

Journal of

Entrepreneurship and Project Management

(JEPM)

KEY SUCCESS FACTORS FOR CROWDFUNDING OPERATIONS OF ENTREPRENEURIAL PROJECT HOLDERS

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ABSTRACT

Purpose: Mainly motivated by the need to improve the success rate of fundraising campaigns on crowdfunding platforms, this article aims to identify the key success factors of crowdfunding operations initiated by Cameroonian entrepreneurs.

Methodology: Within this framework, an empirical study was carried out on 50 project leaders operating in various sectors of activity and having conducted funding campaigns between 2017 and 2020. This sample, selected using the reasoned choice method combined with the snowball technique, was analysed using appropriate statistical tests. In this context, the first step was to test the relationship of dependence or independence between the success of a campaign and its socio-demographic characteristics through a descriptive analysis. Based on this step, the variables deemed significant were included in a proven model via binary logistic regression, which made it possible to highlight characteristics specific to projects and entrepreneurs whose fundraising campaigns were successful.

Results: Following this approach, the results obtained show that the level of education, the length of professional experience, the size of the share capital and the contribution of

professional investors are positively and significantly associated with the success of a crowdfunding operation in Cameroon.

Unique Contribution to Theory, Practice and Policy: These results reinforce the theory in the sense that they teach us that certain indicators related to the project holders as well as the project itself can constitute positive signals for the target audience. Therefore, these entrepreneurs need to optimise on these characteristics in order to maximise the probability of success of their fundraising campaigns.

Keywords: *Crowd-funding, success, campaign, entrepreneur, Cameroon.*

1. INTRODUCTION

As the main spearhead of nations' economies, Small and Medium Size Enterprises (SMEs) are, considered in most countries as powerful levers for job creation and development (St Pierre et al., 2015; World Bank, 2014; ESF, 2009). Confirmed by Tadesse (2009) as "*the primary source of employment and income for Africans after subsistence farming*", SMEs play, among other things, an important role in the creation of value added, the financing of the public sector and more in the promotion of local development (Goudreault and Hébert, 2013). In the Cameroonian context, the Government, through a document on the Terms of Reference resulting from a forum on the Cameroonian SME in 2017, insisted on the cardinal place that this class of enterprises occupies in its socio-economic fabric, but also in that of all developing countries. A panoramic reading of this document indicates that "*the promotion of SMEs is now inseparable from economic, employment promotion and inequality reduction policies, the social and security stakes of which are multiple*".

Furthermore, due to the importance of the weight of SMEs on the economy of countries (OCDE, 2018) without forgetting their social impact (reduction of inequalities and promotion of development according to Goudreault and Hébert (2013)), incessant efforts via economic programmes and policies are regularly deployed by governments to boost their competitiveness and growth. In Cameroon, these efforts can be seen in initiatives such as the Poverty Reduction Strategy Paper (PRSP), the Growth and Employment Strategy Paper (GESP), which has been improved and completed since 2020 by the National Development Strategy (NDS30). The latter, which covers the period from 2020 to 2030, is now the reference framework for the promotion of inclusive and sustainable business development in Cameroon.

However, the stagnant underdevelopment coupled with persistent poverty¹ indicates the inadequacy, if not the inability, of the range of programmes and tools deployed to address it. While this difficulty is likely to be the mark of a failure to transfer economic and financial soundness to SMEs, it is further symbolised by a very high infant mortality rate² of these entities. Continuous questioning of this major phenomenon has enabled the literature to highlight a host of factors that explain the problem. Among these, one of the most salient, which has attracted the attention of both researchers and business owners and promoters, is the issue

¹ Cameroon's Doing Business 2020 ranking reveals that the country is only falling back internationally (167° out of 190 compared to 166° in 2019 and 163° in 2018). In Africa, it sits at 18° /33 rank which may reflect an unfavourable business climate (SMEESA Statistical Yearbook, 2019).

² According to a study conducted by CAMERCAP-CARP (cited by the SMEESA Statistical Yearbook, 2019) on the SME mortality monitoring system, more than 7 out of 10 enterprises created between 2010 and 2015 did not survive until May 2016.

of financing (Cohen, 2006; Isenberg, 2011; Mazzarol, 2014; World Economic Forum, 2013). In fact, many international organisations have generally identified the issue of financing as "*one of the obstacles facing young Francophone project holders, particularly in the countries of the South*" (OIF, 2015)³. This observation, which was reinforced in Cameroon by the conclusions of the second General Census of Enterprises (RGE 2, 2018)⁴ as well as by several studies (Flore and Omenguélé, 2019; Nyaga, 2020), bears witness to the reality of SMEs on an international scale. This is sufficiently illustrated by work both in the Sub-Saharan African context (Abor and Quartey, 2010; Eniola and Entebang, 2015) and in the European context (Cazalas, 2011; Kouame, 2012).

