Micro, Small and Medium Enterprises Intention Using Equity Crowdfunding

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Abstract. Limited access to capital is one of the obstacles for MSMEs. One way to overcome the funding problem is through crowdsourcing or crowdfunding. The study to determine the interest of 67 MSME actors in Indonesia in utilizing the equity crowdfunding platform used the Technology Acceptance Model (TAM). The analytical tool used is path analysis. The results of this research prove that perceived ease of use has a positive effect on perceived usefulness, perceived usefulness has a positive effect on behavior, and attitude toward using has a positive effect on behavior intention of equity crowdfunding.

Keywords: equity crowdfunding, MSME, financial inclusion, Indonesia, Technology Acceptance Model

Introduction

Micro, small and medium enterprises (MSME) are sectors that can make a positive contribution to the Indonesian economy. MSMEs are also sectors that are immune to crises. This positive contribution requires that MSMEs be managed properly to continue to grow. However, there are many obstacles to developing MSMEs, one of which is a lack of capital (Hidajat et al., 2016).

The problem of demand arises because of the low level of public financial literacy. According to Cole et al. (2009), financial literacy can be a parameter to predict the demand for financial services. Those who have low (high) financial literacy will have little (many) access to financial institutions.

The National Survey of Financial Literacy and Inclusion shows a financial literacy index of 38.03% % (Financial Services Authority, 2020). Since 2010, the World Bank has illustrated that the majority (60%) of households in Indonesia do not have access to formal financial services. This condition is concerning because Indonesia is a country with a very large population. This financial inclusion problem can have a bad impact not only on households but also on the economy. Other factors are the habit of borrowing money at high-interest rates, poor business management, and so on.

From the supply side, several factors causing low financial inclusion are long, strict, and complex loan requirements although this can be understood as a way to 'know your customer.' As a country with the title of global microfinance leader (Rosengard & Prasetyantoko, 2011), this fact is bad news. Banks have excess liquidity, but MSMEs cannot access these funds.

Several models to increase financial inclusion have been implemented in various countries such as micro-lending, bankless banks, branchless banking, no-frills accounts banking, and so on (Bansal, 2012). These strategies have been carried out in Mexico (microcredit), Brazil (Branchless Banking), Kenya (bank without a bank), and South Africa (no-frills banking) (Gwalani & Parkhi, 2014). Efforts to improve financial access in Indonesia have also been carried out, but are constrained by regulatory and geographical factors (Rillo, 2014) because this country is archipelagic.

Crowdfunding which has just arrived in Indonesia in a short period is a solution for MSMEs who are constrained by access to capital from formal financial institutions. Crowdfunding is a digital economy platform where funds are collected and distributed online (Langley, 2016). Equity crowdfunding is likely to pose major challenges for angel investors

and venture capitalists (Vulkan et al., 2016). In Islamic finance, *mudharabah* is a form of equity crowdfunding (Ishak & Rahman, 2021).

In Indonesia, most of the crowdfunding is donated capital (Hidajat et al., 2016). In addition to the donation model, the crowdfunding that has started to emerge in Indonesia is equity crowdfunding. This platform is regulated through the Financial Services Authority Regulation. The first two companies to get permits were *PT Investasi Digital Nusantara (Bizhare)* and *PT Santara Daya Inspiratama (Santara).*

The main target of equity crowdfunding is MSME owners who have businesses with good prospects but do not meet the criteria to be able to get capital from formal financial institutions. The second target is individuals and institutions that act as crowdfunders.

Thus, equity crowdfunding is one way to overcome the problem of access to finance for business people. According to BPS, there are 59.69 MSMEs in Indonesia, most of which (90%) have never taken a class. However, business owners who take advantage of this platform are still lacking. As of August 2020, Santara has disbursed Rp 84.5 billion from 63 MSMEs.

This study tries to determine the interest of MSME actors in utilizing a financial technology platform, namely equity crowdfunding. This research is important because MSMEs, which have a positive role in development, do not get much access from formal financial institutions. Ignorance of utilizing this platform can mean losing opportunity costs that have a major impact on MSMEs and the national economy. By identifying the knowledge and interest of MSME actors in equity crowdfunding, the right strategy can be formulated for developing a financing model through crowdfunding.

The purpose of this study is to find out the intentions of MSME actors towards an alternative source of capital, namely equity crowdfunding. This research is important to do because the basic reason is that equity crowdfunding is an easy source of funding and based on profit-sharing principles, and the research results can be used as a study to see equity crowdfunding literacy.

