Master's Thesis – MSc. In Economics & Business Administration

Evaluation of motivation in crowdfunding

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A study of the reasons for accredited investors to use equity-based platforms in order to fund start-ups

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Abstract

Crowdfunding has demonstrated to be an efficient way to attract capitals for any kind of project. In addition, thanks to the advent of equity-based platforms, the funding gap issue faced by start-ups and SMEs can be easily solved. Nevertheless, accredited investors – Banks, Venture Capitalists, and Business Angels – have not already shown any particular interest toward crowdfunding, as they do not directly invest in entrepreneurial project through equity-crowdfunding platforms. Thus, the thesis aims to evaluate the underlying motivations for accredited investors to use equity-based platforms in order to fund start-ups. To do that, it has been selected a motivational framework called Self-Determination Theory, developed by Ryan and Deci. The framework identifies two different typologies of motivation: extrinsic and intrinsic. The latter refers to performing a task because it is inherently interesting, satisfying or enjoyable, while the former refers to doing something because it leads to a separable outcome. Moreover, Self-Determination Theory, within extrinsic motivation, distinguish four motivation "stages": External Regulation, Introjection, Identification, and Integration. Amotivation, instead, is the state characterized by the individual's lack of intention to act. Then, in the third section of the thesis, the SDT framework has been applied to the case of accredited investors, in order to understand how extrinsically and intrinsically motivated task about crowdfunding work in relation to their business model. In the same chapter, to better comprehend what Internet users (The Crowd) think about the reasons for accredited investors to use crowdfunding platforms to fund start-ups, a questionnaire has been built. The survey is based on an 18-item measure, called Work Extrinsic and Intrinsic Motivation Scale (WEIMS). Each motivation stage has been evaluated through 3 items. Survey's results have confirmed that The Crowd sees crowdfunding as an opportunity for accredited investors, rather than a threat. In the final section, the evolution of crowdfunding and the new trends have been presented, with a deep focus on the relation between crowdfunding and Venture Capital funds, Firms and Banks.

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1. Introduction

The evolution of crowdfunding has been tremendous throughout the last five years. In fact, by looking at the market data, it is possible to get how fast this new way of financing entrepreneurial projects has been growing; the total market value marked $530 million in 2009, $850 million in 2010, $1,47 billion in 2011, $2,76 billion in 2012, $6,16 billion in 2013, $16,2 billion in 2014, and it is expected to reach $34,4 billion by the end of 2015. This extraordinary growth leads to a Compound Annual Growth Rate (CAGR) of 100,47% between 2009 and 2015. Furthermore, the World Bank has recently estimated that the crowdfunding market will achieve a market value of $90 billion by the end of 2020 – if the trend seen in the last years would remain the same, this impressive figure will be achieved in 2017. Therefore, it seems clear that this new phenomenon can potentially change all the financing ecosystem.

Crowdfunding is a sub-set of the broader concept of crowdsourcing, which has been defined as the use of a vast number of people using the Internet – The Crowd – to obtain ideas, feedback and other solution to develop business activities. Crowdsourcing takes place when a profit-oriented firm outsources essential tasks in the form of an open call over the Internet, with the intention of animating individuals to make a voluntary contribution to the firm. This contribution is supposed to be either free or significantly less costly than what the firm should pay to do it by itself.

An important stronghold of crowdfunding is the development of Web 2.0, as it has allowed a greater number of people to interact among each other. Web. 2.0 can be seen as a Web-as-participation-platform, where users can create contents, as well as use the contributions made by other individuals. In this way, users create value that can be shared. This new type on interactions between Internet users has been playing a major role in the development of crowdfunding; in fact, it allows entrepreneurs to easily reach networks of investors and/or customers. The three main properties that empower the ability of entrepreneurs are openness, collaboration, and participation. Effectively, it is possible to refer to Web 2.0 as “Social Web”, given the fact that it allows users to share and communicate within each other; moreover, it facilitates the creation of social community online. The Social Web has been fostering the rise of crowd activities, as it has empowered social interactions.

The paper begins with an overview of all crowdfunding typologies and their business model. The first distinction that has to be made is between “All or Nothing” and “Keep it all”, where the latter is characterized by the fact that even if the crowdfunding campaign’s goal is not achieved, the applicant is allowed to keep all the funds raised, while the former obligates entrepreneurs to return the money to the backers in the case the campaign would be unsuccessful.

The second important distinction has been proposed by Kirby and Worner (2014), and it is a classification of the crowdfunding models according to their final goal. The authors sort them in two sets: the *community* crowdfunding and the *financial return* crowdfunding. The difference is based on the presence of a return for the backers or not. Then, in both sets, it is possible to find two models: the community crowdfunding includes the donation and reward crowdfunding, while financial return crowdfunding consists of lending and equity crowdfunding.

The first chapter of the study aims to investigate the differences among these four models, the characteristics of the platforms, the market leader within each category, the volumes produced, and their business structure, that is their revenue model, their types of backers, and their final goals.

In the second part of the first chapter, the root-causes of crowdfunding has been evaluated. In this section, the main objective has been to discover the factors that has lead to the rapid growth of the crowdfunding phenomenon. The most important drives that will be evaluated are: an expanded and assisted access to capital, the intrinsic part of “social appeal”, and the attraction for the public deriving from potential gains thanks to intuitive mechanisms. The section, therefore, aims to analyse what pushes people to invest money and time on crowdfunding platforms.

The following sections will evaluate the limits and the criticalities of crowdfunding, with a specific focus on the funding process of start-ups. In particular, it will be listed the risk for the firms, as well as for the investors. Moreover, it will be studied the current legal environment, by looking at the differences between the four models, the role of the regulating authorities (the example of the British Financial Conduct Authority), the differences between accredited and non-accredited investors, and the cases of two of the most active countries worldwide, regarding the legislation of crowdfunding: United States and Italy.

The second chapter contains the motivational framework that will be used throughout the all study to evaluate the reasons for accredited investors to use equity-based crowdfunding platforms to fund start-ups. The framework is called Self-Determination Theory, and it has been developed by Ryan and Deci between 1975 and 2000. The chapter, actually, begins with the distinction between the notions of “motive” and “motivation”. Then, a basic motivation model is presented, which shows the interaction between individuals, situations, expectations and behaviours.

