Contribution of the Social Media and Transparency Needed on Crowd Funding Website

Lely Priska D. Tampubolon
Faculty of Information Technology, Perbanas Institute, Setia Budi, Karet Kuningan, Jakarta, Indonesia.

Abstract - IT artifacts (platforms) can be used for various interests of the organization or company to gain profit, encourage online fundraising and motivate someone to contribute through the crowdfunding website [1]. Fundraising by online is not always successful. One of the succeeding factors of online fundraising (crowd funding) is influenced by the dissemination of information through social media and friendship [2]. The weaknesses of the crowd funding websites based fundraising are the lack of transparency, unclear benefits, and chances of any potential fraud [3]. This research discussed the contribution of social media toward dissemination of fundraising information and the importance of transparent indicators of the use of funds on the main page of crowd funding websites. Researchers conducted a survey and analyzed the main page of crowd funding websites (kickstarter, indiegogo and kitabisa.com) to find out information about steps of the projects launch and projects information, use of the donated funds from the beginning of promotion till the end of the projects. Based on the results of research, 61.9% of respondents stated that social media (instagram and facebook) has a large contribution toward dissemination of information. There is no indicator of project development information and funds that have been used after the promotion period on the main page website, 83.3% of respondents stated that transparency is required, and 66.7% of respondents agree that indicators of the use of donated funds and project achievements are displayed on campaign project page.

Keywords - Crowd funding, Donation-based crowd funding, Social Media, Transparency, User interface, Website.

I. INTRODUCTION

Technology enables to create a friendly business and attractive capital; knowledge, creativity and innovation; integration and social cohesion; communication and closeness with society; environmental sustainability; transparency and democratic culture; more efficient and sustainable urban mobility; and comprehensive access to culture, education and health (Ajuntament, 2013). Currently, technology is targeting the field of finance, thus public fund raising has produced more creative things.

Crowd funding, the one type of fintech, is a business financing technique that leverages online social networking related to a web-based platform for fundraising. It has rapidly risen as a way of the raising funds to support projects such as the art projects, charity projects, and new ventures[4], [5], [6]. The rise of crowd funding is marked by an increase in the number of projects from different fields of application attempting crowd funding options; the number of crowd funding platforms are growing rapidly, and those who are experimenting with new business models[7].

In particular, donation-based crowd funding platforms provide the access to capital for poor and low-income populations from multitudinous funders internationally [8]; funders will not get any return from the money they have been donated [9]. The donors are motivated by ideals and altruism rather than monetary incentives [8]; willingness to help, contributing a good causes[10], and being part of making project happen [2], [11]. For that, the crowd funding creator should be able to highlight the idea or uniqueness of the project, so the promotion of the project can attract and motivate the donors to donate.

The increasing of internet users is one of the triggers of crowd funding development [12]. The other trigger is the information sharing from media social such as Facebook, included in Indonesia [13], [14], [15]. According to Ordanini, fifty percent or roughly half of the fund target which achieved in a crowd funding is a contribution of those with a personal connection to the creators (eg friends, family, co-workers, etc.)[2], [16]. The number of Facebook friends has a positive effect on the amount of desired funds, the number of investors, and the possibility of a successful
campaign. Contributing investors sponsor the project on Kitabisa.com because of the relationship or social networking, not because of the project description, and currently dominated by social crowd funding, such as funding for natural disasters and medical [17].

In order to ensure the trust of donors for the implementation of responsible crowd funding and the management of healthy crowd funding entities, the principles of Good Corporate Governance (GCG) by crowd funding management entities need to be implemented that are transparency, accountability, responsibility, independence, fairness and equity [18]. Those five principles are important to build a public trust. The fact that many initiators do not report the use of funds that have been collected in a transparent manner, may cause of crowd funding segment will face failure and disappointment even many cases of fraud [7]

In this research, the contribution of social media to the dissemination of the fundraising information and the importance of transparent indicators of the use of funds on the main page of crowd funding websites are analyzed. On the campaign's main page of crowd funding websites, included Kitabisa.com, the most popular donation-based crowd funding in Indonesia now a days, maintains the public trust by showing transparency indicator of fundraising on the campaign's main page, but the indicator of steps of the projects launch and projects information, the report of the use of the donated funds from the beginning of promotion till the end of the projects arenot reflected yet.