Literature Review

Crowdfunding

According to Harrison (2013), there are five crowdfunding models, namely donation, reward, pre-purchase, lending, and equity although in practice there are several variations (Vasileiadou et al., 2016). The donation model does not give anything to donors because it is more about helping charitable or social activities. The reward model will provide contributors in the form of rewards in a certain form. The pre-purchase model assigns the products financed for the project to contributors. Lending is a business loan; contributors or creditors will get money from the loan. The equity model is equity participation; just as investors own company shares through the capital market.

The financing model through crowdfunding is a relatively new thing but can make a significant contribution to the business world. The benefits of equity crowdfunding for MSMEs are to get business capital cheaply and quickly, to increase MSMEs' inclusion of capital sources more easily without being constrained by time and place; an alternative investment platform for investors, and investment diversification for investors by placing their funds in several MSMEs.

Technology Acceptance Model

Technology Acceptance Model (TAM) is a theory of information systems to model how users accept and use technology. In this model, several factors influence decisions about

how and when users will use technology, namely Perceived Ease of Use (PEOU) and Perceived Usefulness (PU).

Perceived ease of use (PEOU) is the extent to which a person believes that using a particular system will provide convenience (Davis, 1989). If technology is easy to use, there will be many obstacles and problems to be solved. But if the opposite, then people will not be positive about the technology. Perceived Usefulness is the belief that using a certain system will improve performance.

Hypothesis Development

This study uses the Technology Acceptance Model (TAM) from Davis. There are four research variables, namely Perceived Usefulness (PU), Attitude Toward Using (ATU), Perceived Ease of Use (PEOU), and Behavior Intention (BI). The habit of using technology has a positive relationship between the age of consumers and the tendency to buy products or services online (Zhou et al., 2007). This can happen because technology provides many conveniences. Prospective users or buyers can easily access the desired product or service through the gadget.

Nunkoo et al. (2013) concluded that there is a positive influence between Perceived Usefulness (PU) and Behavior Intention (BI) on online product purchases. Perceived usefulness itself has a significant effect on usage attitudes (Chuang et al., 2016) and usage behavior, and ease of use (Davis, 1989). According to Chuang et al., (2016), Attitude Toward Using has a positive influence on the desire to use financial technology.

Based on this, the hypothesis proposed in this study is as follows.

- H1: Perceived Ease of Use has a positive effect on the Perceived Usefulness of equity crowdfunding.
- H2: Perceived Ease of Use has a positive effect on Attitude Toward Using equity crowdfunding.
- H3: Perceived Usefulness has a positive effect on Attitude Toward Using equity crowdfunding.
- H4: Perceived Usefulness has a positive effect on Behavior Intention of equity crowdfunding.
- H5: Attitude Toward Using has a positive effect on Behavior Intention of equity crowdfunding.

Research Methods

The population in this study is MSMEs in Indonesia. Due to the unknown population, the sampling technique used is accidental sampling. In this study, 67 MSME actors were willing to be interviewed. The data source is primary data in the form of direct data collection through questionnaires to MSME actors.

This study uses a quantitative approach by testing the Technology Acceptance Model (TAM). The analytical tool used is path analysis (path model). Research variables and indicators in this study are as follows.

Table 1. Variable and indicators

Variable	Indicators
Perceived Usefulness	Benefits of equity crowdfunding in providing business capital for MSMEs.
	Benefits of equity crowdfunding in repaying business capital loans and sharing operating results.
Perceived Ease of Use	Ease of the equity crowdfunding platform in the lending process.
	Ease of using the equity crowdfunding application or platform.

Attitude Toward Using	Positive attitude towards the equity crowdfunding platform.
	Believe that equity crowdfunding will help improve performance.
Behavior Intention	Enthusiastic about information about equity crowdfunding.
	Desire to use an equity crowdfunding platform.

Results

Hypothesis testing using the Partial Least Square (PLS) method. The tool used is the SmartPLS application. Evaluation of testing is done through the outer model (measurement model) and inner model (structural model). The results of the outer loading that test the convergent validity show that all variables have good convergent validity so all of these variables are included in hypothesis testing.

Table 2. Rule of thumbs testing

Test	**Parameter**	***Rule of thumbs***
Validity	Loading factor (outer loading)	> 0.5
Reliability	AVE	>0.5
	Composite reliability	>0.7

The factor loading value has a loading value (λ) 0.5 at a significance level of = 0.05. Thus it can be concluded that each indicator is valid to measure the construct. The reliability of the model as measured by Average Variance Extracted (AVE) and Composite Reliability shows a good measurement model because it has a value greater than 0.50 (AVE) and 0.70 (Composite Reliability). Cronbach's Alpha is not used to measure reliability in this study because the value generated by PLS to measure Cronbach's Alpha is slightly underestimated.

