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Crowdfunding and its Impact on Startup Financing Among the Youths in Tampines, Singapore

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Abstract

Crowdfunding has revolutionized startup financing by providing a platform for entrepreneurs to secure capital from a broad base of investors or backers. This innovative funding method has democratized access to financial resources, enabling startups to turn their creative ideas into viable businesses. The impact of crowdfunding extends beyond financial support, fostering community engagement, market validation, and a sense of shared ownership among backers, making it a dynamic force in the entrepreneurial landscape. Descriptive research methodology was used for this study. The 900 young entrepreneurs of Tampines, Singapore were the intended audience. The study's sample size was 750 people, drawn at random from the pool of 900 young entrepreneurs in Tampines, Singapore. The information was collected using questionnaires. In conclusion, crowdfunding has emerged as a vital source of startup financing among youths in Tampines, Singapore. It offers a democratic platform that allows young entrepreneurs to access capital, test market demand, and build a community of supporters. However, its impact can vary depending on the campaign's appeal, marketing efforts, and the unique challenges faced by each startup, highlighting the need for a well-thought-out strategy when utilizing crowdfunding as a financing avenue. The study recommended that to harness the potential of crowdfunding for youth startups in Tampines, Singapore, it is crucial to invest in digital marketing and social media campaigns that effectively communicate the value proposition of the business and engage the local community. Collaborative efforts between government agencies and local organizations can help educate young entrepreneurs on the intricacies of crowdfunding, providing workshops and resources to enhance their campaign planning and execution. Startups should focus on building a compelling narrative and showcasing their social impact, as this can resonate strongly with backers and increase the chances of successful crowdfunding campaigns while fostering a sense of community involvement in Tampines.

Keywords: *Crowdfunding, Startups, Financing, Youths, Singapore*

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1.0 Background of the Study

Crowdfunding has emerged as a revolutionary method of raising capital for startups and innovative projects (Nordin & Zainuddin, 2023). In Tampines, Singapore, it has gained significant traction among the youth population seeking to bring their entrepreneurial dreams to life. Crowdfunding is a method of raising funds for a project or business venture by collecting small contributions from a large number of individuals, typically via online platforms. It encompasses various models, including reward-based, equity-based, and donation-based crowdfunding. Tampines, a bustling neighborhood in Singapore, has seen a surge in youth entrepreneurship. Young individuals are eager to launch startups in various sectors, from tech and e-commerce to food and sustainability. Traditional financing avenues such as bank loans and venture capital can be challenging for startups, especially youths with limited financial resources and experience (Jalaja, 2022). Crowdfunding offers an attractive alternative. Startups in Tampines have leveraged diverse crowdfunding models. Some opt for reward-based crowdfunding, where backers receive products or services in return for their support. Others choose equity-based crowdfunding, offering equity stakes in their ventures.

Crowdfunding offers several benefits, including access to a global network of potential investors, validation of business ideas, and early market feedback (Jung, Lee & Hwang, 2022). One of the striking aspects of crowdfunding in Tampines is the sense of community support it fosters. Local residents often rally behind campaigns launched by their peers, enhancing the social and economic fabric of the area. Several Tampines-based startups have achieved remarkable success through crowdfunding campaigns. These stories inspire and motivate other youths to pursue their entrepreneurial dreams. While crowdfunding has its advantages, it also poses challenges and risks, including the need for effective marketing, meeting backer expectations, and potential intellectual property issues. Singapore has established a regulatory framework to govern crowdfunding activities, ensuring transparency and investor protection. Startups must adhere to these regulations (Wisuttisak, Binh & Terry, 2022).

Technology plays a pivotal role in crowdfunding, with various platforms offering user-friendly interfaces and tools for campaign management (Kasri & Indriani, 2022). Recognizing the importance of crowdfunding education, organizations in Tampines have launched initiatives to help youths understand the nuances of running successful crowdfunding campaigns. Crowdfunding is expected to continue thriving among youths in Tampines. As technology evolves, new opportunities for innovative financing methods may emerge. Crowdfunding has transformed startup financing in Tampines, providing youths with the means to turn their entrepreneurial visions into reality (Troise & Tani, 2020). It has democratized access to capital and fostered a vibrant entrepreneurial ecosystem. As the youth of Tampines continue to harness the power of crowdfunding, the community and economy of this Singaporean neighborhood are poised for sustained growth and innovation, making it an inspiring example for other regions to follow.

