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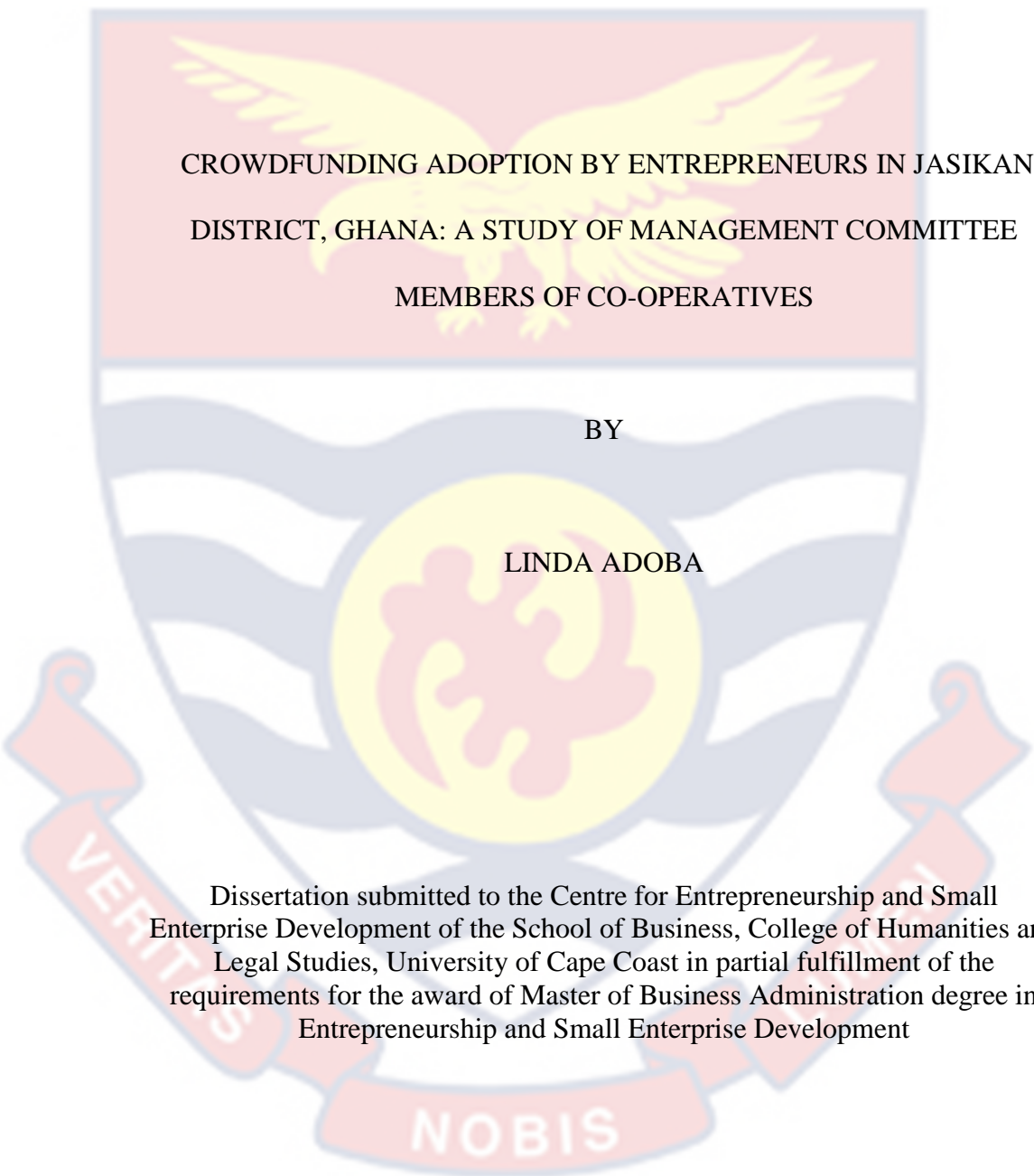
The background features a large, faint watermark of the University of Cape Coast crest. The crest is a shield with a red top section containing a yellow eagle with wings spread. Below the eagle are blue and white wavy lines. In the center is a yellow circle with a red stylized human figure. At the bottom, a red ribbon contains the Latin motto 'VERITAS LUMEN NOBIS'.

CROWDFUNDING ADOPTION BY ENTREPRENEURS IN JASIKAN  
DISTRICT, GHANA: A STUDY OF MANAGEMENT COMMITTEE  
MEMBERS OF CO-OPERATIVES

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UNIVERSITY OF CAPE COAST



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BY

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Legal Studies, University of Cape Coast in partial fulfillment of the  
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Entrepreneurship and Small Enterprise Development

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## DECLARATION

### Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature: ..... Date: .....

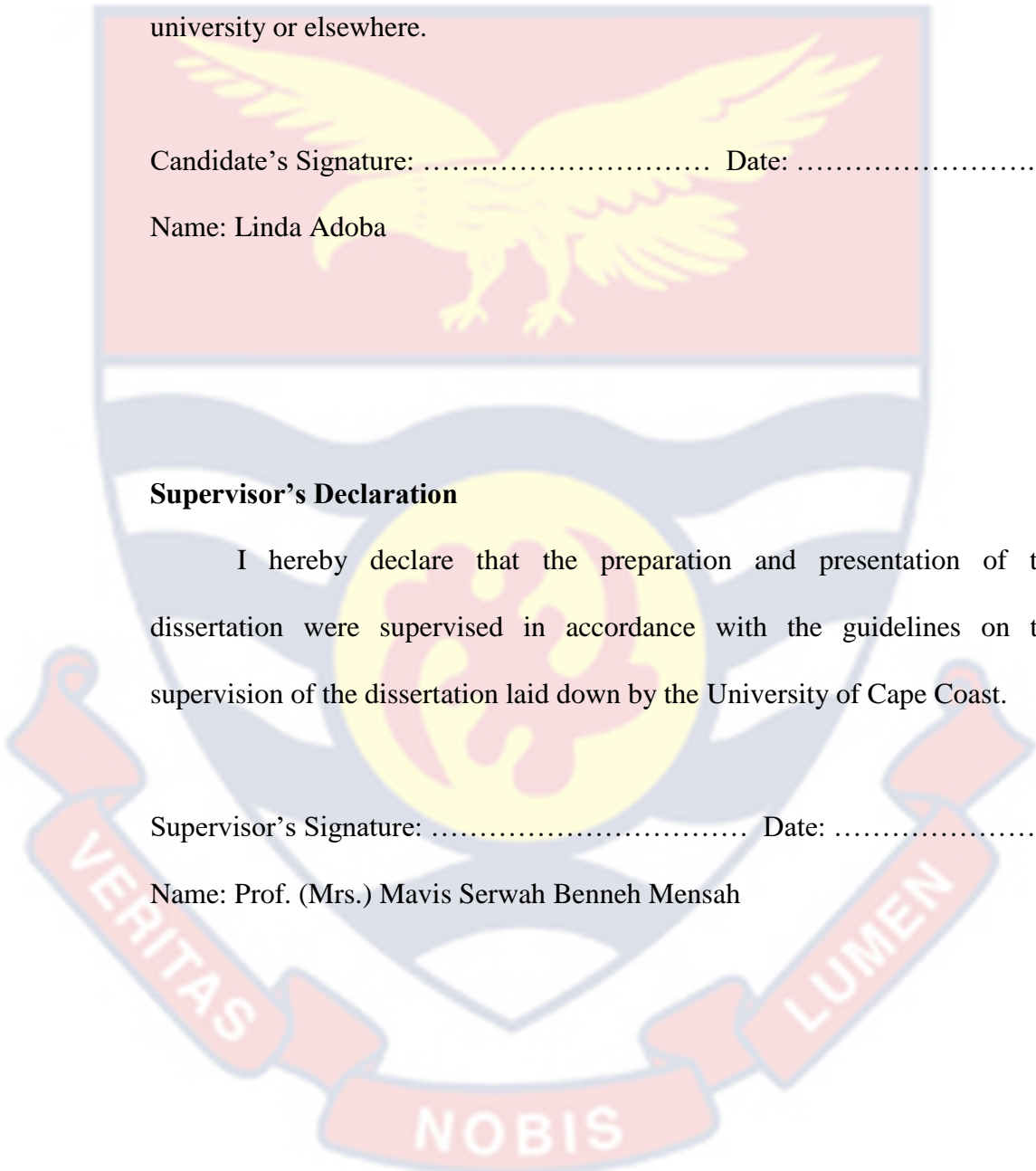
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### Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on the supervision of the dissertation laid down by the University of Cape Coast.

Supervisor's Signature: ..... Date: .....

Name: Prof. (Mrs.) Mavis Serwah Benneh Mensah



## ABSTRACT

To address the financial challenges facing small and medium-sized enterprises (SMEs), new funding options like crowdfunding have emerged. Understanding how entrepreneurs perceive and are prepared to use crowdfunding is essential. Thus, this study aimed to explore entrepreneurs' intentions and the factors influencing their inclination to adopt crowdfunding in the Jasikan District of Ghana, drawing on the pecking order theory and the theory of planned behavior. Employing a quantitative approach and cross-sectional survey design, the study surveyed a random sample of 196 entrepreneurs, achieving a 92 percent response rate. The target group comprised management committee members of cooperatives in the district. Analyzing the data involved both descriptive statistics using SPSS version 25 and structural equation modeling to assess the objectives. The findings revealed a low level of crowdfunding adoption among entrepreneurs, with a generally modest intention to adopt crowdfunding. Attitude towards crowdfunding and subjective norms significantly predicted a marginal increase in intention to adopt crowdfunding, whereas perceived behavioral control did not exert a statistically significant positive influence. A primary obstacle to crowdfunding adoption was identified as the lack of information and education. Despite crowdfunding not being entirely novel, its application for business funding, particularly leveraging the internet, presents a relatively new concept necessitating stakeholder education through research and pilot initiatives. Entrepreneurs are encouraged to foster platforms within their cooperatives for discussions and education on innovative approaches beneficial to business growth.

**KEY WORDS**

Crowdfunding

Determinants

Entrepreneurs

Intentions

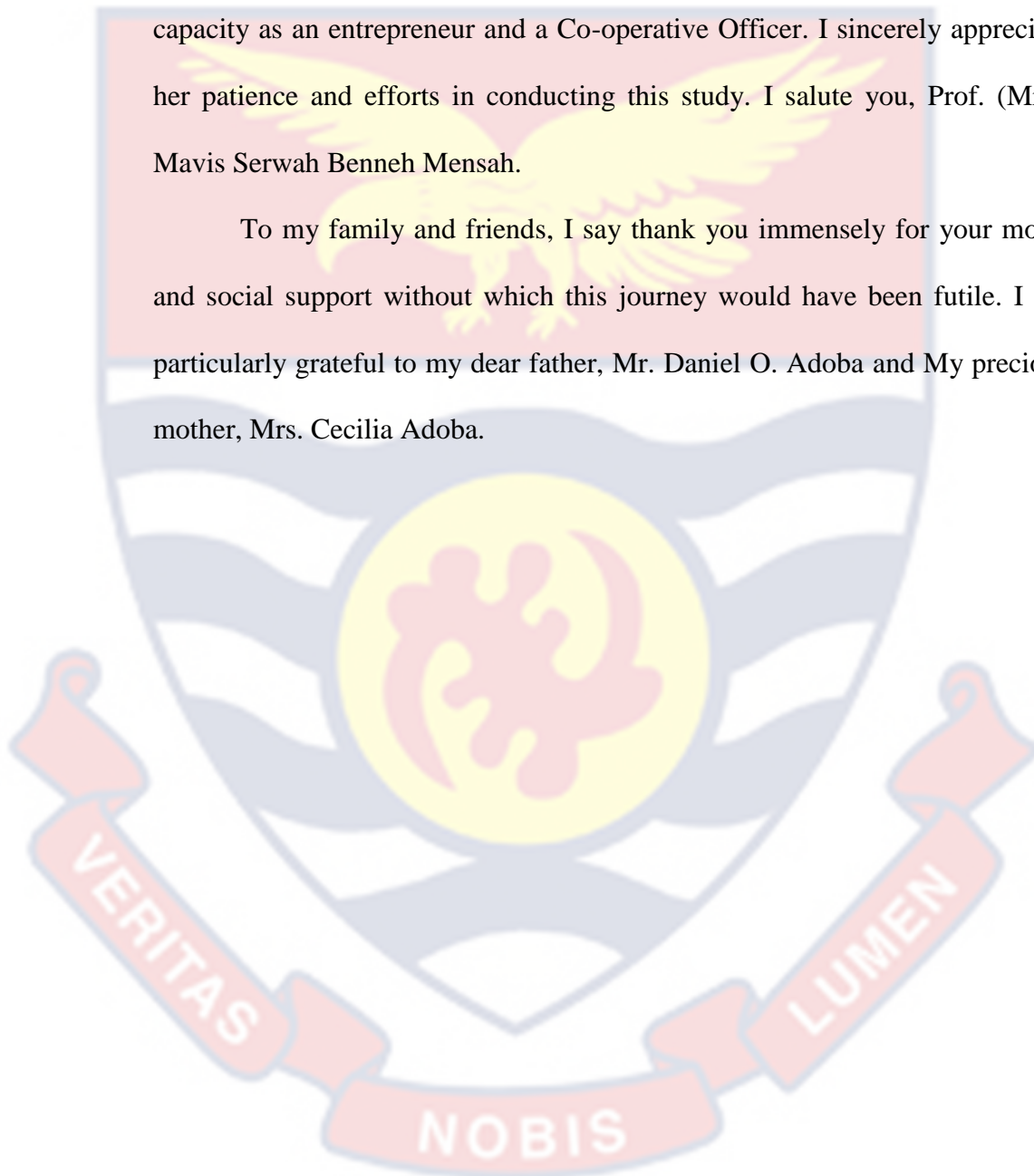
Micro small and medium-sized enterprises



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## DEDICATION

To my dear son, Prince Philip Afun.





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### LIST OF ACRONYMS

POT	Pecking order theory
MSMEs	Micro small and medium-sized enterprises
TACT	Target, action, context and time
TPB	Theory of planned behavior
PBC	Perceived behavioral control



## CHAPTER ONE

### INTRODUCTION

With scientific advances and technological developments, crowdfunding is expanding as an alternative and a more convenient form of financing SMEs (Baber, 2020; Chao et al., 2020). To promote entrepreneurship and small enterprise development in the Ghanaian economy, entrepreneurs need to explore the adoption of innovative approaches, including crowdfunding. According to Steinberg and DeMaria (2012), the successful adoption of any new technology or innovation is influenced by various economic and psychological factors, which must be evaluated to better understand the acceptance, nature, and effectiveness of crowdfunding. This paper employs the pecking order theory and the theory of planned behavior to investigate the determinants of the intention to adopt crowdfunding among entrepreneurs who serve as management committee members of cooperatives in the Jasikan District, Ghana.

#### **Background to the Study**

Micro, small, and medium-sized enterprises (SMEs) are widely recognized as crucial drivers of economic development, contributing significantly to economic activity, employment, innovation, and overall growth (Rasheed et al., 2019). Access to finance is vital for SMEs across all stages of their business life cycle, including startup, development, and growth, to sustain their role in economic advancement (Kochen, 2022). Historically, the primary sources of finance for businesses have been internal funds, debt, and equity finance, as noted by Moedl (2019). This perspective aligns with the pecking order theory, which underscores the hierarchical nature of finance



sources for businesses, emphasizing internal sources, debt, and equity (Walthoff-Borm, Schwienbacher, & Vanacker, 2018).

The pecking order theory posits that a company should prioritize financing itself internally through retained earnings. If this option is not feasible, the next preference is to secure financing through debt. Issuing new equity should only be considered as a last resort (Indomo & Lubis, 2022). Nevertheless, Bellavitis et al. (2017) highlighted a growing concern: entrepreneurs, facing insufficient internal resources and limited access to debt and equity funding, are turning to alternative sources like crowdfunding.