This difficulty in accessing finance generally stems from the high risk inherent in the launch of any new activity, coupled with a lack of sufficient guarantees regularly aggravated by informational opacity (Berger and Udell, 1998). As a result, young enterprises do not inspire the image of credible borrowers in the eyes of banks, hence the latter's reluctance to grant them credit. Particularly significant in the Cameroonian context, the difficulty of access to bank credit by SMEs is exacerbated by the cost of bank debt, a low rate of banking⁵, but above all by a strong aversion on the part of the banks, which anticipate the high cost of managing and monitoring SME accounts, to which is added the question of guarantees (Kenfack, 2016). As a result, only 32% of the 78% of the total mass of credits allocated to private sector enterprises are allocated to SMEs (INS, 2018), which contrasts with their weight in the economic fabric of Cameroon. Moreover, figures issued by the INS (2019) indicate that 82.5% of *start-up* and SME promoters start their activities with their own funds. All these factors demonstrate the inability of the traditional financial system (banking system) to overcome the difficulties of financing SMEs despite the multiple interventions of the Cameroonian State, particularly through the Cameroonian SME Bank created on 25 July 2015.

Faced with these shortcomings, the advent of crowdfunding appeared as a complement, but above all as a relevant factor in the search for a solution to this perennial problem of SME financing. As examples of success stories in practice, the newspaper *EcoMatin* recalled in its edition of April 29, 2021 some cases of young Cameroonian entrepreneurs who obtained through *crowdfunding*, the precious and rare funding for the realization of their project. However, this newspaper in another edition⁶ recalled that beyond the virtues of this mode of financing, Cameroon still records a low penetration rate (0.7%) compared to other African countries. Moreover, the opinion of project leaders identifies certain conditions specific to the country as responsible for the high failure rate of *crowdfunding* campaigns. Moreover, they claim that the few cases of success stories mentioned above are more related to foreign funding (*EcoMatin*, 2021).

This low success rate, which also leads to a low recourse to this mode of financing in the Cameroonian context, nevertheless opens the way for analyses in order to bring out the key success factors of a *crowdfunding* campaign in the Cameroonian context. Such an initiative,

³ The Organisation Internationale de la Francophonie (OIF) at the 2nd World Forum on the French Language, held on 20 July 2015 in Liege, Belgium.

⁴ According to this NSI report (2018), access to finance is recognised (once again) as the main obstacle to SME activity with 40.7% of opinions in 2009 and with 42.9% of opinions in 2016.

⁵ 28.3% in 2020 according to a Ministry of Finance statistic from 2021

[http://french.news.cn/202112/16/c_1310374967.htm#:~:text=YAOUNDE%2C%2015%20d%C3%A9December%20\(Xinhua\).by%20the%20minist%C3%A8re%20of%20Finance](http://french.news.cn/202112/16/c_1310374967.htm#:~:text=YAOUNDE%2C%2015%20d%C3%A9December%20(Xinhua).by%20the%20minist%C3%A8re%20of%20Finance). Accessed on 14/03/2022 at 17:04

⁶ <https://ecomatin.net/financement-participatif-les-freins-a-lelaborationn-dune-politique-nationale-du-crowdfunding/#:~:text=The%20total%20of%20p%C3%A9n%C3%A9tration%20of,%C3%A9foreigners%20and%20of%20op%C3%A9rators%20priv%C3%A9s>. Accessed on 14/03/2022 at 17H10

which draws on the work of Agrawal et al (2010) and Mollick (2014), envisages contextualising the study to the realities of Cameroon. Indeed, it is important to note that most studies on *crowdfunding focus on* projects and platforms of American and European origin (Böckel et al., 2020). However, given the differences in *usus* and *praticus* (economic, social, environmental and legal) between these geographical areas and that of this paper, it is very difficult *to replicate* the results obtained and the methods used elsewhere. It is therefore imperative, on the basis of the previous developments, to question in the Cameroonian context the problem of the success of a financing operation by Crowd-funding. This comes down to answering the following central question: **What are the key success factors for fundraising operations on crowdfunding platforms in Cameroon?**

A conceptual clarification of *crowdfunding* and the literature on its key success factors (2), followed by a description of the methodological approach adapted to the testing of the hypotheses formulated (3) and completed by a presentation and discussion of the results (4) will constitute the various links in the structure of this article.

