

## Chapter 2

# Investors' Motivations in Different Types of Crowdfunding

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### ABSTRACT

*Although the crowdfunding (CF) sector is booming, research focusing on motivation of contributors is mainly exploratory and does not propose an analytical model. This chapter aims to propose a typology of differentiated motivations according to the type of CF. The main results, authentic compared to the existing literature, show that types of motivation are not the same depending on the type of CF considered. These findings provide significant practical guidelines for three major actors of a CF process: CF platforms must communicate according to the segmentation resulting from the respective predominant motivations. Project leaders should go beyond the simple utility and inform contributors according to the life of the project and its segmentation and the required technical tools of contribution. Contributors share personal ties and observe how the projects succeed regarding loan with interest; therefore, certain motivations, found in this research, such as pleasure of contributing, living experiences, and supporting creators should not be put forward in all the CF campaigns.*

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## **INTRODUCTION**

Crowdfunding (CF) is protean. Whatever the types, CF platforms have multiplied since 2005 and collected increasingly. As an example, we note the case of CF, which grew by 20% in France between 2017 and 2018 and collected 402 million euros (Financement participatif France (FPF), 2019). This tremendous growth was achieved without the intervention of traditional financial intermediaries. This alternative mode of financing mainly benefits SMEs, which, together with very small enterprises and Mid-Sized-Businesses, represent 65% of project campaigns in 2017 in France (FPF, 2018).

In France since 2008, the number of platforms has increased dramatically with the creation of four new platforms in average per month since the emergence of CF (Ahès Consulting cited by Wardrop et al., 2015, p.26). There are currently more than sixty platforms operating in France, including 22 reward-based, 19 loan-based and 14 equity-based (Ben Slimane and Rousselet, 2016). The French market is now the second largest in Europe in terms of volume after England, ahead of Germany and the Netherlands (Ziegler et al., 2018).

Europe has also witnessed the rise of alternative online finance. 7.671 billion euros were collected in 2016 on CF platforms, representing a growth rate of 41% (Ziegler et al., 2018). Two major factors, combined with the introduction of appropriate and flexible regulations, have created exceptional potential for cooperative initiatives between individuals in general, and for mutual financial assistance.

The first factor is the decrease in support from traditional financial institutions for entrepreneurial projects led by start-ups or young entrepreneurs. Indeed, since the first Basel agreements in 1988, lending conditions have tightened, and liquidity has become a scarce resource. Consequently, the holders of “risky projects” were forced to look for alternative financing channels.

The second factor is the significant decrease in transaction costs due to Web 2.0 and social media technologies. Individuals can now connect to carry out transactions at a lower cost, of which CF is the emblematic example (Assadi, 2016).

However, the emergence of the potential for interpersonal cooperation does not mean that individuals spontaneously exploit the opportunity or contribute to the system. While there are many academic papers on crowdfunding (Mollick, 2014), 7 470 papers bearing the term “crowdfunding” in their titles since 2010 up to 2019, October 12, there is only 35, bearing the words “crowdfunding” and “motivation” in their titles for the same period (no such a paper before) according to an exhaustive search on Google Scholar. For instance, Hossain and Oparaocha (2017), despite their promising article title (“Crowdfunding: Motives, definitions, typology and ethical challenges”), just give a quick overview, not very documented, of the topic. However, motivations are the likely sources of this success. Motivational research

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