

**East Africa Collaborative Ph.D. Program
in Economics and Management**

**Crowdfunding: The Beliefs of
Rwandan Entrepreneurs**

Adele BERNDT and Marvin MBASSANA

**East Africa Research Papers in Business,
Entrepreneurship and Management**

EARP-BEM No. 2016:05

Jönköping International Business School (JIBS),
Jönköping University, P.O. Box 1026,
SE-551 11 Jönköping, Sweden,
Web: <http://www.ju.se/earp>, E-mail: EARP@ju.se

Preface

East Africa Research Papers in Business, Entrepreneurship and Management is a series linked to the collaborative PhD program in Economics and Management among East Africa national universities. The program was initiated and is coordinated by the Jönköping International Business School (JIBS) at Jönköping University, Sweden, with the objective of increasing local capacity in teaching, supervision, research and management of PhD programs at the participating universities. The program is financed by the Swedish International Development Cooperation Agency (SIDA).

East Africa Research Papers is intended to serve as an outlet for publishing theoretical, methodological and applied research covering various aspects of the East African economies, especially those related to regional economic integration, national and regional economic development and openness, movement of goods, capital and labor, as well as studies on industry, agriculture, services sector and governance and institutions. In particular, submission of studies analyzing state-of-the-art research in areas of labor, technology, education, health, well-being, transport, energy, resources extraction, population and its movements, tourism, as well as development infrastructure and related issues and discussion of their implications and possible alternative policies are welcome.

The objective is to increase research capacity and quality, to promote research and collaboration in research, to share gained insights into important policy issues and to acquire a balanced viewpoint of business, entrepreneurship and management policymaking which enables us to identify the economic problems accurately and to come up with optimal and effective guidelines for decision makers. Another important aim of the series is to facilitate communication with development cooperation agencies, external research institutes, individual researchers and policymakers in the East Africa region.

Research disseminated through this series may include views on economic policy and development, but the series will not take any institutional policy positions. Thus, any opinions expressed in this series will be those of the author(s) and not necessarily the Research Papers Series.

Editor: Almas Heshmati
Professor of Economics
Jönköping International Business School (JIBS),
Jönköping University, Room B5017,
P.O. Box 1026, SE-551 11 Jönköping, Sweden,
E-mail: Almas.Heshmati@ju.se

Assisting Editor: Olivier Habimana
Candidate for PhD in Economics
College of Business and Economics, University of Rwanda
E-mail: Olivier.Habimana@ju.se

Crowdfunding: The Beliefs of Rwandan Entrepreneurs

Adele BERNDT¹ and Marvin MBASSANA²

¹ Corresponding author
Jönköping International Business School (JIBS)
Email: Adele.Berndt@ju.se

² College of Business and Economics
University of Rwanda
Email: memptcf@gmail.com

Abstract

Crowdfunding, through the use of Internet platforms, is a relatively recent development that has attracted both interest among entrepreneurs and investors. Recent figures suggest approximately \$34.4 billion was raised in 2015, making crowdfunding attractive to entrepreneurs. Crowdfunding in Africa has not received the same level of attention, and thus the purpose of the research was to investigate the beliefs (awareness and knowledge) of Rwandan entrepreneurs towards crowdfunding. This study is important due to the lack of academic research into this phenomenon in Africa and in Rwanda. Understanding the beliefs (awareness and knowledge) of Rwandan entrepreneurs can indicate the potential for crowdfunding for entrepreneurs and their intention to use it as a future financing strategy. Due to the limited research conducted into crowdfunding, this study was exploratory in nature with the use of qualitative methods in order to attain the purpose of the study. Use was made of convenience sampling and in this pilot study, findings from personal interviews with 8 entrepreneurs are reported on. Financial constraints were identified by most of the entrepreneurs as impacting the development of their ventures. The findings show limited knowledge of crowdfunding as a phenomenon and the specific aspects of how it operates. Despite this lack of knowledge, the participants reflected an interest in using crowdfunding, though clarification of the expectations of the entrepreneurs and the investors would be necessary prior to its use. The use of crowdfunding can be considered by entrepreneurs but care would be needed to ensure successful implementation. The study concludes by suggesting implications for entrepreneurs, crowdfunding platforms as well as crowdinvestors who would invest in the various ventures.

Keywords: crowdfunding; Rwanda; beliefs; awareness; knowledge

JEL Classification codes: M13; O16; N27; M21; M10;

1. Introduction

Entrepreneurship is seen by many politicians and economists, including the United Nations as important for the development of economies and the improvement of standard of living in countries. For this reason, efforts are increasing at encouraging entrepreneurship (Naudé, 2011). One issue that hampers the development of ventures is a lack of access to financing once the venture reaches a certain stage, namely the so-called growth stage (Nieman, Hough, and Nieuwenhuizen, 2003). Not receiving adequate funding has the potential to hamper the venture, and may, in fact, threaten its survival.