The adoption of crowdfunding in Africa is still in its early stages compared to other regions, as noted by Chao et al. (2020). Berndt and Mbassana's research (2016) illustrate that although many African entrepreneurs have limited knowledge of crowdfunding, they express interest in utilizing it once they become familiar with the concept. Belleflamme et al. (2014) define crowdfunding as a method of raising funds from a large audience, with each individual contributing a small amount, in contrast to seeking large sums from a select group of sophisticated investors. Stemler (2013) emphasizes that crowdfunding stands apart from traditional investment avenues, as it does not require collateral or extensive credit history assessments for fund seekers. Instead, a novel idea with an appealing business model is often sufficient to attract investors and secure funds on crowdfunding platforms.

Islam and Khan (2021) further elaborated that crowdfunding offers advantages such as reduced transaction costs, absence of geographical limitations, and a quicker fundraising process compared to traditional funding

methods. Ziegler et al. (2018) supported this notion by citing data from the Cambridge Centre for Alternative Finance, which indicated that African crowdfunding volumes across various models totaled \$182 million in 2016, marking a 118 percent increase from \$83 million in 2015. Regionally, West Africa accounted for 41 percent of these volumes, Southern Africa for 28 percent, Eastern Africa for 24 percent, with the remaining 7 percent distributed across North and Central Africa.

Development organizations, such as the World Bank and infoDev, have been instrumental in facilitating responsible crowdfunding by assisting stakeholders in the developing world in implementing effective policies and suitable regulatory frameworks. The World Bank, in particular, has a distinctive capability to provide infrastructure, enhance capacity, and make investments (both directly and indirectly) that have the potential to amplify the reach of crowdfunding and alleviate obstacles to financing entrepreneurs and SMEs (InfoDev, 2013).

The Ghanaian government is actively pursuing initiatives to encourage alternative financing options for businesses in the country. On February 4th, 2021, the Bank of Ghana introduced a policy aimed at fostering and regulating the development and utilization of crowdfunding products and services within the banking sector. This initiative aligns with the Bank's objective to modernize the banking industry in a way that caters to the diverse needs of the population and promotes financial inclusion. As per the policy set forth by the Bank of Ghana, permitted models of crowdfunding include donation-based and reward-based crowdfunding (Crowdfunding Policy, Bank of Ghana).

Wolf (2017) argued that the crowdfunding phenomenon aligns with the traditional communal reciprocity culture and behavior observed among individuals in sub-Saharan Africa. This perspective is also echoed by Berndt (2016), who views crowdfunding as a contemporary manifestation of credit associations in the African context, wherein individuals invest in one another's businesses. The crowdfunding policy introduced by the Bank of Ghana further emphasizes this connection, referring to crowdfunding as "susu," "nnoboa," or "ntoboa," which involves pooling funds, typically in small amounts from individuals, to support various projects or causes. This practice has traditionally been utilized by families, groups, or communities to raise funds to address the needs of their members (Crowdfunding Policy, Bank of Ghana).

This study also acknowledges the resemblance between the crowdfunding phenomenon and the concept of cooperatives, as defined by the International Cooperative Alliance (ICA) as an independent organization of individuals who come together voluntarily to address their shared economic, social, and cultural interests and aspirations through a collectively owned and democratically managed enterprise. Recognizing the significant influence of entrepreneurs in the decision-making processes of enterprises, there is a growing emphasis on understanding the socio-psychological factors that impact the financial behavior of micro, small, and medium-sized enterprises (MSMEs). This has been identified as a crucial area for research (Rasheed & Siddiqui, 2019).

Venkatesh et al. (2012) suggests that the potential for utilizing a resource hinge largely on the responses and intentions of potential consumers or users. Numerous models have been proposed to explore these intentions,

with the theory of planned behavior (TPB), introduced by Ajzen in 1985, emerging as the most commonly employed model for investigating intentions (Zaremohzzabieh et al., 2019). The TPB framework comprises three key variables: attitude toward the behavior, subjective norm, and perceived behavioral control (PBC). These variables collectively contribute to forming a "behavioral intention," which subsequently influences actual behavior (Ajzen, 2002). This study aims to investigate the intentions and the factors influencing the intentions of entrepreneurs who serve as members of management committees of cooperatives to adopt crowdfunding.

### **Statement of the Problem**

Abraham and Schmukler (2017), showed that, despite SMEs' significant contributions to the economy, access to financing and funding is relatively limited compared to large enterprises. Bruton et al. (2014), also noted that SMEs are less likely to have formal bank loans or other lines of credit because they tend to be young, and informal and operate in unfamiliar business sectors which discourages conventional financial institutions from serving them. According to Belleflamme et al. (2014), the use of internal financing through personal funds, family, and friends, also called bootstrapping remains one of the most used options for financing enterprises. To overcome the financing crisis of SMEs, some alternative sources have recently emerged and crowdfunding is one of them (Paschen, 2017).

According to Stemler (2013), crowdfunding greatly suits start-ups trying to convert innovative ideas into feasible businesses and young businesses trying to grow. Thus, the adoption of crowdfunding by start-ups is needed for existence and growth in the challenging business market. However,



the better acceptance of any new technology and innovation is influenced by numerous economic and psychological factors and those should be assessed to understand the better acceptance nature and success of crowdfunding (Steinberg & DeMaria, 2012).

Hasan et al. (2017), espoused that, there is a scarcity of crowdfunding research in developing countries and the pattern of crowdfunding adoption remains unexplored. Although there are numerous studies in the field of crowdfunding, there are only a few in the context of Ghana and none in the Oti Region specifically. Mollick (2014, p. 1) argues, “even basic academic knowledge of the dynamics of crowdfunding is lacking”. Therefore, as Jones, Coviello, and Tang (2011, p. 632) suggest for a young discipline, “an awareness of the inconsistencies, issues, and nature of the phenomena under study, as well as the surrounding interim debates are fundamental for the development of theory and paradigmatic unity”.

A study by Ahoussi (2014), investigated the ease of access to capital by SMEs in the Ghanaian economy. The study explored the Crowd investment concept as a solution to the financing problem faced by businesses in Ghana. Even though the study found that the current Ghanaian investment and business environments are favorable to the concept, it also revealed the necessity of education in the success of the concept in the country. Another study by Pawlowsk (2019), investigated some reasons accounting for the underutilization of crowdfunding as a financial source among selected SMEs in Accra and found that SMEs in Accra and Ghana at large do not utilize crowdfunding as their source of financing. It also revealed that the underutilization of crowdfunding for SME financing in Accra is largely due to

some reasons such as lack of education, and legal, government, personal, and socio-cultural related issues.

Furthermore, a World Bank report proposed that cultural and behavioral readiness to adopt crowdfunding should be assessed along with the readiness of technology, capital, and regulations before implementing crowdfunding in developing countries (infoDev, 2013).

Based on the preceding discussions and the findings from the review of related literature, two key conclusions can be drawn regarding the research problem addressed in the study. Firstly, the extensive review of literature indicates a scarcity of published research on crowdfunding in Ghana, particularly within the context of the Oti Region. Secondly, there is a significant gap in understanding the willingness or intention of entrepreneurs to adopt crowdfunding in Ghana, specifically in Jasikan. The existing literature predominantly draws upon experiences from developed countries, highlighting the need for research in a developing country setting to enhance the evolving literature on this subject matter. This study thus aims to fill the research gap by investigating the intentions of entrepreneurs and the determinants of their intentions to adopt crowdfunding in the Jasikan District of Ghana using the theory of planned behavior as a guide.

### **Purpose of the Study**

The purpose of the study was to examine the intentions and determinants of entrepreneurs' intention to adopt crowdfunding in the context of the Jasikan District in the Oti Region of Ghana.

### **Research Objectives**

The specific objectives of the study were to:



1. assess the extent of adoption of crowdfunding by entrepreneurs.
2. examine the intention of entrepreneurs to adopt crowdfunding.
3. analyze the determinants of the intention to adopt crowdfunding by entrepreneurs.
4. assess the barriers that confront the entrepreneurs in adopting crowdfunding.

### **Research Questions**

The study sought to address the research objectives by finding answers to the following questions;

1. To what extent do entrepreneurs adopt crowdfunding?
2. What are the intentions of entrepreneurs to adopt crowdfunding?
3. What are the determinants of the intention to adopt crowdfunding by entrepreneurs?
4. What are the barriers that confront entrepreneurs in adopting crowdfunding?

### **Research Hypotheses**

The following hypotheses relate to the third research objective; to analyze the determinants of the intention to adopt crowdfunding by entrepreneurs. The hypotheses are based on the theory of planned behavior. The items of attitude construct were taken from Nguyen et al. (2019), social norms from Farrukh et al. (2019), and perceived behavioral control from Nguyen et al (2019).

#### **Hypothesis 1**

H<sub>0</sub>: The attitude of entrepreneurs does not have a significant influence on their intention to adopt crowdfunding.

H<sub>1</sub>: The attitude of entrepreneurs has a significant influence on their intention to adopt Crowdfunding.

### **Hypothesis 2**

H<sub>0</sub>: Subjective norms of entrepreneurs do not have a significant influence on their intention to adopt crowdfunding.

H<sub>1</sub>: Subjective norms of entrepreneurs have a significant influence on their intention to adopt crowdfunding.

### **Hypothesis 3**

H<sub>0</sub>: Perceived behavioral control of entrepreneurs does not have a significant influence on their intention to adopt crowdfunding.

H<sub>1</sub>: Perceived behavioral control of entrepreneurs has a significant influence on their intention to adopt crowdfunding.

### **Significance of the Study**

Whether the Ghanaian entrepreneur is willing to or intends to adopt crowdfunding is one of the main factors that determine the feasibility of crowdfunding in Ghana. This study therefore seeks to examine the intention, determinants, and barriers to the adoption of crowdfunding by entrepreneurs. Not only will this research add significantly to the literature and knowledge on crowdfunding in Ghana, but the outcome of this study will benefit entrepreneurs through the findings and recommendations for overcoming barriers to the adoption of crowdfunding as an alternative source of financing for enterprises.

The findings of this study would also provide policymakers with the necessary information needed to inform policies about crowdfunding. As the credit gap is a common phenomenon in developing countries, this research can

serve as a benchmark for other developing countries that wish to explore the crowdfunding concept.

### **Delimitations**

This study is limited to only entrepreneurs who are members of management committees of registered co-operatives in the Jasikan District. The study, mainly, examines the intention and determinants of the intention to adopt crowdfunding by the entrepreneurs as it pertains to their SMEs independent of the co-operatives they belong to. Variables explored include attitudes, subjective norms, and perceived behavioral control.

### **Limitations**

This study employed the quantitative research approach where improper representation of the target population could affect the study's findings. This study is limited to only entrepreneurs who are members of management committees of registered co-operatives in the Jasikan District thus making other entrepreneurs in the district not participants. The results of the study can therefore not be generalized to a larger population, but rather be suggested. Also, the survey for this study adopted closed-ended Likert-type statements which limited the amount of information that the respondents may provide concerning the main variables of the study.

### **Definition of Terms**

Several variables and terms were employed in the study. Below are some key terms and their definitions, as used within the context of the study.

**Entrepreneur:** This study adopts Zimmerer and Scarborough's definition of the entrepreneur as quoted in Harizan and Mustafa (2020) as the "one who creates a new business in the face of risk and uncertainty to achieve profit and

growth by identifying significant opportunities and assembling the necessary resources to capitalize on them”.

**Crowdfunding:** this study adopts the definition of crowdfunding as operationalized by Mollick (2014), who defines crowdfunding as the efforts by entrepreneurial individuals and groups with cultural, social, and for-profit objectives to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries. This study focuses on the reward-based and donation-based crowdfunding models.

**Determinants** of the intention to adopt crowdfunding were operationalized as factors that affect the intentions to engage in crowdfunding and perceived behavioral control (PBC) over crowdfunding. Thus, Crowdfunding determinants are the intentions of entrepreneurs to adopt crowdfunding and perceived behavioral control over crowdfunding.

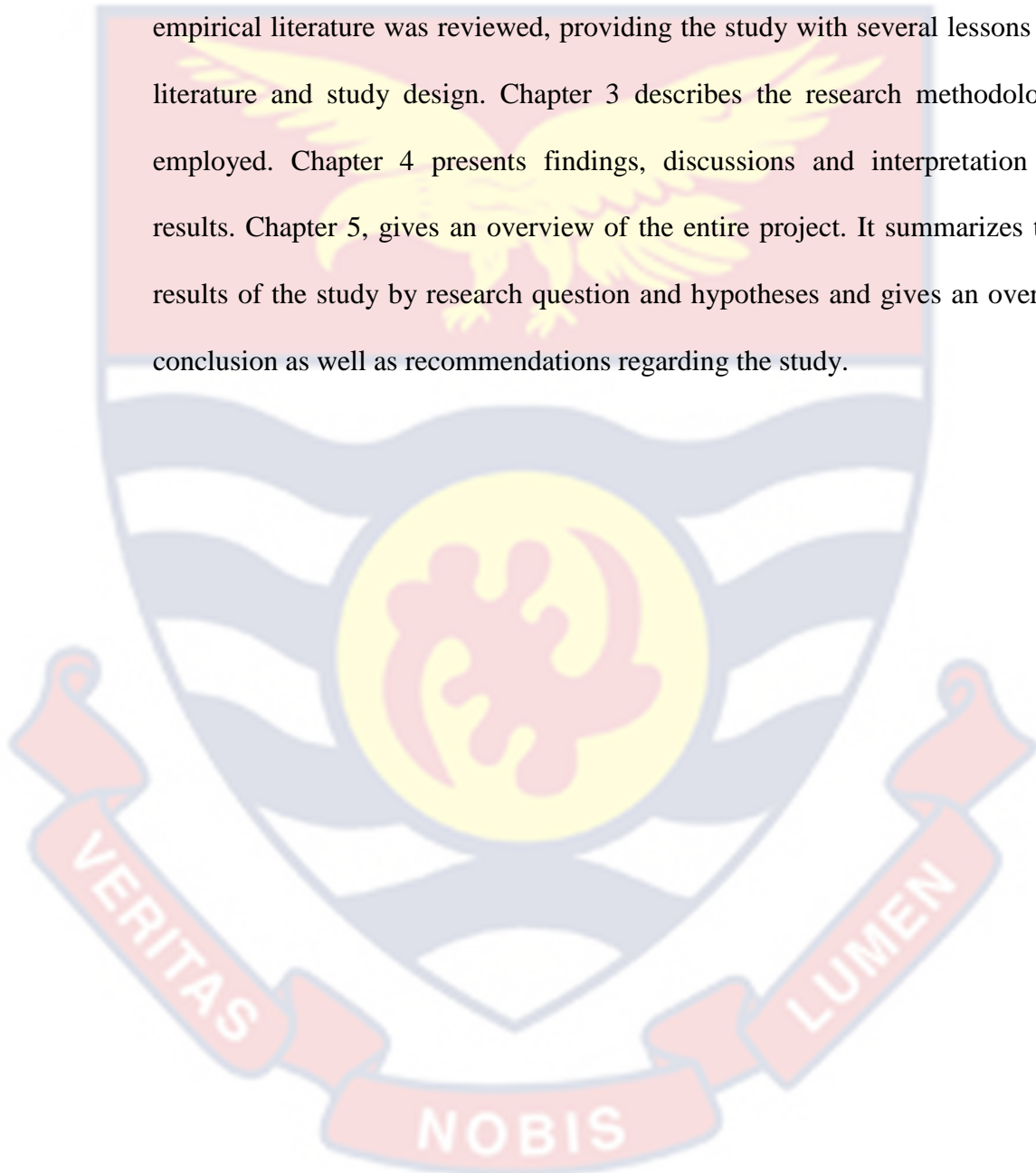
**Intention:** Ajzen (1991, p. 181) defines behavioral intention as ‘indications of how hard people are willing to try, of how much of an effort they are planning to exert, to perform the behavior’. Hence, intention to adopt crowdfunding was defined as the willingness to adopt crowdfunding.

**MSMEs:** This study focused on the employee size of the MSME which according to Abor and Quartey (2010), was defined by the Ghana Enterprise Authority formerly the National Board for Small Scale Industries as; Micro; 1-5 employees, Small; 6 – 29 employees, Medium; 30 – 99 employees.

