

Crowdfunding and Marketing Performance of Microfinance Banks in Akwa Ibom State

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ABSTRACT: *Crowdfunding has developed from being just a fundraising tool to a versatile marketing tool. Raising funds through crowdfunding has become a vital tool for start-up companies and most recently in the Microfinance banks to obtain investments they otherwise might not receive from more traditional sources such as banks, angel investors and stock markets. This adoption of crowdfunding for marketing purposes is not without its problems. Organizations would be well advised to consider not only the opportunities these platforms provide, but also their limitations, risks and the best crowdfunding platforms that will fit into their marketing objectives. In this regard, this study was carried out in order to assess the relationship between crowdfunding and marketing performance of microfinance banks in Akwa Ibom State. The researcher adopted a survey research technique in the study. The population size 16 microfinance banks within Uyo metropolis of Akwa Ibom State and a sample size of 366 employees was studied. The crowdfunding variables (independent variables) considered in the study were Equity-based Crowdfunding, Reward-based Crowdfunding and Lending-based Crowdfunding. The dependent variable was Marketing Performance. The hypotheses stated were tested using Spearman Correlation Coefficient at a 5% level of significance. From the data analysis, the major findings revealed a positive and significant relationship between Equity-based Crowdfunding and marketing performance of microfinance banks in Akwa Ibom State, ($R = 0.770$; $P < 0.05$). The study revealed Reward-based Crowdfunding has having a positive and significant relationship on marketing performance of microfinance banks in Akwa Ibom State, ($R = 0.855$; $P < 0.05$). The study also revealed that there is a positive and significant relationship between Lending-based Crowdfunding and marketing performance of microfinance banks in Akwa Ibom State, ($R = 0.805$; $P < 0.05$). From the findings, it was concluded that there was a positive and significant relationship between Crowdfunding and marketing performance of microfinance banks in Akwa Ibom State. In line with this, it was recommended that companies, start-up businesses and financial institutions should adopt various crowdfunding platforms in their businesses as one of the means of raising finance for the company in order to boost their marketing performance.*

KEYWORDS: crowdfunding, marketing performance, equity-based approach, reward-based approach and lending-based approach.

INTRODUCTION

Crowdfunding emanated from the wider concept of crowdsourcing, which refers to the tapping of resources from an indefinite public group in an open call for the purpose of finding ideas or solutions to a given problem. New ventures have historically experienced difficulties in gaining commitment from traditional sources of funding, such as, venture capitalists, business angels or banks and the capital available through friends and families seems to be insufficient in the pursuit of business ventures. Crowdfunding thus becomes a vital means use by start-ups to obtain financial capital to initiate their businesses. The introduction of crowdfunding has seen to be an increasingly popular tool for entrepreneurs who seek to fund their business ideas. This concept allows the entrepreneur to disregard traditional sources of funding and reach out to the public for funding. Thus, the development of crowdfunding is designed as an alternative way where the entrepreneur utilizes a great number of individuals to raise capital instead of being reliant on one entity (Belleflamme *et al.*, 2014). Although many authors presents crowd funding as a fresh phenomenon (Belleflamme *et al.*; 2014; Mollick, 2013), traces of crowdfunding can be found during the time of Mozart and Beethoven, who collected small amounts of money to finance their works and concerts from individuals who were interested in their performances (Hemer, 2011). It has become an canopy term for raising capital from an enormous group of people where investors contribute with little amounts of funding (Ahlers *et al.*, 2015).

Belleflamme *et al.*; (2014) and Mollick (2013) shares the definition of crowdfunding as the process of collecting small contributions from a large number of individuals instead of being reliant on one unit. The main reasons entrepreneurs engage in crowdfunding are to raise capital, obtain attention and get feedback. Brown *et al.*; (2017) comprehend the advantages of crowdfunding besides raising capital, and states additional benefits, such as validating the product or business idea and creating a sales pipeline by distributing the products to the backers. Testing, promoting and selling the product (Belleflamme *et al.*; 2014), obtaining attention and getting feedback (Giudici *et al.*, 2012), and creating sales pipelines (Brown *et al.*, 2017) are common outcomes of crowdfunding that could be connected to marketing performance. The process of crowdfunding has developed from being a mean to raise capital to a more dynamic process that increases marketing performance for the company through creating valuable products that satisfy customers' needs and getting feedback from the public.

Marketing performance needs to be broadened by not only measuring the sales outcome, but by encompassing a measurement of resources, processes, products and services and finally, financial deliverables. To achieve this, management is required to measure and evaluate the performance of all areas of the business In order to remain relevant, measurement systems are updated and reviewed on an ongoing basis, but yet it seems that few companies have processes in place to ensure the applicability of performance management methods and the alignment of systems to the objectives of companies. According to Jobber and Ellis-Chadwick (2016), the objective of marketing is to establish long-term relationships with the customers and create customer

satisfaction in order to captivate customers while generating profit. A company that utilizes the principles of marketing understands the gravity of building relationships with customers through satisfaction, and that creating customer value entices new customers. Hence, it is important for companies adopting crowdfunding to set out their marketing objectives while launching their campaigns in order to increase their marketing performance. Setting out their marketing objectives to align with the crowdfunding goals entails choosing the right crowdfunding models for their businesses and ensuring that the model helps in their marketing performance.

It is apparent to also note that crowdfunding is more than just an instrument for raising capital; it has developed into a tool with multiple marketing purposes. For example, Belleflamme *et al.*; (2014) illustrated how brands can apply crowdfunding for testing, promotion and selling their offerings to a broader market. Correspondingly, Brown *et al.*; (2017) opined that besides the benefits of crowdfunding to raise capital, it can also be used to gain engagement, referrals, indorsing ideas and as distribution channel to deliver products to backers of the idea. Other marketing scholars focused on the potential to create online promotion or viral marketing effects via crowdfunding (Gierczak *et al.*; 2016). Henceforth, it is proposed that the process of crowdfunding has grown from being an instrument of source capital to a dynamic process that delivers marketing values for business via an added value creation process. The concept of crowdfunding allows financial support for people and organizations that do not have easy access to banks, angel investors and venture capitalist. In Nigeria for instance, some commonly crowd funding platforms includes; NaijaFund, Patreon, Circle up, Slourish, Kickstarter, Indiegogo, MicroVenture, GoFundme, FundanEnterprise among others.

