs to engage with them because quality signals reduce asymmetric information and detect possible risk mechanisms (Di Pietro *et al.*, 2020).

The company's actions of raising funds through the ECF prove that the founders do whatever they feel is necessary to ensure the viability of their business entities (financial bricolage). This is in line with Levi-Strauss's theory of financial bricolage as the concept of the theory of bricolage is to take advantage of entrepreneurial opportunities (Desa & Basu, 2013).

This study also used the social capital theory. Under crowdfunding parasol, the roles of network provide good insights. Although this study found that the hypotheses

related to social network impacting firm performance were not supported, what needs to be understood is that online funding involves virtual supporters. These supporters could herd others, such as potential buyers and funders to visit the campaign launched on the platform (Borst *et al.*, 2018). Later, the buyer may possibly become one of the funders.

The founders or managers would benefit from their networks, especially those with sound recognition. Even though this study cannot guarantee the continuation of the network, their early-stage involvement is vital for fundraising campaigns to succeed. In addition, the networks emerge from the connection with the platform's provider. These networks have diverse profiles, such as venture capital and business angels. The prominent ventures would capture their interest. Three of the ECF recipients have experience exit in Malaysia as another bigger firm has acquired them; Skolafund, MyCash Online, and Blue Lagoon. However, the Blue Lagoon exit story is different from those two. These firms managed to provide ROI to their existing investors (Sidhu, 2019).

6.6.4 Contribution to Practice

The ECF crowdfunding platform, according to the researcher's insight and information, could be the answer for start-up companies looking to get capital. When requesting for financial help, start-up enterprises are unable to furnish collateral, and they are having difficulty. To stimulate SME engagement, the government should give greater facilities and help.

More significantly, closer to the ECF is a millennium venture rather than a company led by baby-boomers' founders. Therefore, government intervention is needed to encourage these ventures to be included in the current mainstream of

alternative funding to remain competitive. This research also shows that 95% of the respondents are graduates of universities. Exposing students to the crowdfunding is beneficial since it will provide them with the necessary knowledge to pursue entrepreneurship after graduation. Surprisingly, almost 80% of the respondents have participated in entrepreneurship programs. Entrepreneurs who participate in these programs gain exposure, information, knowledge, and networking opportunities.

The demographic analyses of this study indirectly highlighted some characteristics of entrepreneurs and firms that pursue ECF funding. Thus, the characteristics can be used as a reference for a fresh entrepreneur to approach the ECF platform. This study created a model that can be used as a guidance for the future entrepreneur that plans to approach the ECF platform. Taking advantage of the good practices of financial management, the ECF platforms' strengths and popularity, the networks emerging from the ventures-ECF platform relationship may possibly bring together high-profile investments to the firms.

It is critical to emphasise that the ECF is intended not only for well-established businesses, but also for young start-ups with strong prospects, such as Kakitangan.com, an online HR software. It was founded in 2015 and launched its ECF campaign at the end of 2016, raising more over MYR1.5 million in a single day (PitchIN, 2017). As a result, the study's practical implications address important and reasonable conclusions for more SMEs to use the ECF for their future development.

6.7 DISCUSSION

Counting on the roles of the MSMEs in promoting economic growth, initiating an ecosystem that accelerates their formation, expansion and sustainability have been acknowledged as one of the government policies in both developed and developing

countries, including Malaysia. Government intervention in strengthening the economic sectors is significant for the firm's sustainability. Improving their access to financing is one of the subject matters that need thorough government attention.

Past studies have clearly described that SME financing significantly affects firm productivity and performance (European Commission, 2020; Kersten *et al.*, 2017). Adequate financial resources are essential to ensure smooth operations, especially for small firms. Small firms have limited resources, network, and difficulty in getting funding via traditional financial institutions. The emergence of crowdfunding has given a new dimension of entrepreneurial financing worldwide, including that in Malaysia. Eldridge *et al.* (2019) argue that equity crowdfunding does not significantly impact small firms' innovation activities. However, the uses of ECF fundings significantly increase the firm's financial performance.