2. CROWD-FUNDING OPERATIONS: KEY SUCCESS FACTORS

Crowd-funding (CF) is an Anglo-Saxon term that literally means "crowd funding". It is a method of financing whereby a project owner uses a CF platform⁷, often without standard financial intermediaries (Mollick, 2014)) to raise small amounts of capital from a potentially significant set of interested funders (Short et al., 2017), instead of large amounts from a minority of investors and/or sophisticated funders (Belleflamme et al., 2014) to realise their project. Rigorously, Mollick (2014) defines CF as follows: '*Crowdfunding refers to the efforts by entrepreneurial individuals and groups - cultural, social, and for-profit - to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries.*

In its basic conception, *crowdfunding* can be divided into two types of models. While the first refers to investment models (*peer-to-peer lending, equity CF, revenue sharing, etc.*), the second refers to non-investment models (*reward and donation-CF*) (Shneor and Vik, 2020). However, beyond these basic models, there are a large number of varieties of models, of which the literature considers only four as fundamental (Mollick, 2014; Belleflamme et al., 2014). These four basic models are: the donation model (*donation-based crowdfunding; reward-based crowdfunding*), then the *crowdlending* model, then the *equity crowdfunding model* and finally the *royalty-based crowdfunding* model (Belleflamme et al., 2015).

According to Shneor and Vik (2020), the literature shows that most authors who have worked on the success factors of the 2010-2017 CF have used signal, social capital and the probability of development as their main theoretical framework. Inspired by the work of these authors, this article mobilises the theory of signal (Ross, 1977); the theory of social capital (Bourdieu, 1980; Coleman, 1988, 1990 ; Putman, 1995) to explain the key success factors of a CF campaign in the Cameroonian context.

Indeed, the emission of quality signals represents a great challenge for project leaders. This challenge can be justified by the fact that in order to attract the attention of investors, and obtain financing for their project, entrepreneurs must find a credible signal to mark the intrinsic quality of their company (Barbi and Mattioli, 2019). A signal can therefore be defined as an activity or attribute of an individual in a market that, by design or accident, changes beliefs or transmits information to other individuals in the market (Connelly et al., 2011). With regard to the notion

⁷ It is a web-based application linking project developers and their potential funders (Shneor and Flåten, 2015).

of social capital, Bidart (2008) points out that it refers to the different ways of accessing and exploiting existing resources in social networks. An extension of this approach by Bidart (2008) can, in the context of this study, be made to the social network. In this section we will therefore present factors that can explain the success of a participatory financing campaign.

2.1. Contribution of the percentage of share capital offered for sale to the success of a CF fundraising

Usually the launch of a *crowdfunding* campaign is preceded by a pre-campaign phase. This stage refers to the period during which the entrepreneur is supposed to prepare effectively in order to propose his/her project to the platform and the crowd. A set of decisions regarding the project must be taken and communicated by the project owner to be published on the platform. One of these decisions is the amount of capital that the project owner wishes to raise on the platform. In other words, in the case of *crowd-investing*, it is the percentage of shares that one wishes to make available to Internet users. In the case of *crowd-equity*, there is a dilution of the shares, hence the importance of a measured fundraising to avoid losing control of the company. Ultimately, this amount represents the share of the company's capital that the project leader wishes to open up to investment and therefore it already represents a signal that is sent to potential investors. As a result, it must be carefully thought out by the project leader(s).

By way of illustration, Ahlers et al. (2015) have shown that the amount of shares retained by the entrepreneurs was an effective signal that they sent to the crowd since it allows *ipso facto* to significantly impact the perception of the quality that the investors have of the project, which constitutes a serious determinant of the probability of success of the operation of raising funds. Thus, in the literature, it is accepted that a high funding target is negatively associated with the probability of a successful *crowdfunding* campaign. The fact of retaining enough capital or shares can be considered as a signal of confidence of the holders in their project (Ralcheva and Roosenboom, 2019). Entrepreneurs who are optimistic about the potential of a project retain as much capital as possible. Those who are not confident enough about the potential of the business to generate positive cash flows in the future tend to raise funds by selling higher proportions of equity to investors. As a result, entrepreneurs who have retained high proportions of equity have sent positive signals of commitment to investors (Vismara, 2016). However, Belleflamme and Lambert (2012) show that smaller goals are preferable in reward-based campaigns and larger goals in *equity crowdfunding*. Following the above developments, we can formulate the following hypothesis:

H1: The higher the percentage of share capital offered for sale, the less likely it is that a CF fundraiser will be successful.