Studies on crowdfunding as a marketing tool revealed that fundraisers use crowdfunding platforms effectively to enhance brand image and prepare the market for their new offerings (Brown *et al.*, 2017; Gerber and Hui, 2013; Gierczak *et al.*, 2016). Others showed that crowdfunding can be applied as a pre-buying and demand estimation tool. Also, analyzing the reaction of fundraisers on the crowdfunding platform towards their project can be used as an estimation of product acceptance and potential level of sales in the market (Agrawal *et al.*, 2014; Belleflamme *et al.*, 2014; Mollick, 2013). However, this article was undertaken to determine the relationship between crowdfunding and marketing performance in microfinance banks in Akwa Ibom State. Currently, Micro-Finance banks are increasingly applying crowdfunding platforms not only as a basis to obtain finance, but also as marketing platform. The Microfinance Policy, Regulatory and Supervisory Framework for Nigeria of 2005 established Microfinance Banks (MFBs) as a means of formalizing microfinance institutions (MFIs) in order to promote financial discipline and sustainability, while also making provision for access to financial services to the unbanked population. The framework was designed to attract new capital as well as to regularize Community Banks (CBs), which had been established since the early 1990s, mainly as conduits for directed lending. Licensed by the Central Bank of Nigeria, MFBs are allowed to solicit deposits, which are guaranteed by the Nigeria Deposit Insurance Corporation (NDIC). Crowdfunding in microfinance banks mean equity investments, debt, pre-purchasing products or donations and the fundraisers can range from retail investors to institutional investors. Crowdfunding allows for a lot of

flexibility not found in the commercial banks. Thus, the aim of this article is to determine the relationship between crowdfunding and marketing performance in microfinance banks in Akwa Ibom State as well as establish which of the crowdfunding models that influences this financial institution.

Problem Statement

A major problem for start-up businesses that want to implement an idea through a business plan is the lack of financial resources. Due to the difficulties in fundraising via traditional ways, specifically a lack of lending track record coupled with limited collateral and the strict financial requirements of banks, startup businesses often face serious obstacles when trying to fund their ventures. The virtue of crowdfunding as a financial source has been highlighted by the literature as a modern phenomenon arising in the world of project financing and one of the newest and most powerful approaches to finance projects, or even business (Hommerová 2020). Therefore, it is has become pertinent to understand how new business ventures can make decisions for financing a business using crowdfunding platform and determine which of the crowdfunding models are best suitable for the financial sector, as founders might not have any special knowledge about the new financial mechanism, the best business model to be used or the strategies to adopt to attract funds in an online environment which are different from traditional sources of financing offline (such as business angels, banks, and others). Thus, this study was undertaken to determine the relationship between crowdfunding and marketing performance in microfinance banks in Akwa Ibom State as well as establish which of the crowdfunding models that influences this financial institution.

Objectives of the Study

The main objective of this study was to determine the relationship between crowdfunding and marketing performance in microfinance banks in Akwa Ibom State. The specific objectives were;

- i. To ascertain the relationship between Equity-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State.
- ii. To assess the relationship between Reward-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State.
- iii. To ascertain the relationship between Lending-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State.

Research Questions

The following research questions were formulated from the objectives of the study as stated below:

- i. What is the extent of relationship between Equity-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State?
- ii. Is there any relationship between Reward-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State?
- iii. What is the extent of relationship between Lending-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State?

Hypotheses of the study

The following hypotheses were formulated for the study.

H₀₁: There is no significant relationship between Equity-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State.

H₀₂: There is no significant relationship between Reward-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State.

H₀₃: There is no significant relationship between Lending-based Crowdfunding and marketing performance in microfinance banks in Akwa Ibom State.

LITERATURE REVIEW

The Concept of Crowdfunding

The effort by entrepreneurial individuals and groups to fund their ventures by drawing small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries is referred to as Crowdfunding. Crowdfunding simply refers to a fundraising tool where entrepreneurs turn to the public for financial assistance. Crowdfunding is derived from the concept of crowdsourcing which comprises obtaining ideas, solutions and feedback from the public (Belleflamme *et al.*, 2014). Rather than being reliant on getting funded through traditional sources of funding such as venture capitalists, business angels or banks, crowdfunding allows entrepreneurs to collect smaller sums of funding from a larger cluster of individuals (Mollick, 2013). Moreover, a crowdfunding campaign is less time-consuming to launch than turning to traditional sources of funding and is less constrained by legal aspects (Gerber and Hui, 2013). Despite being a tool for raising capital, crowdfunding is suggested to assist entrepreneurs with validating the demand for products, expanding awareness of both the product and the brand, and to build valuable relationships (Gerber and Hui, 2013). Furthermore, Mollick (2013) stresses building a competitive advantage and gaining press attention through crowdfunding. These additional benefits are elaborated further by Brown *et al.*; (2017) to include creating sales channels, branding and getting market feedback can be as valuable as or even more valuable than raising funds.