A recent study shows that crowdfunding complements the conventional financial and banking systems and not their rivalry. It becomes an introductory mechanism for venture capital (Ljumovic & Pejovic, 2020). Firms engaging in a crowdfunding campaign commonly reveal information associated with the founders' demography, social networks, company progress, financial status, services, or products (Ahlers *et al.*, 2015; Vismara, 2016). From the VC perspective, strategies employed in the firms reflect their management's determination of going forward. Thus, it is the first thing that influences their trust in any firms pitching for funding assistance. This confidence is further strengthened by the firm's commitment and proactiveness regardless of the risks they would face (Yang *et al.*, 2021). In this study, the firms' strategies can be seen through the adoption of financial management practices, the affiliation with social networks and the ECF platform, and the mediation of business intelligence. The synergy between these constructs is reflected in their performance

measurement. It has further been proven by the PLS prediction that reveals the strong predictive power.

Despite the hardship in penetrating financing (Burke & Hanley, 2006; Wanambisi & Bwisa, 2013), SMEs also have been connected to poor financial management (Agyei-Mensah, 2010; Harif *et al.*, 2010; Karadag, 2015). Robust financial management practices as a financial management strategy in the ECF ecosystem accelerate the firm's survival, growth, and sustainability, thus increasing shareholder wealth and GDP contribution. Financial management practices as performance indicator help monitor the health of the firm's financial and overall performance. Liquidity is essential as a short-term performance to cater for short-term obligation. Meanwhile, profitability is vital for long-term performance that promises the SMEs to rely on working capital and profitability management over other FMP in making firm's longevity (Ehiedu, 2014). According to Wolmarans and Meintjes (2015), often this involves decisions. This is perhaps due to the unpredictable environment they are in, explaining the reasons these firms do not execute the practices that are theoretically vital.

This study has revealed that most of the firms exercise the financial management practices highlighted in this research. There is a guideline in using the ECF platforms. Therefore, the firms are "forced" to maintain the least possible practices of the accounting management system, financial analysis and reporting, financial planning and control, and working capital management.

However, when the founder/manager has the competency in financial management, the use of the external advisor decreases (Kipsang, 2012; Shehu *et al.*, 2013). The FMP is essential in providing proper monitoring, planning, and controlling mechanisms to derive sound decisions and provide a useful financial trail (Eniola &

Ektebang, 2014; Nawaz, 2020). In addition, sound financial statements help convey the information needed by the stakeholder, especially the investors, about the firm's health and achievement (Di Pietro *et al.*, 2020). Some researchers explain this as a costly signal. The idea of equity crowdfunding as an external funding mechanism is to facilitate the SMEs and start-ups firms to get money through the ECF platform provider. Obviously, during the recent pandemic, the platforms' reputation, trustworthiness and how these platforms provide the policies and measures that count the impact of the crisis convey an excellent signal to the potential investors (Moine & Papiasse, 2020).

In most countries, for instance Canada and the USA, the fundraisers' firms are required to disclose their audited financial statements. Even so, it was still vague about the disclosure that assisted the funders in making investment decisions (Cumming & Johan, 2013). A recent study empirically proves that the disclosure of financial statements significantly accelerates the online funding realization and, most importantly, motivates the funders to participate in crowdfunding investment activities. Thus, the prerequisite of financial statement disclosure seems to improve the funders' trust in the firm (Pattanapanyasat, 2020). As mentioned in the literature, the costly signals include networks and investors' affiliations (Helmer, 2014; Woköck, 2019). However, in this study, penetrating information on investors' participation was impossible. Thus, this study took the initiative to investigate the ECF platform providers' impact from the ECF-funded perspective. The platforms act as intermediaries between the investors (fund providers) and the firms (fund seekers). The platforms' signals transmit into the ECF ecosystems are captured by those interested in either the fund seekers or the fund providers. Among the criteria include the platforms' popularity, strengths, and achievements (Moine & Papiasse, 2020; Ibrahim, 2015).

Further, technology plays a vital part and causes the rapid development of the ECF platforms. Therefore, SMEs and start-ups need to constantly update their knowledge about online platforms that have the potential for their ventures' survival and sustainability (Nunes *et al.*, 2021).