A. The Thinking Framework

The previous research stated that donation through crowd funding websites, social media has a big contribution. However, donating through the crowd funding website indeed have weaknesses. Some of the weaknesses of crowd funding are the lack of transparency and present intangible benefits, the potential for fraud because the internet is the media (common vehicle) which is very vulnerable for cheating[3].Likewise, lack of visualization of steps of project launch and project information is found in crowd funding platform design [19]. For that, the research about the importance of display of the use of funds indicator on crowd funding platform has been done.

Almost every crowd funding websites in the world, including in Indonesia,lacks in term of transparency. Especially the donation-based crowd funding, donors receive no rewards for everydonations they have given. That is why the transparency is very important and **required** in managing the funds that have been donated. To motivate donors to willing to help, donors are entangled, to be a part of making such project to be realized, to contribute a good causes [9].

This research focused and based on the popular donation-based crowd funding websites i.e. indiegogo, kickstarter and kitabisa.com. As example, to maintain its credibility as a donation-based crowd funding, kitabisa.com which the most popular crowd funding in Indonesia, has tagline namely an easy, transparent, and accountable. These are reflected on the project campaign's main page. On a crowd funding website platform, investors or sponsors can see the amount of funding required by the initiator, the fundraising deadline, and the percentage of funds already earned to fund a project. After the funding deadline is completed and the project runs, the initiator is required to report any progress of the use of the already disbursed funds, and informed the donors through the crowd funding website and email the donors[16]. Although funding is social (donation) or there are prizes given, it would be nice if the donators know the flow of funds that have been given, as this may affect public trust to become a sponsor or investor to make funding transactions through the website. However, the progress indicator of the funded project has not yet been seen on the crowd funding website.

The literature study on crowd funding and its mechanism, the benefits and weaknesses of crowd funding, and good corporate governance, as well as research methodologies will be discussed.

B. Crowd funding

The term crowd funding was first used as the title of an article in 2006. This term is derived from the first-ever crowdsourcing term [7], and is a form of a microcredit development. Crowds are a fund-raising exercise from a large number of people to capitalize on a project or business that is generally done over the internet. Crowd funding is the practice of financing a project or a new venture by raising a funding contribution from a large number of people (public) through the internet. In many countries, Crowd funding has expanded exponentially, suggesting that such online platforms are a sustainable capital intermediary [20].

Crowd funding is a new type of transaction and relationship between today's growing e-commerce users called co-creation [21], which includes crowd-sourcing [22], [23], and opens an innovation such as open source software projects [24], [25].
Nahapiet and Ghoshal theorized that social capital is consisted of three dimensions: structural, relational, and cognitive. Structural dimension can be defined as the structural characteristics such as the network linkage and network configurations needed to build and empower social capital. Relational dimension refers to the capital gain from the obligations, expectations, and the trust of the social network. Cognitive dimension states that understanding the language and schema as well shared narrative, can help people in the organization obtains gain from social capital [26], [17].

There are 3 parties that play a role in crowd funding i.e. the project initiator which is the project owner who presents a proposal containing ideas or projects that need to be financed; individual investors are groups of individuals or groups who support the new idea or project and are willing to finance the projects that are offered; platform is a website manager whose site has a program to bring together the above parties, i.e. project owners and investors. The role of the platform is a mediator who offers his website with a special platform to be able to bring together demand and supply. Hemer crowd funding mechanism can be seen in Figure 1 below [7].

![Crowd funding mechanism](attachment:image.png)

**Figure 1. Crowd funding Mechanism[7]**

Crowd funding category in accordance with business characteristics: consumer lending or lending-based, donation-based, reward-based, and equity-based [27], [1]. According to Belleflamme, Omrani, & Peitz, crowd funding distinguish between two broad classes of CFPs, 1) investment-based CFPs, and 2) reward and donation-based CFPs. The first class includes equity-based, royalty-based, and lending-based CFPs, where funders are investors in a campaign and may obtain monetary benefits. In the second class, funders cannot expect a monetary compensation; they fund a campaign because they obtain a product or because they support its cause (or a combination of the two) [28] (Table 1).