The term crowdfunding itself is derived from the better known term crowdsourcing, which describes the process of outsourcing tasks to a large, often anonymous number of individuals, a crowd of people (that is the Internet community) and drawing on their assets, resources, knowledge or expertise with the aim of obtaining money. According to Lambert and Schwenbacher (2010), crowdfunding involves an open call, essentially through the internet, for the provision of financial resources either in form of donations (without rewards) or in ex-change for some form of repayment and/or voting rights in order to support creativities for specific purposes. The provision of financial resources can take the form of donations, sponsoring, pre-ordering or pre-selling, fees for membership in clubs, crediting or lending and Private Equity (PE) investments, the complexity of processes varies greatly. Similarly, Belleflamme *et al.*; (2014) focus on an open call to provide financial resources that mostly takes place on an internet-based platform and links fundraisers to funders with the aim of funding a particular campaign by, typically, many funders. In these

definitions, the vital characteristics of this novel financial mechanism are emphasized. The process could be initiated by a group or an individual for launching a new project of a cultural, social or for-profit nature. The funds are gotten from the crowd online, without financial intermediaries.

The focal points of other definitions rely heavily on the role of the crowd in providing funds for a venture. For instance, Lehner (2013) states that crowdfunding means tapping a large dispersed audience (the crowd) for small sums of money to fund a project or a venture. In the same vein, Ordanini *et al.*; (2011) view crowdfunding as an initiative undertaken to raise money for a new project proposed by someone or organization, by collecting small to medium-size investments from a number of people (the crowd). Schwienbacher and Larralde (2010) opined that crowdfunding is an open call, through the internet, for the provision of financial assistant either in form of donation or in exchange for some form of reward and/or voting rights to assist initiatives for specific purposes. Crowdfunding is an umbrella term used to describe an increasingly widespread form of fundraising, typically via the internet, whereby groups of people (crowds) pool money, usually (very) small individual contributions to support a particular goal. Crowdfunding is a novel process which has triggered the interest of several disciplines such as finance (Tomczak and Brem, 2013), marketing (Brown *et al.*; 2017, Matusik, 2014), entrepreneurship (Giudici *et al.*; 2012) and computer sciences (Gerber and Hui, 2013). The meaning of crowdfunding seems to remain elusive, since it applies to various mechanisms and has many implementations, ranging from simple donation-based models (Kuppuswamy and Bayus, 2013) to risky investment-based models (InfoDev and Opment, 2013).

Due to the diverse interpretation scholars from various disciplines have attempted to define the concept of crowdfunding, In the field of marketing, the focus remains on crowdfunding revolve around the novel way to engage with a crowd using the Internet for the purpose of testing, promotion and selling the company's offerings to a broader market. Compatibly, Brown *et al.*; (2017) point out that besides the advantages of crowdfunding to raise capital, it can also be used to get engagement, indorsing ideas referrals and as distribution channel to deliver products to backers of the idea. Crowdfunding is the process by which project bearers (the fundraiser) collect small amounts of money from a large pool of investors (funders) through an Internet platform in the view of financing their venture. Three major role players involved in the contemporary crowdfunding are *fundraisers* seeking funds for a project or a cause, *funders* supporting the fundraiser's project or cause by willingly providing funds, and *crowdfunding platform* or websites where fundraisers and funders meet and interact. This implies the involvement of three factors: the People, fundraisers and funders, come together to propose and support a project on an online platform. Other marketing scholars focused on the potential to create online promotion or viral marketing effects via crowdfunding (Gerber and Hui, 2013; Gierczak *et al.*; 2016).

Depending on the purpose of the project, there are five business models for crowdfunding: Donation-based, reward-based, lending-based, equity-based and royalty-based which entails different scopes, motives and outcomes. Whereas donation-based, reward-based and royalty-based models are regarded as non-investment models, lending-based and equity-based models are viewed as investment models. However, the focus of this study was exclusively on reward-based,

equity-based and lending-based crowdfunding, since these three represent the dominating approaches for commercialized ventures. This paper will provide insight in how these three approaches vary in relations to marketing performance. Additionally, this study will aim to develop an understanding where the convergence and divergence of the three crowdfunding models are demonstrated in terms of how they relate to the marketing performance of the microfinance banks.

Indicators of Crowdfunding

The model of crowdfunding is divided into five sub categories that utilize different fundamentals to raise funds, namely, lending-based, donation-based, royalty-based, reward-based and equity-based crowdfunding.

Lending-Based Crowdfunding Approach: This is based on the same principles as a traditional funding source where an investor lends an amount to an entrepreneur and expects a rate of return on the capital lent. In lending-based crowdfunding (peer-to-peer lending or social lending), investors supply funds to persons, groups or small businesses, expecting to be repaid after a given time, usually with interest rates, without the connection of traditional financial intermediaries (Guo *et al*; 2016). It is a crowdfunding model that investors offer funds through small loans and earn the returns through interest payments from the borrowers. Lending-based crowdfunding platforms symbolize a new mode of financial intermediation by connecting lenders and borrowers directly using online platforms. Lending platforms work as an midway between microfinance institutions (MFIs) and lenders.

The Donation-Based Crowdfunding Approach: The donation based approach has charity as its foundation, as the investor does not expect to get any return on the investment. Donation-based crowdfunding is not really attached to the microfinance issue since it depends on charity and not credit. On the contrary, the other types can. This is frequently crowd-to-business platforms which is opposite of real peer-to-peer lending. Money is given by the investor through the platform to the microfinance institution who has already given the loan to the poor entrepreneur. These platforms are strict in selecting microfinance institutions for several reasons, mainly repayment issues and social impact. Investor is reimbursed for its investment over a period of time with or without interest and some- times with charges. Here, backers provide funding based on charitable or civic motivations without expecting any repayment, to support disaster relief, famine, health and other charity-related issues. This model facilitates private contributions to public goods, ranging from the renovation of a public square in a neighborhood to the maintenance of schools (Parhankangas *et al*; 2019).

The Royalty-Based Crowdfunding Approach: This approach gives the investor a percentage rate of the company's revenue based on the gravity of the investment (Outlaw, 2013). It implies that supporters of an idea or a cause receive a percentage of the revenue accumulated when the venture starts making a profit. It is important to emphasize that it doesn't make them shareholders in the venture; they are just entitled to receive a percentage from income. It implies that supporters of an

idea or a cause receive a percentage of the revenue accumulated when the venture starts making a profit.