2.2. Contribution of the entrepreneur's dynamism on the CF platform to the success of a fundraising

Running a *crowdfunding* campaign requires a lot of effort and investment in terms of time to complete it successfully. A promoter must therefore be available and dynamic, in order to maintain an active relationship with Internet users. To this end, the entrepreneur must keep the crowd informed and interact regularly with them through updates, which can be of various kinds. Updates can be used to provide information about the project, the company, the campaign or even the team members. Seven categories of updates have been highlighted: promotion of the project on social networks, information on the progress of the project, adding new content, reminders, answering questions, proposing new counterparts and thanking people (Tarteret,

2014). Although updates as a whole positively influence the success of a fundraising campaign, their impact varies.

In Tarteret's (2014) work, reminders, information about the progress of the project, the proposal of a new counterpart and promotion on social networks are noted in order of importance. An update is a one-sided communication tool often used during a campaign as it can be flexibly applied by the company to provide additional information about the product, company or campaign (Block et al., 2018). According to Mollick (2014), frequent updates are associated with greater success. Block et al. (2018) show that project initiators in an equity crowdfunding context can use regular updates to stimulate investment decisions by funders. Sharing project-related content via social media channels is a way to reach more potential investors (Saxton and Wang, 2014) and increase the visibility of the project.

The use of social media channels has positive effects on the outcome of *crowdfunding* campaigns (Clauss et al., 2020). They are considered effective signals as they are easily observable by potential investors and thus positively affect their participation (Block et al., 2018). In the same vein, Pinkow and Emmerich (2021) show that keeping the crowd informed by using updates is crucial for the success of a project, although they vary with the target financial goal. Based on these considerations we can formulate the following hypothesis:

H2: The higher the frequency of interventions on the platform, the higher the probability of a successful CF fundraising.

2.3. Contribution of the social network to the success of a CF fundraising

In general, theories relating to social aspects aim to explain the effect of the human factor on the activity of an organisation, or, where applicable, of an entrepreneur's project. Thus, the theoretical framework of Granovetter's (1973, 1983) social networks and Bourdieu's (1986) and Coleman's (1988, 1990) social capital are generally used in the literature to explain the influence of the relational network and the singular aptitudes of the project leader on the success of his or her CF campaign (Shneor and Vik, 2020).

A *crowdfunding* campaign is usually financed by 03 circles (firstly, friends and family; secondly, friends of friends or other acquaintances; and thirdly, the crowd on the platforms), most of which are made up of individuals who are not necessarily close to the entrepreneur (Bessière and Stéphanie, 2017). The entrepreneur therefore needs to communicate to a very wide audience in order to mobilise and convince the largest number of potential investors. Since, in general, most of these individuals are interconnected via the Internet, it is necessary for the initiator to mobilise communication channels such as social networks to the maximum in order to attract a large crowd. The ability of a company to take advantage of social media networks is a strong predictor of success, both in terms of the number of investors and the amount raised.

2.3.1. Contribution of social aspects to the success of a CF fundraising: The influence of the size of the relational network

Clearly, publishing the campaign on social media can have a direct effect on investment, as fans (people who have been seduced by the project) can follow the link and proceed with the investment (Lukkarinen et al., 2016). Most backers give funds to those they know at least by reputation, with only 28% supporting someone they do not know personally or through social networks (Vismara, 2016). The social capital of entrepreneurs should therefore play a key role in attracting early stage investment in *equity crowdfunding* campaigns (Vismara, 2016). The campaign of a promoter with a greater number of connections on social networks should have

a higher probability of success due to the greater likelihood of direct offers from those with whom they are connected. The study of Clauss et al. (2020) study provides empirical evidence of the importance of these connections in *crowdfunding*, as they increase the popularity of the project and thus attract more investors and capital.