The next section will extensively describe Self-Determination Theory, by following the arguments posed by Deci and Ryan in their paper: “*Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions*” (2000). In particular, the section will present the main distinction between intrinsic and extrinsic motivation, and their relative definitions. Furthermore, it will be presented a taxonomy of human motivation, with all the associated stages stated in the Self-Determination Theory: Amotivation, External Regulation, Introjection, Identification, Integration, and Intrinsic Motivation.

The third chapter represents the “heart” of this study. In fact, the Self-Determination Theory will be applied to the case of three categories of accredited investors: Banks, Venture Capitalists, and Business Angels. Nowadays, all of these subjects have shown to be somehow disinterested towards crowdfunding. Therefore, the section wants to investigate the motivations for them to use equity-based crowdfunding platforms, in order to find and fund the most promising and profitable start-ups. The analysis will touch all the stages of motivation and it will be done by taking the perspective of the three different investors.

In order to also understand what the crowd thinks about the behaviour adopted by accredited investors towards the use of crowdfunding, a survey have been developed and sent through the Internet. The questionnaire is based on an analysis, made by Tremblay et al. (2009), of the impact that both intrinsically and extrinsically motivated behaviours have on the final outcome. In order to evaluate this impact, the authors used an 18-item measure, called Work Extrinsic and Intrinsic Motivation Scale (WEIMS), which covered the all six stages of motivation – for each stage, there were 3 associated items. The survey, therefore, has been built by applying the WEIMS measure to the case of study: the motivation behind the use of equity-crowdfunding platforms.

The respondents of the survey were asked to use a 7-point Likert scale and state to what extent each of the 18 items would reflect their opinions about the motivations for accredited investors to invest in start-ups through equity-based platforms. Participants were randomly selected, almost 50% of them did not have an economic background, 40% have never heard the term “Equity-Crowdfunding” before, and their age largely ranged between 18-24 and 25-30 years old.

The aim of the third chapter has been to find a real answer to the main research question of this study:

“***In a World where crowdfunding has shown to be a concrete and efficient way to solve the funding gap issue, what are the reasons for accredited investors to use equity-based platforms in order to fund start-ups?***”

Finally, the fourth chapter will introduce the new trends related to crowdfunding. In particular, it will investigate the possibility for crowdfunding to be complementary with the other well-established financing institutions. Furthermore, the section will deeply focus on the relationships that crowdfunding has with: Venture Capital funds, Corporate Crowdfunding, and Banks. In order to evaluate these new developments, the chapter will include several case studies, coming from international firms, such as Indiegogo, General Electric, Procter & Gamble, Johnson & Johnson, Sony, and Santander UK.

2. A Definition of Crowdfunding

The idea of crowdfunding is a part of the broader concept of crowdsourcing. According to Lambert and Schwienbacher (2010), crowdsourcing makes use of the vast number of people using the Internet (the crowd) to obtain ideas, feedback and other solutions to develop corporate activities. Jeff Howe and Mark Robinson (2006) are cited to be the first to use the term "crowdsourcing" in the issue of Wired Magazine, an American magazine specialized in high technology[1]. In 2008, Kleemann et al. proposed the following definition:

"Crowdsourcing takes place when a profit oriented firm out-sources specific tasks essential for the making or sale of its product to the general public (the crowd) in the form of an open call over the internet, with the intention of animating individuals to make a [voluntary] contribution to the firm's production process for free or for significantly less than that contribution is worth to the firm."

This definition represents a useful starting point, nevertheless several clarifications need to be done in order to transpose it to crowdfunding. Belleflame et al. (2010) state that raising funds by tapping the crowd – a general public – is the most important element of crowdfunding. In other words, consumers voluntarily provide input, in the form of financial help, to support the development of the product or service. According to this perspective, crowdfunding is a subset of crowdsourcing; in fact, the latter encompasses also financial help.

Another stronghold of crowdfunding, as it has been pointed out by Brabham (2008) and Kleeman et al. (2008) is the development of Web 2.0, which has empowered the facility of access to the crowd. Web 2.0 is a Web-as-participation-platform that facilitates interactions[1] between users; it plays a major role in the crowdfunding process as it allows entrepreneurs to easily reach networks of investors and/or consumers. Moreover, Lee at al. (2008) identify three properties of Web 2.0 that enhances the ability of entrepreneurs: openness, collaboration and participation. Web 2.0 possess

[1] "The rise of crowdfunding" by Jeff Howe and Mark Robinson (2006)

technology that allows users to provide content – and not just reading existing one, like in the old Internet –, interact with each other and, as a consequence, create value. In other words, it is possible to refer to Web 2.0 as "Social Web", as it allows people to share and communicate within each other different contents and, consequently, the possibility to create social community on the Internet (e.g. social networks). The Social Web will strongly foster the rise of crowd activities as it will empower social interactions.

The use of Internet to make an "open call" seems to be quite efficient for the broad concept of crowdsourcing, but it could become more problematic for crowdfunding, especially when it involves the offering of equity. In fact, in many countries the possibility to make a general solicitation for equity offering is limited to publicly listed equity. Companies usually cannot do a general solicitation, unless they received prior authorization from their national securities regulator (Lambert and Schwienbacher, 2010). This represents the biggest discrepancy between crowdsourcing and crowdfunding, given the fact that the input from the crowd is capital and not an idea or time (Belleflame et al., 2010). Therefore, in order to solve this issue, the vast majority of crowdfunding campaigns do not offer shares but rather other types of rewards, such as product or membership. Moreover, crowd-funders can make financial contribution with or without the expectation of receiving compensation. This can be either cash, bonds, stocks, profit-sharing and pre-ordering of products.

Brahbam (2008) identifies differences between crowdsourcing and open-source practices; some of those can be transposed to crowdfunding. The most important one is that in the open-source case, the idea belongs to the community, which can exploit it – in fact, there is no restriction neither on who can use it nor on the times that individual can use the idea. On the other side, in the crowdsourcing situation, the company is the ultimate subject who is entitled to exploit the idea.

According to this discussion and following the spirit of Kleemann et al. (2008), Bellaflame et al. (2010) provide this refined definition:

“Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights.”