<table>
<thead>
<tr>
<th>Table 1. Crowd funding Categories in accordance with business characteristics</th>
</tr>
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<tbody>
<tr>
<td><strong>Crowd funding Platforms (CFPs)</strong></td>
</tr>
<tr>
<td>Massolution</td>
</tr>
<tr>
<td>1. consumer lending or lending-based,</td>
</tr>
<tr>
<td>2. donation-based,</td>
</tr>
<tr>
<td>3. reward-based,</td>
</tr>
</tbody>
</table>
C. Crowd funding Platforms (CFPs)

The crowd funding platform, in general, should have 4 properties: the format of the creator used to take the project, the payment system that can encourage microfinance sponsorship, information related to funding (for example the number of sponsors, the amount of funding to date), the platform that becomes the communication tool between creators and sponsors [29]. The design of crowd funding platform of the Shneiderman’s Genex Framework as creative designer's creativity tools consists of 4 phases: Collect, Relate, Create, Donate (Figure 2). Crowd funding enhances the development of the creative economy by making start-up in various fields.

The existing crowd funding user interface website is built with respect to the rules and phases of crowd funding website platform creation: collect, relate, create, and donate. In the user interface crowd funding website menu, the donors or sponsors get information about the project from the initiator, the required amount, the target fundraising time and the indicator of the achievement of the funds [19], [30].

| Mollick | 1. consumer lending or lending-based, 2. donation-based, 3. reward-based, 4. equity-based |
| Belleflamme, Omrani, & Peitz | 1. investment-based CFPs 2. reward- and donation-based CFPs |

Figure 2. Crowd funding Platform Design :Shneiderman’s Genex[30], [19]
D. The Benefits and Weaknesses of Crowd funding

Crowd funding can solve the main problems that small businesses, start-up entrepreneurs, inventors, and creative workers have to finance their operations, with: 1) placing a potential donors or investors are in cost-effective mechanisms, 2) crowd funding becomes a new "outlet for capital" for consumers, investors, or online donors, 3) crowd funding allows entrepreneurs or project creators to identify investors or donors, 4) crowd funding has the potential to stimulate the economy. Some weaknesses of crowd funding are 1) lack of transparency and present intangible benefit, 2) Potential for fraud (concern for fraud) [3], [7].

The Pillars of a Crowd funding Framework:
1. Regulation,
2. Research,
3. Education.

E. Good Corporate Governance (GCG)

Michael Sullivan considers crowd funding as a reciprocity, transparency, shared-interest mechanism and, above all, comes from the public. In order to ensure the trust of donors for the implementation of responsible crowd funding and the management of healthy crowd funding entities, the principles of Good Corporate Governance (GCG) by crowd funding management entities need to be implemented that are transparency, accountability, responsibility, independence, fairness and equity [18].

Transparency is the information disclosure, both in decision making and in disclosing material and relevant information about the company. Accountability is the clarity of the function, structure, system and accountability of corporate organs so that the management of the company is done effectively. Responsibility or accountability is the compliance in the management of the company against sound corporate principles and applicable laws and regulations, including those relating to taxation, industrial relations, environmental protection, occupational health or safety, payroll standards, and fair competition.

Independence is a condition where the company is professionally managed without conflict of interest and influence or pressure from any party that is inconsistent with applicable laws and the regulations and the sound corporate principles. The last principle is equality and fairness that can be defined as fair and equitable treatment in fulfilling the rights of stakeholders arising under applicable agreements and laws and regulations.[18] (National Committee on Governance Policy, 2006). The five principles are mutual support between one to another, such as accountability is a prerequisite for achieving a sustainable performance can not be enforced without reliable transparency, accuracy and reliability of the information first, while the fulfillment of the principle of responsibility is the basis of the principle of independence and fairness and equality.