In a struggle for visibility, promoters with larger social networks are more likely to succeed. The size of social networks should play a role in determining the success of projects. They find that social media reach via the number of social media accounts of the project initiator as well as the project itself is positively related to *crowdfunding* success. Mollick (2014), following the same line of evidence, shows that the size of an entrepreneur's social networks is a significant predictor of campaign success in reward-based *crowdfunding*. Using the example of a project on the Kickstarter platform, he highlights the fact that a project owner with 10 friends on the Facebook social network has a 9% chance of succeeding in raising funds. The success rate rises to 20% with 100 friends and to 40% for those with a thousand friends. *Ultimately*, having a community likely to encourage projects and promote them can rightly be considered a key factor for success.

However, they Belleflamme and Lambert (2012) find no relationship between the use of social media networks and the amount of funds raised in different forms of *crowdfunding*. Colombo et al. (2015) observe that the number of social media connections of the entrepreneur is not significantly related to the success of the campaign, although it is related to the amount of initial contributions in reward-based *crowdfunding*. From this approach the following hypothesis follows:

H3: The more extensive the project leader's relational network, the more successful the fundraising in CF is guaranteed.

2.3.2. *Contribution of social aspects to the success of a CF fundraising: the influence of the project owner's level of education*

Since the work of Schultz (1961) and Becker (1975), human capital has emerged as a broad concept that involves the emphasis on acquired human characteristics and skills as a resource for any business or organisation. This human capital is one of the first aspects that investors pay attention to before financing a company, as it is a key factor in determining the success of a company. Indeed, companies with "high quality" human capital are expected to be more efficient and attract more investors and more funds (Zacharakis and Meyer, 2000).

In addition, it is found that the influence of human capital is greater for young firms than for older ones (Barbi and Mattioli, 2019). One of the main measures of human capital is the level of education or training of an entrepreneur. It can be used as a credible signal to potential investors as suggested by signal theory. In the context of acquiring entrepreneurial resources, human capital has long been cited as a factor of interest in determining the performance of a start-up through an entrepreneur's ability to (Baum and Silverman, 2004).

Indeed, several authors have addressed the issue of the importance of a high level of education in explaining the success of a fundraising. Barbi and Mattioli (2019) have shown, for example, that human capital is a relevant signal of the quality of a company. In particular, the education of entrepreneurs allows to raise more funds and to attract a larger number of investors supporting the company. Ahlers et al (2015) examine the role of education as an entrepreneurial signal for start-ups, and their study can be considered the first empirical investigation specifically on *equity crowdfunding*. Using the Master of Business Administration (MBA) as a

proxy for education level in their work, these authors (Ahlers et al., 2015) find that carrier teams with at least one member having an MBA have a high probability of successful campaigning. Only education in business and management has a positive and significant impact on the probability of an entrepreneur succeeding in *equity crowdfunding*.

The effect of education has a large magnitude towards success. For example, entrepreneurs with business education are more likely to succeed in *equity crowdfunding* than entrepreneurs with industry-related education and entrepreneurs with other education (Piva and Rossi-lamastra, 2017). Thus, the level of education is seen as a potential signal of the entrepreneur's ability to run a business well and therefore has a positive influence on the success of a fundraising. Based on this approach, we can formulate the following hypothesis:

H4: The higher the level of education of the entrepreneur, the more successful his or her CF fundraising operation is guaranteed.

1.4) Contribution of early stage professional investors to the success of a CF fundraising.

The first few days of a campaign are crucial for fundraising. When a campaign gets off to a good start, unless fundraising slows down very quickly, it is almost always successful (Corbel et al., 2018). Kim and Viswanathan (2013) find that early investments have a strong impact on later investments in the case of *equity crowd-funding*. In particular, they show that less experienced investors are strongly influenced by the investment decisions of experts. In the context of *crowd-funding*, late investors can learn by observing the behaviour of previous contributors. Backers participating in the early days of a campaign send a signal to potential investors that they believe in the project and trust its promoter.

Early contributions can therefore reassure internet users when they are faced with high uncertainty at the beginning of *crowdfunding* campaigns (Vismara, 2018). The effect of early investors is of considerable importance. For Vismara (2018) each new investor in the first five days of a campaign attracts, on average, 4 additional late investors. Because of their uncertainty reducing and demand-stimulating effect, the offerings of investors who choose to make their profile public attract investors early on and their role fades once early contributions have been attracted. However, Block et al. (2018) find that the opinion or presence of experts who may be professional investors are not considered credible and valid information by the crowd. Based on the arguments developed above, the following hypothesis follows:

H5: The higher the contribution of professional investors at the beginning of a campaign, the more successful an equity fundraising is guaranteed.