Finally, Valanciene and Jegeleviciute (2013) offer an overview of the different definitions of crowdfunding that can be found in the literature; the authors suggest that the following features are fundamental:

1. A business idea/project that requires funding
2. Many investors, or backers, willing to contribute to the realization of that business
3. The online platform should connect backers and entrepreneurs

Moreover, they state that backers should be mainly – in some cases exclusively – non-professional investors.

2.1. Crowdfunding Types and Business Models

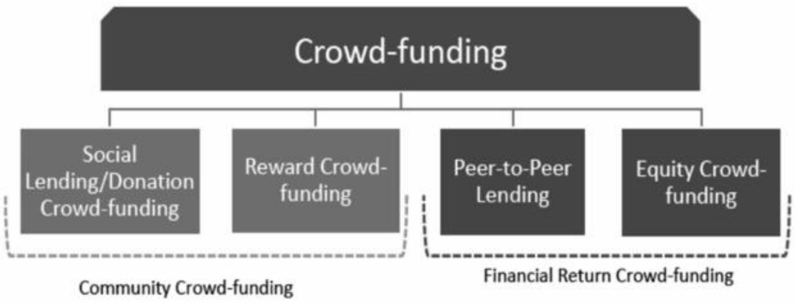
Cumming, Leboeuf, and Schwienbacher (2014) have studied that fundraising through crowdfunding can take place in two ways: “All or Nothing” or “Keep it All”. In both situations, the company – or the individual – seeking funds sets a target goal. The difference, tough, starts here. In fact, in the “All or Nothing” case, if the goal is not reached, all the backers will receive back their investment/donation; while in the “Keep it All” situation, the applicant is allowed to keep all the funds that were raised, even if the final funding goal is not achieved.

It is interesting also to highlight differences between backers. Kuppuswamy and Bayus (2013), analysing Kickstarter – one of the most cited and used crowdfunding platforms in the World –, have identified three categories of backers:

1. **Donors**: backers with no compensation expectations; these people decide to donate money to those projects they think to have a high level of moral value
2. **Funders**: these backers seek benefits that could have a financial nature (e.g., receiving back some profits according to the future selling, receiving back the amount donated) or a non-financial nature (e.g., being mentioned among the supporters of the project)

3. **Investors**: backers that want to receive equity of the funded projects/start-ups; these are usually interested in having both a managing role inside the future company and a number of stocks with the aim of improving their value

Kirby and Worner (2014) propose another classification of the crowdfunding models. They sort them in two different sets: the community crowdfunding and the financial return crowdfunding. The difference regards the presence of a return for the backers or not. The community crowdfunding includes the donation – or social lending – and reward crowdfunding, while financial return crowdfunding refers to lending – also know as peer-to-peer (p2p) – and equity crowdfunding.



Source: *Kirby and Worner, 2014*

Borello, De Crescenzo, and Pichler (2015) suggest that investors in both types of community crowdfunding platforms share similar motivations (i.e. a sense of belonging, ethics in investing, moral awareness); therefore, the prospect of a financial return is not considered as a fundamental condition for investing in these types of platforms. Nevertheless, backers may expect to receive a non-financial return, in the form of sponsoring, pre-selling/pre-ordering and rewards. On the other hand, investors in the financial return models wish to receive back money in the form of interest and principal (lending model) or dividend (equity model).

2.1.1. The *Donation-based* model

The most important feature of this crowdfunding model is the absence of any kind of reward; therefore, the amount of money given by the backers can be considered as a real donation. The campaigns related to this model usually do not have neither specific threshold – or funding goal – nor time constraints, the campaigns often last more than four months. Massolution.com (2014) has determined that the average amount donated through the donation-based crowdfunding platforms has been €1200. People that use these platforms are pushed by a strong sensibility towards social, philanthropic causes. In the US market, this model is also used as way to raise funds for parties and ludic activities.

JustGiving.com has been one of the first donation-based platform to see the light and now it has established itself as the market leader in this field. Established in 2000, in the UK, *JustGiving.com* has successfully funded more than 14.000 social campaigns during the first 14 years, with a total amount of donations that marked – in 2013 – £700 million.

The usual revenue model of this type of platforms is based on a fee, calculated as a percentage of the donated amount. The platform retains this fee to cover all the costs.

2.1.2. The ***Reward-based*** model

In the reward-based campaign, backers are usually people that have a strong willingness in helping the project to be successful, but, at the same time, they wish to receive a reward as form of recognition for their support. Usually, the reward can take the form of the final product, which has been produced thanks to the funds raised through the crowdfunding campaign, as well as public thanksgiving or exclusive services.

Lerro (2013) identifies three typologies of the reward-based model:

1. ***The "modal" donation***: this is the most known typology and it provides for a reward, which could be physical – like a gadget or the finished product – or intangible – like a public mention.
2. ***The pre-order***: with this typology the backer is guaranteed with a copy of the funded product or with a free access to the funded service.
3. ***The royalty-based model***: this typology is definitively the most complex one; in fact, the reward offered to the investor has a financial nature, calculated on the amount of revenue or profit the project will be able to achieve. Often,

people refer to this model with the term *profit-sharing* model. Therefore, it appears clear that this type of crowdfunding shares some features of the reward-based model as well as some of the equity-based. This is the reason why we can find the royalty-based model as a subset of both categories. In the recent years, tough, given the strong growth and popularity the royalty-based model is facing, people has started to look at it as a completely new crowdfunding category, with no specific links with any other existing model.

There are three main platforms related to the reward-based model, that are KickStarter, Indiegogo and GoFundMe. As we have seen for *JustGiving.com*, the revenue models of these platforms are based on fees calculated on the donated amount. These fees can vary, from one platform to another, as well as among different projects. However, a typical range is between 4% and 10% of any donation.

2.1.3. The *Lending-based* model

In this category we find those investors who decide to give money to a project, an idea aiming to receive some interests, in addition to the initial amount. For these reason, we can see these amount of money as proper loans. Generally, the platform intermediates the loan by distributing the credit risk over several projects. By doing so, the credit risk is mitigated. The main advantage for the investors lies in the interest rates, which are usually higher than those offered in the market.