II. RESEARCH METHODOLOGY

In this research performed several stages namely: (1) Comparing the information some donation based crowd funding platforms i.e. kickstarter, indiegogo, and
kitabisa.com, (2) Conducting a survey to link the social media role with donations, and the importance of transparency on the crowd funding campaign’s mainpage. Primary data (derived from the survey) and secondary data (APJII and DailySocial.id sources) are used. Primary data obtained from the survey with purposive sampling approach of 50 respondents. Sources of secondary data: APJII data is from the survey result "Penetration and Behavior of Internet Users in Indonesia 2016", while DailySocial.id data is from the result of Financial Technology “Fintech” survey in 2017.

The survey, which is distributed online, is divided into: demographic data, technology utilization and social media, and transparency at donation-based crowd funding. Demographic Data questions are about sex, age, job, and domicile. The questions about technology utilization and social media are type of frequently accessed internet content, how often someone visited social media content, and have someone ever did online transaction.

The questions about transparency : (1) get transparent answers and reports regarding campaign funding from campaign creators through online donation websites, (2) conflicting campaign creators in managing donations is the main thing for me if donating online, (3) getting a track record in online donations so i know the extent of my charity status, (4) it is important for me to use an online donation website that provides output to achieve online donating objectives. (example: kitabisa.com provides reports and records of all donations on donor accounts), (5) it's important for me to use an online donation website that provides output to achieve online donating goals, and achievement indicators visible on the campaign page.

Comparable data are respondent’s age, internet access purpose, social media that is often accessed, and the amount of people's desire toward crowd funding transparency. Researchers compared and analyzed the primary and secondary data, so that a common thread between the dissemination of the information through social media, and people enthusiasm wanted to get a report of the use of funds that have been donated in a transparent manner could be figured out.

III. RESULTS AND DISCUSSION

Based on the comparation of donation base crowd funding websites, kickstarter, indiegogo, and kitabisa.com; Information flow in crowd funding mechanism, there are lacks of projects information on project’s main page (visualization of steps of projects launch and projects information). After the promotion is over, there are no steps on the project’s progress and usage of the donated funds are shown on the campaign's main page (Table 2). This is similar to the stated by Gerber et al. [19]. As the result that kickstarter, indiegogo, and kitabisa.com, which states a transparent as its slogan, should be able to facilitate the transparency of the donation money usage. The indicators can show in the project's main page, both during the promotion and after the closing of the promotion.

The results of the survey, comparison between primary data with secondary data can be seen in table 3. Based on research result (1) Utilization of the social media as information dissemination get the highest value that is equal to 38.1%. The results between the primary and secondary data have similarities that most Internet users access social media, (2) The social media have a large contribution, and widely used with a total of 61.9%, which is a total of the instagram and the facebook.

Table 2. Projects information on the main page of Donation based Crowd funding

<table>
<thead>
<tr>
<th>Projects information on the main page (Donation based Crowd funding)</th>
<th>Kickstarter</th>
<th>Indiegogo</th>
<th>Kitabisa.com</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fix Goal</td>
<td>v</td>
<td>V</td>
<td>v</td>
</tr>
<tr>
<td>Achievement (currency)</td>
<td>v</td>
<td>V</td>
<td>v</td>
</tr>
<tr>
<td>Achievement (%)</td>
<td>-</td>
<td>V</td>
<td>v</td>
</tr>
<tr>
<td>Count down (day left)of promotion period</td>
<td>v</td>
<td>V</td>
<td>v</td>
</tr>
</tbody>
</table>
The questions about transparency : (1) 83.3% respondent strongly agree to get transparent answers and reports regarding campaign funds from campaign creators through online donation websites; (2) 66.7% respondent agree that conflicting campaign creators in managing donations is the main thing if donating online, (3) 66.7% respondent strongly agree to getting a track record in online donations and know the extent of the charity status, (4) 66.7% respondent strongly agree that is important to use an online donation website that provides output to achieve online donating goals, and achievement indicators visible on the campaign page.