### **Organization of the Study**

This dissertation sought to examine the intentions and determinants of the intentions of entrepreneurs to adopt crowdfunding as an alternative source

of funding. The organization of this dissertation is as follows. Chapter 1 gives a brief introduction and background to the study as well as research questions, objectives, and hypotheses. Chapter 2 introduces the theoretical and conceptual literature review of pecking order and planned behavior. Relevant empirical literature was reviewed, providing the study with several lessons on literature and study design. Chapter 3 describes the research methodology employed. Chapter 4 presents findings, discussions and interpretation of results. Chapter 5, gives an overview of the entire project. It summarizes the results of the study by research question and hypotheses and gives an overall conclusion as well as recommendations regarding the study.





## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

This Chapter consists of a thematic review of related theories and concepts. The theoretical review includes a presentation and discussion of two theories that underpin the study while the conceptual review takes a look at key concepts and how these relate to guide the achievement of the research objectives. Related empirical studies were reviewed and lessons were learnt from the literature. Finally, lessons learned from the review of the literature were used to advance a conceptual framework for this study.

#### Theoretical Framework

The theoretical review begins with the pecking order theory which relates to a firm's capital structure. According to Myers and Majluf (1984), the pecking order theory espoused that managers follow a hierarchy when considering sources of financing. The study adopted the pecking order theory because it provides valuable insights into the funding streams available to firms. The study also draws on the theory of planned behavior (Ajzen, 2011), to analyze and determine the intention of entrepreneurs to adopt crowdfunding.

#### Pecking Order Theory

The pecking order theory was made popular by Myers and Majluf (1984) who espoused that, a firm will finance its activities according to a hierarchical order that starts with internal funding, followed by debt, and as a last resort equity (Myers & Mailuf, 1984). In this theory, preferential financial order has been assumed for choosing funding source. Myers (1984) postulates



that firms always prefer internal financial sources such as retained earnings as these are less costly than external sources. Therefore, when internal financing sources become less sufficient, the firm will move towards external funding through borrowing. The last preference is to issue equity financing.

This theory is related to capital structure and how businesses and entrepreneurs prioritize certain forms of funding over others. Moedl (2019) asserts that the pecking order theory constitutes a sort of hierarchy of financing where internal funds is top on the hierarchy followed by debt and at the bottom is equity finance. According to Myers, firms resort to the stated hierarchy of financing due to the presence of information asymmetries and transactional costs that firms face when raising capital from external sources (Myers, 1984).

In a closely related study, Jarallah, Saleh and Salim (2018), espoused that pecking order theory has some linkage to asymmetric information because entrepreneurs unlike potential investors have better information about their firms. These information ranges from future prospects of the firm to the risky nature as well as the value of the firm. The pecking order theory can also be explained by the existence of transaction costs. Baskin (1989), suggested that, transaction costs associated with external finance play an important role in selecting financing sources and that firms will first use internal equity financing, followed by external debt financing and finally external equity financing.

When external financing is necessary, the theory emphasizes that the choice of different finance opportunities rely heavily on the relative costs and the lowest risk for the investment (Myers, 1984; Boadi et al., 2015). Many

scholars have attempted to test the pecking order theory to show if it is of first-order importance in determining a firm's capital structure, with several authors finding that there are instances where it is a good approximation of reality. Frank and Goyal (2003) show among other things that, the pecking order theory fails to hold for small firms where information asymmetry is presumably an important problem.

The study chose to adopt the pecking order theory due to its ability to provide valuable insights into the available funding options for firms. Additionally, research by Zeidan, Galil, and Shapir (2018) demonstrates that owners of small firms in Brazil typically adhere to the principles of the pecking order theory. Consequently, this study utilizes the pecking order theory to elucidate the adoption of the donation-based crowdfunding model, which represents a form of internal financing and is considered a less costly crowdfunding approach. This alignment with the pecking order theory is consistent with the assertion by Myers (1984) that firms generally prefer internal financial sources, such as retained earnings, as they are less expensive than external sources such as debt and equity.

### **Theory of Planned Behaviour**

The theory of planned behavior posits that 'intentions to perform behaviors of different kinds can be predicted with high accuracy from attitudes towards the behavior, subjective norms, and perceived behavioral control; and these intentions, together with perceptions of behavioral control, account for considerable variance in actual behavior' (Ajzen, 1991, p. 179). According to the theory, the intention to perform a behavior is formed by beliefs categorized into behavioral beliefs captured as attitude toward behavior, normative beliefs

captured as subjective norms, and control beliefs captured as perceived behavioral control, respectively. A general rule of the theory is that the stronger the intention to engage in a behavior, the more likely it would be performed (Mensah, 2016; Ajzen, 2011a).

The theory relies on several assumptions. Firstly, it is assumed that individuals process information based on their biological and environmental factors. The implication is that cognitive self-regulation is an important aspect of human behavior (Ajzen, 2011b). This assumption agrees with a fundamental feature of extrinsic motivation which is said to reflect external control or true self-regulation of a given behaviour (Ryan & Deci, 2000). Secondly, it is assumed that factors that would determine intention to act would vary across behaviours and situations. Thirdly, behavioural beliefs comprise attitudes toward the behaviour, normative beliefs constitute the underlying determinants of subjective norms, and control beliefs provide the basis for perceptions of behavioural control (Ajzen, 2011b; Côté et al., 2012).

Ajzen (2002, p. 9), explains that 'belief strength and outcome evaluations for the different accessible beliefs provide substantive information about the attitudinal considerations that guide people's decisions to engage or not to engage in the behaviour under consideration'. Similarly, normative beliefs should be measured by assessing normative belief strength and motivation to comply while control beliefs should be measured by assessing control belief strength and control belief power (Ajzen & Klobas, 2013; Pearson & Hamilton, 2014).

This study adopted the theory of planned behaviour because it is a relatively mature theory that provides a robust framework for studying human

social behavior, including the intention to adopt crowdfunding. The theory of planned behavior continues to exert significant influence as a model for predicting human social behavior, owing to its broad applicability across diverse disciplines and activities, as well as its robust predictive capacity (Ajzen, 2014; Kautonen et al., 2015). Despite its relevance in explaining various forms of human social behavior, the theory of planned behavior has faced criticism, such as that by Miniard and Cohen (1981) as captured in Mensah, (2016), for its perceived unnecessary differentiation among the three types of beliefs and related constructs. However, Ajzen (2011b) contends that such differentiation is justified to enable separate measurement of beliefs for theoretical and practical purposes, such as directing policy efforts towards specific issues.

### **Conceptual Review**

The review of theories produced several key concepts that are relevant to the study of the intentions of entrepreneurs of MSMEs to adopt crowdfunding as an alternative source of finance. These concepts include pecking order, crowdfunding, and planned behaviour.

### **Pecking Order**

The concept of the pecking order in firm financing was made popular by Myers and Majluf (1984). The concept of pecking order relates to a company's capital structure and espouses that managers follow a hierarchy when considering sources of financing. The concept of pecking order arises from the concept of asymmetric information which causes an imbalance in transaction power. Company managers typically possess more information regarding the company's performance, prospects, risks, and future outlook



than external users such as creditors (debt holders) and investors (shareholders). Therefore, to compensate for information asymmetry, external information users demand a higher return to counter the risk that they are taking. As opposed to external financing, internal financing is the cheapest and most preferred source of financing by SMEs (Abbasi et al., 2017).

Scholars have found support for the idea that entrepreneurs often prefer using cheaper internal funds, whenever available (Cosh et al., 2009; Hanssens et al., 2016). Michaelas et al., (1999) found that small UK firms make use of internally generated funds as a first resort while those making use of external funds tend to have lower profit levels (or, all else being equal, a lower level of internally generated funds). Vanacker and Manigart (2010) also show that in more profitable, high-growth firms, internally generated funds gradually replace external financing (e.g., external debt, traditional external equity).

Thus, entrepreneurial firms with more internal funds prefer financing projects internally. Debt is a more senior form of capital and thus less sensitive to private information than equity. Since equity is the relatively more expensive option associated with the most severe information asymmetries, firms will issue equity only when they have exhausted their debt capacity (Lemmon & Zender, 2010; Myers, 1984). In an attempt to minimise adverse selection costs, firms will therefore use internal finance first, then debt, and finally equity.

A lot of theoretical and empirical studies on this topic have been conducted but no consensus has been reached in the literature on the extent to which pecking order theory can explain the financing behaviour of firms (de Jong et al., 2011; Leary & Roberts, 2010; Fama & French, 2005; Frank &



Goyal, 2003). There are different interpretations and technical implementations of the theory's building blocks (Lemmon & Zender, 2010; Leary & Roberts, 2010). However, empirical studies tend to confirm the prediction of the pecking order theory about the preference for internal sources over external sources of finance, as shown in Frank and Goyal's (2008) review of the determinants of leverage. This serves as the basis for this study's operationalization of the pecking order.

### **Crowdfunding**

According to Mollick, (2014), crowdfunding finds itself in a juvenile state of scientific research. This is why various definitions of crowdfunding exist, none of which have received overall scientific acceptance. For instance, Belleflamme et al. (2014, p. 588), defined crowdfunding as “an open call, essentially through the Internet, for the provision of financial resources to support initiatives for specific purposes”. Mollick (2014), also operationalized crowdfunding as the efforts by entrepreneurial individuals and groups with cultural, social, and for-profit objectives to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries.

Furthermore, the Bank of Ghana in their crowdfunding policy document espoused that Crowdfunding has evolved from the localised collection of funds to support business ventures or individuals in communities, to a global platform where funds are solicited through the internet and social media for a similar agenda of funding projects. This survey ascribes to the definition espoused by the Bank of Ghana because it is the regulatory body of crowdfunding in Ghana. In this survey, the term crowdfunding is

operationalised as the practice used to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing a venture or idea.

The dimensions of crowdfunding differ in terms of the allocation of resources and the return to investors (Moritz & Block, 2014). According to the Bank of Ghana crowdfunding policy document, crowdfunding is divided into four models; donation-based crowdfunding where donors are usually empathetic to the initiator's campaign and willingly give to the cause expecting nothing in return, reward-based crowdfunding where contributors to a campaign are given non-financial rewards such as priority access to a successfully launched service or product or event, crowdlending (peer-to-peer lending) where individuals can lend money to individuals or businesses , and equity-based crowdfunding where Investors receive equity in the entity raising the funds or a share in its revenue (Bank of Ghana, 2021).

Peer-to-peer lending and equity crowdfunding are similar to external sources of funding which require considerable monetary returns on investment and involve higher levels of cost. According to the Bank of Ghana (2021), this type of crowdfunding falls within the regulatory jurisdiction of both the Bank of Ghana and the Securities and Exchange Commission and would require regulatory approval from the two entities. However, reward and donation-based crowdfunding are similar to internal sources of funding due to their relative ease of access and use. This study focuses on reward and donation-based crowdfunding models.

Table 1 below provided by Collins and Pierrakis (2012), comprehensively compares and contrasts the crowdfunding models.

**Table 1: Crowdfunding Models**

	Form of contribution	Form of return	Motivation of funder
Donation crowdfunding	Donation	Intangible benefits	Intrinsic and social motivation
Reward crowdfunding	Donation/pre-purchase	Rewards but also intangible benefits	Combination of intrinsic and social motivation and desire for reward
Crowdfunded lending	Loan	Repayment of loan with interest. Some socially motivated lending is interest free	Combination of intrinsic social and financial motivation
Equity crowdfunding	Investment	Return on investment in time if the business does well. Rewards are also offered sometimes. Intangible benefits other factors for many investors.	Combination of intrinsic social and financial motivation

Source: Collins & Pierrakis, Nesta Foundation (2012).

### Planned Behaviour

The concept of planned behaviour, as explained by the theory of planned behaviour (Ajzen, 1988), believes that to best predict behaviour, it is best to ask people if they intend to behave in a certain way. According to Ajzen (1988), three determinants explain the intent to behave in a certain way namely; the attitude (one's opinions about the behaviour), the subjective norm (other people's opinion about the behaviour) and the perceived behavioural

control (self-efficacy towards the behaviour). According to the theory of planned behaviour (Mensah, 2016; Kautonen et al., 2011; Conner & Armitage, 1998), attitude towards behaviour refers to the degree to which a person has a favourable or unfavourable evaluation of a given behaviour about desired opportunities such as advancement and pleasure.

Ajzen (1991) espoused that; the concept of perceived behavioural control is conceptually related to self-efficacy. Perceived behavioural control encompasses an individual's perceived ease or difficulty of performing a particular behaviour. It is assumed that this concept is influenced by the total set of accessible control beliefs which are factors that may facilitate or hinder performance of the behaviour. The final construct of planned behaviour is subjective norm which according to Ajzen (1988) is an individual's perception about the particular behaviour, which is shaped by the judgment of significant others such as parents, spouse, friends and peers. Subjective norms are people's perceptions of whether they are expected by their friends, their family, and society in general to perform a particular behaviour. Subjective norms reflect the concept of social proof as coined by Robert Cialdini in his 1984 book *Influence: Science and Practice*.

Cialdini (1984) espoused that, social proof also known as informational social influence is a psychological and social phenomenon wherein people copy the actions of others in choosing how to behave in a given situation. Social proof explains social situations where people are unable to determine the appropriate mode of behaviour, and is driven by the assumption that the surrounding people possess more knowledge about the current situation.



Pearson & Hamilton (as cited in Mensah, 2016) observed that, according to the theory, beliefs are assumed to provide the cognitive and affective foundations for the three constructs, thus measuring readily accessible beliefs in memory provides insight into the underlying cognitive foundation or considerations that guide human behaviour.

### **Empirical Review**

This section reviews related empirical studies on the two theories that underpinned the study, lessons learnt from the literature review and illustration of the conceptual framework of the study. The review begins with empirical studies on pecking order theory followed by empirical review on theory of planned behaviour. The section ends with presentation of the conceptual framework of the study which illustrates key concepts and relationships among the concepts.

### **Empirical Review on Pecking Order**

Despite a considerable amount of theoretical and empirical studies on this topic, there is no consensus in the literature on the extent to which pecking order theory can explain the financing behaviour of firms, as suggested by Shyam-Sunder and Myers (1999). However, the pecking order theory has been supported by many academicians. Consequently, various studies were reviewed to learn about the efficacy and extent to which pecking order theory can explain the financing behaviour of firms. The studies reviewed include those by Jarallah, et al. (2018), Fourati and Affes (2013), Medeiros and Daher (2005), Leary and Roberts (2010), Sheikh et al. (2012) and Frank and Goyal, (2003).



Frank and Goyal (2003) tested the pecking order theory of corporate leverage on a broad cross-section of publicly traded American firms for 1971 to 1998. They found that while large firms exhibit some aspects of pecking order behaviour, the evidence is not robust to the inclusion of conventional leverage factors, nor to the analysis of evidence from the 1990s. Financing deficit is less important in explaining net debt issues over time for firms of all sizes. Frank and Goyal (2003) ultimately concluded that the pecking order is not a good descriptor of broad financing patterns for American firms.

However, many research conducted on developing countries support pecking order theory. One such research by Jarallah, et al. (2018) empirically tested the traditional trade-off model against the pecking order model of capital structure using data from the Japanese listed companies on the Tokyo Stock Exchange. They pooled sample of 1,362 publicly listed nonfinancial companies from 1991 to 2015 to establish the relationship between leverage and its determinants by using the generalized methods of moments econometric framework. The results show that the financing pattern of Japanese firms is consistent with the basic pecking order model, which predicts external debt financing driven by the internal financial deficit.

Using the Panel Study of Entrepreneurial Dynamics, Fourati and Affes (2013) study if the problems of asymmetry and opacity of information, asset specificity, agency problem, and signaling theory predict the financial structure at inception. By analyzing the descriptive statistics, they found that novice entrepreneurs turn first to internal sources of finance and then to external debts, and finally to equity finance. This study proves the applicability of the Pecking order theory in the case of entrepreneurial firms.

In another related study, de Medeiros and Daher, (2005) tested if the pecking order theory provides an empirical explanation for the capital structure of Brazilian firms. They sampled 132 publicly listed firms and analysed accounting data for 2001. The methodology adopted in this empirical study involves cross-section regressions and the testing of hypotheses stemming from the underlying theory in its strong and weak forms. The pecking order theory sustains that, in its strong form, equity issues would never occur, whereas in its weak form, limited amounts of issues are acceptable. They concluded that the tested theory, in its weak form, is applicable to Brazilian firms, but the same does not happen with its strong form.

