

Crowdfunding in Kenya: Factors for Successful Campaign

The Case of Kickstarter Crowdfunding Platform

Esther Wanjiru Wachira

University of Pécs

e.wachira2012@gmail.com

Virginia Kirigo Wachira

Meru University of Science and Technology

vkwachira2012@gmail.com

SUMMARY

The study aimed at investigating the factors that lead to successful crowdfunding campaigns in Kenya. The success factors of reward-based crowdfunded campaigns vary in different countries due to differences in cultures, legal requirements, social interactions, political and business environments. With very minimal research on crowdfunding funding in Kenya, the study therefore, aimed at analyzing reward-based crowdfunding in Kenya using Kickstarter data, and identifying the crucial factors necessary to run a successful campaign. To achieve this objective, the study used a multiple regression and Pearson correlations. The study found a statistically significant regression equation hence the regression model was considered a good fit. The study using the Pearson correlations analysis found a very strong and positive statistical correlation between updates, amount pledged, backers, and successful projects, moderate but positive statistical correlation between comments, new backers, returning backers, and successful projects. However, there was a negative but insignificant correlation between the goal, funding period, and successful projects. The novelty will be of great benefit to project funders who want to run successful projects in Kenya. This is because the concept of crowdfunding is still new in Kenya and has not been widely publicized, accepted, or researched. The results of this study will guide potential founders on the do's and don'ts of running a successful campaign. Finally, the study recommends further research on the success factors of other crowdfunding models in Kenya as the study solely focused on the reward-based model.

KEYWORDS: reward-based, equity-based, lending-based, donation-based, crowdfunding

JEL CODES: G20, G23, G29, L86, M13, O33

DOI: https://doi.org/10.35551/PFQ_2021_3_6

Financing new innovative ideas, projects, or businesses has been a challenge since traditional financial institutions consider such projects as high risk due to lack of the collateral required to secure the funding. Crowdfunding is the newest and most recent initiative that offers financial support through technologically-enabled platforms. Crowdfunding has attracted increased interest as the most popular alternative funding especially to the investors, innovative entrepreneurs, creative projects, and small businesses (Wachs & Vedres, 2021; Markas and Wang, 2019; Tian et al., 2021). According to *Fernandez-Blanco et al.* (2020), the advancement in technology particularly in crowdfunding has allowed easy, instant, and unlimited access to finances. Additionally, crowdfunding is causing a revolution in the financial industry and innovation in general. Crowdfunding is shaping the financial sector and changing how small businesses, individuals, and innovative ideas acquire funding. Consequently, Fintech companies have ventured into offering more advanced financial services online such as crowdfunding enabling them to remain competitive in the financial sector.

As an innovative funding method, crowdfunding provides an alternative way or channel to finance where individuals or businesses start-ups can raise funds through launching campaigns of their projects. For this reason, interested investors pledge to support these projects or business ideas. According to *Fan et al.* (2020), and *Abber* (2020), crowdfunding provides funds through the internet or online platform to small-scale businesses or entrepreneurs without necessarily using financial institutions or financial intermediaries (Keongtae & Siva, 2019). Hence, entrepreneurs, small businesses, and innovators avoid debt or external shareholders' control (Song et al. 2019). This bridges the financing gap in the market by providing

funding particularly to new businesses that had limited access to funding by traditional financial institutions (Moysidou & Hausberg, 2020). The development of crowdfunding has attracted the attention of several academic researchers and scholars who used the Kickstarter data (Korzynski et al., 2021; Cha, 2020; Ryoba et al., 2020). Most interesting, up to now, research in crowdfunding activities is still listed as developing depending on different countries. However, most studies were conducted reward-based campaigns based in developed countries. The success factors of reward-based crowdfunded campaigns identified in these studies may yield different results from those in Africa and particularly Kenya. This is due to the different cultures, legal requirements, social interactions, political and business environments. The concept of crowdfunding is still a developing sensation in Kenya. There is very minimal research on crowdfunding funding in Kenya with the existing research focusing on Mchanga which is a donation-based crowdfunding platform. This study therefore aimed at analyzing reward-based crowdfunding in Kenya and identifying the crucial factors necessary to run a successful campaign.

This study aimed at shedding light on the basic conceptual understanding of the factors necessary for a successful crowdfunding campaign in Kenya. It contributes to filling the gap in the existing literature and establishing a basic conceptual foundation for the crowdfunding within finance discipline.

CONCEPT OF CROWDFUNDING

Crowdfunding was first introduced in 1997 by a British rock to raise money through the internet¹. However, there is no single approach to define this phenomenon. Academic scholars have defined crowdfunding as 'raising funds

online through the collective wisdom of individuals or groups of people, collectively referred to as the crowd' (Hossain and Oparaocha 2017). Additionally, *Markas and Wang* (2019) defined crowdfunding as a means of receiving or getting capital without using traditional financial methods or institutions such as banks or venture capitalists. Based on these definitions it is clear that there is no clear and universally accepted definition of the concept of crowdfunding.