Kirby and Worner (2014) categorize the business models of the lending-based platforms into three types:

1. The **Client Segregated Account** model: according to this model, platforms play a limited role, matching borrowers' funding needs with lenders' funding disposals; money is therefore collected and then kept in a separate bank account from the platforms'.
2. The **Notary** model: this model provides the platform with a bigger role; in fact, as in the Client Segregated Account (CSA) model, the platform matches funding and investment requests as well as collects money. The money is then transferred to the bank. At this point, the bank originates the loan and

the platform itself issues a note to the lenders reflecting the amount of money given to the borrowers.

3. The **Guaranteed Return** model: in this model, the platform matches requests, defines the terms and condition for the loan, and set a guaranteed rate for the investors. In this case, the platform itself issues the loan to the borrowers directly.

Borello et al. (2015) identify two critical aspects regarding the lending-based platforms, with respect to the credit risk as well as the liquidity risk. One one hand, it should be highlighted the importance of a selection and an evaluation, made by the platforms, of the projects and their real viability. This step is crucial in mitigating credit risk before as well as after the loan has been issued. Therefore, it is critical to analyse the role of the platform in assessing projects before uploading them (*ex-ante screening*) and in providing adequate information during the life of the loan (*ex-post monitoring*). On the other hand, instead, platforms should be able to provide investors with the possibility to sell their loans even before they have reached the maturity date (secondary market); by doing so platforms can reduce liquidity risk.

It should be noticed that the lending-based model has faced, in 2014, an impressive growth (223%) compared to the previous year, reaching a funding volume equal to $11.08 billion. This figure represents the 68.3% of the total amount of the money raised through crowdfunding campaigns ($16.2 billion) (Massolution, 2015)[2].

Among the most important platforms within this category, three of them should be mentioned: Prosper, Fundwell and Lendingclub. The business model is quite different compared to the previous two typologies, as here platforms request to be paid for their services through two fees: an *origination fee*, which is usually between 1% and 5% of the amount donated, and a *servicing fee*, which marks 1% (Lerro, 2013).

[2] 2015CF – Crowdfunding Industry Report

2.1.4. The ***Equity-based*** model

The last model principally refers to those investors who are looking for risk capital. In fact, those who support a project through an equity-based platform will receive stocks of the funded company. In this category, we will find the projects with the highest level of funds raised. According to Massolution.com (2013), in 2012 the 21% of the projects set the funding goal above $250.000.

Following the analysis made by Frutkin[3], the equity crowdfunding could enhance dramatically the potential of the so-called *Venture Money*, allowing a larger group of people to invest money in innovative companies and start-ups. Equity crowdfunding, therefore, will play a major role in the financing part for new start-ups, allowing them to reach big institutional investors. Chance Barnett, on the *Forbes* magazine, wrote that the *Venture Money* will rise from $30 billion faced in 2013 to $300 billion in 2018[4].

The equity-crowdfunding seems to represent an innovative way for venture capital and private equity funds to find interesting business. In fact, according to Borello et al. (2015) these subjects are not fulfilling their role in backing companies, especially during the early development stages. This lack of contribution from big investors makes it difficult for new companies whishing to implement their business ideas to enter and be active in the market. Equity-crowdfunding could be an important innovation to reduce this funding gap.

On the other hand, equity-crowdfunding poses several risks for investors; risks that are considered to be even higher than those we have seen related to the lending-based model. For this reason, equity-crowdfunding has been the subject of ad hoc regulation in different countries: the United States, and within the European Union, in Italy and the United Kingdom. It is clear that these regulations play an important role in the platforms' organizational strategies and business models. At the same time, they can

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[3] Frutkin, Jonathan (2013). Equity Crowdfunding: Transforming Customers into Loyal Owners.

[4] Barnett, Chance (2015, 9th June). Trends Show Crowdfunding To Surpass VC In 2016. Retrieved from: http://www.forbes.com/sites/chancebarnett/2015/06/09/trends-show-crowdfunding-to-surpass-vc-in-2016/#45be0ba5444b

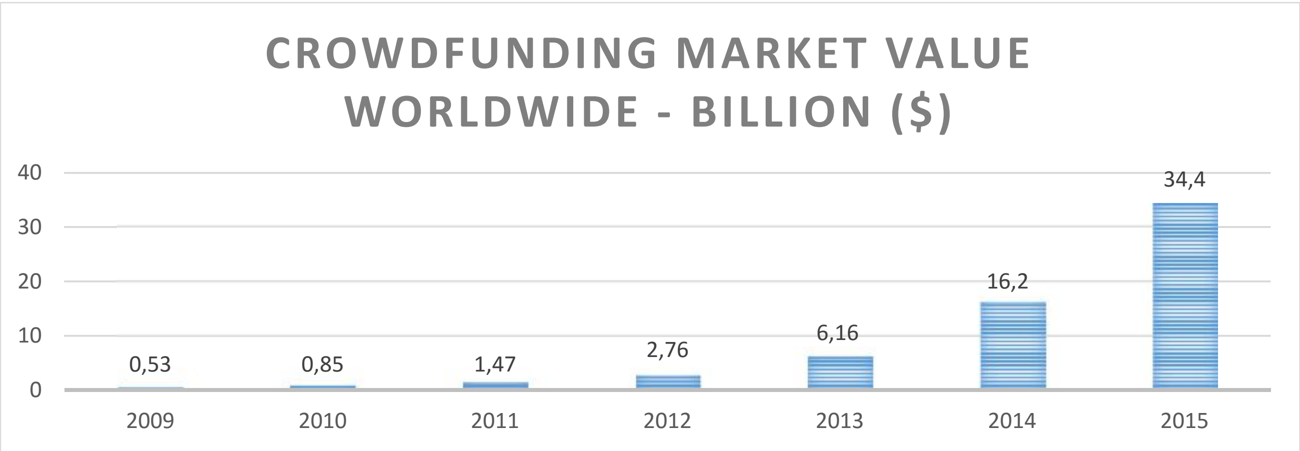
also influence the potential these platforms can have to provide new source of capital to start-ups and new companies.