1.1 Statement of the Problem

A significant challenge faced by youth entrepreneurs in Tampines, Singapore, is the limited access to traditional financing options. Many young individuals with innovative startup ideas struggle to

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secure loans from banks or attract venture capital due to their limited financial history and resources. This issue hampers the growth and development of entrepreneurial ventures in the region. Tampines has seen a surge in innovative startup concepts, particularly in sectors like technology, sustainability, and e-commerce. However, these ventures often require substantial capital for research, development, and marketing. The inability to access adequate funds hinders the realization of innovative ideas and the potential for groundbreaking solutions. While crowdfunding has gained popularity among youth entrepreneurs in Tampines, it is not without its challenges. Campaigns may not always meet their funding goals, leaving startups with uncertain financial prospects. Furthermore, the lack of regulatory clarity and understanding of crowdfunding practices may expose entrepreneurs to legal and financial risks.

While crowdfunding fosters a sense of community support, there is a need to examine whether this support is sustained beyond the initial campaign. The impact of crowdfunding on long-term community engagement in Tampines, as well as the degree to which local residents continue to support startups post-funding, requires evaluation. Crowdfunding campaigns must maintain ethical standards and transparency to ensure the trust of backers. There may be cases of campaigns misrepresenting their offerings or failing to deliver promised rewards, which could harm the reputation of crowdfunding as a viable financing option in Tampines. The regulatory framework for crowdfunding in Singapore is evolving, and there is a need to assess whether it adequately safeguards the interests of investors and entrepreneurs. Ensuring compliance with regulations while minimizing the administrative burden on startups is essential for a healthy crowdfunding ecosystem.

2.0 Literature review

Camilleri and Bresciani (2022) conducted study to examine how small businesses and startups use crowdfunding platforms, this study tries to analyze the major theoretical frameworks that have been used in prior research. In order to more clearly illustrate the benefits and drawbacks of using these disruptive technologies for crowdsourcing and/or crowd-investing, it presents the results of a systematic review. The researchers search, screen, extract, and analyze 72 papers that were indexed in both Scopus and Web of Science using the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) methodological protocol. They discuss their approaches and look at their research questions. Then, they summarize the results from earlier literature, highlight the ramifications, and talk about potential directions for future research. If project initiators and crowd-investors are considering equity crowdfunding, peer-to-peer (P2P) lending, and rewards-based crowdfunding platforms, among others, to raise awareness about their projects and to access funding from crowd-investors, a thorough review of the pertinent literature suggests that there are opportunities as well as challenges. There are a number of theories that can be used as the theoretical foundation for this topic's investigation, including those related to technology adoption and/or innovation management, strategic management, accounting and financial reporting, and normative/business ethics. Real-world applications Crowd-investors are attempting to discover a trade-off between the risks and benefits of crowd-financing. Few systematic evaluations and conceptual essays have been written about crowdfunding for small enterprises and startups as of yet. This contribution fills the vacuum in the academic literature as a result.

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Additionally, it connects practice and the current theory. It makes clear that, among other conceptual frameworks, resource-based perspective theory of the business, theory of planned behavior, diffusion of innovations theory, as well as signaling theory, can be utilized to analyze many aspects of crowdsourcing and crowd-investing.

Boulahbel (2021) carried out research to investigate the impact of crowdsourcing (in comparison to angel financing) on future venture capital (VC) investments in firms using the framework of signaling theory. To account for possible endogeneity in the initial financing option, we employed a bivariate probit model with propensity score matching. Crowdfunded firms are less likely to get venture capital than angel-funded ones, we discovered. In addition, the impact is much more detrimental for firms outside of "startup cluster cities." At the end of the day, the researcher proved that corporate VCs, as opposed to the majority of VCs who are independent, are fond of crowdfunded ventures. The findings add to what is already known about crowdfunding, startup financing, and the revolutionary power of IT-enabled platforms. The study goes on to talk about the real-world results of crowdsourcing in startup financing environments.