The Reward-Based Crowdfunding Approach: Reward-based crowdfunding refers to when entrepreneurs fund projects with non-monetary rewards as incentives for receiving financial support from investors (Miller, 2017). The reward frequently involves the product which the focal firm aims to produce with the capital gained through the crowdfunding campaign. To make an investment incentivizing for the crowd, the reward often refers to backers receiving the product before it is released to the public for a discounted price compared to the scheduled retailing price. In the arts industry, a reward could refer to getting a signed shirt from a musician or acknowledging the investors behind a crowd funded movie in the ending credits (Hossain and Oparaocha, 2015). According to Franke and Klausberger (2008), the reward is of high importance, if it is not perceived as fair by the crowd, the campaign is not likely to be successful. Brown *et al.*, (2016) suggest that a reward-based approach is more suitable for campaigns that offer a physical product for which people are willing to prepay for. However, even if tangible rewards are more common, immaterial rewards also appears (Steinberger, 2017), as in the aforementioned example of being honored in the closing credits of a movie (Hossain and Oparaocha, 2015). Investors in a reward-based crowdfunding community are always willing to invest because it is usually smaller compared to communities engaging in equity-based crowdfunding. Thus, reward-based crowdfunding is suggested to be more suitable for projects with lower funding targets.

Equity-Based Approach Crowdfunding: Here, individuals or institutional funders purchase the equity of new ventures or enter into some sort of profit-sharing agreement with a company or organization (Ahlers *et al.*; 2015). Equity-based crowdfunding has a profit-sharing approach that allows the entrepreneur to raise capital from the crowd in exchange for shares, dividends or equity in the company (Brown *et al.*, 2016). The exchange can take other procedures, such as return on future acquisitions, royalties or as an initial public offering (Mollick, 2013). The major risk in this approach is that, equity crowdfunding forces entrepreneurs to disclose their ideas, business strategies and intellectual properties to the public (Wilson and Testoni, 2014). This is a result of the breakability of an early stage venture, where a minority of the firm has the possibility of defending themselves through patents and copyrights (Agrawal *et al.*; 2014). However, it is important for entrepreneurs that consider equity-based crowdfunding to study the characteristics of the representative community (Belleflamme *et al.*; 2014). Investors in equity-based communities contribute with more than just financial means, especially through their contact networks which are brought closer to the company through investors. Furthermore, it is suggested that entrepreneurs benefit from their investors providing sophisticated feedback regarding development processes of the venture, by becoming brand ambassadors (Wilson and Testoni, 2014). The investors of equity-based crowdfunding do not collect any direct tangible rewards, but instead exchange their investment for shares or dividends in the company. The investors can be branched into two investment styles; passive investors or active investors (Schwienbacher and Larralde, 2010). A passive investor is exclusively interested in the financial return that the investment might produce, while the potential voting rights and other engagement in the company

is not the purpose of the investment. An active investor on the other hand, is active in the entrepreneurial process and might acquire voting rights and give feedback on the product (Schwienbacher and Larralde, 2010).

For the purpose of this study, three approaches of crowdfunding were considered which includes; Equity-based, Reward-based and Lending-based crowdfunding as they relate to the financial sector of microfinance bank.

Marketing Benefits of Crowdfunding

One of the topmost reasons business persons decide to launch a CF campaign is the difficulty in accessing funding for their ideas and programs, as traditional sources of fundraising (such as own savings, family and friends, debt, business angels or venture capital) have failed to respond to the needs of start-up businesses. In crowdfunding, the entrepreneur could appeal online to a large number of potential investors (backers) to provide a small amount of money to support the project. Crowdfunding is useful for young entrepreneurs at the early stage of new projects, since it helps to compensate for the financial shortage that startups typically face, enhances fund diversification, and multiplies the sources of funding (Hommerová 2020). With crowdfunding, it is simple, faster and less bureaucratic to secure loans than from the banks. It is easy because the leaders of the platform make an analysis based on the trustworthiness of the project and the promoter. It is quicker because the period between the call and the money available is nominated by the entrepreneur (duration of the campaign). It is less bureaucratic because there are little administrative documents to be filled in and no collateral warranties needed.

Crowdfunding can be used as a blended strategy by young entrepreneurs to:

- (i) Obtain seed capital and
- (ii) Gain access to other funding sources, such as venture capital, which could deliver other important assets such as additional resources, services and competencies that crowd funders are not able to acquire by themselves.

Through crowdfunding, fundraisers can seek ideas from their target public in order to create new products or improve existing ones. This allows a better connection between the target market and the product as they are placed at the heart of the production process. Fundraisers can also create crowdfunding campaigns in order to create awareness for themselves and their new products. New products at any developing stage can be exposed to a large crowd in a more original and less costly fashion than traditional marketing organizations. This allows fundraisers to create hype for their product online through viral marketing effects (Gierczak *et al*; 2016).

Crowdfunding allows pre-buying and helps estimate demand post product launch which is a great opportunity for market testing. In this case, large volumes of presales are regarded as strong indicators of future market acceptance. Indeed, certain crowdfunding platforms allow funders to pre-purchase products for the period of the campaign (Wang, 2016). Fundraisers tend to use crowdfunding success as an indicator of market potential: they observe the dynamics of their

crowdfunding campaign before actually launching the product and engaging further costs. Consequently, unsuccessful crowdfunding campaigns showed lack of interest for the project and prompt them to abandon the venture. These early sales may contribute to finance the rest of the project but also give signals of quality of the proposed project (Agrawal *et al*; 2014). Fundraisers will be able to measure market acceptance from a reliable pool of users post-launch based on the volumes of the crowdfunding pre-sales. Crowdfunding also allows funders to show support by purchasing the first samples of the product rather than donating money to the project. All these are the motivator behind the marketing benefits of crowdfunding in organizations which allows financial support for people and organizations that do not have easy access to banks, angel investors, and venture capitalist. However fundraisers often considered the marketing aspect of crowdsourcing just as important or even more important as raising funds (Gerber and Hui, 2013).