Regulations are very interested in limiting investments on equity-crowdfunding platforms to professional clients, to investors with specific competences, and to high net worth individuals. This strict regulation easily reduces the number of possible investors who want to give capital to business projects through online platforms. Moreover, Pierrakis and Collins (2013) suggest that this kind of regulation can be deemed as inconsistent with the principle of crowdfunding, which is the monetary contribution from a large number of people – the crowd, which is mainly comprised of non-professional investors –, to the funding of business projects via the Internet.

The major equity-based platforms are AngelList, Fundable, FundersClub, and CircleUp. The *revenue model* of these platforms is characterized by the presence of a fixed, often monthly, fee charged to the proposers of the projects; moreover, this monthly fee usually comes with another one-time fee, which is applied to the projects during the uploading phase. Along with these, we can also find *transaction fees*, which are calculated on each transaction made by the investors.

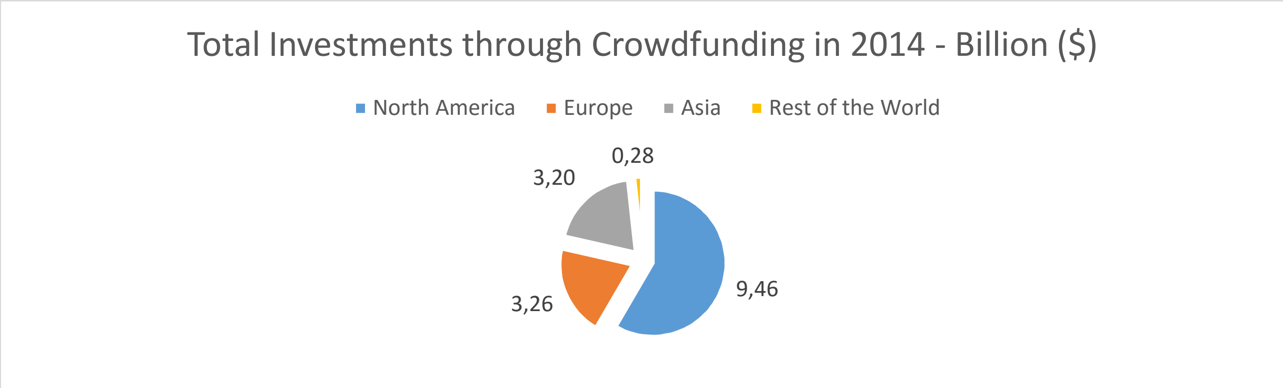
2.2. Market Overview

The crowdfunding market, since its birth, have seen a stratospheric growth. In fact, Massolution, in its yearly report, estimates that the market value, at the end of 2015, will exceed $30 billion, therefore achieving a Compound Annual Growth Rate (CAGR) of 100,47% between 2009 and 2015.



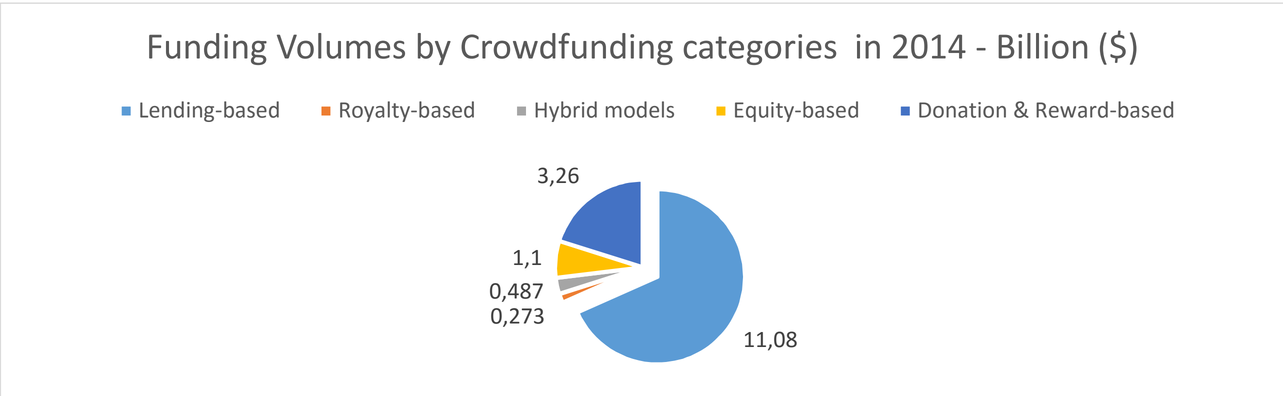
Source: *Personal elaboration – Data from Massolution.com, 2015*

By looking at the data of 2014, it is also possible to find out, in detail, where these investments come from. In particular, in 2014 the investment figure marked $16,2 billion. The most important region was the North America, with a total value of $9,26 billion, followed by Europe ($3,26), Asia ($3,20), and then the rest of the World ($0,28). In the latter region, it should be underlined the strong growth faced by South America, Oceania and Africa, which respectively grew by 167%, 59%, and 101% compared to 2013.