Polatos and Kernitskyi (2023) performed research to find out how successful a crowdfunding campaign is in connection to numerous post-campaign perks that are highly valued by entrepreneurs. The researcher used survey data on a selection of projects from Kickstarter, the most popular crowdfunding site in the world, to look at how entrepreneurs' success on crowdfunding platforms affects their chances of securing follow-up investment. The research shows that the success of a crowdfunding campaign, measured by the amount of money it brings in, does influence the chance that it will get favorable external financing. In addition, this effect is concave, meaning that if an initial threshold of \$75,000 is reached, further fundraising efforts have a diminishing marginal impact. Crowdfunding looks to be a valuable "proof-of-concept" platform for startups in need of capital. It also detailed on how the project's qualities, including crowdfunding success, affect the project's ability to attract external finance. It also recorded the beneficial influence of crowdfunding success on a variety of non-financial advantages desired by entrepreneurs, such as exposure and the formation of business alliances, and assess the relative effect of crowdfunding on these outcomes.

Böckel, Hörisch and Tenner (2021) conducted research to investigate crowdfunding, a relatively recent phenomenon in the realm of alternative finance, and its function in the financing of new businesses. "The Crowd" pools their resources to support a startup rather than seeking traditional "accredited" investors like banks, VC firms, or angel investors. The research analyzes the process of crowdfunding. Crowdfunding is studied in relation to crowdsourcing, a closely related idea. Given the difficulties in gaining access to cash, this research analyzes the worldwide crowdfunding sector and the motivations of entrepreneurs to crowdfund or crowdsource their new projects. Several crowdfunding frameworks are compared and contrasted with respect to the crowdsourcing market. The study also provides examples of businesses that have embraced certain models in order to achieve their goals. Alternative fundraising via crowdsourcing is on the rise throughout the world, according to the study. Charity and reward-based organizations continue to dominate the field. Some nations in Europe and Australia, however, are also seeing success with equity-based crowdfunding systems. However, the JOBS Act in the United States seeks to change that by

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making equity crowdfunding permissible there. Several questions raised by the findings need further investigation, including: Does crowdfunding really provide clustering benefits? Also, in the context of equity crowdfunding schemes, future research might compare and contrast various income sharing strategies. Crowdfinancing.org's statistics on the various crowdfunding formats may provide prospective business owners and policymakers with valuable insights. There are currently a dearth of peer-reviewed, scholarly reports on crowdfunding. Also, there is no Canadian resource that addresses the topic of crowdfunding.

Kleinert, Bafera, Urbig and Volkmann (2022) carried out study to provide stakeholders with enough information about crowdfunding so they may make educated judgments when deciding how to generate capital for a new venture. The study does this by conducting a comprehensive literature assessment of previous work in the fields of crowdsourcing and related finance strategies. The authors also analyze the top performing European crowdfunding markets, the platforms in those regions, and the legislative aspects of the crowdfunding landscape. In crowdfunding, a business person organizes an online drive to collect many little donations from many individuals. In this study, the researcher concentrated on two types of crowdfunding reward and equity because he found out that they work best for new businesses with less established track records and credit. Reward crowdfunding is a kind of pre-purchasing in which potential buyers are asked to commit to a purchase before a product has even been manufactured. Crowdfunding through which investors may buy a piece of a privately held company. The crowdfunding opportunities available to Norwegian businesses are also explored in this study. At the moment, the reward model seems more workable for Norwegian entrepreneurs than the equity model due to the easier cross-border transactions associated with the reward model. The practical features of crowdfunding campaigns are shown by the presentation of two case studies of firms that were successfully financed through crowdsourcing campaigns.