With this importance of funding, it is necessary to investigate the possible use of crowdfunding among Rwandan entrepreneurs. This recent development (Mollick, 2014) uses the involvement of many individuals (crowdfunders) who contribute small amounts to support the growth of entrepreneurial ventures through an open call that is distributed on the Internet. With the Rwandan government's stated ambition of making Rwanda number one in Africa for Internet access, the potential for crowdfunding can be identified. Critical to the use and success of crowdfunding is the willingness of entrepreneurs to use crowdfunding.

Limited research into crowdfunding has been conducted, with crowdfunding being identified as a "recent trend" (Mollick, 2014). Despite the recency of this phenomenon, it is estimated that it will raise \$343.4 billion in 2015 (Anon, 2015). Some research has been conducted on why members of the public (Bretschneider, Knaub, and Wieck, 2014; Gerber and Hui, 2013) as well as angel investors (Brodersson, Enerbäck, and Rautiainen, 2014) are prepared to invest in ventures. Some research into the functioning of crowdfunding (Agrawal, Catalini, and Goldfarb, 2011) as well as the benefits and challenges has been carried out (Giudici, Nava, Rossi Lamastra, and Verecondo, 2012; Ordanini, Miceli, Pizzetti, and Parasuraman, 2011). Popular articles have suggested that crowdfunding could be implemented successfully in Africa (Bruk, 2015; Carstens, 2013; Coetzee, 2013; Martineau, 2014) but academic research within Africa is limited. Qualitative research has been conducted among Swedish IT entrepreneurs regarding crowdfunding (Ingram and Tengblad, 2013) but to our knowledge, no research has been conducted among African entrepreneurs regarding this phenomenon.

Attitude theories have been used not only in research in marketing (Ajzen and Fishbein, 1980) but can also help to understand how this impacts future purchase behaviours (Chen, 2007). It has also been used to understand the intentions of students to engage in entrepreneurial activities (Liñán and Chen, 2009; Malebana, 2014; Nishimura, 2011). Underpinning attitudes is the cognitive beliefs towards an object, item or concept. The hierarchy of effects model of Lavidge and Steiner indicates how beliefs result in actions (Solomon, Bamossy, Askegaard, and Hogg, 2013), making this model suitable for this study.

The specific contribution that this research seeks to make is to understand the current levels of awareness and knowledge among Rwandan entrepreneurs with regards to crowdfunding and to suggest further strategies that can be considered to expand its use among ventures requiring capital for growth.

The paper commences by presenting the importance of financial issues in the venture and the nature of crowdfunding in this situation. The paper then presents the approach in the

paper and the research methodology used in the data collection. The paper concludes by presenting the findings of the pilot study and discussing the implications of these findings for a variety of groups in Rwanda.

2. Literature review

Finding sufficient financial resources is one of the most challenging tasks facing an entrepreneur (Hisrich, Peters, and Michael, 2005). Potential sources of funding need to be evaluated in order to determine the extent to which they are applicable for the venture. One of these potential sources is through the use of crowdfunding.

2.1 The nature of entrepreneurial financing

Businesses start out with limited amounts of finance which is usually informal in nature. The major informal sources are sometimes known as the 3 Fs – family, friends and fools (Nieman et al., 2003) and these are, in many instances, the only financing the entrepreneur can attract. These funds are important as not only do they give the entrepreneur control of their business, but they also reflect a confidence in the business idea (Hisrich et al., 2005).

Ventures reach a stage where growth financing is required if the organisation is to expand and develop and funds are necessary to cover the equity gap (Coveney, 1998). (Refer Figure 1). Traditionally, use has been made of business angels (or angel investors), venture capital provided by venture capital firms and banks. Angel investors are those high net-worth individuals who have financial resources to invest in an organisation while also being interested in contributing skills and expertise to the development of the organisation (Mason and Harrison, 2008; Prowse, 1998). Venture capital firms seek to evaluate the organisation as an investment opportunity, using a range of criteria to evaluate the investment. Evaluation of these criteria result in the rejection of 95% of proposals made to these firms (Nieman et al., 2003). This presents the entrepreneur with a problem, as approaching a bank does not guarantee successful financing.