Source: *Personal elaboration – Data from Massolution.com, 2015*

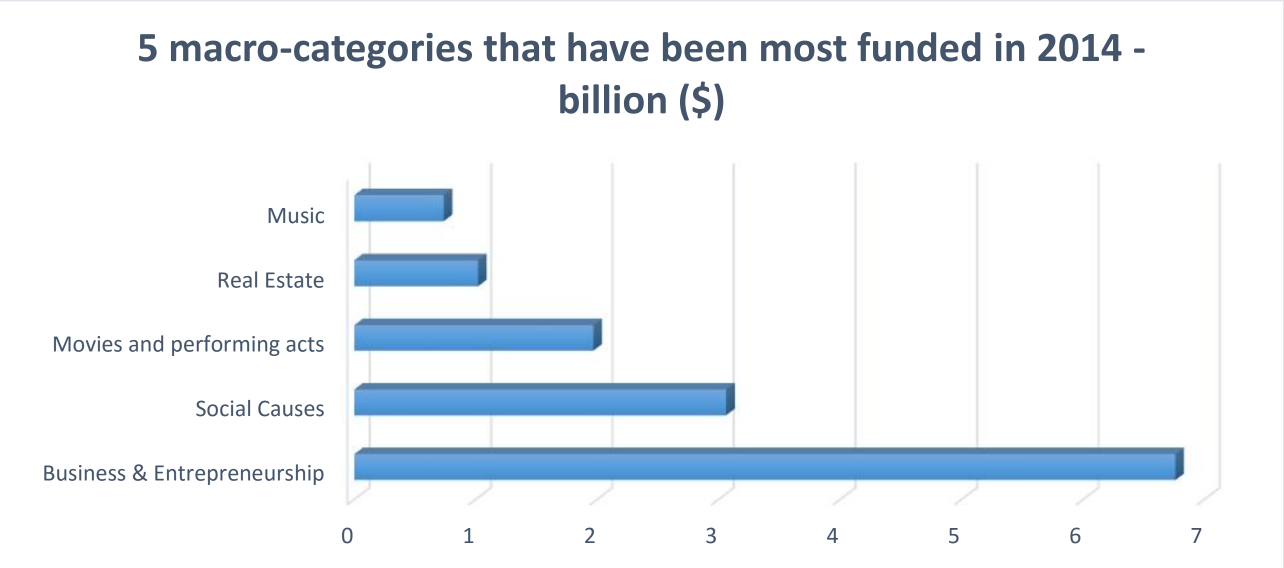
Another important aspect that should be evaluated is the impact that the different typologies of crowdfunding have had in respect to the amount invested through the platforms. Here, it is possible to see that the *lending-based* model has been the most present one in 2014, with a total investment of $11,08 billion, equal to 68,3%. The *donation* and *reward* models, together, have generated $3,26 billion, while the *equity-based* model has marked $1,1 billion. In this last figure were not included $273 million raised through *royalty-based* platforms, as this model has not been considered as a subsection of the *reward-based*. Finally, $487 million has been raised through hybrid platforms, as they had features belonging to different models.



Source: *Personal elaboration – Data from Massolution.com, 2015*

Comparing these figures to 2013, it is possible to determine the growth faced by each model. In particular, the *lending-based* has grown by 223%, the *reward/donation-based* by 45%, the *equity-based* by 182%, and the hybrid by 290%. The *royalty-based* model deserves a notable mention, as it has faced an incredible growth of 336% between 2013 and 2014.

Continuing with the market analysis, another detail that is interesting to investigate is the typology of activities that have received investments through crowdfunding in 2014. In particular, the most funded projects were related to *business* and *entrepreneurship*, with a value of $6,76 billion – equal to 41,3% of the total amount invested. Following, there the so-called *social causes* that raised $3,06 billion, *movies and performing acts* ($1,97 billion), *real estate* projects marked $1,02 billion, and finally *music* with $736 million (Massolution, 2014).



Source: *Personal elaboration – Data from Massolution.com, 2015*

2.3. Root-causes of Crowdfunding

The rapid growth of the crowdfunding phenomenon can be synthetized in three different factors, which will be thereafter evaluated:

1. The access to capital is largely expanded and assisted
2. An intrinsic part of "social appeal"
3. The attraction of the public deriving from potential gains thanks to intuitive mechanisms

1. “*Institutional venture capital is expensive, scarce and generally rather risk averse. Experienced angel investors are much more plentiful than they were, but there are still too few of them. Bank lending is simply not the right type of capital to initiate most new enterprises. So there has always been a shortage of capital for seeding early stage ideas*”. (Luke Johnson, Chairman of Risk Capital Partners, famous private equity company headed in London)[5].

Firstly, the most notable reason of the growing appealing of crowdfunding is the possibility to have access to capital given to a fairly larger number of subjects. In fact, the traditional mechanisms of *banking* and *venture capital* have shown to be inadequate – or not willing – to guarantee capital to those projects that, normally, inscribe crowdfunding campaigns; projects with high level of risk and relatively low warranties from an economic point of view.

2. “*There is an immense desire to want to support the aspirations of entrepreneurs and people who are pursuing causes*” (Carl Esposti, CEO of Massolution)[6].

Secondly, as stated above, the intrinsic emotive component of crowdfunding campaign has always played a major role in the strong expansion of crowdfunding. This fact seems to be particularly clear in the *donation-based* and *reward-based* models, where the *backers* are those donors who identify themselves with the campaign’s idea or share some of the campaign’s grounds. According to this point of view, crowdfunding can be seen as new way of philanthropy.

3. “*Investors are receiving poor returns on bank deposits, so they are searching*

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[5] Johnson, Luke (2014, 21 December). Crowdfunding merits its hype as tool for risk-takers. Retrieved from: http://www.ft.com/intl/cms/s/0/7bcdce14-561a-11e4-93b3-00144feab7de.html

[6] 2013CF – The Crowdfunding Industry Report. Retrieved from: http://www.crowdsourcing.org/editorial/the-world-reacts-to-massolutions-crowdfunding-industry-report/25192

around for other places to put their savings. Of course, putting money in crowdfunded projects is much more dangerous than leaving it in the bank – but also more exciting" (Luke Johnson, Chairman of Risk Capital Partners)[3]

Finally, the growth of crowdfunding has been undoubtedly eased by the fact that crowdfunding platforms have created a new way of investing savings. This new, intuitive, simple, and innovative way represents a major change in respect to the "old" methods of saving. By using crowdfunding platforms, money savers would not be "trapped" in low interest rates given by the banks, as well as they could have a more direct access to their investments, monitoring how the campaign is progressing and supporting it by sharing contents through social networks.

2.4. Limits and Criticalities of Crowdfunding as Funding Process for Start-ups

As it happens with many innovations, crowdfunding as well presents many limits and criticalities to be addressed. Currently, it is possible to identify two main categories of risks: those involving firms and those involving investors. Moreover, it is also important to remember that the legal environment has not already achieved a level of adequacy according to the importance crowdfunding would have in limiting the funding gap of SMEs and start-ups.

The following sections aim to analyse the criticalities especially related to the *equity-based* crowdfunding, as it appears to be the most suitable model for SMEs and start-ups to find investments from the crowd.

2.4.1. *Equity-crowdfunding:* what are the risks for the firms?