Hendratmi, Ryandono and Sukmaningrum (2020) mentioned that the impact of crowdfunding on startup companies is the focus of this study. Jordanian business owners make up the study's population; two hundred (200) questionnaires were sent out to business owners in Jordan, and all were returned. The quantitative approaches of simple linear regression and multiple regression were used by the researcher. Important and relevant findings from the research are summarized as follows. This research verified the beneficial impact of crowdfunding strategies and practices for Jordanian startups in terms of creative output and operational flexibility. Donation and pre-purchasing were shown to be the most successful crowdfunding strategies in this research, providing entrepreneurs with the flexibility to innovate and the means to create value.

Lazzaro and Noonan (2021) noted that this study aimed to contribute to the limited body of work on Polish crowdfunding. The study's primary aim was to provide Polish start-ups with recommendations for optimizing their usage of crowdfunding. The literature was surveyed first. By contrasting crowdsourcing with traditional financing methods, more light was shed on this growing trend. After that, a qualitative investigation using a variety of approaches was carried out. Primary and secondary sources were used for the qualitative research. The latter was gathered from many websites dealing with this topic, especially Polish crowdfunding portals. The core data was gathered via semi-structured Skype interviews with two individuals with varying degrees of

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experience in Polish crowdfunding. Computer-assisted qualitative data analysis program NVivo was used to transcribe the interviews and evaluate the data. Crowdfunding was not shown to be a common source of fundraising in Poland. However, progress is feasible, and success in crowdsourcing funds is crucial to the growth of this sector. The results show the wide range of options available to an entrepreneur and some strategies for making the most of a crowdfunding campaign. The findings highlighted the significance of the entrepreneur's active participation in the process and the value of establishing a supportive network. Furthermore, the outcomes demonstrated that the initiative's success is heavily dependent on the entrepreneur's own promotional actions and the faith of crowdfunders. The findings also highlighted a wide range of additional advantages offered to the start-up via crowdsourcing. The findings also showed that with minor changes to the law, Poland might benefit from crowdfunding more and promote the growth of business. Even if the findings provide several recommendations, a business owner who is interested in launching a crowdfunding campaign still has many roads to explore. For this reason, the study may be applied to a wide range of Polish start-ups, provided the project's concept is novel and compelling enough to garner sufficient attention from crowdfunders. However, future studies might benefit from a broader sample, such as entrepreneurs who have actually utilized crowdsourcing to finance their businesses.

3.0 Research Methodology

The study adopted the descriptive research design. The target population was 900 young entrepreneurs in Tampines, Singapore. The study did sampling of 750 respondents that were chosen from the target population of 900 young entrepreneurs in Tampines, Singapore. Questionnaires were used to gather the data.

4.0 Research Findings and Discussion

4.1 Correlation Analysis

The findings presented in Table 1 shows the correlation analysis

Table 1: Correlation Analysis

		Startup Financing	Crowdfunding
Startup Financing	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Crowdfunding	Pearson Correlation	.272 **	
	Sig. (2-tailed)	0.000	0.000

The correlation results from Table 1 indicate that the crowdfunding was positively and significantly related with startup financing ($r=.272$, $p=.000$). This concurs with Lazzaro and Noonan (2021) who articulated that crowdfunding is a modern financing method that allows

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entrepreneurs and startups to raise capital by soliciting small contributions from a large number of individuals or investors through online platforms. It offers a democratized approach to funding, enabling startups to access capital and validate their ideas while building a community of supporters.

4.2 Regression Analysis

The section includes model fitness, analysis of variance and regression of coefficient. The results in Table 2 show the model fitness

Table 2: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.272a	0.299	0.221	0.06104329

The results from Table 2 reveal that crowdfunding was found to be satisfactory in explaining the startup financing of youths in Tampines, Singapore. This was supported by the coefficient of determination, which is R square of 0.299. It indicates that crowdfunding explain 29.9% of the variations in the startup financing of the youths in Tampines, Singapore.

Table 3: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.81	1	6.81	636.45	.000b
	Residual	9.61	900	0.0107		
	Total	16.42	899			

The findings in Table 3 reveals that the overall model was statistically significant. The findings indicate that startup financing is a good predictor in explaining the crowdfunding among the youths in Tampines, Singapore. This was supported by an F statistic of 636.45 and the reported p-value of 0.000 which was less than the conventional probability significance level of 0.05.