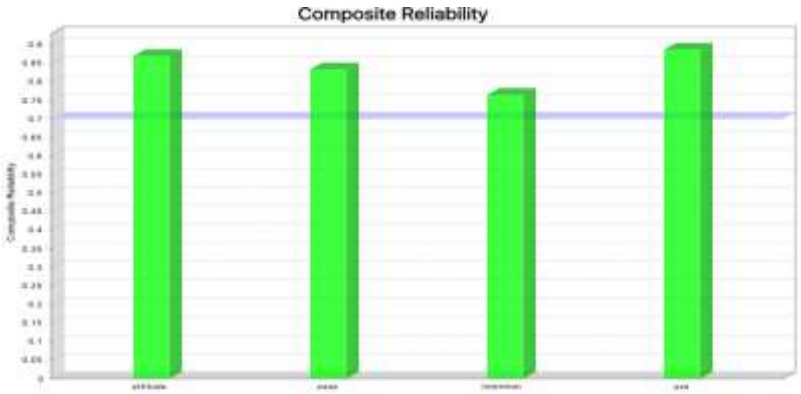

Figure 1. Composite reliability

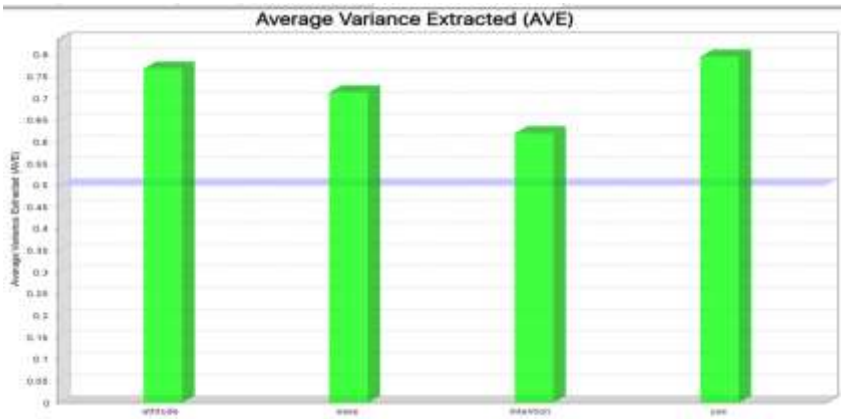

Figure 2. Average variance extracted

AVE is a convergent validity test criterion of indicators at the construct level with values between 0 and 1. All constructs in this study resulted in an AVE above 0.5 which means that the construct has validity because it has a low average error rate.

Testing the hypothesis by looking at the t value and the probability value (p-value) is less than 0.05 or 5%. Hypothesis H0 is rejected if the t-statistic value is more than 1.64 (two-tiled) or 1.96 (one-tiled) and the probability value (p-value) is less than 0.05 or 5%. The results of hypothesis testing indicate that there is a hypothesis that is rejected because it has a p-value greater than 0.05.

Table 3. Hypothesis Testing

	Original Sample (C	Sample Mean (M)	Standard Deviatior	T Statistics (|O/ST	P Values
attitude -> inten...	0.607	0.612	0.277	2.192	0.029
ease -> attitude	0.041	0.042	0.053	0.762	0.447
ease -> use	0.845	0.845	0.036	23.267	0.000
use -> attitude	0.931	0.930	0.048	19.376	0.000
use -> intention	0.216	0.213	0.282	0.767	0.443

It can be concluded that:

- Perceived Ease of Use has a positive effect on the Perceived Usefulness of equity crowdfunding.
- Perceived Ease of Use does not affect Attitude Toward Using equity crowdfunding.
- Perceived Usefulness does not affect Attitude Toward Using equity crowdfunding.
- Perceived Usefulness has a positive effect on the Behavior Intention toward equity crowdfunding.
- Attitude Toward Using has a positive effect on the Behavior Intention toward equity crowdfunding.

The path coefficient obtained from the test results is as follows.