"*While founders raising cash from a big pool of small amounts of money are benefiting from quick access and the boost of popular interest, they are also forgoing some of the advice and experience of more traditional angel or venture-capital investors*" (The Financial Times, 26/11/2012)[7]

[7] Abbruzzese, Jason (2012, 26 November). The unexpected cost of success. Retrieved from: http://www.ft.com/intl/cms/s/0/42ee668c-302c-11e2-891b-00144feabdc0.html#axzz48U3MxEUh

As The Financial Times pointed out in 2012, by using crowdfunding platforms to find investors, and consequently investments, firms will lose some of the competences accredited investors – traditional angels or venture-capital – could bring into the project; these competences usually go beyond the mere financial support. In fact, it seems clear that the lack of *expertise* and *general senior advice* will strongly impact on those projects whose founders have a low level of financial knowledge. In other words: the smaller the founders' knowledge – in terms of financial and funding experience –, the bigger the impact on the project.

According to the same article from The Financial Times, this risk could be mitigated, if not eliminated, when the ventures, just after having achieved the funding goal through crowdfunding platforms, are immediately followed by venture-capital. By doing so, start-ups' founders lacking of experience will be helped by specialists and use the capital raised from the crowd and more efficient way.

2.4.2. ***Equity-crowdfunding:*** what are the risks for the investors?

"*The failure rates of new business are high, even with professionals trying to pick the winners… How long before the whole model flames out as horror stories circulate of people losing their kids college savings?*" (Barry Schuler, DFJ Growth, 2012)[8]

In this interview, Barry Schuler – former CEO and chairman of America Online Inc. – reports one of the potential risks related to crowdfunding from the investors' (The Crowd) point of view. He condemns the extreme facility to lose the whole amount invested, a scenario that, in the past, was reserved just to professional investors. Schuler claims that when the crowdfunding campaigns are posted on platforms, the projects are living, by definition, the riskiest phase (i.e. *early stage start-ups*); moreover, the campaigns' structure does not permit investors to fully judge the projects, as the information shared by the project's creators are usually too little, both in terms of projects' analysis and teams. The crowdfunding, therefore, can be seen as a bet where backers are not able

[8] Conner, Cheryl (2013, 3 November). 'Do You Really Want Dumb Money?' Barry Schuler, On Crowdfund Equity's Dark Sides. Retrieved from: http://www.forbes.com/sites/cherylsnappconner/2013/11/03/do-you-really-want-dumb-money-barry-schuler-on-crowdfund-equitys-dark-sides/#79b387db1bc2

to estimate the characteristics and the real possibilities of the idea they want to wager on.

Secondly, investors can occur in financing potential frauds, illegal activities or similar projects. Even if the risk is clearly present, the crowdfunding platforms has largely enhanced their level of control on each project posted online, limiting therefore these unpleasant situations.

Finally, the last focus on this section is put on those risks specifically related to the *equity-crowdfunding*:

- Misunderstanding the premise, which is valid for the *reward-based* model, claiming that who invests in a project or service has already known it through photo, videos, etc.; this idea seems to be not applicable to start-ups, as they are naturally more difficult to evaluate. This risk is more dangerous when it comes to those investors that are not professional, especially in countries whose legislations allows them to invest in this way.
- Combining the expectations, deriving from the common *reward-based* model, of the return in terms of timing: in fact, in the *reward-based* the waiting time usually comprises few months, while in the *equity-based* investors have to wait years, if not decades, to see any kind of return. This discrepancy between the two models is not adequately evaluated among those people who are not experienced in terms of long-term investments.
- Investing, therefore risking, big amount of money – due to the minimum amounts imposed by the platforms – in projects that are, paradoxically, much riskier; a completely different scenario compared to the other crowdfunding models, where people invest less money in projects characterized by a lower level of associated risk.

2.5. The Legal Environment

"*The typical crowdfunding offering will be small (many may be far below $1 million), so there is the great risk that these offerings will fly under the radars of many* *regulators*" (William Galvin, Secretary of the Commonwealth Massachusetts, 2012)[9]

Given the way crowdfunding works – using small per capita amounts of money to fund new projects – the biggest risk for the society is that these transactions would not be adequately regulated (before) and controlled (after). Crucial steps towards a safer environment have been made, nevertheless, regulatory processes regarding crowdfunding are still going on all over the World. The principle aim of the countries' legislations is to deeply control this new phenomenon (crowdfunding); however, too strict rules could pose threats to the natural developments this new market can have, by making it too costly or too complex.

Before analysing the actual situation, it is noteworthy to underline that given the differences in the business models and the characteristics of the typologies of crowdfunding (*donation, reward, lending* and *equity*), these differences are naturally reflected in the legal aspects. In fact, the *donation-based* model has been accepted by the all legislations – a famous exception is represented by Turkey, where the law on donations is particularly strictly and the no-profit organizations have to be registered, therefore limiting the expansion of this model. The *reward-based* model, as well, has been permitted by all the countries.

Shifting to the "financial return models" – *lending* and *equity-based* – the scenario changes. In fact, the p2p model, in many countries, has to follow ad hoc laws issued by institutional authorities; the aim of these authorities is principally to control the whole process done by the platforms in issuing loans and/or financing projects. The Financial Conduct Authority (FCA), a financial regulatory body operating in the United Kingdom, drafts the "Principles for Business" that are fundamental obligations that firms must comply with at all times. The FCA can take enforcement action if they are breached. The FCA's principles are a perfect example of what institutional authorities can do to regulate the *lending-based* crowdfunding platforms: drafting a set of rules that must be followed by the platforms. These principles are:

[9] Savitz, Eric (2012, 22 October). Crowdfunding: Potential Legal Disaster Waiting To Happen. http://www.forbes.com/sites/ericsavitz/2012/10/22/crowdfunding-potential-legal-disaster-waiting-to-happen/#1b953db13c9f

- **Integrity**: a firm must conduct its business with integrity.
- **Skill, care and diligence**: a firm must conduct its business with due skill, care and diligence.
- **Management and control**: a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- **Financial prudence**: a firm must maintain adequate financial resources.
- **Market conduct**: a firm must observe proper standards of market conduct.
- **Customers' interests**: a firm must pay due regard to the interests of its customers and treat them fairly.
- **Communications with clients**: a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
- **Conflicts of interest**: a firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
- **Customers: relationships of trust**: a firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
- **Clients' assets**: a firm must arrange adequate protection for clients' assets when it is responsible for them.
- **Relations with regulators**: a firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator anything relating to the firm of which that regulator would reasonably expect notice.