However, what this clear is that few elements set aside crowdfunding from other traditional fundraising campaigns. In their research, *Hossain and Oparaocha* (2017), and *Fanea-Ivanovici and Siemionek-Ruskań* (2019) observed that the use of the internet, marketing channels, the ability to test new innovative and creative ideas, and the direct interaction with the customers are few elements differentiating crowdfunding from other traditional fundraising campaigns. Additionally, crowdfunding platforms allow startups to entice investors by advertising their new or innovative ideas through the internet (Schraven et al., 2020) providing an additional way for entrepreneurial individuals and organizations (creators. Using the internet also sets aside the crowdfunding campaigns from the traditional fundraising campaigns through generating a wide range of audiences (Fanea-Ivanovici & Siemionek-Ruskań, 2019 and Tafesse, 2021). Again, crowdfunding provides support to a small business or creative projects which are not eligible to acquire funding from traditional financial institutions (Fanea-Ivanovici and Siemionek-Ruskań, 2019). Crowdfunding plays a big role in radically reducing transaction costs, hence providing a low-cost alternative of accessing capital eliminates financial intermediaries and other issues related to progress monitoring and financing (Keongtae & Siva, 2019 and Kromidha, 2016). Crowdfunding unlike

traditional financial institutions does not require the fundraisers to provide any collateral or business plans to acquire funds (Markas and Wang, 2019).

FORMS OF CROWDFUNDING

Most academic scholars and researchers have pointed out four main forms of crowdfunding namely; donation-based, reward-based, lending-based, and equity-based (Hossain and Oparaocha, 2017; Chervyakov & Rocholl, 2019; Lee, 2019). *Shneor et al.* (2020) posit that equity-based crowdfunding platforms, fund business projects that guarantee investors tangible benefits such as profits. According to *Vismara* (2018), the major motivation of equity-based crowdfunding is the monetary return or the investor's return on investment.

The nature of lending-based crowdfunding platforms supports projects that are lending capital and in turn, earns interest from the capital invested. Lending-based crowdfunding platforms have also been described as '*when individuals or institutional backers provide loans to borrowers while expecting the repayment of the principle and a set interest within the predefined timeframe*' (Shneor et al., 2020 p.2). These loans provided by the lenders do not require collateral and therefore, the risk of default is higher (Bruton et al., 2015).

An empirical analysis of reward-based reveals that it is the most widespread type of crowdfunding. Backers of reward-based crowdfunding platforms support projects that provide non-financial rewards (such as gift hampers, t-shirts, caps) to investors. This means that the investors provide funding of projects with no expectation of monetary or financial rewards which are in most cases in the form of pre-purchased goods or services (Shneor et al., 2020).

Finally, donation-based crowdfunding

platforms support projects which seek donations banking on intangible or non-material feelings as rewards (such as a sense of belonging and satisfaction) to the donors. According to *Shneor et al.* (2020), donation-based is the ‘...*provision of funding based on philanthropic or civic motivations without expectation of material rewards*’ (Shneor et al., 2020, p.2). Donation-based crowdfunding has also been described as the acceptance of donations in terms of monetary resources through the internet without the expectation of receiving any form of reward (Noelia et al., 2021).

According to *Fanea-Ivanovici and Siemionek-Ruskañ* (2019), crowdfunding has developed from its initial forms such as donation-based and reward-based to more developed forms such as equity-based, lending-based, hybrid, and invoice trading crowdfunding. Crowdfunding if well utilized is useful in economic growth and development through exploiting the available opportunities in the community and innovation particularly in areas where obtaining finance is difficult (Hervé and Schwienbacher, 2018).

OVERVIEW OF CROWDFUNDING

The Global crowdfunding volume stood at approximately 14 billion US dollars in 2019 and is estimated to hit 28.8 billion US dollars by 2025.^{2,3} Europe is the third-largest market for crowdfunding with the dominating country being the UK (Shneor et al. 2020). However, the uptake of Crowdfunding in Hungary is still low compared to most countries in Europe. The *European Commission* (2017) report, noted that crowdfunding forms such as lending-based models are not present in Hungary with the few active crowdfunding forms being equity, donation, or reward-based crowdfunding (European Crowdfunding

Network, 2018). The most successful donation-based crowdfunding in Hungary is *adjukossze.hu* which currently launched over 140 community fundraising campaigns and 62 organizational fundraisers which saw an increase of 200% in donations bringing the total to 206 million HUF.⁴ The *tokeportal.hu* has launched 6 equity-based campaigns where 2 campaigns have been successful, 2 campaigns are live and 2 campaigns were unsuccessful.⁵ On the other hand, Kickstarter has launched 211 reward-based crowdfunding projects where 75 projects were successful (35% success rate) and 1 project was live.⁶

In Africa, South Africa is currently dominating the crowdfunding activities (Chao, 2020) with Thunda Fundraising approximately 3.8 million US dollars from 1,420 reward-based projects. The concept of crowdfunding in Kenya is relatively new. Crowdfunded models prominent in Kenya are donation-based and reward-based. Mchanga is the largest donation-based crowdfunding in Kenya with approximately 40,081 fundraisers, 877,744 supporters⁷ and has raised over 5 million US dollars (Matt et al., n.d.). Mchanga was founded in 2011 to facilitate Kenyans to fundraise online. Mchanga enables Kenyans to donate and help other Kenyans facing health, education, weddings, community (business, farming, business, civil society) issues. There are few activities around reward-based crowdfunding in Kenya with Kickstarter launching 182 projects by April 2021.⁸