Marketing Barriers to Crowdfunding

Crowdfunding is a novel concept spreading significantly across the world because it presents several advantages compared to other financing methods. However, certain pitfalls – associated notably with the environment and the actors - exist and deserve attention both for academic or industry purposes. Despite the huge marketing benefits provided by crowdfunding, it also entails some barriers that may deter potential young business startups from making use of this mechanism for financing entrepreneurial projects. The first obstacle is time, as online fundraising campaigns entail performing a set of managerial tasks. For instance, the entrepreneur has to understand the requirements of the crowdfunding platform, plan and make a video pitch, set a goal (flexible or fixed funding), decide the campaign length and add links to social media (Facebook, Twitter, etc.), among other tasks. According to Cruz (2017), this can be a very time-consuming venture that represents a “full-time job”.

Other key concerns are linked to the need to publicly display the project to the public. To be able to entice the interest, credence and confidence of potential investors, convincing them to make available funds for a given project, entrepreneurs have to display public detailed information about the project. Nevertheless, the transparency of the information displayed about the project increases the risk of copying, especially for projects in the commercial entrepreneurship domain, imitation of which might directly or indirectly eliminate their competitive advantage (Hommerová 2020). Even so, some authors think that the improvements that can be derived from the feedback obtained from the market (potential consumers) more than compensate for the commercial risk of losing confidentiality.

Another challenge is information asymmetry, which may hinder the interface between entrepreneurs and investors in a CF platform. Information asymmetry describes a situation in which a business person that puts a project on a crowdfunding platform holds quantitatively or qualitatively more information than the potential investors. The information asymmetry stems from the disadvantageous position that the crowd funder (investor) has about the crowd fundee (entrepreneur), which could lead to the risk of moral hazard (like fraud) and discourage some people from depositing their money into a certain project (André *et al*; 2017). As stated by

Hommerová (2020), in crowdfunding, the distribution of risk is especially unfavorable to the investor compared to entrepreneurs asking for funding. In line with this argument, the European Commission (2015), stress that an intrinsic characteristic of crowdfunding is information asymmetry, which refers to investors lacking information about the risks and/or expected returns of their investments. These risks result from the fact that investors are possible to be less informed than entrepreneurs about the eminence of the project.

The general barriers associated with crowdfunding include;

- i.Environmental barrier of crowdfunding: Firstly, crowdfunding often lacks a legal framework for secure transactions, notably in developing countries (Infodev and Opment, 2013). In many African and emerging countries there is no regulation specific to crowdfunding which may increase prospective funders' skepticism. Secondly, the lack of suitable electronic payments options and limited Internet access are indispensable in the development of crowdfunding which may limit certain developing countries (Afrikstart, 2016). Thirdly, the novelty of crowdfunding often results in prospective funders' skepticism. The culture of crowdfunding friendly attitudes towards risk must be supported by government in order to contribute to the emergence of crowdfunding (Infodev and Opment, 2013). Indeed, in order to decrease such skepticism, the crowdfunding eco-system needs to be regulated and supervised by the government. The different actors will feel safer and more inclined to engage in crowdfunding activities.
- ii.Platforms might not be able to attract the number and the nature of audience required for certain projects.
- iii.Fundraisers might ruin chances of future investment, if their crowdfunding campaigns fail or projects gain a poor reputation on the platform.
- iv.Fundraisers might not be prepared to invest the time, resource and efforts required and turn to quicker and more effortless financing sources.
- v.The public and social nature of crowdfunding has also led to the susceptibility of ideas of being stolen or copied after disclosing it on a platform.
- vi. Raising money from the crowd rather than from professionals such as angel investors or venture capitalists can result on loss of investor expertise, network and status.

Marketing Values of a Crowdfunding Campaign

The main marketing values of a crowdfunding campaign are;

Raise Capital: Crowdfunding is a fundraising tool which aims to provide the capital needed to proceed with the business (Mollick, 2013). In the situation of crowdfunding, the fundraising is done through relations with the crowdfunding community, where capital is gotten for either ownership in the firm or for a reward (Belleflamme *et al.*, 2014). Crowdfunding, with raising capital at its basic, consequently makes it possible for entrepreneurs to grasp additional marketing standards that are not as commonly sought-after, as raising capital.

Build Relationships: Building relationships refers to the relationships that are a result of a successful crowdfunding campaign. This could be relationships with either partners or consumers that can be considered a stakeholder of the organization (Gerber and Hui, 2013). The result of

starting or strengthening these relationships will allow the originator to gain valuable inputs regarding countless sections of the business (Agrawal *et al.*, 2013). Relationship management plays a crucial part when successfully building relationships where both parties need to work together to gain mutual benefits (Jobber and Ellis-Chadwick, 2016).

Branding: According to Jobber and Ellis-Chadwick (2016), a successful brand has a unique position in the minds of the customers. This in turn leads to differentiation, which corresponds to what makes a certain brand different from another competitor. Further, a strong brand will become a competitive advantage that results in increase of sales, due to the ability to charge premium prices (Jobber and Ellis-Chadwick, 2016). Hence, it is imperative to understand how a crowdfunding campaign can develop brands in order to build value. Building brands around a social cause is moreover considered a strengthening factor according to Jobber and Ellis-Chadwick (2016) stating that caring for an important matter will improve how the brand is perceived by the customers. An additional important factor to building strong brands, according to Jobber and Ellis-Chadwick (2016) is being first on the market with a unique value proposition. Moreover, to create value through branding, it is crucial that the company adapts a long-term perspective of their business (Jobber and Ellis-Chadwick, 2016).