In Malaysia, the most outstanding ECF platform providers are PitchIN Platform, Ata Plus, and CrowdPlus. These platforms have been actively connecting the fund seekers and prospective investors even during the Covid-19 pandemic. The Covid-19 pandemic has triggered numerous reactions among various sectors of the economy, especially the entrepreneurial ecosystem (Leung *et al.*, 2020). This gives a new perspective on ECF's potential when the traditional banking cannot accommodate the entrepreneurs' funding goals amidst the pandemic (Kuckertz *et al.*, 2020).

In ECF, network plays a significant role in supporting the campaign launched (Mollick, 2014). Yet, previous research shows mixed findings. The founder-manager's networks from various backgrounds assists in establishing an overwhelming view of the campaign's supporters. Not only that, but the previous crowdfunding success story also influences prospective funders to participate in the crowdfunding campaign. Hence, it indirectly herds the crowds to the project launched on the platforms (Borst *et al.*, 2018). Amazingly, network emerges from the ties between the platform and the entrepreneurs that have significantly influenced the campaign success rates (Aprilia & Wibowo, 2016; Hunecke *et al.*, 2017), and affects the firm's performance as well. Networking in business is vital as it can increase competitiveness through the flow of information such as competitor position, social relationships, market situation, and strategic location. A SWOT study can also be done before starting a business or project implemented with this information, especially when involving investment and partnership matters. This business network also acts as a symbol of identity and

community recognition, essential to any business's sustainability, especially for SMEs (Farinda *et al.*, 2009; Tamyez *et al.*, 2018; Thrikawala, 2011).

Fast forward, technological interventions have shown the diversity and dynamics of the entrepreneurial landscape, including the financing aspect. Fintech includes, among others but not limited to, crowdfunding and bitcoins (European Commission, 2020). Taking an example from the corporate firm, Yu and Chiu (2013) explain the reverse U-shape relationship between social networks and corporate firm performance. The impact of the social networks continually increases the firm's revenue growth it gets through the equilibrium. After this point, the increase of the networks will show that the revenues start to decline. Thus, this scenario describes that reasonable social network is better than extreme social network for the utmost sales growth of the firm.

The application of business intelligence and artificial intelligence has changed the pattern of entrepreneurs managing firms. The application of business intelligence in this study showed that financial planning and control benefited from using this technology. Business intelligence expedites the management to have sound financial planning and better control strategy. It is in line with Scholz *et al.* (2010), where BI helps improve the decision-making process. It is due to data improvement and supports through the adoption of BI. However, it also comes with certain disputes such as inadequate data protection, software crash, and complexity in overcoming failure.

Nevertheless, entrepreneurs can realize the fruitful BI in an organization if they make full use of BI as a resource to upgrade its performance, but this involves time and money (Nenzhelele & Pellissier, 2014). According to Papachristodoulou, Koutsaki and Kirkos (2017), BI enables organizations to derive a better decision-making process and compete realistically in the present situation. Some organizations are at the wayside of

adopting the BI unless there are resolutions to the possible challenges (Schuetz *et al.*, 2016). Unfortunately, the cost to maintain or hire business intelligence consultants for SMEs is another cost burden. Most of them are unable to keep up with the dynamic changes (Burns, 2016). In addition, Llave (2017) explains that cloud BI could be the best solution for SMEs to utilize it in their organizations as the licensing fee is cheaper than in-house or external consultant BI. In fact, in Malaysia, the introduction of Industry 4.0 emphasizes the BI for better planning, decision-making, and performance (MAMPU, 2021).

This study further investigated social network and ECF platforms as external resources. Organization strategy is one of the core components that promote the growth of any firm (Ismail & Mat Zin, 2009). Key factors that influence the firm's success and failure can be grouped into two; internal and external factors. The internal factors include but not limited to the labor force, managerial competencies, and the accounting systems employed. On the other hand, the external factors include the accessibility of reliable financing, government intervention and policies, rival competition, technology advancement, climate change, and economic conditions (Padachi, 2010).

In Malaysia, there are almost one million SMEs registered under SSM. However, only a few managed to get their funding goals through ECF (Ab Rashid *et al.*, 2021). Statistics provided by Securities Commission Malaysia show that from the year 2016 to 2019, the ECF platform successfully raised 77 campaigns (approximately 0.008%) (Securities Commission Malaysia, 2019). The successful issuers were dominated by the campaigns related to technology activities (PitchIN, 2020). Unfortunately, a study conducted by Robson and Bennett (2000) reveals that technology greatness does not significantly influence firm performance.