ABOUT KICKSTARTER

Kickstarter is a reward-based crowdfunding platform that mainly aids in bringing artistic, creative, and artistic ‘*projects to life*’⁹. Kickstarter was launched in 2009. Currently, Kickstarter is the world’s largest crowdfunding platform (Song et al., 2019), with approximately 71.7

million total pledges amounting to 5.8 billion US dollars, 200,562 successfully funded projects, 19.6 total backers, and 6.6 million repeat backers.¹⁰ However, in Kenya, the concept of crowdfunding is in its initial stages.

LITERATURE REVIEW

A review of the literature revealed that crowdfunding has attracted the attention of academic scholars with some scholars focusing on individual forms of crowdfunding platforms such as equity-based crowdfunding platforms (Nitani et al., 2019; Lee, 2019; and Wallmeroth, 2019) and the motivation of crowdfunding founders and backers. Crowdfunding campaign backers are mainly motivated by the creation and consolidation of connections rather than the rewards they get (Kaur & Gera, 2017). Additionally, *Montequín et al.* (2018) argue that a successful project should be based on customer satisfaction and not on cost, specifications, and deadlines.

Other researchers focused on the factors which contribute to the success of crowdfunding (Korzynski et al., 2021; Vismara, 2018; Song et al., 2019). For a campaign to be considered successful, *Fernandez-Blanco et al.* (2020) study revealed that the amount pledge should be equal to or more than the budgeted amount. It has also been found that self-promotion, exemplification, and creating various social media platforms presence are some of the factors that make a crowdfunded project successful (Korzynski et al., 2021). For instance, *Wolfe et al.* (2021) found a positive correlation between Twitter messages and the success of crowdfunded campaigns. *Koch and Siering* (2016), study revealed that the description of the campaign, images, videos, and returning backers as factors that influenced successful campaigns. *Liang et al.* (2020), in their study, indicated a positive effect of picture

count, video count, word count, and updates on the success of crowdfunded campaigns. Likewise, identifying project description in terms of length, objectivity, and readability, experience, and past expertise of the project funders were found to be significantly associated with the success of crowdfunding (Zhou et al., 2018).

Adamska-Mieruszevska et al. (2017) examined issues relating to location in their study on the success and failures of crowdfunded projects in Poland and revealed that the project owners in Poland's larger cities had better qualifications and were better prepared to run the project leading to the success of most projects. This was attributed to the wider media presence. The findings of this study were in line with the findings of *Domínguez et al.* (2020), which found significant relationships between location, experience, human capital, gender, and successful crowdfunding projects.

There are connections between regular updates and successful projects. *Yin et al.* (2019), study revealed that project updates and communication positively affect the success of crowdfunded campaigns. Additionally, *Borst et al.* (2018), found a positive effect of project updates and tweets on the success of crowdfunding campaigns. This was in line with *Aleksina et al.* (2019) findings which revealed that founders should establish and maintain professional contacts through regular updates to increase the probability of campaign success. Regular updates also create a sense of trust from the backers. *Song et al.* (2019) stated that crowdfunding platforms and campaigns require openness and trustworthiness to succeed. Their study suggested that trust is very essential for the success of crowdfunded activities and is gained through sharing information with the intended investors. A study by *Shneor et al.* (2021), found that revealing or sharing out

information positively relates to the success of the crowdfunded campaign.

The comment section provides an avenue where backers can interact with founders by asking questions and posting either negative or positive comments. This section is crucial as any interested new backer as comments posted and their responses will impact the decision of future founders. *Petitjean* (2018), study concluded that successful campaigns were dependent on the number of backer's comments about their opinions, reviews, and experiences. Additionally, *Wang et al.* (2018) suggested that there is a direct association between comment sentiments and the success of crowdfunding projects.

Project duration and time have also been a focus of academic scholars. According to *Petitjean* (2018), the first phase or week of the crowdfunding campaign is critical for its success as most of the backers fund the campaigns during this week. Additionally, *Song et al.* (2019) study recommended that crowdfunded campaigns with shorter funding days attract more backers. However, crowdfunded campaigns should not set very high or unrealistic goals as this may discourage potential backers (Aleksina et al., 2019). This argument was supported by *Song et al.* (2019) who argued that project founders should set realistic funding goals.

According to *Samarah and Alkhatib* (2020), the existence of a regulatory framework, supervision, financial knowledge, and transparency are very essential for equity and lending-based crowdfunding platforms. *Rau* (2018) also stress that law, trust, and the development of crowdfunding are legal system and highly significant to the volume of crowdfunding platforms. However, the level of countries' development explains the volume of crowdfunding platforms. In poor or low developed countries, having explicit regulations are not significant. In contrast,

the social factors for example trust by the population in low developed countries is highly significant to the volume of crowdfunding platforms and vice versa.