Create Sales Channel: Launching a crowdfunding campaign will automatically also establish a sales channel for the campaign, since the fundamental functions of a sales channel will directly be available when the campaign goes live (Brown *et al.*; 2016). This is where the two types of crowdfunding become distinctly separated, as the reward-based approach offers a pre-ordering model where an investment immediately turns into a purchase (Belleflamme *et al.*, 2014). This turns the reward-based crowdfunding platform into a marketplace where the value is traded, as backers interchange their money for a product through their investment. While the reward-based approach can create sales channels that reward the backers with discounts or first samples of the product, the equity-based approach takes a profit-sharing route (Belleflamme *et al.*, 2014). Despite that the equity-based community will become a sales-channel where the investments are exchanged for equity or dividends, these sales channels are limited to an exchange between the crowdfunding company and its potential partners. Nevertheless, whether or not the sales-channels formed through the equity-based platforms are able to get out to the ultimate consumer is yet to be examined. Nevertheless, this is undeniably an exchange between two or more parties where value is co-created as partnerships can be established with mutual benefits (Jobber and Ellis-Chadwick, 2016). Additionally, the sales channel established through the platforms allows the crowdfunding company to deliver value to the investors and the customers (Jobber and Ellis-Chadwick, 2016).

Expand Awareness: Expanding awareness through the crowdfunding campaign corresponds to reaching out to as many individuals as possible (Gerber and Hui, 2013). This may in marketing terms be connected to public relations (PR) since the essence is to send a message in order to educate or inform the public about the organization or its product without using the business's own resources (Jobber and Ellis-Chadwick, 2016). Moreover, in evaluation to traditional means of raising capital, crowdfunding will allow the flow of information to the entire community and

beyond, as an alternative to a single angel investor (Belleflamme *et al*; 2014). This allows for the flow of information to go from the company to the investors, who in turn potentially gain value from receiving information about the product (Jobber and Ellis-Chadwick, 2016). By launching a crowdfunding campaign, regardless of selected approach, the company simultaneously establishes a communication channel.

Marketing Performance

According to Eke (2022). Marketing performance refers to the utilization of scarce resources by companies to meet the demands of customers for market related goals such as market share, sales volume and profit. Ewah, *et. al* (2022) assert that measuring marketing performance avails businesses the opportunity to align her marketing strategies accordingly, upsurge their competitive advantage and to outsmart the marketing tactics of their competitors. Eke, (2022) further opined that to improve revenue and hit growth, a firm must frequently increase sales volume at every given opportunity. Understanding your sales volume can tell you what goods or services that is selling and the once that are not selling. There are also different ways that firms can use to influence her volume and one of it is the adoption of present-day marketing strategies.

Conceptual Model

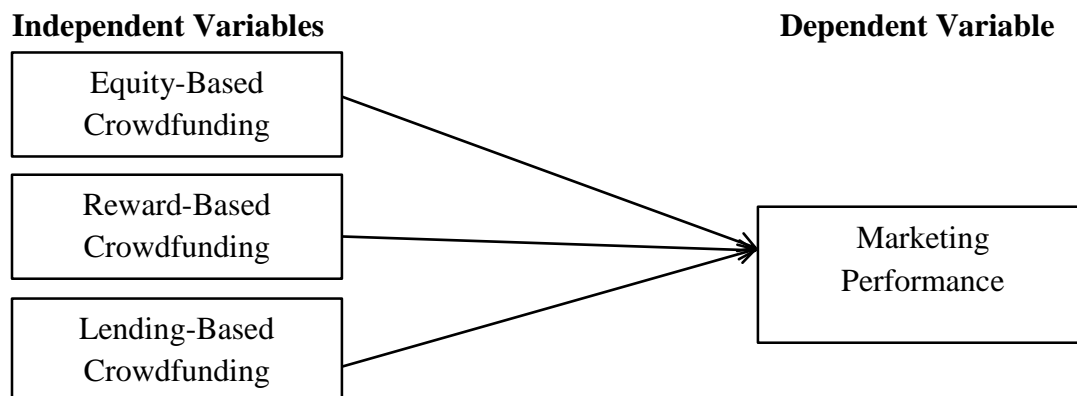


Figure 2.1: Researcher Model: Crowdfunding and Marketing Performance Model.
Source: Researcher's Conceptualization, (2022)

Empirical review

Pratono, *et al* (2020) did a study on Crowdfunding in digital humanities: some evidence from Indonesian social enterprises. The aim of the study was to understand how social enterprises adopt crowdfunding in digital humanities by investigating the mission drifting, risk sharing and human resource practices. This exploratory study uses a qualitative method by spotting five different social ventures in Indonesia. The case study includes observation of social establishment that

concern digital humanities projects and interviews with those who manage the crowdfunding for funding the projects as the main respondents. The analysis uses an interpretative approach by including the respondents to describe the phenomena. The study found out that adopting the crowdfunding platform encourages social enterprises to reshape social missions with more responsive action for digital humanities. Crowdfunding lets social enterprises to share the risk with stakeholders who focus on promoting the social impact of digital humanities. The study concluded that crowdfunding in digital humanities has brought the social entrepreneurs to deal with various stakeholders by hiring the commercialised labour with flexible work arrangement and transferring the economic danger from the capital market into the individual and definite groups.

André, A and Renata, G. S. (2018) carried out a study on reward-based crowdfunding: a study of the entrepreneurs' motivations when choosing the model as a venture capital alternative in Brazil. The purpose of the study was to understand why Technology-Based Companies (TBCs) chooses reward-based crowdfunding as a financing option in Brazil over other alternatives that are already consolidated. The researchers conducted a multiple-case study with four TBCs functioning in different sectors and a platform hosting this type of campaigns. It was discovered that TBCs choose reward-based crowdfunding as a funding model because they are still in early stages of development, because they are after funds to finance a particular projects and for motivations that do not openly involve raising funds.

METHODOLOGY

The survey research design was utilized for the study. This is because it will assist the researcher to collect valuable information from members of the respondents concerning their opinions about variables of interest to the researcher and useful in designing the questionnaire.