Similar to the study by de Medeiros and Daher (2005), the study by Sheikh et al. (2012) tested the pecking order theory for the capital structure of listed firms in Pakistan. The methodology adopted in this empirical study involves cross-section regressions and the testing of hypotheses stemming from the underlying theory in its strong and weak forms. A sample of capital structure of non-financial firms listed at KSE is considered from 2001 to 2008. A statistical tool of panel data regression analysis was used to test different firms' data. The value of  $r^2$ , t-test and F-Stat indicate firms in KSE supporting the weak form of pecking order theory, i.e., the option of using internal equity and debt is more preferred and a limited amount of external equity is used for reinvestment and fund-raising purposes.

Leary and Roberts (2010), in their study quantify the empirical relevance of the pecking order hypothesis using a novel empirical model and testing strategy that addresses statistical power concerns with previous tests.

While the classificatory ability of the pecking order varies significantly depending on whether one interprets the hypothesis in a strict or liberal manner, the pecking order is never able to accurately classify more than half of the observed financing decisions. However, when Leary and Robert (2010) expanded the model to incorporate factors typically attributed to alternative theories, the predictive accuracy of the model increases dramatically—accurately classifying over 80% of the observed debt and equity issuances.

Leary and Roberts (2010) drew data from the Compustat database over the period 1980–2005. They excluded financial firms (Standard Industrial Classification (SIC) codes 6000-6999) and utilities (SIC codes 4900-4999) to avoid capital structures governed by regulation. In line with previous capital structure studies, they trim the upper and lower 1% of each variable used in the analysis to mitigate the impact of data errors and outliers. The final sample consisted of 34,470 firm-year observations. Leary and Roberts (2010) ultimately showed that what little pecking order behaviour can be found in the data was driven more by incentive conflicts, as opposed to information asymmetry.

### **Empirical Review on Planned Behaviour**

The theory of planned behaviour has since its development proved to be a successful theory used to explain human behaviour in a wide range of fields including consumer behaviour, education and health care. According to Kuiken (2015), the theory of planned behaviour has been used in business administration to get insight into ethical behaviour of managers, adoption of new products or methods and entrepreneurship. Studies by various authors were reviewed which provided insights to the efficacy of the use of planned

behaviour to predict a variety of social behaviours. Studies by Kijkasiwat (2021), Rabia Rasheed and Sulaman Hafeez Siddiqui (2019), McLaughlin and Stephens (2019) and Baber (2022) were reviewed to provide insights on the efficacy of the theory of planned behaviour.

Kijkasiwat (2021), examined how behavioural factors of business owners' impact on their intention to use private finance in small and medium-sized enterprises (SMEs). The study adopted the theory of planned behaviour to investigate the effect of attitudes, subjective norms and perceived behavioural control on the choice and use of retained earnings and private equity by SMEs. The research sampled 5,943 SMEs across 29 countries from Eastern Europe and Central Asia and used partial least square structural equation modeling for the analysis. It was found that attitudes, subjective norms and perceived behavioural control of owners of SMEs' impact on their intention to use private finance at a statistically significant level of 1 percent. Kijkasiwat (2021) recommended that future studies explore SMEs in different setting in order to improve the generalizability of the findings.

Rasheed and Siddiqui (2019), in the context of Pakistan investigated the attitudinal factors of SMEs owner-managers' towards adoption of financial products. Unlike the study by Kijkasiwat (2021), which employed the three main constructs of the theory of planned behaviour (TPB) namely attitudes, subjective norms and perceived behavioural control, Rasheed and Hafeez (2019) only examined the influence of attitude on financial decision making of SMEs owner-manager. The attitude of SMEs owner-manager comprises of several factors; however, the study identifies few critical factors such as motivation, awareness and risk in the context of Pakistan.



With the help of a structured questionnaire, total 285 valid responses were analysed. The study used SPSS and partial least square-structural equation modeling techniques in order to conduct analysis. The results of the study highlight the importance of attitudinal factors such as awareness and risk. The results show that the low awareness level of owner-managers regarding financial products and procedures significantly affects their attitude. Moreover, the less knowledge of financing terms as well as dominant role of owner-managers in taking firm decisions also increase the negative effect of risk factor on SMEs entrepreneurs' attitude. The study suggested that policy makers should focus on the financial awareness of SMEs owner-manager to reduce the negativity of risk factor.

In another study, McLaughlin and Stephens (2019) sought to present a detailed empirical investigation of the social media adoption intentions of SME owner managers using the theory of planned behaviour and mixed methods approach. First, they conducted interviews to operationalize the components of the TPB, interviewing three academics, three SME consultants and two social media consultants. In regards to attitudinal beliefs, participants were asked their views on the advantages and disadvantages of using social media as a marketing tool in business. Concerning social influences, questions were posed to participants to identify possible individuals or groups that would either encourage or discourage the use of social media. Further questions studied control beliefs exploring participant's perceptions of factors which could be facilitating or barriers to engagement with social media.

In the second phase, they sent online surveys to 235 SMEs with a 38 percent response rate. Responses were measured on seven-point semantic



differential scales. Descriptive and correlational statistical approach was used to provide insights into trends within each of the variables and also how each of the underlying variables (attitudes, SN and PBC) are associated with social media usage intentions. The results showed that attitudes, perceived behavioural control and subjective-norm of SME owner managers were important variables to explain the SMEs intention to adopt social media.

In a related study, Baber (2022) studied the entrepreneurial intentions and use of crowdfunding to raise funds among university management students in South Korea. The study employed the theory of planned behaviour (TPB) and the influence of entrepreneurial education to examine entrepreneurial intentions. The items of attitude construct were taken from Nguyen et al. (2019), social norms (Farrukh et al., 2019) and perceived behavioural control from (Nguyen et al., 2019), Data was collected from 234 university management students in South Korea and was analysed through partial least square structural equation modelling (PLS-SEM) using SmartPLS 3.2. The data were collected through a web-based questionnaire survey by the convenience sampling technique. The results suggest a positive influence of attitude, perceived behavioural control and entrepreneurial education on entrepreneurial intentions.

### **Lessons From Empirical Review**

The review of related theories and concepts point to a number of key issues which informed the direction of this study. Firstly, the pecking order theory as proposed by Myers and Mailuf (1984) shows that, entrepreneurs will first adopt a low-cost source of finance namely the internal source of finance. Review of the crowdfunding concept also shows that, the donation and reward

based crowdfunding models are relatively low cost in that investors do not expect any monetary returns on investment thus, entrepreneurs will intend to adopt the donation and reward based crowdfunding models first.

The empirical literature reviewed provides a number of helpful methodological lessons that can be adopted towards the success of this research. The issues include study design, sampling procedure, data analysis, measurement of variables and scale of measurement. On lessons about study design, literature reviewed showed that most of the studies employed the quantitative research approach and the cross-sectional research design. Also, most of the researches employed the random sampling technique while others used the purposive sampling technique to select samples for the studies. All studies reviewed collected data using structured questionnaires. Pertaining to data analysis, most of the investigators used descriptive statistics and partial least square structural equation modeling to test the significant differences and relationships amongst demographic characteristics.

On measurement of variables, Baber (2022) adopted constructs from past studies where the items of attitude construct were taken from Nguyen et al. (2019), social norms (Farrukh et al., 2019) and perceived behavioural control (Nguyen et al., 2019). Finally, lesson on scale of measurement is from the review of theory of planned behaviour. The theory recommends the measurement of variables using the semantic differential scale due to its relative ease of use and the fact that the scale allows for parametric analysis (Ajzen, 2014). Variables, such as belief-based measures of the theory of planned behaviour, can be measured on a seven-point semantic differential or

Likert-type scales (Ajzen, 2011a), as demonstrated in the study by McLaughlin and Stephens (2019).

### **Conceptual Framework**

In consideration of prior studies and regulations, particularly the Bank of Ghana policy on crowdfunding issued on Thursday, 4th February 2021, crowdfunding was operationalised simply as the contribution of small sums of money by a large group of people to support a business venture or a charity work typically through the internet. In Ghana, crowdfunding contributions are not only via internet websites but also through mobile money wallets. Models of crowdfunding currently regulated by the Bank of Ghana's crowdfunding policy are donation-based and reward-based crowdfunding while the peer-to-peer lending and equity crowdfunding models are jointly regulated by the Bank of Ghana and the Securities and Exchange Commission (Bank of Ghana, 2021).

The non-investment crowdfunding models provide money mainly on the premise that an investor does not intend to gain any financial profit, such as interest or dividends (Hagedorn, 2013). Donors of this type of crowdfunding are usually empathetic to the initiator's campaign and willingly give to the cause. Contributors of a campaign are given non-financial rewards such as priority access to a successfully launched service or product (Bank of Ghana, 2021). The pecking order theory suggests that a firm will finance its activities in a specific order that sequentially starts with internal funding, followed by debt, and as a last resort equity (Myers, 1984). The reason for this 'pecking order theory' is said to be the presence of information asymmetries

and transactional cost that firms face when raising capital from external sources.

Entrepreneurs typically possess more information regarding the firm's performance, prospects, risks, and future outlook than external users such as creditors and investors. Therefore, to compensate for information asymmetry, external users demand a higher return to counter the risk that they are taking. In line with the Pecking order theory, it is expected that SMEs would first adopt the donation or the reward-based model of crowdfunding due to its relatively low transactional cost and no expected return on investment for the investors (Kim and Moor, 2017). Subsequently, crowd investment (debt-based followed by equity based) models should be used to fund growth.

Consequently, with the aid of the theory of planned behaviour, the conceptual framework on intention to adopt crowdfunding by entrepreneurs as seen in Figure 1 was constructed. In line with the theory of planned behaviour (Ajzen, 1991), it is proposed that attitude towards crowdfunding, perceived behavioural control over crowdfunding and subjective norm on crowdfunding could influence the intentions of entrepreneurs to adopt crowdfunding. According to Ajzen (2011b), intention to perform a particular behaviour is a strong predictor of actual behaviour. A study of intentions and associated determinants is, therefore, imperative to decision-making and the design and implementation of informed interventions in support of crowdfunding adoption (Ajzen, 2002; 2011b).



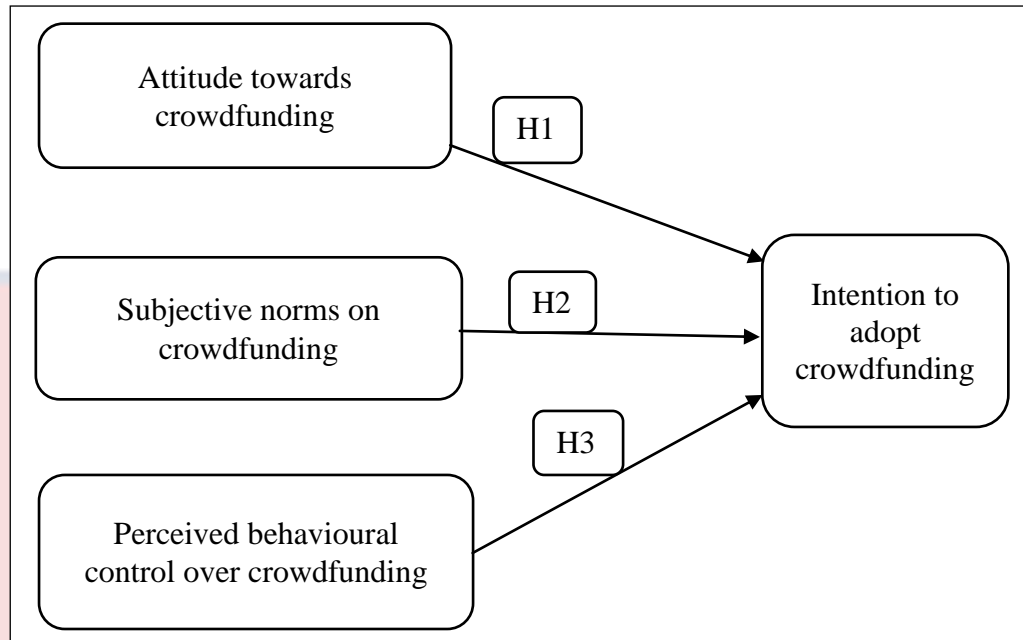


Figure 1: Conceptual Framework, (2022)

As postulated by Fishbein and Ajzen (1975), attitude towards crowdfunding has been defined as positive or negative emotions perceived by an individual towards adopting crowdfunding. It is measured using an individual's belief in the adoption of crowdfunding. Individual assessment of desirability or otherwise of crowdfunding adoption is what defines his/her attitude. We thus propose that SMEs' owners will be positive toward crowdfunding adoption if they feel they will benefit from it and that it will make them happy. Ajzen (1991), further asserted that the intention to select what to do or not do is driven by various factors. One significant influence on decision-making is the impact of social pressures on thinking and beliefs.

Intentions and behavioural responses are also governed by community norms (Cialdini et al., 1990). Previous studies have discussed how subjective norms influence SMEs' choices about accessing finance (Al Balushi et al., 2018). We thus propose in Figure 3 that, SMEs' owners will be positive towards crowdfunding adoption if they feel their family, friends, other



businesses and important entities agree and support the use of crowdfunding. Ajzen (1991) further postulates that, another influence on the behaviour of individuals is perceived behavioural control. Perceived behavioural control explains the behaviour of individuals in terms of performing or not performing according to their beliefs. Perceptions about one's ability to control an action may enhance self-confidence about performing such an action.

By contrast, if individuals believe that an action will be difficult to control, they will be more likely to desist from such behaviour. Ajzen (2011) also posited that perceived behavioural control consists of background factors such as availability of time and resources which dictate the likelihood of behavioural achievement. Hence, figure 3 proposes that, SMEs' owners could be more inclined to adopt crowdfunding if they can eliminate the problems and barriers within SMEs' as it pertains to crowdfunding. Particularly, the barriers are operationalized to include; lack of knowledge and education, lack of access to resources (time, finance and human) and access to requisite technology (computers, internet etc.) amongst others.

### **Chapter Summary**

This chapter covers the review of related literature. It was organised under five headings; theoretical review, conceptual base of the study, empirical review, lessons learnt and conceptual framework. The theoretical review discussed the pecking order theory and how the theory of planned behaviour helps examine intentions to adopt crowdfunding. The conceptual review explained concepts and variables that emanated from the research topic. Namely pecking order, crowdfunding and planned behaviour. The empirical review section presented the methodology and results of studies

closely related to the research topic. Lessons learnt from the literature review were also discussed and used to develop the conceptual framework of the present study.



## CHAPTER THREE

### RESEARCH METHODS

#### Introduction

The study sought to examine the factors that affect entrepreneurs' intention to adopt crowdfunding as an alternative source of financing in the Jasikan District of the Oti Region of Ghana. This Chapter discusses the research approaches and study design used. It describes the sample area, population, and sampling procedures. This is followed by the data collection procedures and instrument design. Also included are the procedures and methods for data management and data analysis.

#### Research Approach

Grover (2015) postulates that there are three types of research approaches based on different world views namely; the quantitative approach which holds positivist and post-positivist world views, the qualitative approach which includes constructivism and transformative world views and the mixed method approach which corresponds to pragmatism. Ahmad et al., (2019) defined quantitative research as, "a form of research that relies on the methods of natural sciences, which produces numerical data and hard facts. It aims at establishing cause and effect relationship between two variables by using mathematical, computational, and statistical methods". Thus, based on the stated objectives of the research under study which is quantitative with variables to be measured numerically, the quantitative research approach was adopted.

The quantitative approach is advantageous in that, findings are likely to be generalized to a whole population or a sub-population because it

involves the larger sample which is randomly selected Ahmad et al., (2019). Furthermore, data analysis is less time-consuming as it uses statistical software such as SPSS (Connolly, 2007). However, there are some limitations associated with this research approach. Grover (2019) suggests that the quantitative approach fails to ascertain deeper underlying meanings and explanations. This is a strength of the qualitative approach over the quantitative approach.