However, under the ECF, the most funded business activities are technology-related activities. Battaglia *et al.* (2020) adds that technology-related and R&D industries are the most financed by investors during Covid-19. Calic and Shevchenko (2020) argue that technology projects are tangible as they have a clear business plan and expected delivery time. Investors are pleased and confident during the launching events on the ECF platform. Thus, entrepreneurial orientation in technology-based firms' signals influences their campaign success and, eventually, their firm's performance in the end. The quality signals can reduce information asymmetry and vagueness that the fundraisers transmit to the funders in crowdfunding (Di Pietro *et al.*, 2020).

The quantitative study of the impact of financial management practices, social networks, platform providers and business intelligence was complemented with the interview of the ECF platform and recipients to explain the quantitative result findings. This way, the researcher can make a better generalization (Richards *et al.*, 2019). This study has hypothesized the positive relationships between the exogenous and the endogenous constructs in the previous chapter. Unfortunately, the findings did not support all hypotheses. These outcomes may be varied or reformed if the constructs are tested under a different framework (in this case, ECF).

In addition, depending on which state of strategy execution of the financial management practices, taking the optimal advantages of their social networks and platforms providers, fully utilizing business intelligence, and fully implementing those strategies will lead to a full investigation of the impact of those strategies to the firm performance (Ping & Muthuveloo, 2015). Further, Hu *et al.* (2018) elaborate that the strategies that reflect the firm's profitability will likely influence the investors' trust and participation (Buell *et al.*, 2020), especially during the crisis (Mejia *et al.*, 2019). One

thing for sure, crowdfunding is not simply about acquiring money from investors, but also requires the experience and expertise of the fund provider that will benefit the venture more. It thus revolves around "business valuation" and "concept validation". The venture's previous successful round in fundraising from the crowdfunding campaign is an advantage which will secure the high net-worth and far-reaching investors' interest (Brown *et al.*, 2020).

The findings from this study perhaps indicate that these constructs, especially the financial planning and control and the adoption of business intelligence, are vital for the continuity of the firms under the equity crowdfunding scenario. However, the founder/manager's impromptu reaction to the fast-changing environment (theory bricolage) determines the firm's survival ability. Since the founder/manager does not have the power to control the market change (Berry, 2010). Hence it is necessary to encourage more entrepreneurs to adopt ECF as one of the sources of capital for better performance, both non-financial and financial. Non-financial performance extends the understanding of future financial performance better than the financial performance measures via its capacity to attract more new customers, boost customer loyalty, and enhance a firm's long-term reputation (Howells, 2020).

ECF alters the traditional business model to the new one that embraces the internet of thing (IR4.0) that is borderless. Beyond the geographical and cultural norm, traditional financing is irrelevant in the future (Hong, 2018) unless the founders/managers revisit their business model (Ritter & Pedersen, 2020; Wirtz *et al.*, 2010). Furthermore, the recent pandemic's implication also signals those the traditional banking systems are not user-friendly to entrepreneurs (Kuckertz *et al.*, 2020).

6.8 LIMITATIONS OF THE STUDY AND SUGGESTIONS FOR FUTURE RESEARCH

Albeit its significant contributions are mentioned in the previous subsections, this study has some limitations. Yet, these limitations open up various avenues for future research. Firstly, this study only focused the financial management practices (AIS, FAR, FPC and WCM) towards the ROA and ROE. Future studies should investigate other financial management practices that might impact the ECF firms' performance using different performance measures as financial performance proxies.

Secondly, according to SME info, there are almost one million SMEs in Malaysia (SME, 2020). However, as per the ECF quarterly report by Securities Commission Malaysia, as of the end of December 2020, the number of successful campaigns launched on the ECF platforms by SMEs were around 160 (Securities Commission Malaysia, 2020). Thus, future research should investigate the factors that will influence the entrepreneurs' participation in ECF activities. Even though ECF funds are not an absolute funding for entrepreneurs, it will open up more opportunities in future funding, for instance, venture capital (Ljumovic & Pejovic, 2020; Strausz, 2017). According to Yang *et al.* (2021), being innovative, proactive and the risk takers, the firm has actually inculcated the venture capitalists' trust at first glance. Such as in ECF, where the firm proactively approaches the platform with new ideas about doing things regardless of someone might stealing or copying their ideas.

