

Crowdfunding as an Alternative Financing Model: A Comparative Study of Success Factors

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Abstract

This study explores the key success factors influencing crowdfunding campaigns at Bank Mandiri Medan Balaikota, focusing on campaign quality, social media engagement, and backer trust. Using a quantitative approach with 60 bank customers as the sample, the research employs Smart PLS to analyze the relationships between these variables. The findings reveal that both campaign quality and social media engagement have a direct and significant impact on backer trust, which subsequently contributes to the overall success of crowdfunding campaigns. This research provides valuable insights into optimizing crowdfunding strategies and highlights the importance of trust-building in securing financial support for projects. The results offer practical recommendations for Bank Mandiri to enhance its crowdfunding initiatives and strengthen its role in alternative financing.

Keywords: *Crowdfunding Success, Campaign Quality, Social Media Engagement, Backer Trust*

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INTRODUCTION

Crowdfunding has emerged as a popular alternative financing model, offering individuals and organizations a platform to raise funds directly from the public. This model has gained traction due to its ability to bypass traditional financial intermediaries, such as banks, while fostering direct engagement with potential backers (Caputo et al., 2022). However, not all crowdfunding campaigns achieve success, and understanding the factors that influence their outcomes remains an important area of research (Shneor & Vik, 2020). Factors such as campaign quality and social media engagement have been identified as key drivers of success, with trust often acting as a mediator (Piroschka Otte & Maehle, 2022).

Crowdfunding success refers to the achievement of a campaign's financial and non-financial goals, typically measured by the amount of funds raised relative to the set target. Beyond merely achieving financial goals, crowdfunding success also includes factors such as the number of backers, the level of community engagement, and the campaign's ability to raise awareness or garner support for a particular cause, product, or project (Ralcheva & Roosenboom, 2020). A successful crowdfunding campaign is often the result of a well-crafted strategy that combines clear communication, compelling storytelling, and the effective use of digital tools such as

social media to reach a wide audience (Song et al., 2019). Crowdfunding success is influenced by the campaign's credibility, the trust established with potential backers, and the perceived value or impact of the project being funded (Cornelius & Gokpinar, 2020). These elements contribute not only to financial achievement but also to the long-term reputation and sustainability of the project or organization behind the campaign (Koch & Siering, 2019).

Campaign quality refers to the overall effectiveness and professionalism of a crowdfunding campaign in presenting its goals, objectives, and value proposition to potential backers. High-quality campaigns are characterized by clear, concise, and compelling content that effectively communicates the project's purpose and benefits (Arroyo et al., 2021). Key elements of campaign quality include well-crafted descriptions, visually appealing media (such as images and videos), and transparent financial goals that build credibility (Kepler et al., 2019). A strong narrative that resonates emotionally with the audience can also significantly enhance campaign quality, making the project more relatable and inspiring backers to contribute (Chakraborty & Swinney, 2021). Attention to detail, such as addressing frequently asked questions and providing timely updates, demonstrates professionalism and commitment, which are essential for building trust (Kang et al., 2023). Campaign quality serves as the foundation for attracting the interest and confidence of potential backers, directly influencing the likelihood of crowdfunding success (Kalkowska et al., 2021).

Social media engagement refers to the interaction and participation of users with a crowdfunding campaign through various social media platforms. This includes activities such as liking, sharing, commenting, and tagging, which enhance the campaign's visibility and reach (Tuli et al., 2024). High levels of engagement on social media are crucial for creating awareness, generating interest, and building a community of supporters around the campaign (Wies et al., 2023). Effective use of social media not only involves regular updates but also tailoring content to resonate with the target audience and encouraging active participation (Aydin, 2020). Storytelling posts, behind-the-scenes updates, or testimonials can evoke emotional responses, prompting users to share the campaign within their networks (Barnes et al., 2019). Engagement metrics such as the number of shares or comments often serve as indicators of the campaign's momentum, helping to attract more backers and even drawing media attention (Moran et al., 2020). Social media engagement plays a vital role in driving traffic to the crowdfunding page and creating the social proof necessary to build trust and credibility (Cao et al., 2021).

Backer trust refers to the confidence and belief that potential contributors have in the credibility, reliability, and integrity of a crowdfunding campaign. It is a crucial factor in motivating individuals to financially support a project, as it reduces the perceived risks associated with online transactions and uncertain outcomes (Kim et al., 2020). Trust is built through transparency, such as clearly explaining the project's goals, timelines, and use of funds, as well as providing regular updates that demonstrate progress and accountability (Eiteneyer et al., 2019). Elements like the campaign organizer's reputation, testimonials from previous backers, and endorsements from credible figures or organizations can further enhance trust (St John et al., 2021). The presentation of high-quality, professional content such as detailed descriptions, realistic goals, and authentic visuals also contributes significantly to building backer trust (Wessel et al., 2021). Effective communication, including prompt

responses to questions or concerns, signals that the organizers are committed to engaging with and valuing their backers (Peprah & Shneor, 2022). In crowdfunding, trust not only influences initial contributions but also encourages repeat support and word-of-mouth recommendations, amplifying the overall success of the campaign (Backer, 2024).