RESEARCH METHODOLOGY

The study used data from the Kickstarter.com website. The study used a multiple regression model to establish the relationship between the dependent variable and the independent variable.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + e \quad (1)$$

Where;

Y = Project Success

β_0 = Constant

X_1 = Project goal

X_2 = Pledge

X_3 = Backers

X_4 = Funding period

X_5 = Updates

X_6 = FAQ (Frequently Asked Questions)

X_7 = Comments

X_8 = New backers

X_9 = Returning backers

e = error

$\beta_1, \beta_2, \beta_3$ = parameters used

VARIABLE DESCRIPTION

As shown in *Table 1* the dependent variable of our study was the project success which was denoted 0=Not successful, 1=successful while the independent variables were; *Project Goal* which is the specified amount of money that the founder of a crowdfunded campaign aims to get at the end of the project. When starting a crowdfunding campaign, the founders need to set realistic, easily achievable goals. *Pledge*

Table 1

VARIABLE MEASUREMENT

	Measure
Dependent Variable	
Project Success	0=Not successful, 1=Successful
Independent Variables	
Project Goal	The amount the project founders intend to raise per project
Project Duration	Number of days that each project remained active
Pledge	Amount promised by backers per project
Comments	Number of comments per project
Backers	Number of backers per project
New Backers	Number of new backers per project
Returning Backers	Number of returning backers per project
Updates	Number of updates per project
FAQ	Number of FAQs per project

Source: Authors' extraction based on Kickstarter data (2021)

is the amount of money a backer promises or vows to support the ongoing project. *Backers* are the individuals or funders who support crowdfunding projects. Backers can be classified into returning backers and new backers. *Funding period* is the duration of the crowdfunded projects. Kickstarter projects funding projects mainly range between 1day to 60 days with Kickstarter encouraging a 30-day funding period. *Comments* which allow easy communication between the founder and the backer. In this section, the backers may ask questions or express their views regarding the project and the founder responds. *Updates*, the founder of the crowdfunded campaign tries to reach out to existing or new backers through constantly communicating and informing them about the progress of the project. *FAQ* is a section that tries to answer the most common questions or queries regarding a particular project.

DATA ANALYSIS AND DISCUSSION

Categories

In Kenya, the 182 crowdfunded projects were categorized as indicated in *Table 2* below;

Table 3 below shows the project status of all the 182 campaigns.

In cleaning out the data, we excluded all projects which were either live or canceled. The study, therefore, used 173 projects which were either successful or unsuccessful (See *Table 4 and Figure 1*).

From our total sample of 173 crowdfunding projects, the average goal was US dollars 32,018, average pledge 10, 915, of average funding period was 34 days, average of 4 updates, 5 comments, 93 backers, 66 new backers, and 60 returning backers.

Table 5 above shows the R^2 is 0.333 (33.3%) while the Adjusted R^2 was 0.288 (28.8%).

Table 2

CATEGORY OF CROWDFUNDED PROJECT

Category	Frequency
Art	10
Crafts	1
Design	4
Fashion	15
Film & Video	64
Food	14
Games	4
Journalism	11
Music	12
Photography	25
Publishing	9
Technology	11
Theater	2
Total	182

Source: Own edited based on Kickstarter data (2021)

Table 3

STATUS OF THE CROWDFUNDED PROJECTS

Status	Number
Live Projects	1
Successful Projects	80
Unsuccessful Projects	93
Canceled Projects	8
Total	182

Source: Own edited based on Kickstarter data (2021)

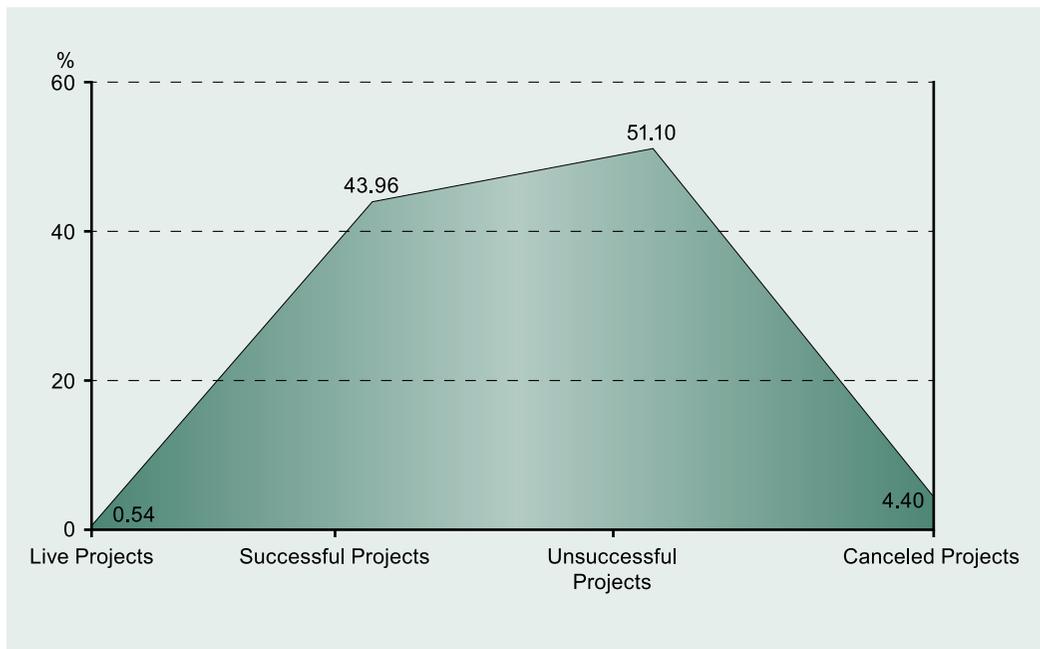
This indicates 28.8% variation in the success of a project can be explained by the model. The adjusted R^2 accounted for 0.288 (28.8%) is slightly lower than the R^2 value which indicates the precise relationship between the independent and the dependent variable due to its sensitivity of addition of any irrelevant