3. RESEARCH METHODOLOGY

This section discusses the data collection technique (3.1), the measurements of the different variables used (3.2) and the data processing techniques (3.3).

3.1.Data collection technique: target population, sampling and survey process

For the present study, the target population is made up of all project leaders who have conducted a *crowdfunding* campaign in the Cameroonian context. The surveys were carried out from April to June 2021 through the administration of a questionnaire.

Indeed, 50 questionnaires were administered to CF project holders. These entrepreneurs were selected using the reasoned choice method combined with the snowball technique because of

the difficulty of identifying and accessing the target. The distribution of these project leaders by sector of activity is given in the following table:

Table 1: Distribution of the sample by sector of activity

Branches of activity	Numbers	Percentage
Food industry	10	20%
Trade	17	34%
Service	12	24%
Transport	7	14%
Other	4	8%
Total	50	100%

Source: Authors' Computation

The statistics summarised in the table above indicate that 72% of the sampled firms are in the tertiary sector and 20% in the secondary sector. This pattern is certainly a reflection of the sampling frame, but is mainly explained by the fact that about 99% of firms (especially SMEs according to the NSI, 2016) in Cameroon cover these two sectors.

3.2. Measures of variables

In this section, the variables (dependent and independent) involved in the present study are defined. The dependent variable (binary/dichotomous) reflects "success" here. It takes the value 1 in case of success of the campaign and 0 in case of failure. Thus, a campaign is considered successful once the project leader has been able to raise the requested funds.

The independent variables are the main variables that can explain the success of a CF campaign. They are subdivided into two groups: socio-demographic variables and variables characteristic of a *crowdfunding* operation. In order to present a synoptic view of these two groups of variables (dependent and independent), the following table spares the variables used and their measures:

Table 2: Operationalisation of the study variables

Variables to be observed		Indicators of variables	Information needed to observe these variables	Seminal authors
Dependent variable	Successful fundraising	Dichotomous variable	Information on the success or failure of fundraising on crowdfunding platforms	Vismara ,2016
		1 if successful		Mollick,2014
		0 if unsuccessful		Allison et al,2017
				Ahlers et al,2017
				Vismara,2018
Independent variables	Key success factors for a crowdfunding campaign.	Project-related factors	The extent of the project leader's network of contacts.	Koch and Siering,2015
				Mollick,2014
				Koch, 2019
				Lukkarinen et al, 2016
				Colombo et al,2015
				Skirnevskiy et al.,2017
		Percentage of capital offered for sale	This variable expresses the share of the share capital open to investors.	Mollick 2014
				Barbi and Bigelli,2017
				Liu et al,2021
				Koch,2019
				Roosenboom,2019
				Liu et al,2021
Frequency of interactions on the platform.	It expresses the number of times and the time per week spent on animation and/or advertising on the platform.	Pinkow and Emmerich ,2021		
		Block et al,2018		
Professional investors' contribution to the project.	Information on the purchase of shares by occupational investors.	Kim and Viswanathan,2013		
		Ralcheva and Roosenboom,2019		
		Courtney et al,2017		
Socio-demographic factors (specific to the entrepreneur)	Level of education	It is a variable that captures the number of years of study of the entrepreneur.	Corbel et al,2018	
			Vismara,2016	
			Polzin et al,2017	
	Field of competence	It reflects the field in which the entrepreneur operates.	Allison et al.,2017	
			Ahlers et al.,2015	
			Barbi and Mattioli,2019	
Experience	This variable measures the number of years of professional experience of the entrepreneur.	Bouaiss and Redis, 2019		
		Hornuf and Schmitt,2017		
		Pietro et al.,2017		
				Hornuf and Schmitt,2017
				Allison et al.,2017
				Barbi and Mattioli,2019

Source: authors

3.3.Data processing method

Referring to empirical studies with similarities to our research topic (Vismara, 2016; Mollick, 2014; Allison et al., 2017 ; Ahlers et al., 2017; Vismara, 2018) recourse is made to two important techniques for the analysis of our data namely: descriptive analysis and logistic regression. Descriptive analysis consists essentially of the construction of simple cross-tabulations in the form of frequencies in order to evaluate the importance of the success of a CF campaign according to its socio-demographic characteristics. It also makes it possible to test the relationship of dependence or independence between the success of a campaign and these characteristics. This step is important because of the need to check beforehand, using statistical tests, which the predictors can influence the variable to be predicted. The variables that are significant are then retained and included in the model (Desjardins, 2005).