The Study Area

The research will be conducted in Akwa Ibom State and the state occupies a total land mass of 2,734sqm (7081km²) lying between latitude 4°32' and 5°33' North and longitude 7°25 and 8°25 East and a population of 5,450,758 (2016 census). The study centers on microfinance banks in the state. The microfinance bank is a growing sector of the financial industry in the state and has helped to facilitate economic development. The study was executed in the state capital, Uyo and all the microfinance banks within Uyo metropolis were taken into consideration.

Population of the Study

The population of the study is made up of the staff of sixteen (16) microfinance banks in Uyo metropolis obtained from the records of Akwa Ibom State Internal Revenue Board.

Sample Size /Sampling Techniques

The sample size of the study was drawn from the total population of sixteen (16) microfinance banks in Uyo metropolis. Employees of each of the 16 microfinance banks were selected for the study which made up a total of 371 respondents. All the permanent staff available at the time of

the data collection was employed for the study. The sample size of 371 respondents was selected for the study. The assembled sample had the same proportion of individuals as the entire population; thus, complete enumeration was used to obtain the data for the study since the researcher attempted to ensure that all the observable characteristics of the population were taken into consideration in the sample.

That means $n=N$

Where;

n = sample size and N = population

Table 3.1 List of Selected Microfinance Banks in Uyo Metropolis Selected for the Study

S/N	Names of Microfinance Banks in Uyo Metropolis	Location (Address)
1.	Active Point Microfinance Bank Ltd	Nkemba Street,Uyo
2.	Zawadi Microfinance Bank Ltd	Shelter Market, Uyo
3.	New Dawn Microfinance Bank Ltd	Udo Udoma Avenue, Uyo
4.	AKCOFEB Microfinance Bank Ltd	Ikot Ekpene Road, Itu
5.	Educk Microfinance Bank Ltd	Abak Road, Uyo
6.	Advance Microfinance Bank Ltd	Udok Street, Uyo
7.	Nsehe Microfinance Bank Ltd	Ikot Ekepene Road, Uyo
8.	Cashrite Microfinance Bank Ltd	Ndiya Street, Uyo
9.	Prospect Microfinance Bank Ltd	Udo Umana Street, Uyo
10.	Lapo Microfinance Bank Ltd	Oron Road, Uyo
11.	Palmcoast Microfinance Bank Ltd	Nwaniba Road, Uyo
12.	Sapphire Microfinance Bank Ltd	Abak Road, Uyo
13.	Gufax Microfinance Bank Ltd	Udotung Ubo Street, Uyo
14.	Brooks Microfinance Bank Ltd	Nwaniba Road, Uyo
15.	Stanford Microfinance Bank Ltd	Abak Road, Uyo
16.	Uniuyo Microfinance Bank Ltd	Cooperative House, University of Uyo

Source: Researcher' Compilation, (2022)

Sources and Nature of Data

Data for this research was collected from primary sources. This is because the researcher adopted the survey research design for the study. The primary data were obtained with the use of questionnaire, designed to enable respondents express their independent opinions. The data will be collected from employees of the selected Microfinance banks within Uyo Metropolis. The secondary data were collected from the company's annual reports, newsletters, official diaries, brochures, textbooks and academic journals.

Design and Administration of Research Instrument

The questionnaire copies was distributed to 371 employees of selected Microfinance banks within Uyo Metropolis of Akwa Ibom State of which 366 copies of questionnaire was correctly filled and retrieved by the researcher. The survey instrument will have two sections; the first section contains questions about the respondents' demographic data including gender, age, and educational level, employee's position in the company as well as the employee's duration in the bank. The second section will make up of items designed to elicit information relating to the relationship between crowdfunding and the marketing performance effect of microfinance banks within Uyo metropolis in Akwa Ibom State. These includes questions that will measure the relationship of Equity-based crowdfunding, Reward-based crowdfunding and Lending-based Crowdfunding and the third section will includes questions about marketing performance. The data collecting questionnaire was a close-ended questionnaire where the researcher gave the respondents options from where they choose the one or ones that most represent their views, opinions, attitudes or behaviour. The researcher will adopt a five-point Likert scale for the questionnaire which was rated as follows:

Strongly Agreed (SA)	=4
Agreed (A)	=3
Disagreed (D)	=2
Strongly Disagreed (SD)	=1
Undecided (UD)	=0

Theoretical Specification of Models

The statistical tool that was used in this study is the Spearman rank order correlation coefficient. In this case, the measurement and the *apriori* expectation for each of the independent variables on the dependent variable were presented on Table 3.2

Table 3.2: Variable Description

S/N	Variable	Abbr.	Measurement	<i>Apriori</i> Expectation
1.	Marketing Performance	MP	Five-Point Likert Scale	
2.	Equity-based Crowdfunding	EC	Five-Point Likert Scale	Positive
3.	Reward-based Crowdfunding	RC	Five-Point Likert Scale	Positive
4.	Lending-based Crowdfunding	LC	Five-Point Likert Scale	Positive

Source: *Researcher's Compilation, (2022)*

Empirical Specification of Model

The model for the study and all the variables are stated below:

The dependent variable is: Marketing Performance (MP) while the independent variables are: Equity-based Crowdfunding (EC), Reward-based Crowdfunding (RC) and Lending-based Crowdfunding (LC). Below is the model:

$$MP = \beta_0 + \beta_1 EC + \beta_2 RC + \beta_3 LC + e_t \quad \text{Equation (3.1),}$$

where: β_0 = Intercept of MP; β_1 , β_2 , β_3 and β_4 = Coefficient of each of the independent variables; e_t = Random error terms.

Method of Data Analysis

The questionnaire was edited for consistency and completeness, data were analyzed and explained to suit the objectives. The Spearman rank order correlation coefficient was used in testing the hypotheses formulated for the study at a 0.05 level of significance. Spearman rank order correlation coefficient was used to test the hypotheses. This is because it is more effective in ascertaining if the two non-parametric data samples with ties are correlated.