variables. The predictors in our model were statistically significant with a p -value <0.000.

The study found a statistically significant regression equation (F (8,117) = 7.308, p <0.000 as indicated in Table 6 above. This indicates that the overall regression model used in the study statistically significantly predicted

Figure 1

STATUS OF CROWDFUNDED PROJECTS IN PERCENTAGE



Source: Own edited based on Kickstarter data (2021)

Table 4

DESCRIPTIVE ANALYSIS

	<i>N</i>	Mean	Skewness	
	Statistic	Statistic	Statistic	Std. Error
Goal in USD	173	32017.90	9.631	0.185
Pledge in USD	173	10914.89	3.707	0.185
Backers	173	93.27	3.514	0.185
Funding Period (days)	173	34.74	0.708	0.185
Updates	173	4.29	1.976	0.185
FAQ	173	0.64	3.923	0.185
Comments	173	4.98	5.901	0.185
New backers	127	65.76	3.153	0.215
Returning backers	126	60.19	3.432	0.216
Valid N (listwise)	126			

Source: Own edited based on data (2021)

Table 5

REGRESSION ANALYSIS

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.577*	0.333	0.288	0.410	0.333	7.308	8	117	0

Note: * = Predictors: (Constant), Returning backers, Funding Period (days), Goal in USD, FAQ, Updates, New backers, Comments, Pledge in USD

Source: Own computation based on data (2021)

Table 6

ANOVA ANALYSIS

ANOVA*						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.819	8	1.227	7.308	0**
	Residual	19.649	117	0.168		
	Total	29.468	125			

Note: * = Dependent Variable: Project status, ** = Predictors: (Constant), Returning backers, Funding Period (days), Goal in USD, Questions asked, Updates, New backers, Comments, Pledge in USD

Source: Own computation based on data (2021)

the outcome (success of the crowdfunded projects).

The study further conducted a Pearson correlation analysis to test the relationship between our dependent variable (Project success) and our independent variables (Goal, Pledge, backers, funding period, updates, FAQ, comments, new backers, returning backers).

From the Pearson correlation analysis, there is a very strong and positive statistical correlation between updates and successful projects ($r=0.402, p<0.001$), amount pledge

and successful projects ($r=0.402, p<0.001$), backers, and successful projects ($r=0.451, p<0.001$). The study also found a moderate but positive statistical correlation between comments and successful projects ($r=0.314, p<0.001$), new backers and successful projects ($r=0.394, p<0.001$), and returning backers ($r=0.319, p<0.001$). However, the study found a negative but insignificant correlation between the goal and successful projects ($r=-0.130, p>0.01$), funding period, and successful projects ($r=-0.147, p>0.01$).

This means that an addition of one

Table 7

PEARSON CORRELATION MATRIX

		Correlations									
		Project Success	Goal in USD	Pledge in USD	Backers	Funding Period (days)	Updates	FAQ	Comments	New backers	Returning backers
Project Success	Pearson Correlation	1.000	-0.130	0.402**	0.451**	-0.147	0.528**	0.190*	0.314**	0.394**	0.319**
	Sig. (2-tailed)		0.087	0.000	0.000	0.054	0.000	0.013	0.000	0.000	0.000
	N	173	173	173	173	173	173	173	173	127	126
Goal in USD	Pearson Correlation	-0.130	1	0.054	0.0036	0.0010	-0.021	0.030	0.062	0.195*	0.270**
	Sig. (2-tailed)	0.087		0.484	0.640	0.901	0.780	0.698	0.414	0.028	0.002
	N	173	173	173	173	173	173	173	173	127	126
Pledge in USD	Pearson Correlation	0.402**	0.054	1	0.911**	0.017	0.594**	0.517**	0.839**	0.831**	0.899**
	Sig. (2-tailed)	0.000	0.484		0.000	0.819	0.000	0.000	0.000	0.000	0.000
	N	173	173	173	173	173	173	173	173	127	126
Backers	Pearson Correlation	0.451**	0.036	0.911**	1	0.007	0.593**	0.454**	0.826**	0.951**	0.963**
	Sig. (2-tailed)	0.000	0.640	0.000		0.932	0.000	0.000	0.000	0.000	0.000
	N	173	173	173	173	173	173	173	173	127	126
Funding Period (days)	Pearson Correlation	-0.147	0.010	0.017	0.007	1	-0.004	0.023	0.042	0.060	0.010
	Sig. (2-tailed)	0.054	0.901	0.819	0.932		0.956	0.759	0.585	0.502	0.908
	N	173	173	173	173	173	173	173	173	127	126