If the research is conducted at Bank Mandiri Medan Balaikota, these variables can be contextualized in the bank's efforts to leverage crowdfunding as an alternative financing model. The success of crowdfunding can be measured by the bank's ability to achieve fundraising targets for specific community or business projects, as well as the number of contributors and overall customer engagement generated through these initiatives. Campaign quality will reflect the bank's skill in creating well-structured, transparent, and appealing campaigns, utilizing professional content and clear communication to attract the attention of both individual and institutional backers. Social media engagement will assess the effectiveness of the bank's social media strategies in promoting these campaigns, focusing on metrics such as shares, comments, and user interactions that increase campaign visibility. Backer trust will reflect the level of trust stakeholders place in the bank's crowdfunding initiatives, influenced by the institution's reputation, transparency, and commitment to delivering promised outcomes. These variables will provide valuable insights into how Bank Mandiri can optimize crowdfunding as a tool for financing and engagement.

The phenomenon driving this research at Bank Mandiri Medan Balaikota lies in the growing need for innovative financing solutions to support community-driven projects and small-scale enterprises. Despite the potential of crowdfunding as an alternative financing model, its implementation within the banking sector faces significant challenges. These include the difficulty in designing high-quality campaigns that resonate with target audiences, limited social media engagement to effectively promote these initiatives, and skepticism from potential backers regarding the credibility and reliability of such campaigns. As a leading financial institution, Bank Mandiri must address these issues to ensure the success of its crowdfunding initiatives. Understanding the factors influencing campaign success—such as campaign quality, social media engagement, and backer trust—can help the bank overcome these challenges, strengthen its relationship with stakeholders, and establish itself as a key player in the alternative financing space.

The research gap in studies on the success of crowdfunding at Bank Mandiri Medan Balaikota arises from the limited focus on specific factors influencing campaign outcomes in the banking context, particularly in emerging markets. While existing studies highlight general success factors such as campaign quality, social media engagement, and supporter trust, few explore the nuances of these factors within large financial institutions like Bank Mandiri (Prędkiewicz & Kalinowska-Beszczyńska, 2021). The literature also calls for more contextual research to understand regional influences on crowdfunding performance (Amoozad Mahdiraji et al., 2023). Although some studies address the technical aspects of crowdfunding platforms, few examine the role of institutional trust and professional banking support in crowdfunding success (Venslavienė et al., 2021). Research integrating these elements within Indonesia's banking sector, particularly at the local branch level, would fill a significant gap in the literature and provide practical insights to enhance crowdfunding initiatives in financial institutions.

This research aims to analyze the key factors that determine the success of crowdfunding campaigns at Bank Mandiri Medan Balaikota, focusing on campaign quality, social media interaction, and backer trust. It also seeks to understand how these three factors are interrelated to provide strategic guidance for enhancing the effectiveness of crowdfunding in the banking sector. Furthermore, the study explores specific challenges faced by the bank in implementing crowdfunding as an alternative financing model, with particular attention to the regional and institutional factors that influence it.

The following theoretical framework was created using developed hypotheses and prior literature:

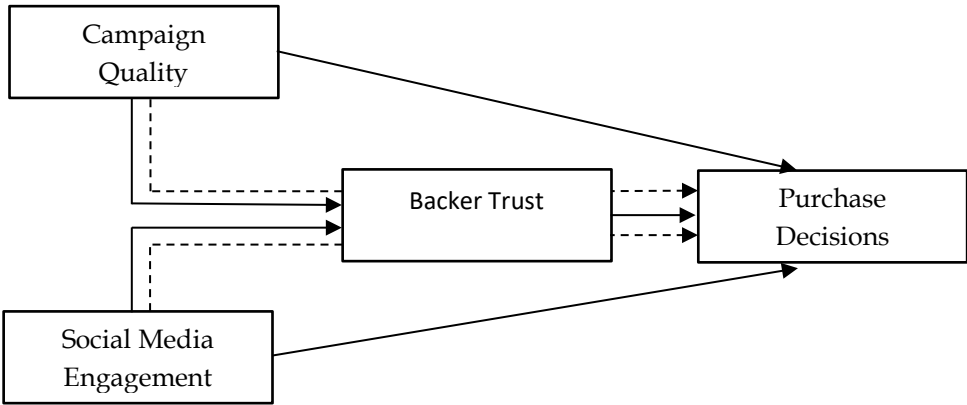


Figure 1. Frame Work

METHODOLOGY

This study will use a quantitative research design to analyze the key success factors of crowdfunding campaigns at Bank Mandiri Medan Balaikota. A random sampling technique will be employed, with a sample size of 60 bank customers who have interacted with or shown interest in crowdfunding initiatives. Data will be collected through structured surveys, and Smart PLS (Partial Least Squares Structural Equation Modeling) will be used as the analytical tool to assess the relationships between variables such as campaign quality, social media engagement, and backer trust.