Place Figure 1 about here

2.2 Crowdfunding: helping entrepreneurs develop their businesses

With the growth in the venture and the associated need for capital, it is necessary to find additional sources of funding. One of the more recent ways is through the contributions made by individuals (crowdinvestors) rather than professional investors (Belleflamme, Lambert, and Schwienbacher, 2014; Mollick, 2014). The purpose of crowdfunding is for an organisation to raise small amounts of money, usually via the internet, from a large number of individuals (crowdfunders) who expected to receive a return for this investment (Belleflamme et al., 2014; Harms, 2007). This return could take the form of a product, repayment of a loan, a share percentage in the organisation or could be the emotional satisfaction of contributing to a venture. What the investor receives depends on the type of crowdfunding used by the entrepreneur.

2.3 Types of crowdfunding

Literature has identified a number of distinct types of crowdfunding which provide different types of returns to individuals who invest in the organisation (Massolution, 2013), reflected in Figure 2.

- Equity crowdfunding comes about where the entrepreneur sells shares (or an equity stake) in a venture (Ahlers, Cumming, Guenther, and Schweizer, 2012, p. 10; Hemer, 2011). This stake could include shares in the venture or voting rights (Hemer, 2011). For example, by investing Rf1 000 000, an individual can own 0.05% of the organisation.
- Donation-based crowdfunding is the most common form (Testoni, 2014) where investors support a product to enable the inventor to bring to market. In return for the donation, the crowdfunder receives an item usually in line with the magnitude of the investment, and can range from a “virtual hug” to a something more tangible.
- Loan crowdfunding enables an entrepreneur to gain access to short-term credit. It is a credit contract that is repaid with interest, perhaps over a 6-month period at a mutually-agree interest rate.
- Reward-based crowdfunding provides the crowdfunders with a reward in return for their investment. For example, they would receive the product before it is sold in the open market.
- Royalty-based crowdfunding involves the crowdfunders investing their money and getting a share of the profits of the project. For example, if the investment is made in a debut music album, they would receive a profit-share from the sales of the album.

Place Figure 2 about here

2.4 The components and functioning of crowdfunding

Crowdfunding starts with an entrepreneur deciding to launch a crowdfunding campaign and taking a decision on the type of crowdfunding to be used, as well as the way in which the crowdfunding platform will be paid. Thereafter, the campaign on a crowdfunding platform (such as Thundafund or Kickstarter) will be launched. Crowdfunders make a decision whether they wish to invest in the project and should they decide to do so, they will make the necessary contribution. Once the campaign closes, the money will be paid to the entrepreneur (once all the costs associated have been paid). There are a number of benefits the entrepreneur can enjoy beside the money raised which includes gaining public attention for the venture and receiving feedback on the project (Belleflamme, Lambert, and Schwiendbacher, 2011). The campaign also encourages the development of a relationship with crowdfunders (Gerber and Hui, 2013; Giudici et al., 2012) and the crowdfunders can also be viewed as brand ambassadors.

From this process, three components can be identified. The *entrepreneur* has to decide to use crowdfunding, develop the campaign that indicates how the money will be used and record the video that will be used to attract investors (Barnett, 2014). The *open call* is placed

on a crowdfunding platform that allows crowdfunders to access details on the campaign. The third component is the crowdfunder (or the *crowd*) who evaluates the proposal made by the entrepreneur and decides whether (or not) to invest in the campaign.

Underpinning the crowdfunding process is the platform that is selected. Some platforms focus on specific types of crowdfunding (for example, Fundedbyme focuses on equity-based crowdfunding) and this affects the decision made by the entrepreneur on the selection of the platform. Part of the decision also is linked to the costs associated with launching the campaign. If the entrepreneur selects the “all-or-nothing” cost option, the costs of using the platform will be lower but they will be required to attain their funding goals in order to receive any funding (for example, Kickstarter). Should they select the option to get all the money irrespective of whether or not they reach the goal, the costs will be higher (around 9% of the funds raised) (an option offered by Indigogo).

2.5 The potential for crowdfunding in Rwanda

While Rwanda has been described as a poor, rural country whose economy is built on agriculture, (CIA The World Factbook, 2015), the penetration of mobile phones of 70% in Rwanda (Ga Sore, 2014) and the growth of technology has been rapid. This is linked to the ambition of the Rwandan government with respect to Internet access.

From an economic perspective, crowdfunding has the potential to affect developing economies. According to a report by Crowdfunding Capital Advisors, research suggests that every successful crowdfunding campaign leads to the creation of 2,2 jobs and that there is an increase in turnover in the periods after the raising of the funds (Neiss, Swart, and Best, 2014). The report further suggested that 48% of companies participating intended to use the proceeds from crowdfunding to hire new staff.