Continuation of Table 7

Correlations										
	Project Success	Goal in USD	Pledge in USD	Backers	Funding Period (days)	Updates	FAQ	Comments	New backers	Returning backers
Updates	Pearson Correlation	-0.021	0.594**	0.593**	-0.004	1	0.420**	0.543**	0.485**	0.571**
	Sig. (2-tailed)	0.780	0.000	0.000	0.956		0.000	0.000	0.000	0.000
	N	173	173	173	173	173	173	173	127	126
FAQ	Pearson Correlation	0.030	0.517**	0.454**	0.023	0.420**	1	0.453**	0.398**	0.421**
	Sig. (2-tailed)	0.013	0.000	0.000	0.759	0.000		0.000	0.000	0.000
	N	173	173	173	173	173	173	173	127	126
Comments	Pearson Correlation	0.314**	0.062	0.839**	0.042	0.543**	0.453**	1	0.730**	0.835**
	Sig. (2-tailed)	0.000	0.414	0.000	0.585	0.000	0.000		0.000	0.000
	N	173	173	173	173	173	173	173	127	126
New backers	Pearson Correlation	0.394**	0.195*	0.831**	0.060	0.485**	0.398**	0.730**	1	0.833**
	Sig. (2-tailed)	0.000	0.028	0.000	0.502	0.000	0.000	0.000		0.000
	N	127	127	127	127	127	127	127	127	126
Returning backers	Pearson Correlation	0.319**	0.270**	0.899**	0.010	0.571**	0.421**	0.835**	0.833**	1
	Sig. (2-tailed)	0.000	0.002	0.000	0.908	0.000	0.000	0.000	0.000	
	N	126	126	126	126	126	126	126	126	126

Notes: *: Correlation is significant at the 0.05 level (2-tailed), **: Correlation is significant at the 0.01 level (2-tailed)

Source: Own computation based on data (2021)

campaign update from the founder, an increase in the amount of money pledged, an increase in the number of backers both new or returning backers leads to a more successful project. However, an increase in the goal of the project and funding period leads to a decrease in the chance that the crowdfunding campaign to be successful.

CONCLUSION AND RECOMMENDATION

Crowdfunding platforms provide alternative funding solutions are especially to new ventures that are not eligible to acquire funding from traditional financial institutions. Through crowdfunding platforms, businesses can test their new innovative and creative ideas and have direct interaction with the customers. Crowdfunding platforms do not require fundraisers to provide any collateral or business plans to acquire funds. Consequently, the question on what are the success factors of crowdfunded campaigns particularly in developing countries such as Kenya is important.

From the analysis of the study, it is clear that the success factors of reward-based crowdfunded campaigns in Kenya are not different from other countries despite Kenya being a developing country. The study found that updates amount pledged, backers, and comments as the success factors. Founders of crowdfunding platforms can increase their

success rate by providing more updates about the campaign, focusing on the backers (both new and returning backers) and the amount pledged. Constant communication with the backers through updates makes the backers have more trust in the campaign. Moreover, constant updates and timely responses to comment act as a reference point for new backers. The findings also showed a negative relationship between the project goal, funding period, and project success. Therefore, project founders should aim at setting a lower goal and a lesser period. Most of the backers interested in a campaign project normally back it within the first few days after launching.

The findings of this study will contribute to the growing literature on crowdfunding. Besides, the novelty of the study will be of great benefit to project founders who want to run successful projects in developed and developing countries such as Hungary and Kenya. This is because the concept of crowdfunding is still new in Kenya and has not been widely publicized, accepted, or researched. The results of this study will guide potential founders on the dos and don'ts of running a successful campaign not only in Kenya but in other countries such as Hungary where the concept of crowdfunding is still relatively new. This study recommends further research on the success factors of other crowdfunding models as the study solely focused on the reward-based model. ■

NOTES

¹ <https://www.startups.com/library/expert-advice/history-of-crowdfunding> Accessed on 29th April 2021

² <https://www.statista.com/statistics/1078273/global-crowdfunding-market-size/> Accessed on 30th April 2021

³ <https://www.marketdataforecast.com/market-reports/crowdfunding-market> Accessed on 30th April 2021