Thirdly, to investigate the P2P lending-based crowdfunding that many ventures have well adopted to fulfil their funding gap (Securities Commission Malaysia, 2020). Further, the recent pandemic has shown that ECF and P2P crowdfunding activities actively connect the funders and investors (Brown *et al.*, 2020). Thus, future research

could compare these two types of crowdfunding using the same constructs and should examine the impact of Covid-19 on venture's and platform's performance.

Finally, future research could extend the study on investigating the performance of ECF using Shariah-products. According to Biancone, Secinaro and Kamal (2019), the crowdfunding model's concept and structure can fit the Shariah approach. Table 6.2 shows the crowdfunding on Shariah realm.

Table 6.2: Shariah-based Crowdfunding Models and Contracts

Types of financing	Types of Crowdfunding	Potential Recipient	Contract with the end client
Islamic Philanthropy Product	Donation	Microfinance	<i>Hiba, Qard al Hasan</i>
	Reward	Microfinance, Small enterprises, Start-ups	<i>Murabaha</i> Sale
Investment	Debt	Microfinance, Small enterprises	<i>Murabaha, Ijarah</i>
Investment	Equity	Small enterprises, Start-ups	<i>Musharakah</i>

Source: Marzban, Asutay & Boseli (2014)

Even though crowdfunding can improve the entrepreneurial landscape, promoting the shared value and economic growth, crowdfunding in Islamic countries is still at a slow-moving phase (Biancone *et al.*, 2019). However, from the Islamic banking perspective, many have adopted crowdfunding-based services and fintech-based services. Baber (2019) examined the impact of crowdfunding and fintech on Islamic banks' customer retention. He argues that crowdfunding-based services positively improve customer retention in both Islamic banks in Malaysia and UAE. However, fintech-based services do not contribute to customer retention in Islamic banks. Aisyah (2018) also concludes that fintech adoption in Islamic banks in Indonesia would subsequently increase customer satisfaction and customer loyalty.

The potential that awaits Shariah-based crowdfunding is enormous. A recent study by Ab Rashid, Hasim and Zainal Abidin (2021) states that Islamic-based crowdfunding has the potential to assist SMEs in transforming their performance to a better level, especially with the adoption of technology which is regarded as vital to encounter the dynamism of the current business situation.

The crowdfunding topics diversify very fast. Many have recently associated crowdfunding in *waqf* development, blockchain (Mohsin & Muneeza, 2019), and makerspace (Van Holm, 2015). Recently, Haji-Othman *et al.* (2020) propose integrating *zakat*, *waqf* and social investment distribution through *Sukuk* and crowdfunding mechanism to curb the effect of Covid-19.

Performance construct, in common, is widely investigated to estimate the organization's achievement. The correctness and adequacy in measurements are crucial in recognizing organizational success or failure. Existing literature related to organizational performance measurement suggests that multiple measures develop multiple dimensions that are near to correctness and adequacy. However, most of the entrepreneurial performance studies use unidimensional measures, i.e., efficiency, profit, growth, liquidity, and size. Organizational performance literature does support multidimensional measures for the accuracy of the result. Most of the entrepreneurial performance studies are conducted by using only primary data. Entrepreneurial performance measured by using only primary data covers only the subjectivity of performance. Without objectivity from archival data, the study will be far from accuracy. Thus, entrepreneurship scholars should use multidimensional scales to measure entrepreneurial performance (Subedi, 2021).

6.9 CONCLUDING REMARKS

The RBV theory assumes that an organization needs to manipulate its internal resources, including financial resources, human capital, intellect, and the ability to penetrate external resources as they are essential for competitiveness and business continuity. This study focused on the ECF market in Malaysia because the ECF is an alternative source of finance for ventures to obtain operating capital. Capital is significant to ensure that the venture remains in the market and can seize opportunities.