Qualitative research addresses objectives that require detailed interpretations of phenomena without relying on numerical measurements (Zikmund et al., 2013). Its sole purpose is to uncover underlying motives.

Furthermore, qualitative research is inherently subjective, characterized by extensive researcher involvement, small sample sizes, non-probability sampling methods, and data analysis aimed at identifying themes. Some advantages of qualitative research include its relatively flexible design and its ability to provide a deeper understanding of the phenomenon under investigation. However, the results of qualitative research cannot be generalized to the broader study population (Taylor et al., 2006)."

### **Research Design**

According to Cooper and Schindler (2011), research design is an activity and time-based plan, which is used to guide the research process and which is developed based on research questions and or hypotheses. Zikmund et al., (2013) also indicate that research design stipulates the methods and procedures for the measurement of variables, as well as collection and analysis of data.

This study adopts a descriptive research design using the quantitative and survey approach as well as a cross-sectional research design. A survey design, according to Taylor et al. (2006, p. 7), ‘seeks to gain an understanding of a particular facet of a defined population by directing the inquiry to a subset of that population through taking a sample’. A survey design can be descriptive and or analytical. Singh (2010) explains that descriptive research attempts to determine, describe, or identify a phenomenon, while analytical research attempts to establish why the phenomenon is that way, or how it came to be. Thus, whereas a descriptive survey involves description, classification, measurement, and comparison of a given phenomenon, an analytical survey usually aims at establishing cause-effect relationships (Kothari, 2004; Singh, 2010). This study adopts a descriptive survey design based on the objectives of the study.

Wang and Cheng (2020), postulated that cross-sectional research design is a method that is used to collect data over a short and fixed period on a population. Unlike in case-control studies where participants are selected based on the outcome status or cohort studies where participants are selected based on the exposure status, the participants in a cross-sectional study are selected based on the inclusion and exclusion criteria set for the study (Setia, 2016). The inclusion criteria for this study include being a management committee member of a cooperative society. Setia (2016) further suggests that the cross-sectional research design ensures that research can be conducted relatively faster and inexpensively. This informed the adoption of the cross-sectional research design in this study.



## Study Area

The study was conducted in the Jasikan District of the Oti Region of Ghana. The present day Jasikan District is located in the southern part of the Oti Region. It was established under L.I 1901 of 2007 with Jasikan being its capital after Biakoye District was carved out of it. The district shares boundaries with Kadjebi District to the north, Biakoye District in the west, Hohoe municipality to the south and the Republic of Togo to the east. The district occupies a total land area of about 1,355 square kilometers and is 96.2kms driving distance from Dambai, the regional capital and 265kms from the Nation's Capital, Accra.

The total population of Jasikan District according the Ghana Statistical Service, Population and Housing Census 2010 was 59,181. The population is projected to be 73,263 in 2020 at a population growth rate of 2.5% (GSS, 2010). Economic development of every locality depends on the productive capacity of its population. According to the Ghana Statistical Service, Population and Housing Census 2010, the majority of workers (57.3%) are skilled agriculture, forestry, and fishery workers followed by service and sales workers who form 14.3 percent. Besides agriculture, forestry, and fishery, and service and sales workers, craft and related trades is the next important 39 occupation, engaging 14.1 percent of the population (GSS, 2010).

Agriculture is the leading employer in the district and constitutes the main source of income for the people with the major agriculture products including cocoa, ginger, maize, rice, cassava, yam, cocoyam and plantain (PBB Estimates-Jasikan District, 2020). According to the World Bank Group (2011), many rural economic activities are affected by seasonality and are

characterized by longer loan maturities and irregular repayment schedules and are riskier, presenting additional challenges to liquidity management. Agricultural enterprises are riskier than others due to dependence on external factors such as weather, major outbreaks of pests and diseases, or prices of inputs and outputs, which are largely beyond the control of farmers. The above external factors and more discourage conventional financial institutions from serving rural enterprises (WB Group, 2011). This highlights the relevance of promoting alternative routes of funding for SMEs in the district.

### **Population**

Burns and Groove (2003) defined population as consisting of all units of the group that meet the criteria for inclusion in a study. The target population for this research comprises entrepreneurs who are management committee members of registered co-operative societies in the Jasikan District in the Oti Region of Ghana. This consisted of three hundred and sixty (360) management committee members who are entrepreneurs who own and manage their individual MSMEs while at the same time managing their particular co-operatives in the Jasikan District as at 31<sup>st</sup> March, 2022. MSMEs in the context of this study focused on the employee size of the MSME which according to Abor and Quartey (2010), was defined by the Ghana Enterprise Authority formerly the National Board for Small Scale Industries as; Micro; 1-5 employees, Small; 6 – 29 employees, Medium; 30 – 99 employees.

The study focused on entrepreneurs of MSMEs because the GSS (2010) reported that the self-employed without employees constitute 74.3 percent (highest percentage) of the employed population in the district. The study particularly focused on management committee members of co-

operatives because they reside and operate in various communities within the Jasikan District and are more knowledgeable as far as the business environment is concerned due to multi-tasking in managing their personal businesses as well as the co-operatives they belong to. Data on management committee members of co-operatives situated in the Jasikan District were collected from the office of the Department of Co-operatives in the Jasikan District Assembly on the first day of April, 2022.

### **Sampling Procedure**

According to Rahman et.al. (2022), the main goal of sampling is to obtain a representative sample made up of a small number of units drawn from a much larger population so that the researcher can research the smaller group and the findings can be used to make valid generalizations about the general population. They further suggest that samples assist in reducing the time and cost associated with conducting a survey hence the choice of sampling over a census. Sarantakos (2005) espoused two techniques of sampling, namely, probability and non-probability sampling techniques. Examples of probability sampling are simple random sampling and stratified random sampling. Leedy and Ormrod (2010) identified the lottery method, random numbers method, and computer method as the ways of selecting a random sample from the study population. This study adopted the simple random sampling technique to ensure every member of the population had an equal chance of being selected.

The sampling frame of this study is the register of the three hundred and sixty (360) management committee members of co-operatives in the Jasikan District, Ghana. The sample size determination table as seen in Taherdoost (2017), was used to determine the sample size of the study. The

formula for the sample size determination table is based on the assumed proportion of 0.5 and consists of the desired margin of error of 5 percent. The formula is given as follows:

$$n = \frac{p(100-p)z^2}{E^2}$$

n is the required sample size

P is the percentage occurrence of a state or condition

E is the percentage maximum error required

Z is the value corresponding to level of confidence required

Estimating the sample size through the sample size determination table involved the identification of the approximate population size for the study population and its corresponding sample size (Sarantakos, 2005). The population of the study was 360. From the sample size determination table, the approximate population size was 400 which resulted in a sample size of 196. As a result, a sample size of 196 entrepreneurs was determined and selected using the random number method of random sampling. The random number method of random sampling involved assigning every individual in the sampling frame a number and using the random number function (RAND) in Microsoft Excel to generate random numbers equal to the sample size determined (Thomas, 2023).

#### **Data Collection Instrument**

To achieve the purpose of the study, the researcher administered a questionnaire for data collection (see appendix 1). According to Patten (2016), questionnaires are data-collecting tools that yield quantifiable responses where the results are easily analyzed. Generally, design of the data collection



instruments involved creation of sections, operationalization of variables under the various sections, determination of measurement scales and type of questions. Consequently, Section A of the questionnaire solicited background information of respondents and their enterprises such as job title, academic background, age (grouped), gender, location, and number of employees among others.

This is followed by Section B which comprised items that assessed the intention of the respondent to adopt crowdfunding as well as items that measured the determinants of the intention to adopt crowdfunding, that is, factors that respondents deemed important in influencing their willingness to adopt crowdfunding in the future. Finally, Section C sought information on barriers to crowdfunding adoption such as lack of education and or lack of requisite technology. Even though there was no pilot testing of the research instrument, it was reviewed and enhanced by senior faculty members thus making it a robust instrument.

Design of the various sections of the questionnaire, largely, followed guidelines of the theory of planned behavior (Ajzen, 1991; 2002) and lessons learnt from related empirical studies. Some of the key variables of the study were intention to adopt crowdfunding as the dependent variable, and the independent variables comprised attitude towards crowdfunding adoption, perceived behavioral control over crowdfunding adoption and subjective norm on crowdfunding adoption. Statements were designed to obtain views of entrepreneurs concerning their intentions to adopt crowdfunding. These statements were anchored on a seven-point Likert-type scale where 1=weak agreement and 7=strongest agreement.



Despite the merits of questionnaires, they have some disadvantages. One key disadvantage of a questionnaire is that there is a high tendency for non-return (Leedy & Ormrod, 2011). To reduce the tendency for non-return, the questionnaire was designed following guidelines for questionnaire construction. For example, question design involved the use of simple, uncontroversial, and unambiguous language and the questions were sequenced according to the funnel technique of asking general questions first before specific questions (Zikmund et al., 2013).

### **Validity and Reliability**

Before the data collection, the face validity and content validity of the questionnaire were assessed and confirmed by experienced researchers. Specifically, the researchers assessed the accuracy of measures as well as the extent to which items truthfully represented the respective concepts (Zikmund et al., 2013). The scales include the intention to adopt crowdfunding, attitude towards crowdfunding, subjective norm on crowdfunding, and perceived behavioral control over crowdfunding adoption. The reliability tests are essential in ensuring that items that make up each scale measure the same underlying construct (Leedy & Ormrod, 2010; Pallant, 2011).

### **Data Collection Procedures**

Data was collected at a management committee training in December 2022, which was held at the Jasikan District assembly hall, organized by the Department of Co-operatives, Jasikan. A total of two hours was dedicated for this purpose which saved the researcher a lot of time and money. The questionnaires were self-administered by the chosen sample of the study who were given one hour to decide if to participate in the study and 30 minutes to

complete the approximately 20-minute questionnaire, which were collected the same day to reduce the tendency for non-return or non-response.

Before the distribution of the questionnaire, the informed consent form was administered in line with ethics. To reduce the rate of response bias, the questionnaire was designed following guidelines for questionnaire construction. For example, question design involved the use of simple, uncontroversial, and unambiguous language and the questions were sequenced according to the funnel technique of asking general questions first before specific questions (Zikmund et al., 2013). The response rate stood at 92 percent with a total of 180 questionnaires retrieved.

### **Data Processing and Analysis**

The completed questionnaires were scrutinized to ensure error-free responses. Data from the questionnaires was then recorded and coded using IBM Statistical Package for Social Sciences (SPSS) version 25. SPSS frequencies and percentages were used to analyze the demographic characteristics of the respondents while descriptive statistical tools such as mean and standard deviation were used to analyze objectives one, two, and four.

Partial Least Square (PLS) focused Structural Equation Modeling (SEM), a second-generation multivariate data analysis method, was also used in this study to analyze objective three because SEM is a path modeling approach to test and validate a proposed research model and the hypothesized relationships among the constructs of that model (Hair et. al. (2019). Additionally, user-friendly software packages are available that generally require little technical knowledge about the method, such as SmartPLS

(Ringle et al., 2015). SmartPLS 3.0, a prominent software for PLS-SEM, was used to analyze objective 4. The model in this study has three independent variables; attitude, subjective norms, and perceived behavioral control, and one dependent variable, crowdfunding adoption intention.

A two-stage methodology espoused by Hair et. al. (2019) was used to perform data analysis in SEM after cleaned data was imported into SmartPLS 3.0 for analysis. In the first stage, content, convergent, and discriminant validity were tested based on the measurement model, followed by the testing of the hypotheses and structural model in the second stage.

### **Ethical Considerations**

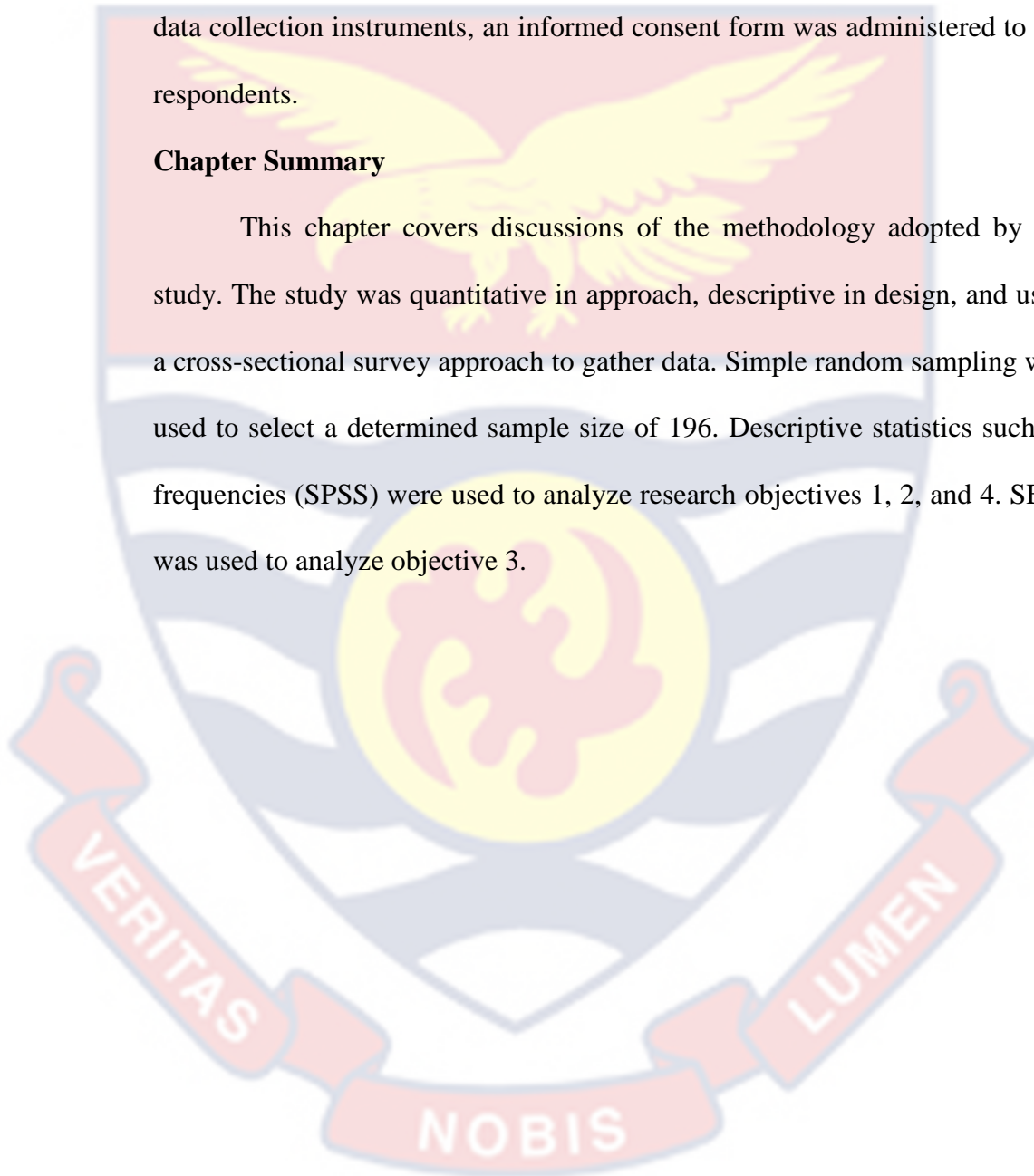
Ethical procedures constitute an essential part of conducting credible research and ensuring that good data are generated for analysis (Zikmund et al., 2013). A study by Pattern and Newhart (2017), revealed the major ethical issues that need to be considered in every research. These consisted of voluntary participation, right to privacy and anonymity and confidentiality of information. As such all efforts were made to ensure that these ethical issues were considered. Regarding voluntary participation, every respondent was allowed to participate in the data collection exercise on his/her own free will without any duress, and was allowed to opt out or discontinue taking part in the exercise at any point in time without any penalty. A right to privacy was addressed through self-administration of the questionnaire by the respondent and unclear questions to be addressed privately at the respondent's convenience.

Further, the issue of anonymity was addressed by restricting respondents from providing detailed information about themselves on the

questionnaire regarding their names, contact numbers, and personal addresses. Finally, the respondents were assured that none of the information provided would be used for other purposes than this study and that all information provided was kept confidential. Moreover, before the administration of the data collection instruments, an informed consent form was administered to the respondents.