In order for crowdfunding to be successfully used in a developing economy, the World Bank suggests a number of critical factors. These include:

- A regulatory environment which facilitates the development of technological innovations;
- Access and use of social media to foster investment;
- An online marketplace that not only makes investment possible, but also educates those interested to invest;
- Collaboration with those involved in building entrepreneurship such as training and development agencies (World Bank, 2013).

2.6 Approach used in the study

The development of attitudes, and particularly positive attitudes is regarded as critical of the acceptance of new products and services (Solomon et al., 2013). There are multiple theories that propose how attitudes are formed or altered such as the Tri-component (or ABC) model,

the Theory of Planned Behaviour (Ajzen and Fishbein, 1980) and the Theory of Reasoned Action (Solomon et al., 2013). Integral to any attitude is a cognitive (or belief) component, an affective (or feeling) component and a behavioural (or conative) component. The standard learning hierarchy proposes that the cognitive (or “think”) aspect precedes the affective and the resulting behavioural component (Solomon et al., 2013) (see Figure 3). The standard learning hierarchy is associated with high-involvement products where extensive research is conducted and beliefs will develop (Solomon et al., 2013). Due to the significance of financial resources in the survival of the organisation, high levels of involvement can be identified.

Place Figure 3 about here

Further, the Hierarchy of Effects model (Palda, 1966) (refer Figure 4) suggests that the cognitive aspects include awareness and knowledge, the affective components contain liking and preference and the behavioural aspects contain conviction and purchase.

Place Figure 4 about here

Consequently, the importance of the cognitive aspects in the future use of crowdfunding is important, which is the reason for the focus on the cognitive components in this research. Beliefs (cognition) include the awareness and knowledge (information) that a person has about a product, service, brand or idea. Using the Hierarchy of Effects can assist in understanding not only the attitudes of entrepreneurs, but also their future actions with respect to this financing method but also their future actions. It is this aspect that services as the focus of the study.

Place Figure 4 about here

3. Purpose of the research

With fewer financial institutions being willing to fund small business ventures, the pressure on entrepreneurs to find alternate sources has increased. One source that can be considered is the use of crowdfunding. But in order to consider crowdfunding, it is necessary that the entrepreneur have a positive attitude towards crowdfunding. The starting point in the development of a positive attitude is the cognitive aspects (or beliefs) associated with it. The questions are thus: are Rwandan entrepreneurs aware of crowdfunding? What is their knowledge of crowdfunding and it functioning as a possible source for finance? Thus, the purpose of the research is to explore the awareness and knowledge of Rwandan entrepreneurs towards crowdfunding as a way to finance entrepreneurial ventures.

4. Research Methodology

An exploratory design was applied due to the lack of pre-existing research on this subject, as well as the desire to explore crowdfunding in Rwanda. A qualitative research approach enables the researchers to capture details of the responses and the understanding of the crowdfunding phenomenon (Corbin and Strauss, 2008; Malhotra, 2012). Qualitative methods additionally have the major strength of incorporating richness, depth nuances,

multi-dimensionality as well as complexity, characteristics that are also needed for this research, making it the most suitable (Mason, 2002; Ritchie and Lewis, 2003). When studying crowdfunding in Rwanda, the target population was entrepreneurs requiring growth financing. Convenience sampling as a form of non-probability sampling was used for selecting participants for interviews (Malhotra, 2012).

One of the researchers met with a representative of the Private Sector Federation (PSF) representative in order to explain the research and the underlying intention. He provided a list of 15 members who were contacted electronically (via email) in order to determine whether they would be prepared to take part in the research. From the list, seven respondents agreed to take part. One additional respondent was contacted who also agreed to take part.

The data was collected using personal data collection methods. The interview commenced with a general discussion about the entrepreneur and their business activities. Thereafter, the awareness of crowdfunding and the various types as well as the knowledge of the components of crowdfunding were probed. Interviews were conducted by the locally-based researcher.

The interviews were conducted in English, recorded and transcribed. This was done in order to ensure that the research can be regarded as trustworthy. Once they had been transcribed, they were examined to identify key themes identified in the research.

5. Findings

The findings presented here are associated with the pilot interviews that were conducted. Eight interviews were conducted with Rwandan entrepreneurs, with each lasting approximately 30-45 minutes. Details of each participant appear in Table 2, including the industry in which they are involved. Their names are not used but only the first letter of their name.

Place Table 1 about here

5.1 The participants in the pilot study

The entrepreneurs, while coming from diverse backgrounds and being involved in a range of ventures had varying degrees of business experience. Many of the entrepreneurs were young and had limited work experience. The ventures covered both the product and the service sector, with more entrepreneurs in the product context. The ventures had also not been operating for a long period, with the earliest venture started in 2013. This meant they can be viewed as being in the start-up and early stages of development, which is suitable for the use of crowdfunding. The participants identified the scarcity of resources as factor in the launch of their businesses as well as a constraining factor in its growth.