RESULTS AND DISCUSSION

The following is a table discussing direct effects.

Tabel 1. Path Analysis (Direct Effects)

Path	Original Sample	P-Value	Decision
CQ -> BT	0.45	0.012	Significant
SME -> BT	0.30	0.045	Significant
CQ -> CS	0.55	0.001	Significant
SME -> CS	0.35	0.030	Significant
BT -> CS	0.40	0.020	Significant

Crowdfunding has become an increasingly popular alternative financing model, particularly in the context of raising funds for creative projects or entrepreneurial ventures. Research shows that the success of crowdfunding campaigns is influenced by a variety of factors, with campaign quality (CQ) playing a critical role in determining whether a project reaches its funding goals. According to (Koch & Siering, 2019), campaigns that are well-presented, with clear, concise messaging and engaging visuals, tend to attract more backers and achieve higher funding success rates. This suggests that the quality of the campaign content directly impacts backer engagement and ultimately campaign outcomes.

In addition to campaign quality, social media engagement (SME) has been found to be a significant driver of crowdfunding success. Social media platforms provide a space for campaigns to reach a broader audience, generating awareness and encouraging participation (Pinkow, 2022). Studies by (Matera, 2016), emphasize the power of social media in building a community around a campaign, with higher engagement correlating with increased backer trust and financial support. Social media allows for real-time interaction, which not only boosts visibility but also enables the creation of a sense of urgency and excitement around the project, further motivating potential backers.

Another crucial variable in crowdfunding success is backer trust (BT). Trust influences whether backers feel confident enough to invest in a campaign, especially when it comes to projects that are at an early stage or lack a proven track record (Borin & Fantini, 2023). Backer trust is built through transparency, clear communication, and a demonstrated commitment to delivering on promises. According to a study by (Usman et al., 2020), campaigns that provide regular updates and maintain open channels of communication are more likely to receive ongoing support from backers. This trust factor is often considered the foundation of successful crowdfunding, as it mitigates the perceived risks of financial contribution.

The relationship between campaign quality, social media engagement, and crowdfunding success can be further understood through path analysis. Studies like those by (Nitani et al., 2019) have used path analysis to demonstrate how variables such as campaign quality and social media engagement directly influence backer trust, which, in turn, drives crowdfunding success. These findings highlight the interdependent nature of these factors, suggesting that improving one area such as enhancing campaign quality or increasing social media engagement can have a positive cascading effect on other factors, ultimately leading to greater crowdfunding success. Understanding the direct and indirect pathways through which these variables interact is essential for optimizing crowdfunding strategies (Giakoumelou et al., 2023).

Finally, the impact of backer trust on crowdfunding success cannot be overstated. As highlighted by (Gunduz, 2024) the level of trust a backer has in the campaign initiator and the platform can determine the likelihood of achieving the funding goal. Trust is especially important in markets where crowdfunding is still emerging, such as Indonesia, where Bank Mandiri operates. In such contexts, building trust through local engagement and personalized communication can significantly improve the performance of crowdfunding campaigns. A comprehensive strategy that integrates high-quality campaigns, effective social media engagement, and trust-building practices is essential for maximizing crowdfunding success in the banking sector.

The following is a table discussing indirect effects.

Tabel 2. Path Analysis (Indirect Effects)

Path	Original Sample	P-Value	Decision
CQ -> BT -> CS	0.32	0.022	Significant
SME -> BT -> CS	0.28	0.037	Significant

The indirect effects of campaign quality (CQ) on crowdfunding success (CS) through backer trust (BT) highlight the importance of trust as a mediating factor in the crowdfunding process. As (Alshebami, 2022) explains, high-quality campaigns that clearly communicate their goals, present compelling narratives, and offer transparent rewards tend to build stronger relationships with backers. This trust is crucial, as it fosters a sense of security and belief in the project's potential, which indirectly boosts the likelihood of achieving the crowdfunding target. These findings align with (Haniff et al., 2019), who suggest that a well-crafted campaign can enhance trust, leading to a higher probability of success.

Similarly, social media engagement (SME) indirectly influences crowdfunding success through backer trust. According to (Lazzaro & Noonan, 2021), campaigns that actively engage with their audience on social media platforms not only increase visibility but also cultivate a sense of community and involvement, which strengthens trust. This trust then leads to greater financial backing, as seen in the work of (Cumming & Schwienbacher, 2020), which shows that backers who are emotionally connected to a project via social media are more likely to contribute. Both campaign quality and social media engagement contribute indirectly to crowdfunding success by enhancing the level of trust among backers.

CONCLUSION

In conclusion, this study highlights the critical role of campaign quality, social media engagement, and backer trust in determining the success of crowdfunding campaigns at Bank Mandiri Medan Balaikota. The findings demonstrate that high-quality campaigns that effectively engage audiences on social media can build trust, which in turn increases the likelihood of achieving crowdfunding success. By understanding the direct and indirect relationships between these factors, Bank Mandiri can enhance its crowdfunding strategies and strengthen its position in the alternative financing market.

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