Logistic regression is finally used. As the dependent variable "success of a CF operation" is dichotomous (takes the value Y=1 if the project owner has been successful and 0 if unsuccessful), both theory and empirical studies foresee the use of either the logit or the probit model. Because of its mathematical simplicity, the logit model was chosen. Hence the model developed as follows:

$$\text{Successful fundraising} = \alpha + \beta_1 \text{ Education level} + \beta_2 \text{ experience} + \beta_3 \text{ area of expertise} + \beta_4 \text{ size of relational network} + \beta_5 \text{ percentage of share capital} + \beta_6 \text{ frequency of interventions} + \beta_7 \text{ professional investors} + \epsilon_i$$

The SPSS software was used to estimate the model and in combination with the Excel spreadsheet to generate the descriptive statistics.

4. PRESENTATION AND DISCUSSION OF THE RESULTS

We first present the characteristics of the sample and then the results of the logistic regression in order to highlight the links between fundraising success on a CF platform and the explanatory variables.

4.1. Descriptive approach to the socio-demographic variables of the study

In this section, the different relationships established between socio-demographic variables and the success of a fundraising are presented.

Table 3: Links between socio-demographic variables and fundraising success

Variables		Successful in fundraising	Not successful	Total
Gender	Male	38%	48%	86%
	Female	4%	10%	14%
Level of study	Bachelor's degree	0%	16%	16%
	Licence	14%	24%	38%
	Master	20%	12%	32%
	Phd	2%	2%	4%
	Other	6%	10%	16%
Area of expertise	Finance	10%	4%	14%
	Entrepreneurship	4%	10%	14%
	Accounting	2%	4%	6%
	Marketing	4%	8%	12%
	Other	22%	32%	54%
Age range of the holder	Less than 25 years old	0%	6%	6%
	Between 25 and 35 years old	32.0%	42.0%	74%
	Between 36 and 45 years old	10%	10%	20%

Source: authors

4.2. Presentation and interpretation of the logistic regression results

In this section the results of the logistic regression are presented and interpreted. Firstly, the results of the present study are presented and interpreted, followed by a short discussion of the results.

Table 4: Result of the estimation of the model by the binary logistic regression method

Dependent variable Success of fundraising						
	A	E.S.	Wald	Ddl	Sig.	Exp(B)
Percentage of the financial target on the company's share capital	-.350	.446	.615	4	.482	.705
Time spent on the campaign per day	-.654***	.383	2.922	4	.003	.520
Daily frequency of updates	-.028**	.460	.004	5	.025	.972
Size of the community on social networks	.403**	.321	1.579	4	.016	1.497
Level of education	.043**	.459	.009	4	.013	1.044
Number of years of work experience	1.207**	.394	.001	4	.035	.001
Presence of work experience	.386***	.358	1.159	4	.001	1.471
Individuals who made the first Subscriptions	.356**	.251	2.025	2	.003	1.428
Area of expertise	-.095	.322	.088	4	.415	.909
Constant<	1.049***	13.395	.000	4	.009	18.873
-2log-likelihood	Cox & Snell R-two	Nagelkerke's R-two	Chi-square			
40,477 ^a	.424	.570	60.09 (sign 0.000)			

Source: Authors' Computations

From the significiance of the variables in the overall model above, the new (more refined) model from the logistic regression results is given below !

Successful fundraising = $\alpha + \beta_1$ Education level + β_2 experience + β_4 size of relational network + β_6 frequency of interventions + β_7 professional investors + ϵ_i

From Table 4, as regards the time spent on the campaign and the daily frequency of project updates on the platform, it is noted that they have a significant negative influence on the success of a *crowdfunding* operation, at the 1% and 5% threshold respectively. This may be due to the fact that during a *crowdfunding* campaign, which usually has a funding period of about two months, there are limited new developments that can be communicated to investors. An increasing number of updates may even be perceived by investors as unreliable or as empty words, as no further information value can be provided (Perkins & Hendry 2005; Block & al. 2014). This leads us to disprove our second hypothesis that the regular use of updates has a positive impact on the success of a *crowdfunding* operation.