The management abilities of a venture, especially those involving finance, are crucial. Effective and efficient financial management practices enable the venture to know its performance and facilitate communication between the company and its stakeholders. This study used financial and customer performance to measure the company's performance. The performance of this financial side is often more detailed as well as formula-based. Thus, in most cases, the financial measures are unable to provide the firm's current situation. For instance, for young and small firms, their financial are yet to be strong. Hence, performance is often found to be unfavorable. The use of non-financial performance measurements such as customer performance can provide accurate answers. Customers are essential for long-term performance. It ensures an increase in sales, and in turn, profits as well as the viability of the company.

The background of the managers in terms of gender, academic achievement, and experience, give essential signals to investors and prospective investors. So is the background of the company. Thus, issuers need to send the right signals to investors to continue to believe in collaborating materially and intellectually. ECF is not only related to obtaining external finance but also the wisdom of professional investors. This study, which is based on the signal theory, argues that the signals exhibited by companies can reduce the information gap and increase investor trust and confidence.

This study found that social networks do not stimulate company performance. It may be due to the newness of ECF, where entrepreneurs in Malaysia have not yet seriously manipulate their social networks to benefit their firm's performance. Online factors may also be among the causes. Nevertheless, findings by other researchers on the influence of social networks on company performance show mixed findings. Interestingly, Pratono (2018) proves that social network alone does not impact venture's performance, but a company's ability to increase the trust of its social networks allows it to play on price as well as increase sales, and in turn, affects its performance.

In Malaysia, the number of entrepreneurs using the ECF platform to earn money is still low. The ECF platform acts as a double edge sword. It not only connects money seekers with money givers. It also works as a marketing platform. Issuers who launch their project campaigns online show their ability to manipulate ECF platforms to obtain finance according to the bricolage theory of finance, which assumes that entrepreneurs' creativity and credibility make their firms survive, grow, and competitive. In this study, firms use financial management practices that can help in decision-making and planning. Financial planning is crucial because it directly points in the direction the company is heading. Effective planning signals investors to continue to support. When the company once again launches a campaign to get the ECF, investors would not hesitate to make an investment decision.

Finally, all entrepreneurs should have equal exposure to the new emergence of online funding, especially those firms with a concrete business model. Even though ECF is one of the opportunities they can penetrate, the impact of this funding will probably allow them to partner with a more prominent firm (Woköck, 2019). Hence, despite the risk factors associated with ECF, inculcating ECF into SMEs agenda seems

to open vast opportunities. For instance, Skolafund. Skolafund launched its campaign on the AtaPlus platform. It is Malaysia's first ECF-funded firm bought over by Kitafund and became more accessible in Southeast Asia. Then, Mycash Online followed Skolafund. It launched its funding campaign on the PitchIN platform. Meanwhile, Green Lagoon launched its campaign on the Crowdplus.Asia platform and is the latest exit case on the ECF platform in Malaysia (Sidhu, 2019). Silicon Valley, as another example, started from nothing to something (Klepper, 2009; Moore & Davis, 2004).

According to Ata Plus's founder in an interview with Gomez (2020), "Historically, at the early stage, major shareholders tend to be on the founding team, and perhaps a financial backer. But issuers have to convince investors that the company has the potential to make money for them." He added that "lack of supporting research into and analysis on issuers will become even more acute if the Securities Commission Malaysia approves a secondary market for the trading of ECF shares." In the future, "companies that list on a secondary market, which we want to develop for Ata Plus, would need to provide investors with periodic updates." Thus, the process of penetrating the ECF capital market should be enlightened to encourage potential ventures to pursue this kind of entrepreneurial funding for future development and sustainability (Owusua & Owusu-Ansah, 2020). This applies not only to ventures but also the platforms.

The latest news reported by Fintech News Malaysia (2021) shows that PitchIN platform itself is seeking funding from mass investors and institutional investors through ECF. Placing at the Leet Capital ECF Platform campaign, PitchIN plans to get around MYR3 million to MYR 5 million. Furthermore, PitchIN is also asking for another MYR 5 million from the VC investors for its expansion strategies. PitchIN's crowdfunding indicates that crowdfunding has become the strategic tool to raise funds

for anyone who desires it. Under the Pecking Order Theory, equity will be the last resort for the firm if there is a need for capital. However, with the emergence of ECF, more start-up and young firms show their interest to participate because the anticipated cost is lower than debts financing (Estrin *et al.*, 2021).