### **Chapter Summary**

This chapter covers discussions of the methodology adopted by the study. The study was quantitative in approach, descriptive in design, and used a cross-sectional survey approach to gather data. Simple random sampling was used to select a determined sample size of 196. Descriptive statistics such as frequencies (SPSS) were used to analyze research objectives 1, 2, and 4. SEM was used to analyze objective 3.





## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### Introduction

The study sought to examine the determinants of crowdfunding adoption by entrepreneurs belonging to small enterprise co-operatives in the Jasikan District of Ghana. The previous section provided information about the research methods employed for the conduct of this empirical study. This Chapter focuses on the findings of the study and the discussions made in respect of the findings in alignment with their implications and relationships with previous empirical studies.

#### Demographic Characteristics

This section analysed the demographic characteristics of respondents who were entrepreneurs of MSMEs as well as members of management committees of co-operatives in the Jasikan District of Ghana. The characteristics analysed include age, sex, educational background, marital status, number of dependents, rank, type, nature and form of business, number of years in business and number of employees. We received a hundred percent (100 %) response rate for each item analysed. Demographic characteristics of the participants were descriptively measured with frequency and percentage. These measures of central tendency and dispersion respectively were appropriate for the measurement of the variables owing to the nominal and ordinal levels of measurement employed in measuring such variables. The findings are presented in Tables 2 and 3.



**Table 2: Demographics of Entrepreneur**

Variable	Options	Frequency	Percentage
Gender	Female	77	42.8%
	Male	103	57.2%
Age range	Below 30 years	13	7.2%
	30-39 years	35	19.4%
	40-49 years	75	41.7%
	50-59 years	23	12.8%
	60 years and above	34	18.9%
Highest level of education	No education	31	17.2%
	Basic/JSS	74	41.1%
	Senior high school	52	28.9%
	Diploma/Vocational	22	12.2%
	First degree	1	0.6%
Rank	Owner	44	24.4%
	Manager	32	17.8%
	Owner and manager	104	57.8%
Marital status	Single	25	13.9%
	Married	143	79.4%
	Divorced	12	6.7%
Number of dependents	None	12	6.7%
	1-5	61	33.9%
	6-10	85	47.2%
	11-15	22	12.2%

Source: Field survey, (2022)

The majority (57.2%) of respondents were males while females constituted the minority (42.8%). Their ages varied with the highest percentage being within 40-49 years and the lowest percentage (7.2%) being below 30 years. The reason for a smaller number of young entrepreneurs needs to be investigated. The level of formal education shows that, a greater percentage (41%) had basic/JSS education, followed by those with senior high

school certificates (28.9%). Only one respondent had a first degree and about 17.2% of the respondents had no formal education. Again, a majority (57.8%) of the respondents doubled as managers and owners of their businesses while 24.4% and 17.8% were managers and owners respectively. This shows the entrepreneurs usually engage in the management of their own businesses, which supports the sole proprietorship forms of businesses that dominated in this study.

The marital status was dominated by those who were married (79.4%) while 6.7% were divorced and 13.9% were single. The dependency rate proves most of the entrepreneurs (47.2%) had 6-10 dependents they were looking after while 6.7% of the respondents had no dependents. The dependency rate of the entrepreneurs signals their socioeconomic importance to the development of people in the country.

**Table 3: Demographics of Business Profile**

Variable	Options	Frequency	Percentage
Form of business ownership	Sole proprietorship	146	81.1%
	Partnership	33	18.3%
	Company	1	0.6%
Nature of business	Agricultural products	114	63.3%
	Agro-processing	30	16.7%
	Transportation	18	10.0%
	Trading and marketing	18	10.0%
Number of employees	None	36	20.0%
	1-5	124	68.9%
	6-30	20	11.1%
Business age	Less than 5 years	53	29.4%
	6-10 years	75	41.7%
	11-15 years	31	17.2%
	16-20 years	19	10.6%
	Above 20 years	2	1.1%
Type of business	Family business	62	34.4%
	Non-family business	118	65.6%

Source: Field survey, (2022)

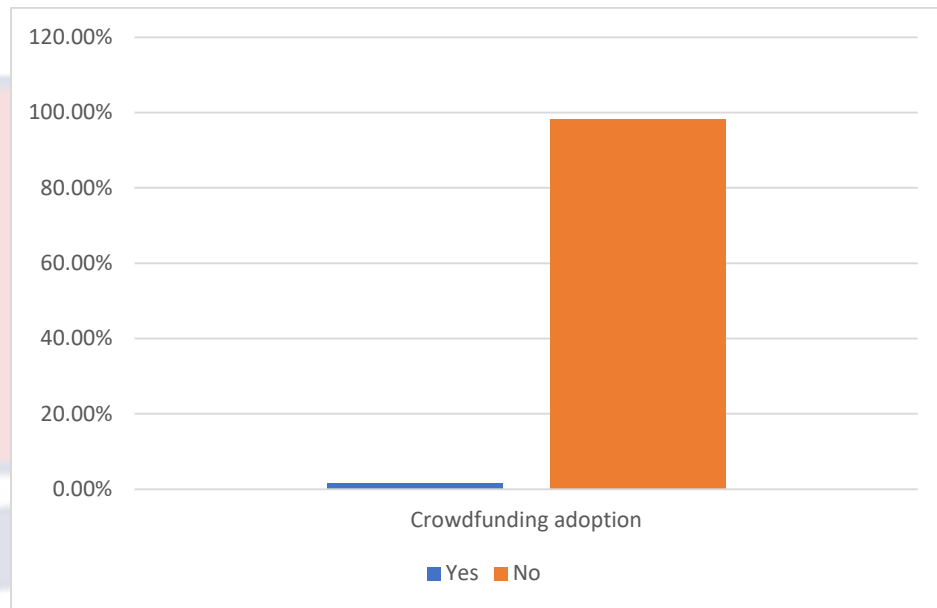
Eighty one percent (81.1%) of the businesses were sole proprietorship forms of business while 18.3% were partnership firms. Only one business was a private company. This finding is in conformity with literature that states that most businesses in Ghana are sole proprietorship forms of businesses. In the case of the nature of business, the study proved most (63.3%) of the businesses were into agricultural production, while 16.7% were into agro-processing businesses. 10.0% of the entrepreneurs were into transportation businesses and another 10% were into trading and marketing.

With respect to the workforce size, the study found that most (68.9%) of the businesses were having 1-5 workers, 11.1% had 6-30 employees while 20% had no employees. This finding is characteristic of MSMEs which according to Abor and Quartey (2010), was defined by the Ghana Enterprise Authority as; Micro; 1- 5 employees, Small; 6 – 29 employees, Medium; 30 – 99 employees. Concerning age range of the businesses, the study found that most (41.7%) of the businesses had 6-10 years of operational existence, followed by 29.4% of those with less than 5 years of operational existence. 10.6% and 1.1% of businesses had 16-20 years and above 20 years operational existence respectively. This connotes the level of working experience of the entrepreneurs indicating that they are likely to make informed contributions to the study. The type of the business status also showed that majority (65.6%) were non-family businesses whilst the remaining 34.4% were family businesses.

### **Objective 1: Extent of Adoption of Crowdfunding by Entrepreneurs**

The first objective of this study sought to assess the extent of the adoption of crowdfunding by entrepreneurs. Two indicators yes and no were

used to measure if entrepreneurs had ever adopted crowdfunding, and the assessment of this was done using frequency and percentage. The findings are presented in Figure 2.



*Figure 2: Extent of crowdfunding adoption (2022)*

Source: Arthur's Construct (2022)

From Figure 2, the respondents revealed that their extent of crowdfunding adoption was very low with three respondents (1.7%) indicating participation in crowdfunding projects specifically donation-based crowdfunding, while 98.3% have never participated in any crowdfunding projects. 93.3% of the respondents indicated a lack of knowledge as the main reason why they have not participated in crowdfunding. The finding conforms to that of Ahousi (2014) who espoused the necessity of education for the success of the concept in the country.

### **Objective 2: Intention of Entrepreneurs to Adopt Crowdfunding**

With a 7-point Likert-type scale where one (1) was least agreement and seven (7) was highest agreement, the opinions of the respondents were

measured to assess the extent of agreement to their intention to adopt crowdfunding. The findings are presented in Table 4.

**Table 4: Intention to Adopt Crowdfunding**

	N	Mean	Std. Deviation	Skewness	Kurtosis
Will try to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea.	180	4.7778	1.62231	-.802	.436
Intend to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea	180	2.5667	1.75002	1.323	.976
Plan to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea	180	2.2611	1.78248	1.401	.944

Source: Field survey, (2022)

From Table 4, the respondents had a moderately high agreement (M=4.7778; SD=1.62231) on the claim that within the next five (5) years, they will try to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing a venture/idea. However, they had a low extent of agreement (M=2.5667; SD=1.75002) on the claim that they intend to obtain money from large



audiences, where individual investors provide a small amount typically via the Internet towards financing a venture/idea. Similarly, the respondents had a low extent of agreement ( $M=2.2611$ ;  $SD=1.78248$ ) on the claim that they plan to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing a venture/idea. Holistically, the respondents had a slightly low agreement that they would adopt crowdfunding within the next five (5) years (Mean of means=3.2019).

With this low or weak intention to adopt crowdfunding among entrepreneurs, it is expected that entrepreneurs would not adopt crowdfunding as a means of raising capital for their ventures. This situation could be ascribed to some conditions that collectively come together to make crowdfunding, an unattractive financing option for entrepreneurs in Ghana. This finding also supports the position of some studies that proved that crowdfunding is an unattractive financing package for businesses, (Kuma, Yusoff & Jayamana, 2021; Kuma, Yusoff & Apreku-Djan, 2022), especially businesses in Ghana (Adomdza, Michael, Lartey & Lawal, 2017).

### **Objective 3: Determinants of The Intention to Adopt Crowdfunding**

#### **Model Estimation**

The third objective of this research sought to analyse the determinants of crowdfunding adoption. The hypotheses 1,2 and 3, as well as the conceptual framework of this study, are based on the theory of planned behavior (Ajzen, 1991; 2011b). It was hypothesized that attitude towards crowdfunding, subjective norms on crowdfunding, and perceived behavioral control over crowdfunding could significantly influence the intention of entrepreneurs to adopt crowdfunding. Data analysis for the testing of the hypotheses was done

using structural equation modeling via SMART pls 3.0 software. A reflective model configuration was applied to test the hypotheses given the directional nature of the tested hypotheses. The evaluation of the model was based on the recognized two-stage model evaluation procedure espoused by Hair et. al. (2019). Thus, the measurement model is first evaluated and declared acceptable before the structural model is evaluated.

### Measurement Model

The measurement model was evaluated based on the construct reliability and validity, discriminant validity, collinearity statistics, and common method bias.

#### Construct Reliability and Validity

**Table 5: Construct Reliability and Validity**

	Cronbach's alpha	rho_A	Composite reliability	Average variance extracted (AVE)
Attitude towards crowdfunding	0.900	1.076	0.932	0.822
Intention to adopt crowdfunding	0.768	0.778	0.864	0.679
Perceived behavioural control to adopt crowdfunding	0.818	1.037	0.910	0.836
Subjective norms on crowdfunding	0.814	0.845	0.890	0.730

Source: Field survey, (2022)

According to Abel et al (2016), Nunnally,1978 suggested that an alpha level above 0.7 ( $\alpha > 0.7$ ) indicates that the scale used in the instrument is reliable and valid. The reliability results as presented in Table 5 show that

Cronbach's alpha of Attitude towards crowdfunding, Intention to adopt crowdfunding, perceived behavioural control to adopt crowdfunding and Subjective norms on crowdfunding were 0.900, 0.801, 0.768, 0.818 and 0.814 respectively which is within the acceptable range of standard. Ab Hamid et al (2017) espoused the need for the average variance extracted (AVE) to be greater than 0.50 in order to establish convergent validity. Convergent validities for all constructs as measured by AVEs were declared acceptable with results ranging from 0.822, 0.679, 0.836 and 0.730 for attitude towards crowdfunding, intention to adopt crowdfunding, perceived behavioural control towards crowdfunding and Subjective norms on crowdfunding respectively.

#### Discriminant Validity

**Table 6: Heterotrait-Monotrait Ratio**

	Attitude towards crowdfunding	Intention to adopt crowdfunding	Perceived behavioural control to adopt crowdfunding
Intention to adopt crowdfunding	0.363	0.000	0.000
Perceived behavioural control to adopt crowdfunding	0.738	0.206	0.000
Subjective norms on crowdfunding	0.709	0.435	0.419

Source: Field survey, (2022)

Heterotrait-monotrait (HTMT) ratio of correlation criterion as proposed by Henseler in 2015 was used for establishing discriminant validity. According to Ab Hamid et. al. (2017), one can conclude that there is a lack of discriminant validity if ratios exceed 0.85 or if ratios exceed 0.90.

Discriminant validities for the pairs of constructs considered in the estimated model were all considered acceptable (HTMT ratios < 0.85), hence, there is no problem of discriminant validity in the estimated reflective model.

#### Collinearity Statistics

**Table 7: Outer VIF**

		VIF
ATCRF1	Will try to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea.	3.018
ATCRF2	CF will result in the growth of my business.	4.669
ATCRF3	CF will make me happy.	2.647
INCRF1	Intend to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea	2.037
INCRF2	Plan to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea	2.136
INCRF3	Will try to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea.	1.290
PBC1	I have adequate knowledge about crowdfunding	1.922
PBC3	I have access to resources necessary to engage in CF (time, finance and human)	1.922
SBJN1	I am ready to adopt CF if it is recommended by my spouse, parents and/or siblings.	1.589
SBJN2	I am prepared to follow the example of peer businesses to adopt crowdfunding.	2.434
SBJN3	I am ready to adopt crowdfunding if the co-operative I belong to supports crowdfunding.	1.992

Source: Field survey, (2022)



Collinearity statistics were computed to examine the threat of multi-collinearity in the estimated reflective model. According to James et. al. (2013),  $VIF > 5$  is cause for concern and  $VIF > 10$  indicates a serious collinearity problem. The findings are presented in Table 7. The results proved there were no threats of multi-collinearity in the model with all VIF values ranging from 1.290 to 4.669 being less than 5. (Outer  $VIFs < 5$ ).

Common Method Bias

**Table 8: Inner VIF**

	Intention to adopt crowdfunding
Attitude towards crowdfunding	2.627
Intention to adopt crowdfunding	0.000
Perceived behavioural control towards crowdfunding	1.837
Subjective norms on crowdfunding	1.651

Source: Field survey, (2022)

Common method bias was measured with the inner VIF where as a general rule of thumb according to James et. al. (2013), VIF should be less than 5. The findings as presented in Table 8 show that, here is no threat of common method bias for the constructs in the reflectively estimated model with Inner VIFs ranging from 2.627, 0.000, 1.837 and 1.651 for Attitude towards crowdfunding, Intention to adopt crowdfunding, perceived behavioural control towards crowdfunding and subjective norms on crowdfunding respectively.



**Structural Model****Indicator Reliability****Table 9: Outer Loadings**

	Loading	T statistics	P values
ATCRF1 <- Attitude towards crowdfunding	0.947	44.467	0.000
ATCRF2 <- Attitude towards crowdfunding	0.944	14.612	0.000
ATCRF3 <- Attitude towards crowdfunding	0.823	7.883	0.000
INCRF1 <- Intention to adopt crowdfunding	0.833	16.923	0.000
INCRF2 <- Intention to adopt crowdfunding	0.837	16.655	0.000
INCRF3 <- Intention to adopt crowdfunding	0.802	15.358	0.000
PBC1 <- Perceived behavioural control to adopt crowdfunding	0.961	2.774	0.006
PBC3 <- Perceived behavioural control to adopt crowdfunding	0.865	3.214	0.001
SBJN1 <- Subjective norms on crowdfunding	0.798	14.743	0.000
SBJN2 <- Subjective norms on crowdfunding	0.921	60.576	0.000
SBJN3 <- Subjective norms on crowdfunding	0.840	21.066	0.000

Source: Field survey, (2022)

Indicator reliability for the items that measured the constructs considered in the context of this empirical study was measured with the indicator loading, given the level of significance at 0.05. Hair et al. (2019) suggested that each item is considered a satisfactory item when indicator

loadings are greater than 0.70 and statistically significant at 0.05 or below. The findings in Table 9 show all the constructs were reliably measured (Indicator loading range: 0.798-0.961; p-values<0.05). One item (perceived behavioural control 2) that was considered insignificant predictor and had negative consequences on the measurement model was deleted through the iteration process that led to the attainment of a satisfactory measurement model for the reflectively specified model.