Decision Rule

The decision of accepting or rejecting the null hypotheses (H_0) of the statistical test will be based on 95% confidence interval.

- i. The null hypothesis will be accepted if P value is more than 5% (0.05) level of significance
- ii. The null hypothesis will be rejected if P value is at or less than the 5% (0.05) level of significance and the alternative will be accepted.

DATA ANALYSIS, FINDINGS, CONCLUSION AND RECOMMENDATIONS

Data Analysis

Here, the numerous data collected were analysed and presented in accordance with the requirements for the study.

Reliability Test and Validity of Data Collection Instrument

Reliability: A convenience sample of 38 respondents was used to pre-test on a test re-test basis. The questionnaire was used to calculate the correlation coefficient, an estimate of the reliability of the data collection instrument. Using the Cronbach alpha, correlation coefficient of 0.822 was obtained. This established the internal consistency of the instrument.

Validity: The questionnaire had to undergo face and content validity before being administered on the respondents. The content validity was estimated as the questionnaire items were scrutinized by three senior lecturers in the department of marketing.

Test of Hypotheses

The hypotheses stated in this study were tested using Spearman Correlation Coefficient. The result of the statistical testing was used to either accept or reject the null hypothesis formulated at 5% level of significance.

Hypothesis One

HO₁: Equity-based Crowdfunding has a positive and significant relationship with marketing performance in microfinance banks in Akwa Ibom State.

Table 4.1: Correlation Analysis showing the Relationship between Equity-based Crowdfunding and marketing performance

		Correlations		
Spearman's Rho	EC		EC	Marketing Performance
		Correlation coefficient	1.000	.770**
		Sig. (2-tailed)	.	.000
	N	366	366	
	Marketing Performance	Pearson correlation	.770**	1.000
		Sig.(2-tailed)	.000	.
N		366	366	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Computation Output, (2022).

Based on result on table 4.1 above, the correlation coefficient ($r = 0.770$) between EC and marketing performance of microfinance banks in Akwa Ibom State is strong and positive. The significant value of 0.000 ($p < 0.05$) reveals a significant relationship. Based on that, the null hypothesis was rejected. Therefore, there is a significant strong relationship between EC and marketing performance of microfinance banks in Akwa Ibom State.

Hypothesis Two

HO₂: Reward-based Crowdfunding has a positive and significant relationship with marketing performance of microfinance banks in Akwa Ibom State

Table 4.2: Correlation Analysis showing the Relationship between RC and Marketing Performance

		Correlations		
Spearman's Rho	RC		RC	Marketing Performance
		Correlation coefficient	1.000	.855**
		Sig. (2-tailed)	.	.000
	N	366	366	
	Marketing Performance	Pearson correlation	.855**	1.000
		Sig.(2-tailed)	.000	.
N		366	366	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Computation Output, (2022).

Based on result on table 4.2 above, the correlation coefficient ($r = 0.855$) between RC and marketing performance of microfinance banks in Akwa Ibom State is strong and positive. The

significant value of 0.000 ($p < 0.05$) reveals a significant relationship. Based on that, the null hypothesis was rejected. Therefore, there is a significant strong relationship between RC and marketing performances of microfinance banks in Akwa Ibom State.

Hypothesis Three

HO₃: Lending-based Crowdfunding has a positive and significant relationship with marketing performance of microfinance banks in Akwa Ibom State

Table 4.3: Correlation Analysis showing the Relationship between LC and Marketing Performance

		Correlations		
Spearman's Rho	LC		LC	Marketing Performance
		Correlation coefficient	1.000	.805**
		Sig. (2-tailed)	.	.000
		N	366	366
	Marketing Performance	Pearson correlation	.805**	1.000
		Sig.(2-tailed)	.000	.
		N	366	366

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Computation Output, (2022).

Based on result on table 4.3 above, the correlation coefficient ($r = 0.805$) between LC and marketing performance of microfinance banks in Akwa Ibom State is strong and positive. The significant value of 0.000 ($p < 0.05$) reveals a significant relationship. Based on that, the null hypothesis was rejected. Therefore, there is a significant strong relationship between LC and marketing performance of microfinance banks in Akwa Ibom State.

DISCUSSION OF THE FINDINGS

Various hypotheses as proposed in the research were subjected to statistical tests. Results from these tests were discussed and compared with previous findings from related studies in this section. Findings from the test of H₀₁ showed that a positive and significant relationship exists between equity-based crowdfunding and marketing performance ($R = 0.770$). We therefore, reject the null hypothesis and accept that of the alternate. This is because the probability value is less than the stated level of confidence ($P < 0.05$).

Also, H₀₂ test indicated reward-based crowdfunding has a strong and positive relationship with marketing performance ($R = 0.855$). We therefore, reject the null hypothesis and accept that of the alternate. This is because the probability value is less than the stated level of confidence ($P < 0.05$). This shows that availability of rewards on investment encourages seamless engagement between funder and fundee. Furthermore, findings from H₀₃ revealed that a positive and significant

relationship exists between lending-based crowdfunding and marketing performance ($R = 0.805$). These results revealed that lending-based crowdfunding has a positive and significant relationship with marketing performance of microfinance banks in Akwa Ibom State. We therefore, reject the null hypothesis and accept that of the alternate because the probability value is less than the stated level of confidence ($P < 0.05$).

Conclusions and Recommendations

From the data analysis, it is obvious that crowdfunding is a viable marketing communication tool that can influence the performance of marketing positively. In line with the findings of the study, the following conclusions were reached; the study has established that crowdfunding has positive significant effect on marketing performance of microfinance banks in Akwa Ibom State. This positive significant effect implies that, an increase in EC, RC, and LC will result in an increase on marketing performance. Thus, the researcher recommended that microfinance banks in Akwa Ibom State should adopt crowdfunding as one of the means of raising finance for the company.

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