There are interesting things from the results of this research, the social media have a large contribution and widely used, although the most widely accessed social media is Instagram, but the spread of information on kitabisa.com mostly obtained through Facebook. This is similar to the stated by Ordanini, Aprilia and Wibowo, and from kitabisa.com that fifty percent or roughly half of the fund target achieved in a crow funding is a contribution of those with a personal connection to the creators (eg friends, family, co-workers, etc.)[2]. The number of facebook friends has a positive effect on the amount of funds desired, the number of investors, and the possibility of a successful campaign. Investors contributing to sponsor the project on

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The table below shows the relation between the social media and the donor's desire for transparency from primary and secondary data.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization of social media as information dissemination</td>
<td>DailySocial.id</td>
</tr>
<tr>
<td></td>
<td>70.0%</td>
</tr>
<tr>
<td></td>
<td>APJII</td>
</tr>
<tr>
<td></td>
<td>97.5%</td>
</tr>
<tr>
<td></td>
<td>Researcher</td>
</tr>
<tr>
<td></td>
<td>38.1%</td>
</tr>
<tr>
<td>Social media is the most widely used for information dissemination</td>
<td>Facebook</td>
</tr>
<tr>
<td></td>
<td>(45.0%)</td>
</tr>
<tr>
<td></td>
<td>Facebook</td>
</tr>
<tr>
<td></td>
<td>(54.0%)</td>
</tr>
<tr>
<td></td>
<td>Instagram</td>
</tr>
<tr>
<td></td>
<td>(33.3%)</td>
</tr>
<tr>
<td></td>
<td>Facebook</td>
</tr>
<tr>
<td></td>
<td>(28.6%)</td>
</tr>
<tr>
<td>Getting a track record in online donations and know the extent of the</td>
<td>-</td>
</tr>
<tr>
<td>charity status (3)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>66.7%</td>
</tr>
<tr>
<td>Provides output to achieve online donating goals, and achievement</td>
<td>-</td>
</tr>
<tr>
<td>indicators visible on the campaign page (4)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>66.7%</td>
</tr>
</tbody>
</table>
Kitabisa.com because of the relationship or social networking, not because of the project description, currently dominated by social crowd funding, such as funding for natural disasters and medical [17]. According to kitabisa.com, 40% of donors are the nearest circle, 30% of donors are friends who get information through social media, and the remaining 30% comes from the public [16].

Based on the analysis in this research, a very high increase in total donation from 2015 to 2016, that is equal to 53.8 %, representing 40% contribution of closest circle and proximity of friends through the social media such as facebook (30%). Some of the principles of good corporate governance (GCG) have been applied by kitabisa.com that are transparent and accountable. These can be seen on the campaign’s project page on kitabisa.com, which are the indicators of the amount of funds already obtained, the achievement of donations, and the countdown time of the project campaigning (figure 3)[16].

![Figure 3. Homepage kitabisa.com](image)

In the research section on transparency in crowd funding, all answer questions are in the range of strongly agree and agree (66.7%), 83.3% respondents stated strongly agree that transparency is required in donation-based crowd funding. 66.7% of respondents agree that on the campaign’s project page, there are indicators of the donated funds usage or the achievement of the project.

IV. CONCLUSION AND LIMITATION

Crowd funding is currently booming due to the increasing IT’s development in Indonesia. The result of crowd funding as part of financial technology, donation based crowd funding, as the name implies, is the only crowd funding that does not reciprocate to donors. Despite its social or philanthropic nature, donation-based crowd funding still maintains the public trust by implementing the principles of the good corporate governance (GCG), namely transparency, accountability, responsibility, independence, authority, and equality. The GCG principles prevent the chaos and disappointment of donors.

Although donation based crowd funding websites, including kitabisa.com has implemented transparency and accountability. Based on this research, it should be considered to add an indicator of project achievement or report on the usage of funds that has been collected. According research’s result, 83.3% respondent stated strongly agree that transparency is required in donation-based crowd funding. 66.7% of respondents agree, indicators of donated funds usage or the achievement of the project are supposed to be displayed on the campaign’s project page. So in the crowd funding website, the donor or sponsor can get information about the project from the initiator, the required amount, the target fundraising time and the indicator of the achievement of the fund. It will make more transparent and a higher level of the public trust.

In subsequent research, the researcher need to add more the public trust aspects on donation-based crowd funding transparency.
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REFERENCE