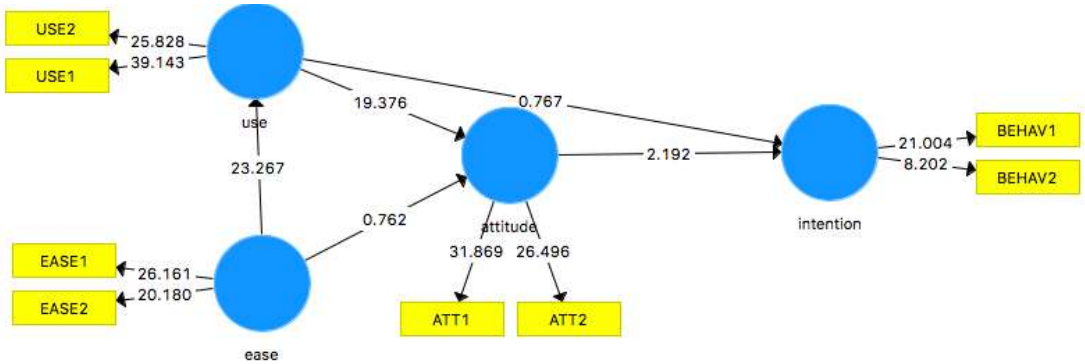

Figure 3. Path coefficient

The value of R Square Adjusted for this test is 0.479. This shows that the independent variable affects the dependent variable by 47.9%. Other independent variables are variables that do not exist in this research model.

Discussion

The results of the hypothesis test show that Perceived Ease of Use has a positive effect on Perceived Usefulness. According to Davis (1989), Perceived usefulness is the extent to which a person believes that the use of a particular system will improve performance, while perceived ease of use is the degree to which a person believes that the use of a particular system will make it easier to do something.

The test results conclude that MSME actors believe that the convenience provided by the equity crowdfunding platform will improve MSME performance. The equity crowdfunding platform that can be accessed via the web or application greatly facilitates MSME users in seeking funding from investors.

Bin (2018) who conducted a study on the crowdfunding-waqf model (CWM) in Malaysia stated that the ease of using a platform will attract interest in using the platform. The easier it is to use the equity crowdfunding platform, the greater the belief that the use of this platform will improve MSME performance.

The next hypothesis test shows that perceived usefulness affects behavioral intention. This result is consistent with Davis (1989) who states that perceived usefulness affects behavioral intention. Perceived usefulness indicates how an individual's behavioral intention in using technology will predict how the individual's behavior towards the technology will be.

In the world of information technology, intention is also recognized as a major factor influencing behavior. In the Technology Acceptance Model, there is a behavioral intention construct which is a tendency to use a technology (Jogiyanto, 2007). Jogiyanto (2007) shows that behavioral intention is a good prediction of the use of technology by system users. If a product raises behavioral intentions in its users, then the technology service product will be able to survive and be able to win the competition.

According to Fishbein and Ajzen (1972), there is a specific relationship between tendencies and the emergence of behavior. A person will perform a behavior if it has the intention. Dash et al. (2011) who examined the use of internet banking also found that perceived usefulness and perceived ease of use were important factors in influencing internet banking usage intentions or behavioral intentions.

In equity crowdfunding, the benefits obtained by users, namely MSME actors make them have the desire to use a platform. Some of the benefits of equity crowdfunding include facilitating access to capital, reducing pressure on management, and providing profitable returns. Perwitasari (2022) shows that the convenience of the financial technology platform will attract MSME actors to use the platform.

Crowdfunding platforms allow entrepreneurs to showcase their projects to more potential investors (Mollick, 2014). In contrast to conventional forms of financing, equity crowdfunding does not result in dilution of ownership. In addition, there is still a possibility that the company can become more developed and provide profitable returns for investors.

According to Davis (1989), Attitude Towards Using is a person's positive or negative feelings when he has to perform the specified behavior. The results of the hypothesis test show that this feeling has a positive effect on the tendency to use the equity crowdfunding platform.

The attitude gained from knowledge of a platform or experience in using a technology platform will encourage MSME actors to use this platform. This conclusion illustrates that platform recognition programs are an important factor because they can be a medium for introducing platforms to MSME actors (Moritz et al., 2015; Giudici et al., 2013).

Individuals with high behavioral intention have the urge to perform a behavior in this case using the equity crowdfunding platform.

Darmansyah et al. (2020) show that the latent variable "acceptance model" is the most influential factor in using Islamic financial technology. According to Fishbein and Ajzen (1972), behavioral intention shows how strong a person's desire or encouragement is to perform certain behaviors.

Behavioral intention can then be used to predict future technology acceptance behavior. Thus, it is necessary to develop a way that can generate a positive attitude towards the existence of equity crowdfunding.

Conclusions

The results of this research conclude that Perceived Ease of Use has a positive effect on Perceived Usefulness, Perceived Usefulness has a positive effect on Behavior Intention and Attitude Toward Using has a positive effect on Behavior Intention of equity crowdfunding financial technology.

This research is important because MSMEs, which have a positive role in development, do not get much access from formal financial institutions. Ignorance of utilizing this platform can mean losing opportunity costs that have a major impact on MSMEs and the national economy. By identifying the knowledge and interest of MSME actors in equity crowdfunding, the right strategy can be formulated for developing a financing model through crowdfunding.

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