The coefficient of the social network community size variable is positive and significant at the 5% level. This result is consistent with the work of Mollick (2014) using a sample of projects funded by the matching gift model published on Kickstarter, that the size of the social network (using the number of Facebook friends) of a founder is positively associated with the capital raised by a project. Also, the study by Vismara (2016) study provides empirical evidence of the importance of these relationships in *equity crowd-funding*, as they help to increase the popularity of the project and thus attract more investors and capital. In a struggle for visibility, promoters with larger social networks are more likely to succeed. Social capital theory has provided us with theoretical evidence on the importance of the density of an entrepreneur's network for the success of his project. The number of connections is an important asset for accessing financial resources in the field of *crowdfunding*. Therefore, our hypothesis H3, namely the size of the holder's social capital has a positive influence on the success of a *crowdfunding* campaign is confirmed.

Table 4 shows that the education variable has a positive and significant influence at the 5% level on fundraising success. The more educated an entrepreneur is, the higher the chances of a successful campaign. The work of Ahlers et al. (2015) s work is in line with our results. Indeed, he includes in his reflection on the sources of fundraising success the level of education of the entrepreneur. They use the MBA as an indicator of a high level of human capital of entrepreneurs raising funds on the Australian ASSOB platform and show a positive effect of this measure on the investor's funding decision, on the number of investors mobilised during the campaign and on the speed of fundraising. This proves that the level of education is a reliable and important signal when embarking on a participatory financing operation. It has the characteristics of cost and observability that a signal should have and is an element taken into consideration by investors as demonstrated by signal theory. Our hypothesis H4: the level of education of the entrepreneur has a positive influence on the success of a *crowdfunding operation* is therefore validated.

The analysis of Table 4 shows that the number of years of professional experience of a promoter is positively and significantly associated with the success of a fundraising at the 5% threshold. Indeed, competence increases with experience and a fairly experienced entrepreneur sends a positive signal to investors because it is proof of the high human capital of a project owner, thus demonstrating the quality of the project. With this result we are on the same wavelength as Ahlers et al. (2017). They show that the Australian entrepreneur with many years of professional experience is able to attract more investors on the ASSOB platform. The success of an entrepreneur is a combination of several elements, including experience. Indeed, through accumulated experience, the entrepreneur develops unique skills that can enable him to carry

out his activities and projects in a more focused way. Experience is then considered, in accordance with the signal theory, as a key element on which most investors rely to make their investment decisions. This allows us to validate our fifth hypothesis, namely that the experience of the entrepreneur has a positive influence on the success of a fundraising.

As for the individuals who made the first subscriptions, we find that this variable has a significant and positive influence at the 5% threshold on the success of the campaign; this reflects the fact that the first people to have taken shares in the company's capital at the beginning of the fundraising particularly affect the chances of success of a *crowdfunding* operation. The work of Vismara (2018) consistent with this result, shows that early-stage contributions are crucial for the success of a fundraising, as they attract the vast majority of investors and reduce uncertainty around the project. Even more so when a sophisticated investor is among the first contributors, the chances of a successful campaign increase. Therefore, our hypothesis H6, namely the contribution of professional investors at the beginning of a campaign positively influences the success of an equity fundraising is confirmed. Table 4 also tells us that a project owner's area of expertise is negative and insignificant, which means that his or her area of expertise has no influence on the success of his or her financing operation.

5. CONCLUSION

The aim of this work was to explain why some project leaders succeed in their fundraising campaign while the majority of entrepreneurs do not. Based on the literature, six empirically tested hypotheses were formulated through statistical tests following two types of analysis: descriptive and predictive. The results of the logistic regression allow us to understand that contrary to the literature the percentage of shares offered for sale has a negative but not significant influence on the success of a fundraising. However, the level of education of an entrepreneur, the length of professional experience, the size of the share capital and the presence of professional investors in the first subscriptions can be considered as elements that predict the success of an entrepreneur in raising funds through crowdfunding. Based on these results, the lesson to be learned is that beyond communications on social media (Facebook; WhatsApp, Twitter, etc.), an institutional communication framework needs to be set up by public authorities. For the promoters, education on Crowdfunding Platforms needs to be improved, especially for entrepreneurs with a level of education lower than or equal to the baccalaureate.

However, this study has some limitations like any scientific study. Methodologically, the sample size (50) is not large enough to consolidate the results of some of our hypotheses. Furthermore, the update variable measured here by the number of times the entrepreneur brought new concepts or information to his project on the platform could have been more refined, as there are several types of updates which, depending on their category, can have either a positive or negative impact on the success of a campaign. In line with the limitations formulated below, several avenues of research are open from our work. Using other measures of *the updated variable* and introducing into the model other variables that could be significant in explaining fundraising success. Also, looking at the factors of failure of fundraising campaigns seems to be a promising avenue if it is studied in a large sample.

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