⁴ <https://adjukossze.hu/> Accessed on 30th June 2021

- ⁵ <https://app.tokeportal.hu/?text&projectStatus=ACTIVE&sort=collectingStartDate,desc&page=0&size=9> Accessed on 30th June 2021
- ⁶ https://www.kickstarter.com/discover/advanced?woe_id=23424844&sort=magic&seed=2708419&page=1 Accessed on 30th June 2021.
- ⁷ <https://www.changa.co.ke/> Accessed on 30th April 2021
- ⁸ https://www.kickstarter.com/discover/advanced?woe_id=23424863&sort=magic&seed=2698914&page=1 Accessed on 25th April 2021
- ⁹ <https://www.kickstarter.com/> Accessed on 25th April 2021
- ¹⁰ <https://www.kickstarter.com/help/stats> Accessed on 25th April 2021

REFERENCES

- ADAMSKA-MIERUSZEWSKA, J., MRZYGLÓD, U., & SKURCZYŃSKI, M. (2017). Success and failures of crowd-funded projects in Poland. *Zeszyty Naukowe Uniwersytetu Szczecińskiego Finanse Rynki Finansowe Ubezpieczenia*, 89(5), 415–426, <https://doi.org/10.18276/frfu.2017.89/2-34>
- ALEKSINA, A., AKULENKA, S., & LUBLÓY, Á. (2019). Success factors of crowdfunding campaigns in medical research : perceptions and reality. *Drug Discovery Today*, 24(7), 1413–1420, <https://doi.org/10.1016/j.drudis.2019.05.012>
- BABER, H. (2020). Secrets Of Successful Crowdfunding. *Advances in Business-Related Scientific Research Journal*, 11(2)
- BORST, I., MOSER, C., & FERGUSON, J. (2018). *From friendfunding to crowdfunding : Relevance of relationships , social media , and platform activities to crowdfunding performance*, <https://doi.org/10.1177/1461444817694599>
- BRUTON, G., KHAVUL, S., SIEGEL, D., & WRIGHT, M. (2015). New financial alternatives in seeding entrepreneurship: Microfinance, crowdfunding, and peer-to-peer innovations. *Entrepreneurship: Theory and Practice*, 39(1), 9–26, <https://doi.org/10.1111/etap.12143>
- CHAO, E. (2020). Advances in Crowdfunding. *Advances in Crowdfunding, August*, <https://doi.org/10.1007/978-3-030-46309-0>
- DOMÍNGUEZ, C. B., LAGARES, E. C., GARRIDO, R. H. (2020). Analysis of success factors in crowdfunding projects based on rewards : A way to obtain financing for socially committed projects. *Heliyon*, 6(April), 1–9, <https://doi.org/10.1016/j.heliyon.2020.e03744>
- FAN, T., GAO, L., & STEINHART, Y. (2020). The Small Predicts Large Effect in Crowdfunding. *Journal of Consumer Research*, 47, <https://doi.org/10.1093/jcr/ucaa013>
- FANEA-IVANOVICI, M., & SIEMIONEK-RUSKAŃ, M. (2019). A Comparative Analysis of Crowdfunding in Poland and Romania. *Proceedings of the International Conference on Business Excellence*, 13(1), 182–193, <https://doi.org/10.2478/picbe-2019-0017>
- FERNANDEZ-BLANCO, A., VILLANUEVA-BALSERA, J., & RODRIGUEZ-MONTEQUIN, V. (2020). *Key Factors for Project Crowdfunding Success : An Empirical Study*, <https://doi.org/10.3390/su12020599>
- HOSSAIN, M., & OPARAOCHA, G. O. (2017). Crowdfunding: Motives, Definitions, Typology

and Ethical Challenges. *Entrepreneurship Research Journal*, 7(2),
<https://doi.org/10.1515/erj-2015-0045>

KAUR, H., & GERA, J. (2017). ScienceDirect Effect of Social Media Connectivity on Success of Crowdfunding Campaigns. *Procedia Computer Science*, 122(0), 767–774,
<https://doi.org/10.1016/j.procs.2017.11.435>

KEONGTAE, K., & SIVA, V. (2019). The Experts in the Crowd: The Role of Experienced Investors in a Crowdfunding Market. *MIS Quarterly*, 43(2), 347–372,
<https://doi.org/10.25300/MISQ/2019/13758>

KOCH, J. (2016). *Crowdfunding Success Factors : The Characteristics of Successfully Funded Projects on Crowdfunding Platforms CROWDFUNDING SUCCESS FACTORS : THE CHARACTERISTICS OF SUCCESSFULLY*. May 2015

KORZYNSKI, P., HAENLEIN, M., & RAUTIAINEN, M. (2021). Impression management techniques in crowdfunding : An analysis of Kickstarter videos using artificial intelligence. *European Management Journal*,
<https://doi.org/10.1016/j.emj.2021.01.001>

KROMIDHA, E. (2016). A comparative analysis of online crowdfunding platforms in USA, Europe and Asia. *EChallenges E-2015 Conference Proceedings, January 2017*,
<https://doi.org/10.1109/eCHALLENGES.2015.7441070>

KUTI, M., and MADARÁSZ, G. (2014). Crowdfunding. *Public Finance Quarterly*, 59(3), 355–366

LIANG, X., HU, X., & JIANG, J. (2020). Research on the Effects of Information Description on Crowdfunding Success within a Sustainable Economy — The Perspective of Information Communication. *Sustainability* 2020, 12(2), 650,
<https://doi.org/10.3390/su12020650>