5.2 Awareness and knowledge of crowdfunding

Half of the participants had heard of crowdfunding and one participant had an unsuccessful experience with crowdfunding while studying in the US. For those that had not heard of

crowdfunding, it was necessary to discuss it and explain its manner of functioning. One respondent had heard of it, but he indicated that he believed that he “*did not have the skills to do this*” (P8). In the case of the unsuccessful crowdfunding campaign that one participant had experienced, she indicated that it was due to it being a social (community) venture that attracted donors who did not have technological skills and had a desire to see where the funding was used (P5).

5.3 Information about the functioning: the entrepreneur

All the entrepreneurs were able to describe the purpose, mission and goals of their ventures. This is important in crowdfunding as this is what the investor (donor) uses to decide whether or not they will invest in a particular venture. Participants were asked to describe their plans for their ventures and they were able to clearly indicate where they saw their venture in 5 years. Examples of these include the following comments:

“we are the only company producing functional shoes in Rwanda” (P3)

“we plan to sell shares in the business but not before 2018” (P5)

Having a clear goal for their business meant that the participants were aware of the future growth needs of the business, specifically whether it related to finances or expertise or both these aspects. Some entrepreneurs did not want to sell a stake in their business, though they would consider crowdfunding as an alternative to bank financing. It was suggested by the participants that crowdfunding was particularly suitable to young people due to “*their need for financing for their ventures*” (P1).

5.4 Information about the functioning: the call

The entrepreneurs indicated that the Internet is important to their business, and “that it is a good platform” (P8) to interact with the market (consumers) and with investors, but one participant acknowledged that “*not everyone is comfortable with using technology*” (P5). Further, the entrepreneurs described the Internet as “*the way of the future*” (P5). The participants were thus positive to the use of the Internet to spread information and knowledge of the business though they also identified a potential “*lack of Internet skills*” (P1; P7) among potential crowdfunders.

5.5 Information about the functioning: the crowd

Due to the lack of knowledge about crowdfunding among the participants, they were not able to comment on the potential for crowdfunding among the crowd. Despite this, one participant indicated that the Rwandan culture is a giving culture, and consequently that crowdfunding “*has a future*” (P5) in Rwanda.

5.6 Challenges identified in crowdfunding

The majority of entrepreneurs were open regarding the challenges they would experience if they were to launch a crowdfunding campaign. Examples of challenges include the “*opening of the business to the public*” (P5) as well as the danger of an “imitation of the idea” (P8). A challenge identified by a number of participants was that the people would not be known to the entrepreneur, which is perceived as a risk for the entrepreneur (P4). The risk identified was that they would not share the values of the entrepreneur (P6), meaning that one participant would like to meet the potential partners as “*the Internet is remote*” (P7). Despite identification of these challenges, there is a general positivity towards the potential of crowdfunding. Despite this, the need for expertise is also identified by the entrepreneurs and two entrepreneurs indicated that they needed the expertise more than the financial investment.

To grow, we need money but we need expertise more than money (P3)

All but one of the entrepreneurs would make use of crowdfunding should the opportunity be presented to them.

6. Discussion

The purpose of the study was to investigate the knowledge and belief of Rwandan entrepreneurs towards crowdfunding as well as their intention to use it as a source of capital.

Ingram and Tengblad (2013) found that Swedish IT entrepreneurs did not view crowdfunding as a viable alternative to other forms of traditional financing. These IT entrepreneurs did not believe that there was enough money in Sweden to make crowdfunding viable. From interviews with 14 IT entrepreneurs, only 2 entrepreneurs had decided to use crowdfunding. The findings in this pilot study suggest a low level of knowledge concerning crowdfunding yet an interest to use this form of financing. This suggests a difference in the views of the various entrepreneurs. The reason for this could be the nature of the ventures, their age (all young) or the environment in which they operate their ventures.

The participants realised the importance of having a clearly defined goal and purpose for their venture while also being passionate about it. Both of these are important in attracting investors (Barnett, 2014). Having a public call makes the business public, placing under scrutiny from the public but also creates the potential to meet new investors and build relationships with them (Giudici et al., 2012). With half the participants not aware of crowdfunding as a phenomenon, there was an understanding of the platform but the importance and functioning thereof was not suggested.

Some *implications* are suggested by the findings in this study. For *entrepreneurs*, a clarity of purpose and mission as well as clear expectations of what is required to develop the venture is necessary. If the entrepreneur requires expertise as well as finances, this needs to be communicated to potential investors, and the way in which crowdfunding is used may need further consideration in order to satisfy the needs of both parties. Thus, clarity on the expectations of both parties is essential.