### Hypotheses Testing

**Table 10: Path Coefficients**

	Beta	f <sup>2</sup>	T statistics	P values
Attitude towards crowdfunding -> Intention to adopt crowdfunding	0.322	0.047	3.034	0.002
Perceived behavioural control to adopt crowdfunding -> Intention to adopt crowdfunding	-0.131	0.011	1.129	0.259
Subjective norms on crowdfunding -> Intention to adopt crowdfunding	0.200	0.029	2.221	0.026

Source: Field survey, (2022)

The path results as shown in Table 10 show attitude toward crowdfunding makes the strongest statistically significant positive contribution to predicting the positive change in intention to adopt crowdfunding when the influence of the other exogenous latent constructs in the model was statistically held constant (Beta=0.322; t=3.034: t>1.96; p=0.002: p<0.05). Therefore, in line with the first hypothesis of this study, it can be said the change in intention to adopt crowdfunding among the respondents is caused

by changes in attitude toward crowdfunding by participants hence the null hypothesis was rejected.

Inferring from this finding, it can be established that a favourable attitude toward crowdfunding causes a favourable change in intention to adopt crowdfunding whilst an unfavourable attitude toward crowdfunding causes an unfavourable change in intention to adopt crowdfunding among entrepreneurs of the MSMEs surveyed in this study. Furthermore, this study confirms the position of the TPB in previous empirical studies (Ajjan & Hartshorne, 2008; Kijkasiwat, 2021; Rasheed & Siddiqui, 2019) that attitude toward a behaviour influence positively and significantly the intention to perform that behaviour.

Similarly, subjective norms on crowdfunding make the next strongest statistically significant positive contribution to predicting the positive change in intention to adopt crowdfunding when the influence of the other exogenous latent constructs in the model was statistically held constant (Beta=0.200;  $t=2.221$ ;  $t>1.96$ ;  $p=0.026$ ;  $p<0.05$ ). Therefore, it can be said the change in intention to adopt crowdfunding among the respondents is caused by changes in subjective norms of the entrepreneurs on crowdfunding. Hence, we failed to accept the null hypothesis of the second hypothesis which states that, 'subjective norms of entrepreneurs do not have significant influence on their intention to adopt crowdfunding'.

Inferring from this finding, it can be established that favourable subjective norms on crowdfunding causes a favourable change in intention to adopt crowdfunding whilst unfavourable subjective norms on crowdfunding causes an unfavourable change in intention to adopt crowdfunding among the entrepreneurs of the MSMEs surveyed in this study. From the perspective of

the TPB, this study confirms that whenever entrepreneurs of the MSMEs received favourable recommendations from a spouse, parents, siblings, peer entrepreneurs and/or the co-operative they belong to about crowdfunding, they develop a favourable intention to adopt crowdfunding. This further confirms the position of TPB as is seen in some previous empirical studies (Kijkasiwat,2021; McLaughlin & Stephens, 2019) that subjective norms impact positively and significantly on the intention to perform a particular behaviour.

Hypothesis 3 of this study hypothesized that, 'Perceived behavioural control of entrepreneurs does not have significant influence on their intention to adopt crowdfunding'. The null hypothesis was accepted as it was found that, perceived behavioural control on crowdfunding failed to cause any statistically significant positive influence on intention to adopt crowdfunding (Beta=-0.131; t=1.129; t<1.96: p=0.259: p>0.05). Thus, in the context of this study, perceived behavioural control surrounding crowdfunding does not influence the entrepreneur's intention to adopt crowdfunding as means of generating capital for the running of their businesses.

This finding goes to dispel the claim held in the TPB that perceived behavioural control possesses the capacity to influence adoptive behaviour. This finding can be attributed to the fact that, access to finance is a critical need of entrepreneurs, hence, when there is a favourable attitude and favourable peer support about engaging in crowdfunding adoption, the perception of the ability to engage or the availability of resources to engage would not influence or hinder the risk-taking entrepreneur's intention to adopt crowdfunding.



Coefficient of Determination

**Table 11: Coefficient of determination**

	R-square	R-square adjusted
Intention to adopt crowdfunding	0.167	0.153

Source: Field survey, (2022)

The coefficient of determination which was measured with the r-square measures how changes in the exogenous latent constructs cause changes in the endogenous latent construct for the estimated reflective SEM. Changes in attitude towards crowdfunding, perceived behavioural control to adopt crowdfunding and subjective norms on crowdfunding caused a 16.7% change in intention to adopt crowdfunding among the respondents ( $r^2=0.167$ ). This effect is regarded as being a very weak change. It, therefore, means other factors that influence the intention to adopt crowdfunding that were excluded from the context of the study could potentially cause 83.3% apart from the latent constructs considered in the study.

This change in intention to adopt crowdfunding when compared with some studies (Ajjan & Hartshorne, 2008; Kijkasiwat, 2021; Rasheed & Siddiqui, 2019) prove to align with their finding, hence confirming that attitude toward crowdfunding and subjective norms on crowdfunding have bearing on the formation of favourable intention toward crowdfunding adoption. This also confirms the position of the TPB. A pictorial presentation of the estimated model is presented in Figure 3.



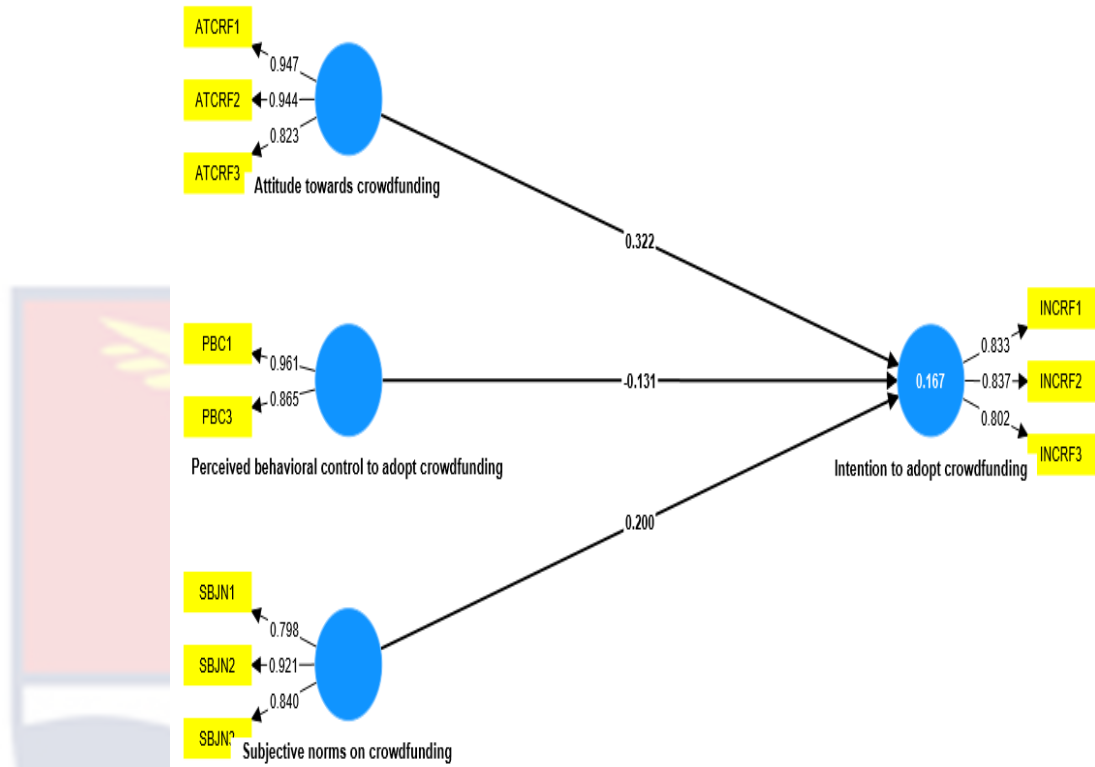


Figure 3: Structural Model for Tested Hypotheses

Source: Field survey, (2022)

**Objective 4: Barriers Confronting Entrepreneurs from Accessing Crowdfunding**

With a 7-point Likert-type scale where one (1) was least agreement and seven (7) was highest agreement, the opinions of the respondents were measured to assess the extent of agreement to the enumerated challenges that were confronting entrepreneurs in accessing crowdfunding.

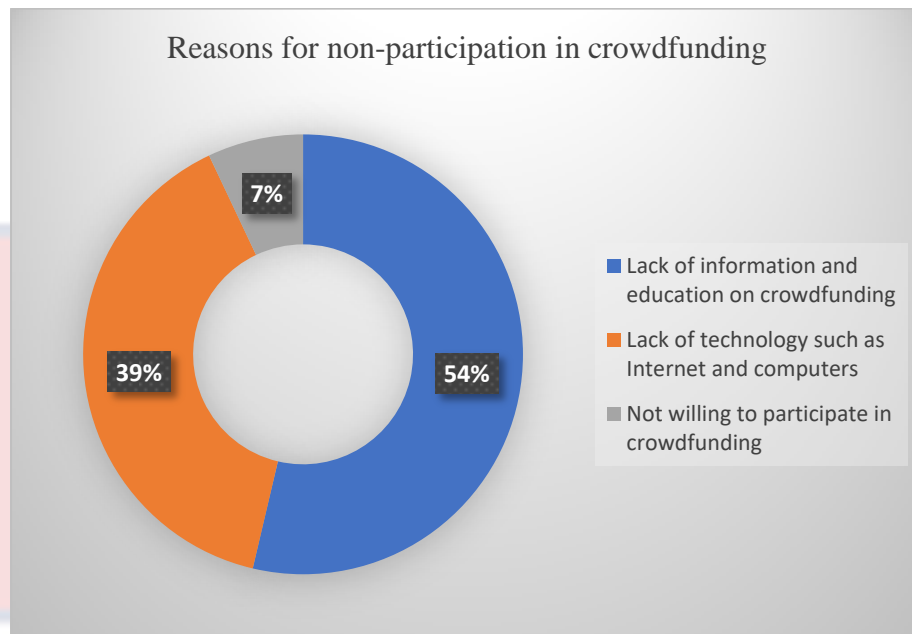
**Table 12: Barriers in Crowdfunding**

Barriers in crowdfunding	Mean	Std. Deviation
Limited knowledge about CF	6.7611	0.72747
Limited knowledge about where to get help with crowdfunding.	6.5111	0.97733
Limited access to technology e.g., Internet, computers etc.	6.2500	1.38981
Lack of skills in managing a fundraising campaign.	5.7222	1.74668
Inadequate payment system	4.5278	2.22085
Lack of cyber security	4.3222	2.51177
The work and time required to manage a fundraising campaign.	4.2556	2.32577
Scarcity in financial regulations	3.9556	2.31058
Limited access to other finance options.	2.8778	2.34855
Fear of the unknown.	2.6167	2.12796

Source: Field survey, (2022)

The major barrier to adoption of crowdfunding is the issue of limited knowledge about crowdfunding among the entrepreneurs. This was followed by limited knowledge about where to get help with crowdfunding. Again, limited access to technology was rated as among the topmost barrier to crowdfunding. Fear of the unknown, limited access to other finance options, scarcity of financial regulations and limited time required to manage a fundraising campaign were among the least barriers to crowdfunding adoption among the entrepreneurs that participated in the study. The remaining barriers are presented in Table 11.

### Reasons for Non-Participation in Crowdfunding



*Figure 4: Reasons for Non-Participation in Crowdfunding*

Source: Field survey, (2022)

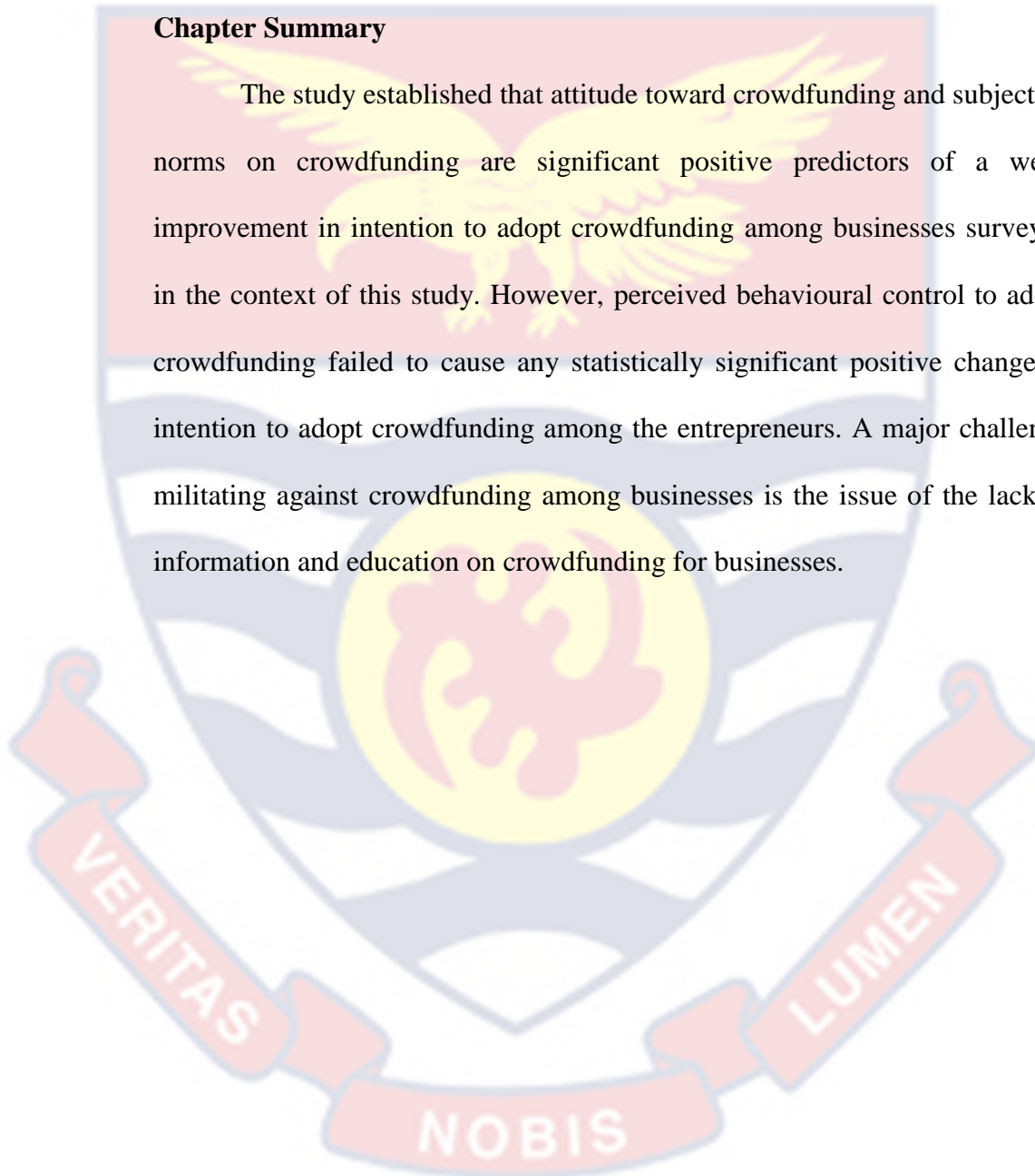
The data presented in Figure 4 indicates that the primary challenge faced by business owners and managers in Ghana regarding crowdfunding is the lack of information and education on the subject, which hinders their engagement with crowdfunding activities and initiatives. Following this, another significant hurdle is the absence of technology infrastructure such as Internet access and computers. This issue aligns with findings from previous studies, which have highlighted the general lack of technology adoption among businesses, particularly SMEs, in developing countries (Eze, Chinedu-Eze & Awa, 2021; Eze, Chinedu, Bello, Inegbedion, Nwanji & Asamu, 2019).