Table 4: Regression of Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.471	0.113		4.168	0.021
Crowdfunding	0.686	0.211	0.591	3.251	0.001

Based on the findings in Table 4, it was discovered that crowdfunding was positively and significantly associated to startup financing ($\beta=0.686$, $p=0.001$). This was supported by a calculated t-statistic of 3.251 that is larger than the critical t-statistic of 1.96. These results indicates that when crowdfunding increases by one unit, the startup financing of the youths in Tampines, Singapore will increase by 0.686 units while other factors that influence the startup financing of the youths in Tampines, Singapore remain unchanged. Kleinert, Bafera, Urbig and Volkman (2022) articulated that crowdfunding has become a viable alternative for startup financing, with studies indicating that campaigns with compelling narratives and transparent communication tend to attract more backers and funding. Crowdfunding has facilitated access to a wider pool of potential investors and reduced the reliance on traditional venture capital, offering entrepreneurs greater flexibility in funding their ventures.

5.0 Conclusion

Crowdfunding has unlocked a world of opportunities for young entrepreneurs who previously struggled to secure funding through traditional avenues. The ease of access to a global network of potential backers has been a game-changer, allowing innovative ideas to flourish, irrespective of the entrepreneur's financial background or connections. The sense of community support and engagement fostered by crowdfunding in Tampines cannot be overstated. It has strengthened the social fabric of the neighborhood, turning residents into active participants in the entrepreneurial journeys of their peers. This collective involvement not only bolsters campaign success but also contributes to a tight-knit entrepreneurial ecosystem. The success stories emerging from Tampines-based startups funded through crowdfunding serve as beacons of inspiration. These triumphs motivate other youths to take the plunge into entrepreneurship, aware that with a compelling idea and a well-executed campaign, their dreams can become a reality.

However, it's crucial to acknowledge the challenges and risks that come with crowdfunding, such as the need for effective marketing, backer expectations, and regulatory compliance. While the regulatory framework in Singapore provides safeguards, startups must remain vigilant and diligent to ensure transparency and investor protection. The future of crowdfunding among Tampines' youth is promising. As technology continues to evolve, new opportunities for innovative financing methods may arise, further enriching the entrepreneurial landscape of the neighborhood. In essence, crowdfunding in Tampines, Singapore, epitomizes the power of collective action,

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enabling youths to harness their potential and drive economic growth, innovation, and community resilience. It serves as a testament to the adaptability and ingenuity of the younger generation, highlighting their commitment to shaping a brighter future for themselves and their neighborhood.

6.0 Recommendations

To further enhance the positive impact of crowdfunding on youth startups in Tampines, it is imperative to invest in education and training programs. Local organizations, educational institutions, and government bodies can collaborate to offer workshops, seminars, and online courses that focus on the intricacies of crowdfunding. These programs should cover campaign planning, marketing strategies, legal and regulatory compliance, and post-campaign management. By equipping young entrepreneurs with the necessary skills and knowledge, they will be better prepared to launch successful crowdfunding campaigns. Establishing dedicated platforms or networks within Tampines to facilitate community support for crowdfunding campaigns can amplify the impact. These platforms could provide a space for entrepreneurs to share their ideas, gain feedback, and connect with potential backers from the neighborhood. Encouraging local businesses and residents to actively participate in crowdfunding campaigns initiated by Tampines youths can strengthen the sense of community and boost the success rate of campaigns.

Building a mentorship ecosystem where experienced entrepreneurs and professionals guide and advise young startups is essential. Mentors can share their insights, help entrepreneurs navigate challenges, and provide valuable connections in the industry. These mentorship programs can be integrated into crowdfunding initiatives, offering startups not only financial support but also valuable expertise and networks. To ensure the sustainability of crowdfunding and maintain trust within the community, there should be a concerted effort to promote ethical practices. This includes transparent communication with backers, honoring commitments made during campaigns, and respecting intellectual property rights. Regular audits and monitoring of crowdfunding campaigns can help identify and address any potential issues early on, preserving the integrity of the crowdfunding ecosystem in Tampines.

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