For *crowdfunding platforms*, it is important to note that not all entrepreneurs wished to sell a stake in their business but they were prepared to repay the money, thus indicating a slight preference for loan. This suggests the potential for the creation of a dedicated loan crowdfunding website. Entrepreneurs also expressed their need for expertise, suggesting the need for angel (or business) investors. Providing a platform where both money and expertise could be provided is also something that could be investigated.

The implications for *policy makers* in Rwanda include investigating the extent to which crowdfunding is compliant with the various aspects of Rwandan law, specifically as it relates to the protection of crowdinvestors. This includes not only aspects related to corporate governance but also to general credit, funding and lending regulations.

The *limitations* associated with the study are that while the study focused on the knowledge held by entrepreneurs, the fact that half the entrepreneurs had not heard of crowdfunding impacted the findings, and presents an opportunity for further research. The study was based on the standard learning theory and Hierarchy of Effects model to suggest that these are the drivers of both the affective and behavioural components, which may not always be the case. These models have their limitations, which in turn their applicability in the context in the study.

There are a number of *future research* opportunities. More interviews are required to develop the research and investigate the knowledge of this form of financing among a broader group of entrepreneurs. Research is also required to investigate the attitudes towards crowdfunding as a funding method where other factors such as the subjective norm (as reflected in the Theory of Planned Behaviour) are examined in greater detail. It can also be used to investigate the intentions of entrepreneurs to use crowdfunding at a future point in time which can be done using an adapted entrepreneurial intentions survey developed by Liñán and Chen (2009). This would enable quantitative measurement of the intention to use crowdfunding in the future. Research among members of the “crowd” is also recommended given that one participant suggested it is part of Rwanda culture to contribute, this needs to be investigated further. The critical success factors identified by the World Bank were not mentioned by the participants, but their importance specifically for platforms requires further investigation.

7. Conclusion

This study sought to explore the awareness and knowledge among Rwandan entrepreneurs with regards to crowdfunding. After conducting interviews among these entrepreneurs, it was found that crowdfunding is positively viewed due to its potential to assist entrepreneurs in the development of their businesses. Not all entrepreneurs wanted to part with a stake in their business but the potential for loan crowdfunding can be seen in this research.

References

- Agrawal, A. K., Catalini, C., and Goldfarb, A. (2011). The geography of crowdfunding (Vol. (No. w16820)): National Bureau of Economic Research.
- Ahlers, G. K. C., Cumming, D. J., Guenther, C., and Schweizer, D. (2012). Signaling in Equity Crowdfunding. *SSRN Paper Series*. doi: <http://dx.doi.org/10.2139/ssrn.2161587>
- Ajzen, I., and Fishbein, M. (1980). Understanding attitudes and predicting social behaviour.
- Anon. (2015). Global Crowdfunding Market to reach \$34.4 B in 2015, predicts Massolution's 2015CF industry report. Retrieved 15 July, 2015, from <http://www.crowdsourcing.org/editorial/global-crowdfunding-market-to-reach-344b-in-2015-predicts-massolutions-2015cf-industry-report/45376>
- Barnett, C. (2014). 7 Crowdfunding Tips Proven to Raise Funding. Retrieved 24 August 2015, from <http://www.forbes.com/sites/chancebarnett/2014/07/03/7-crowdfunding-tips-proven-to-raise-funding>
- Belleflamme, P., Lambert, T., and Schwienbacher, A. (2011). Crowdfunding: tapping the right crowd (pp. 1-37): Center for Operations Research and Econometrics (CORE).
- Belleflamme, P., Lambert, T., and Schwienbacher, A. (2014). Crowdfunding: Tapping the right crowd. *Journal of Business Venturing*, 29(5), 585.
- Bretschneider, U., Knaub, K., and Wieck, E. (2014). *Motivations for Crowdfunding: What Drives the Crowd to Invest in Start-ups?* Paper presented at the Twenty Second European Conference on Information Systems, Tel Aviv.
- Brodersson, M., Enerbäck, M., and Rautiainen, M. (2014). *The Angel Investor Perspective on Equity Crowdfunding*. Internationella Handelshögskolan, Högskolan i Jönköping.
- Bruk, J. (2015). African entrepreneurs turn to crowdfunding. Retrieved accessed 15 July 2015, from <http://www.dw.com/en/african-entrepreneurs-turn-to-crowdfunding/a-18576566>
- Carstens, M. (2013). Crowdfunding platform Thundafund rolls in over SA startup landscape. Retrieved 15 July 2015, from <http://ventureburn.com/2013/06/crowdfunding-platform-thundafund-rolls-in-over-sa-startup-landscape/>
- Chen, M.-F. (2007). Consumer attitudes and purchase intentions in relation to organic foods in Taiwan: Moderating effects of food-related personality traits. *Food Quality and Preference*, 18(7), 1008-1021. doi: <http://dx.doi.org/10.1016/j.foodqual.2007.04.004>
- CIA The World Factbook. (2015). from <https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html>
- Coetzee, J. (2013). Africa's crowdfunding context: starting up startups the African way. Retrieved 15 July, 2015, from <http://ventureburn.com/2013/07/africas-crowdfunding-context-starting-up-startups-the-african-way/>