Only a few of the participants agreed that their personal unwillingness to participate in crowdfunding serves as a challenge in crowdfunding adoption. These reasons are inhibiting the success of crowdfunding among businesses in Ghana and therefore making it impossible for the managers and owners of businesses to enjoy the benefits associated with crowdfunding

finance alternative for their new businesses. This can be said to explain the very weak extent of intention for the adoption of crowdfunding among the participants as per the impact analysis made for the testing of the formulated hypotheses.

### **Chapter Summary**

The study established that attitude toward crowdfunding and subjective norms on crowdfunding are significant positive predictors of a weak improvement in intention to adopt crowdfunding among businesses surveyed in the context of this study. However, perceived behavioural control to adopt crowdfunding failed to cause any statistically significant positive change in intention to adopt crowdfunding among the entrepreneurs. A major challenge militating against crowdfunding among businesses is the issue of the lack of information and education on crowdfunding for businesses.



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

The study sought to examine the determinants of crowdfunding adoption by entrepreneurs belonging to small enterprise co-operatives in the Jasikan District of Ghana. The previous chapter focused on the results and discussion. The study employed a quantitative research approach and used structured questionnaires for the primary data collection. Descriptive statistics and structural equation modeling techniques were employed for the measurement of the specific research objectives. Data processing was based on 180 cases and the unit of analysis was the individual level. This chapter now presents information about the summary of the key findings, conclusions and recommendations offered.

#### Summary of Key Findings

The first objective sought to examine the extent of the adoption of crowdfunding by entrepreneurs in small enterprise co-operatives in the Jasikan District of Ghana. It was found that the entrepreneurs had a very low extent of crowdfunding adoption with 1.7% indicating a prior participation in crowdfunding projects specifically donation-based crowdfunding, while 98.3% have never participated in any crowdfunding projects. 93.3% of the respondents indicated lack of knowledge as the main reason why they have not participated in crowdfunding, confirming the study and recommendation by Ahousi (2014) that, education is necessary in the success of the concept in the country.



The second objective examined the intention of the entrepreneurs of small enterprise co-operatives to adopt crowdfunding. Holistically, the respondents had a slightly low agreement that they would adopt crowdfunding within the next five (5) years (Mean of means=3.2019). With this low intention to adopt crowdfunding among entrepreneurs, it is expected that the entrepreneurs would not actually adopt crowdfunding as means of raising capital for their ventures. This discovery contrasts with the conclusions of Baber (2020) and Chao et al. (2020), who suggested that crowdfunding is growing as a viable and convenient means of financing for SMEs.

The third objective sought to assess the determinants of the intention to adopt crowdfunding among the entrepreneurs of small enterprise co-operatives. It was discovered that attitude toward crowdfunding makes the strongest statistically significant positive contribution to predicting the positive change in intention to adopt crowdfunding when the influence of the other exogenous latent constructs in the model was statistically held constant. Subjective norms on crowdfunding make the next strongest statistically significant positive contribution to predicting the positive change in intention to adopt crowdfunding when the influence of the other exogenous latent constructs in the model was statistically held constant. The effect of both attitude and subjective norms on the intention to adopt crowdfunding was small (16.7%). However, perceived behavioural control to adopt crowdfunding failed to cause any statistically significant positive change in intention to adopt crowdfunding.

The fourth objective sought to assess the barriers confronting entrepreneurs in assessing crowdfunding in the Jasikan District of Ghana. The

major barrier to adoption of crowdfunding is the issue of limited knowledge about crowdfunding among the entrepreneurs. This was followed by limited knowledge about where to get help with crowdfunding. Again, limited access to technology was rated as among the topmost barriers to crowdfunding. Fear of the unknown, personal unwillingness, limited access to other finance options, scarcity of financial regulations, and limited time required to manage a fundraising campaign were among the least barriers to crowdfunding adoption among the entrepreneurs that participated in the study.

### **Conclusions**

In Ghana, certain conditions seem to converge, making crowdfunding an unappealing choice for entrepreneurs. The study provides useful insights into the crowdfunding adoption intentions of entrepreneurs and reaffirms the importance of education among entrepreneurs and the society to develop such intentions. Education will lead to an increased favourable attitude as well as subjective norm which positively affects the entrepreneurs' intentions. The study will help business development support institutions and practitioners to understand the need for education that provides knowledge about business and raising funds through alternative financial channels. This will help the budding entrepreneurs to fulfill their goal of achieving funding targets. The study contributes to the theory by suggesting that perceived behavioural control does not influence entrepreneurs' intentions of adopting crowdfunding. Future studies should take into consideration more factors that induce the adoption of crowdfunding to raise funds among aspiring entrepreneurs.

## Recommendations

Based on the findings of this empirical study, these recommendations are offered for the action of the various stakeholders that need such recommendations. Practically, entrepreneurs of small enterprises should be educated and encouraged to adopt crowdfunding as a source of financing for their startups. This would also go a long way to resolve some of the barriers to the adoption of crowdfunding financing option including limited knowledge about crowdfunding, limited knowledge about where to get help with crowdfunding and lack of skills in managing a fundraising campaign. Stakeholders including the ministry of finance, ministry of trade and industries, the bank of Ghana, the ministry of business development, Ghana enterprise agency, Department of Co-operatives and other relevant non-governmental organisations could champion the education of entrepreneurs in small businesses about crowdfunding, its financial and non-financial benefits, how to access it and when to access it so that these entrepreneurs of small businesses could develop an interest in crowdfunding as a viable financing option for their businesses.

Entrepreneurs of small co-operative businesses must also take the personal interest and initiative to get educated about crowdfunding financing, which could eventually influence them to develop a keen interest in crowdfunding for their start-ups to ensure the growth and development of their businesses. The entrepreneurs are encouraged to create a platform through their various co-operatives for discussions and education on new innovations profitable to business development.

Crowdfunding should be given much publicity by investors in Ghana and through government policies so that entrepreneurs could become aware of this all-important financing option. Educating and encouraging entrepreneurs of small businesses and the general public about the opportunities that they would obtain by adopting crowdfunding may go a long way to improving attitudes and subjective norms towards crowdfunding adoption thus actually adopt it.

### **Limitations**

The study applied the use of a structured questionnaire for the primary data collection which supported the quantitative orientation of the study, therefore, a qualitative research approach that could have allowed the researcher to delve deeper into the individual experiences of the entrepreneurs on their encounters with crowdfunding were not captured in this study. Since the study targeted only entrepreneurs of small cooperative businesses, the generalisation of the finding was somewhat limited.

### **Suggestions for Further Studies**

The study targeted only entrepreneurs of MSMEs who belonged to small cooperative businesses, thus findings cannot be generalised to cover all entrepreneurs operating in Ghana. Hence the need for further studies to be carried out on all entrepreneurs and among medium and large enterprises in Ghana. There is also a need for qualitative studies to examine why there was such a low rate of intention to adopt crowdfunding among the entrepreneurs. Furthermore, future studies should take into consideration more factors that induce the adoption of crowdfunding to raise funds among aspiring entrepreneurs.



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## APPENDIX

## UNIVERSITY OF CAPE COAST

## COLLEGE OF HUMANITIES AND LEGAL STUDIES

## SCHOOL OF BUSINESS

## CENTRE FOR ENTREPRENEURSHIP AND SMALL ENTERPRISE

## DEVELOPMENT

## SURVEY QUESTIONNAIRE

Dear respondent, the questionnaire contains items that solicit information on the determinants of crowdfunding adoption by entrepreneurs belonging to small enterprise co-operatives in the Jasikan District of Ghana with particular reference to entrepreneurs' personal enterprise, independent of the co-operatives. Please note that your responses are strictly confidential and anonymous, and results will only be analysed in aggregate. By completing the survey, you are consenting to the collection and processing of your data for research purposes only. There is no direct benefit to you for taking part in the study except to add to knowledge. It will take you about 15 minutes to complete this survey. Please note that you can withdraw your consent at any time

**Please**, provide your candid opinion on the issues that are being addressed in the questionnaire.

**Please answer all questions** by ticking (✓) and or stating your responses in the given boxes and spaces.

**SECTION A: BACKGROUND INFORMATION**

1. Gender:  Female  Male
2. Age



- Below 30 years
- 30 – 39 years
- 40 – 49 years
- 50 – 59 years

60 years and above

3. Highest level of education:

- No Education    Basic/J.S. S    S.S.S    Diploma/Vocational
- First Degree    Masters    Other (please specify) .....

4. Please select your rank:

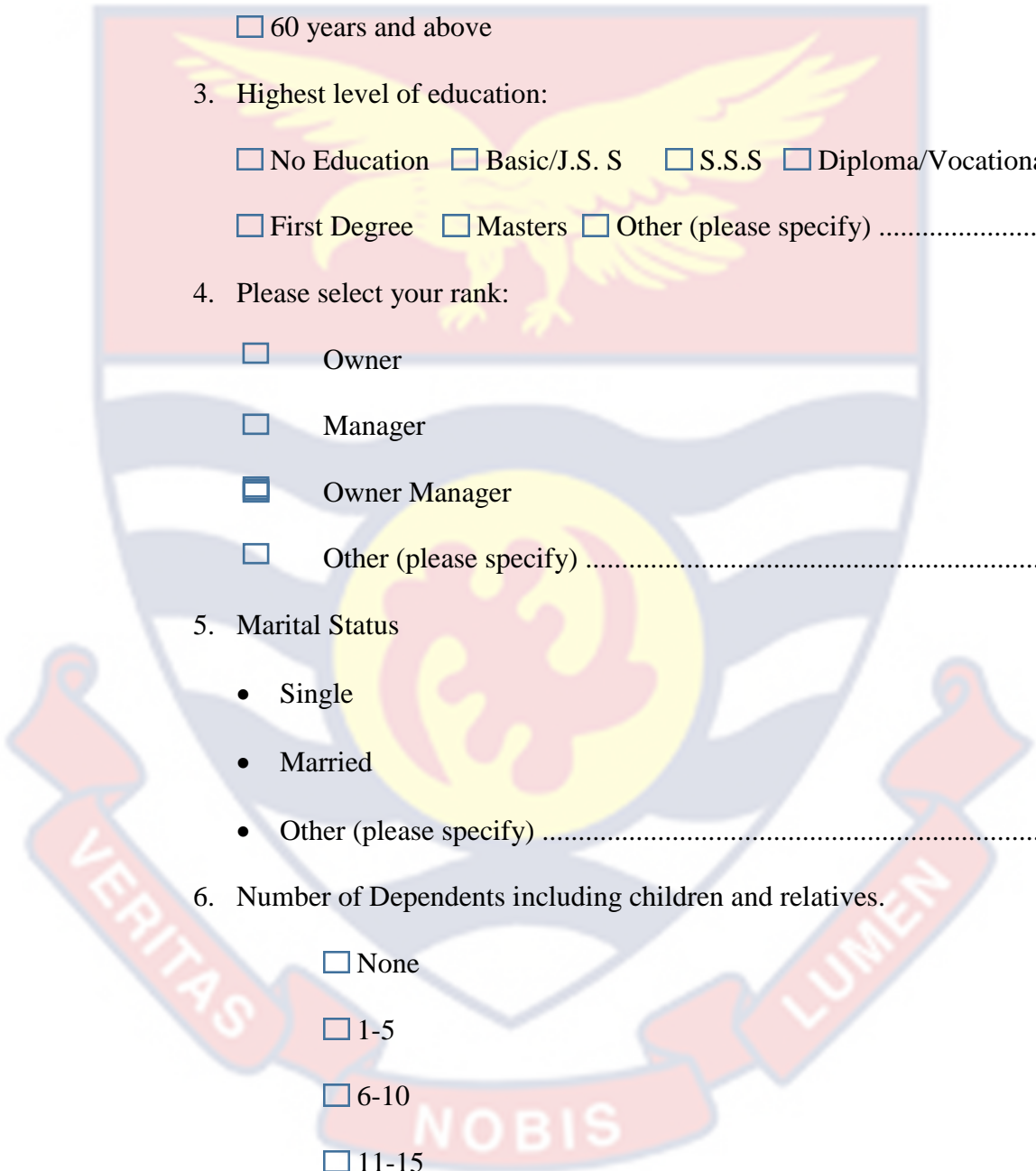
- Owner
- Manager
- Owner Manager
- Other (please specify) .....

5. Marital Status

- Single
- Married
- Other (please specify) .....

6. Number of Dependents including children and relatives.

- None
- 1-5
- 6-10
- 11-15
- 16-20
- Above 20



7. What type(s) of business do you operate?

- Agricultural production
- Agro-processing
- Transportation

- Trading and marketing
- Others (please specify) .....

8. Where is your business located?.....

9. How many employees do you have?

- None
- 0 to 5
- 6 to 30
- 31 to 100
- Other (please specify: .....

10. How old is your business?

- Less than 5 years
- 6-10 years
- 11-15 years
- 16-20 years
- Above 20 years

11. What is the form of ownership of your business?

- Sole proprietorship
- Partnership
- Company

12. Type of business.

- Family business
- Non family business

**SECTION B: CROWDFUNDING ADOPTION**

Note 1: In this survey, the term crowdfunding is defined as the practice used to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing a venture/idea.

Note 2: For the purposes of this study, crowdfunding provides money mainly on the premises ‘that an investor does not intend to gain any financial profit, such as interest or dividends. (Reward / Donation based CF).

Please circle all that apply.

13. Have you ever participated in any crowdfunding projects?

① Yes

② No

14. If yes, which of the following have you participated in?

① Donation: Funds are donated to a specific crowdfunding project without expecting any return.

② Reward: Funds are invested in a specific crowdfunding project expecting a service or product return.

③ Equity: Funds are invested in businesses or entrepreneurs to receive shares in the business.

④ Lending: Money is lent to businesses or individuals with an expectation that it will be returned to the funder with interest in the future.

⑤ Other (please identify): .....

15. If no, please tell us the reasons why you have not participated in crowdfunding.

① Lack of information and education on crowdfunding

- ② Lack of technology such as internet and computers
- ③ Not willing to participate
- ④ Other (please specify) .....

16. Please indicate the **level of your agreement** with the statements below on a scale of 1 = Very least agreement to 7 = Very strong agreement.

**INTENTION TO ADOPT CROWDFUNDING**

Within the next five years, I...	1	2	3	4	5	6	7
<i>Intend</i> to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea							
<i>Plan</i> to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea							
<i>Will try</i> to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing my venture/idea							

**DETERMINANTS OF THE INTENTION TO ADOPT  
CROWDFUNDING**

<i>Attitude towards Crowdfunding (CF)</i> (I am likely to adopt CF if)	1	2	3	4	5	6	7
CF will lead to desired access to finance for my business							
CF will result in the growth of my business.							
CF will make me happy.							
<i>Subjective norms on SP</i>							
I am ready to adopt CF if it is recommended by my spouse, parents and/or siblings.							
I am prepared to follow the example of peer businesses to adopt crowdfunding.							
I am ready to adopt crowdfunding if the co-operative I belong to supports crowdfunding.							
<i>Perceived behavioural control</i> (I am more likely to adopt CF if)							
I have adequate knowledge about CF.							
I am capable of engaging in crowdfunding.							
I have access to resources necessary to engage in CF (time, finance and human).							



**SECTION C: BARRIERS TO CROWDFUNDING ADOPTION**

17. Please indicate the **extent to which** the following may hinder your ability to adopt the practice used to obtain money from large audiences, where individual investors provide a small amount typically via the Internet towards financing a venture/idea called crowdfunding (CF). On a scale of 1 (very low extent) to 7 (Very high extent)

	1	2	3	4	5	6	7
Limited knowledge about CF.							
Limited knowledge about where to get help with crowdfunding.							
Limited access to technology e.g., Internet, computers etc.							
Lack of skills in managing a fundraising campaign.							
The work and time required to manage a fundraising campaign.							
Fear of the unknown.							
Limited access to other finance options.							
Scarcity in financial regulations							
Inadequate payment system							
Lack of cyber security							