MARKAS, R., & WANG, Y. (2019). Dare to Venture : Data Science Perspective on Crowdfunding. *SMU Data Science Review*, 2(1), 19

MATT, R., MARINA, M., & DEAN, J. (n.d.). *Understanding Digital Fundraising in Kenya*

MONTEQUÍN, V. R., BALSERA, J. V., MARÍA, S., FERNÁNDEZ, C., & FERNÁNDEZ, F. O. (2018). *Exploring Project Complexity through Project Failure Factors : Analysis of Cluster Patterns Using Self-Organizing Maps*. 2018

MOYSIDOU, K., & HAUSBERG, J. P. (2020). In crowdfunding we trust : A trust-building model in lending crowdfunding. *Journal of Small Business Management*, 58(3), 511–543

NITANI, M., RIDING, A., & HE, B. (2019). On equity crowdfunding: investor rationality and success factors. *Venture Capital*, 21(2–3), 243–272,
<https://doi.org/10.1080/13691066.2018.1468542>

NOELIA, S.-A., MARTA, R. L., VAZQUEZ-CASIELLES, R., & ALVAREZ-GONZALEZ, L. I. (2021). Mapping the Field of Donation-Based Crowdfunding for Charitable Causes : Systematic Review and Conceptual Framework. *International Society for Third Sector Research*, 288–302

PETITJEAN, M. (2018). What explains the success of reward-based crowdfunding campaigns as they unfold ? Evidence from the French crowdfunding platform KissKissBankBank. *Finance Research Letters*, 26(August 2017), 9–14,
<https://doi.org/10.1016/j.frl.2017.11.005>

RAU, P. R. (2018). Law, Trust, and the Development of Crowdfunding. *SSRN Electronic Journal*,
<https://doi.org/10.2139/ssrn.2989056>

SAMARAH, W. E. A. R., & ALKHATIB, S. F. S. (2020). Crowdfunding operations: Outreach

factors in developing economies. *Journal of Public Affairs*, 20(1),
<https://doi.org/10.1002/pa.1988>

SCHRAVEN, E., BURG, E. VAN, & GELDEREN, M. VAN. (2020). Predictions of Crowdfunding Campaign Success: The Influence of First Impressions on Accuracy and Positivity. *Journal of Risk and Financial Management*, 13, 331

SHNEOR, R. (2021). *The role of social trust in reward crowdfunding campaigns' design and success*

SHNEOR, R., ZHAO, L., & FLATEN, B.-T. (2020). Advances in Crowdfunding Research and Practice. In *Palgrave Macmillan*

SONG, Y., BERGER, R., YOSIPOF, A., & BARNES, B. R. (2019). Technological Forecasting & Social Change Mining and investigating the factors influencing crowdfunding success. *Technological Forecasting & Social Change*, 148(December 2018), 119723,
<https://doi.org/10.1016/j.techfore.2019.119723>

TAFESSE, W. (2021). Communicating crowdfunding campaigns: How message strategy, vivid media use and product type influence campaign success. *Journal of Business Research*, 127(May 2020), 252–263,
<https://doi.org/10.1016/j.jbusres.2021.01.043>

TIAN, X., SONG, Y., LUO, C., ZHOU, X., & LEV, B. (2021). International Journal of Production Economics Herding behavior in supplier innovation crowdfunding: Evidence from Kickstarter. *International Journal of Production Economics*, 239(May), 108184,
<https://doi.org/10.1016/j.ijpe.2021.108184>

VISMARA, S. (2018). Sustainability in equity crowdfunding Sustainability in Equity Crowdfunding. *Technological Forecasting and Social Change*,
<https://doi.org/10.1016/j.techfore.2018.07.014>

WACHS, J., & VEDRES, B. (2021). Does crowdfunding really foster innovation? Evidence from the board game industry. *Technological Forecasting & Social Change*, 168(April),
<https://doi.org/10.1016/j.techfore.2021.120747>

WANG, N., LI, Q., LIANG, H., YE, T., & GE, S. (2018). *Electronic Commerce Research and Applications Understanding the importance of interaction between creators and backers in crowdfunding success*. 27, 106–117

WOLFE, M. T., PATEL, P. C., & MANIKAS, A. S. (2021). Journal of Innovation. *Journal of Innovation & Knowledge*, 000,
<https://doi.org/10.1016/j.jik.2021.06.002>

ZHOU, M. J., LU, B., FAN, W. P., & WANG, G. A. (2018). Project description and crowdfunding success: an exploratory study. *Inf Syst Front*, 259–274,
<https://doi.org/10.1007/s10796-016-9723-1>

European Commission. (2017). *Identifying market and regulatory obstacles to crossborder development of crowdfunding in the EU* (Issue December),
<https://doi.org/10.2874/65957>

European Crowdfunding Network. (2018). Country Crowdfunding Factsheet - Greece. *European Crowdfunding Network, June*, 2–11, https://eurocrowd.org/wp-content/blogs.dir/sites/85/2018/06/CF_FactSheet_Greece_June2018.pdf