- Corbin, J., and Strauss, A. (2008). *Basics of Qualitative Research (3rd ed.): Techniques and Procedures for Developing Grounded Theory*. Thousand Oaks: United States, California, Thousand Oaks: SAGE Publications, Inc.
- Coveney, P. (1998). *Business angels : securing start up finance*. Chichester: Wiley.
- Ga Sore, B. (2014, 4 November 2014). Mobile phone penetration rate grows to 72% in September. Retrieved from <http://www.newtimes.co.rw/section/article/2014-11-04/182657/>
- Gerber, E. M., and Hui, J. (2013). Crowdfunding: Motivations and deterrents for participation. *ACM Transactions on Computer-Human Interaction (TOCHI)*, 20(6), 1-32. doi: 10.1145/2530540
- Giudici, G., Nava, R., Rossi Lamastra, C., and Verecondo, C. (2012). Crowdfunding: The New Frontier for Financing Entrepreneurship? *SSRN Working Paper Series*. doi: <http://dx.doi.org/10.2139/ssrn.2157429>
- Harms, M. (2007). *What Drives Motivation to Participate Financially in a Crowdfunding Community?*, VU University, Amsterdam. Retrieved from <http://ssrn.com/abstract=2269242>
- Hemer, J. (2011). A snapshot on crowdfunding: Fraunhofer ISI, Karlsruhe.
- Hisrich, R., Peters, M., and Michael, S. (2005). *Entrepreneurship, 6th*. Boston: McGraw-Hill.
- Ingram, C., and Tengblad, R. (2013). Crowdfunding Among IT Entrepreneurs in Sweden: A Qualitative Study of the Funding Ecosystem and IT Entrepreneurs' Adoption of Crowdfunding. (S. S. o. Economics, Trans.).
- Liñán, F., and Chen, Y.-W. (2009). Development and cross-cultural application of a specific instrument to measure entrepreneurial intentions. *Entrepreneurship theory and practice*, 33(3), 593-617.
- Malebana, J. (2014). Entrepreneurial intentions of South African rural university students: A test of the theory of planned behaviour. *Journal of Economics and Behavioral Studies*, 6(2), 130-143.
- Malhotra, N. K. (2012). *Marketing research : an applied approach* (4. ed.. ed.). Harlow: Pearson.
- Martineau, S. (2014). African entrepreneurs turning to crowdfunding. *DW*. Retrieved 14 July, 2015, from <http://dw.de/p/1CoTm>
- Mason, C. M., and Harrison, R. T. (2008). Measuring business angel investment activity in the United Kingdom : a review of potential data sources. *Venture Capital: An International Journal of Entrepreneurial Finance*, 10(4), 309-330. doi: 10.1080/13691060802380098
- Mason, J. (2002). *Qualitative researching* (2 ed.). London: Sage.

- Massolution. (2013). The Crowdfunding Industry Report: Market Trends Composition and Crowdfunding Platforms.
- Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 29(1), 1-16. doi: 10.1016/j.jbusvent.2013.06.005
- Naudé, W. (2011). Entrepreneurs and economic development. Retrieved 3 February, 2016, from <http://unu.edu/publications/articles/are-entrepreneurial-societies-also-happier.html>
- Neiss, S., Swart, R., and Best, J. (2014). How does Crowdfunding impact job creation, company revenue and professional investor interest?
- Nieman, G., Hough, J., and Nieuwenhuizen, C. (2003). Entrepreneurship: a South African perception. *Pretoria: Van Schaik*.
- Nishimura, J. S. (2011). Using The Theory Of Planned Behavior To Predict Nascent Entrepreneurship. *Academia*,(46), 55.
- Ordanini, A., Miceli, L., Pizzetti, M., and Parasuraman, A. (2011). Crowd-funding: transforming customers into investors through innovative service platforms. *Journal of Service Management*, 22(4), 443-470.
- Palda, K. (1966). The hypothesis of a hierarchy of effects: A partial evaluation. *JMR, Journal of Marketing Research (pre-1986)*, 3(000001), 13.
- Prowse, S. (1998). Angel investors and the market for angel investments. *Journal of Banking and Finance*, 22(6-8), 785-792.
- Ritchie, J., and Lewis, J. (2003). *Qualitative research practice : a guide for social science students and researchers*. London: SAGE.
- Solomon, M. R., Bamossy, G. J., Askegaard, S., and Hogg, M. K. (2013). *Consumer behaviour : a European perspective* (5. ed.. ed.). Harlow: Pearson Education.
- Testoni, M. (2014). Improving the role of equity crowdfunding in Europe's capital markets. In K. E. Wilson (Ed.), (Vol. 122438): Bruegel.
- World Bank. (2013). Crowdfunding's Potential for the Developing World. In infoDev (Ed.): World Bank.

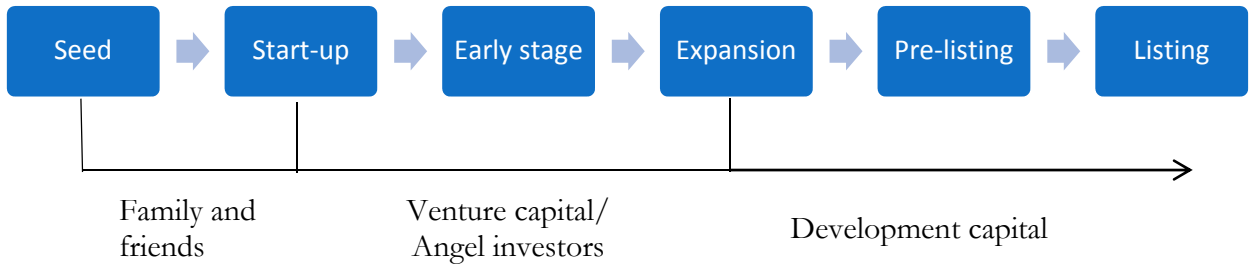


Figure 1. The use of development and venture capital in entrepreneurial ventures
 Source: adapted from Nieman et al. (2003); Coveney (1998).

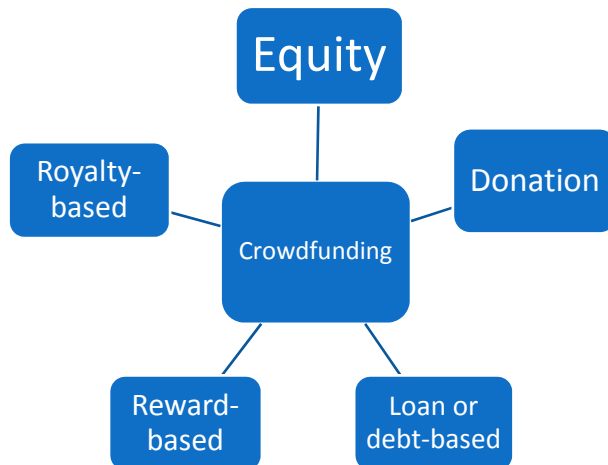


Figure 2. Types of crowdfunding
 Source: adapted from Massolution (2013)



Figure 3. Standard learning hierarchy
Source: (Solomon et al., 2013)



Figure 4. Hierarchy of Effects model
Source: (Palda, 1966)

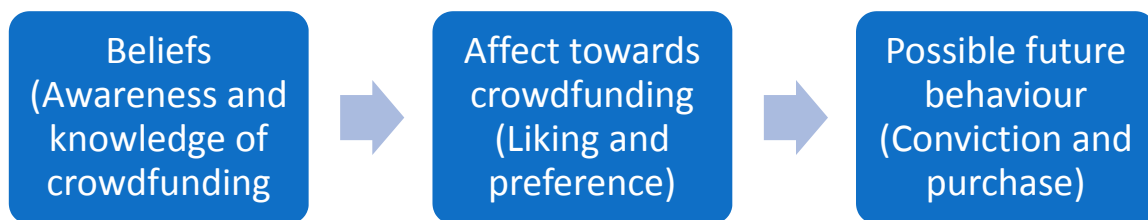


Figure 5. Approach in the study: linking the Hierarchy of effect and the tri-component model of attitudes

Table 1. Participants in the study

Participant Number	Nature of business	Age of the respondent
1 R	Agri-business	24
2. H	Meat Industry (processing)	24
3. KY	Fashion Design (shoes)	24
4. F	Gas distribution - Providing gas to homes and restaurants	24
5. C	Water - Providing clean water by digging wells	30
6. L	Education – preschool	35+
7. P	Office and house equipment	50+
8. D	Agri-business (seeds and agri-training)	30