In the end, it is correct to say that *lending-based* crowdfunding platforms are permitted in all industrialized countries, with the only, but important, exception of China, where this model is still forbidden.

Undoubtedly, the model which presents the major criticalities from a legal point of view is the *equity-based*. Firstly, because it involves a solicitation of public savings; secondly, because it creates the possibility of future returns – and losses as well – for the private investors; finally, because it implies a riskiness which is difficult to determine (Lerro, 2013). Therefore, the most important topic in relation to *equity-crowdfunding*'s is the target of private investors who will have the rights to invest. In particular, as it will be explained in the next paragraphs, several legislations have not already allowed the so-called “non-accredited investors” to invest through crowdfunding platforms.

2.5.1. United States

The United States have been the first country worldwide to adopt an organic regulation on the *equity-based* crowdfunding model in 2012, followed few months later by Italy. Starting from the US, on 5th of April 2012, president Barack Obama signed the JOBS Act (Jumpstart Our Business Startups). The law recognised *equity-crowdfunding* as a legal activity but limited the right to invest through crowdfunding platforms only to “Accredited Investors” – wealthy people who had to demonstrate to possess one of the following requirements:

1. *a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds $1 million at the time of the purchase, excluding the value of the primary residence of such person*
2. *a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year*

This was the scenario until the recent and historic approval of Title III of JOBS Act, dated 30th of October 2015. The new law, in fact, allows to use *equity-based* platforms to those private investors that are not “Accredited”. The guidelines (recommended rules) of the new regulation are listed below.

- Permit a company to raise a maximum aggregate amount of $1 million through crowdfunding offerings in a 12-month period
- Permit individual investors, over a 12-month period, to invest in the aggregate across all crowdfunding offerings up to:
    - If either their annual income or net worth is less than $100.000, than the greater of:
        - $2.000 or

        - 5% of the lesser of their annual income or net worth
    - If both their annual income and net worth are equal to or more than $100.000, 10% of the lesser of their annual income or net worth
- During the 12-month period, the aggregate amount of securities sold to an investor through all crowdfunding offerings may not exceed $100.000

2.5.2. Italy

In the recent years, another active country in the crowdfunding regulation field has been Italy. Actually, Italy has been second country, after the United States, to adopt a full legislation about the *equity-based* model, in 2012. However, this regulation has been accused of being to be the principle reason why crowdfunding has not adequately developed. In fact, Italian crowdfunding platforms have been able to raise just €3 million in three years, from 2012 to 2015, according to Il Sole 24 Ore (14/11/2015)[10]. This result is even worse if it is taken into account that Italy has been the first European country to adopt an *ad hoc* legislation for equity-crowdfunding.

To change this trend, in this days the Italian Government has started to discuss a new law. Specifically, on the 10th of July 2015, the Government along with 35 industrial institutions – the most important among these was Confindustria – concluded an analysis in which each subject, after three years of experience, had brought ideas and modifications to improve the law of 2012. A summary of this analysis has been publicized on the 3rd of December 2015. What are the main changes and differences between the "old" regulation and the "new" one?

Firstly, the old law considered that the project should "exit" from the platform before the investment achieved the goal in order to be judged by an institutional investor, like a bank. "*This the main issue. In fact, going offline, therefore interrupting the funding process, in order to sit down and have a talk with a bank would mean losing the most important characteristic of crowdfunding: the immediacy. By doing so, we are distorting*

[10] Abirascid, Emil (2015, 14th November). Equity Crowdfunding in Italia verso 3 milioni di euro. Retrieved from: http://www.ilsole24ore.com/art/finanza-e-mercati/2015-11-14/equity-crowdfunding-italia-3-milioni-euro-081514.shtml?uuid=ACwHY4ZB

crowdfunding" claims Alessandro Maria Lerro, lawyer and president of the Italian Association of Equity Crowdfunding (Aiec). In order to eliminate this flaw, the new regulation prescribes that the funding process can be concluded integrally on-line, therefore lowering the transaction costs as well as keeping the immediacy typical of crowdfunding. On the other side, though, the platforms' managers have to perform a role of controlling and judging the legitimacy of each project posted on the platforms. However, the role of platforms' managers still has to be investigated more deeply.

Secondly, the old legislation stated that "*at least 5%*" of the financial assets had to be subscribed by either professional investors, or banking foundations, or incubators for innovative start-ups. The aim was to guarantee to the retail investor a positive valuation from a professional investor, which should be more qualified to address the risk analysis as well as the opportunities. However, this aspect of the law has been demonstrated so far to be more a limit rather than an incentive to investments. Therefore, in the new law the Government has considered to enlarge the set of investors that have to account for that 5%. This new category of investors includes those subject that meet some patrimonial requirements declaring themselves as "qualified investors". The following list catalogues these requirements – the investor must meet (at least) two of them:

1. *The investor has done significant financial operations in the related market, with a frequency of, on average, 10 operations per trimester in last four trimesters*
2. *The net value of the investor's financial assets portfolio, including cash deposits, has to exceed €500.000*
3. *The investor works, or worked, in the financial sector for at least one year in a position that presumes a deep knowledge about the operations and services*

3. Motivation

Since crowdfundees' support is essential in the development of crowdfunding projects and ventures, it is critical to understand what drives these people to make an investment in start-up. This aspect, at the same time, involves the question about the motives of the more general topic of human behaviour.

Firstly, it should be noticed that motivation psychology usually differentiates the notions "motive" and "motivation". A motive is seen as a psychological disposition developed by an individual and content-specific (Jost, 2000). This disposition – the motive – describes how important certain goals for an individual are, or on the contrary are not. Furthermore, some motives can be considered as inborn, while a relatively stable and bigger set of motives is usually developed by the individuals during their socialization process (Rheinberg, 2006; von Rosentiel, 2007). On the other hand, motivation is used to describe the process of how an individual's motives become activated (Bretschneider et al., 2014).

A basic motivation model, showing the principle of motivation as it is described usually in motivational psychology, is illustrated in Figure 1.

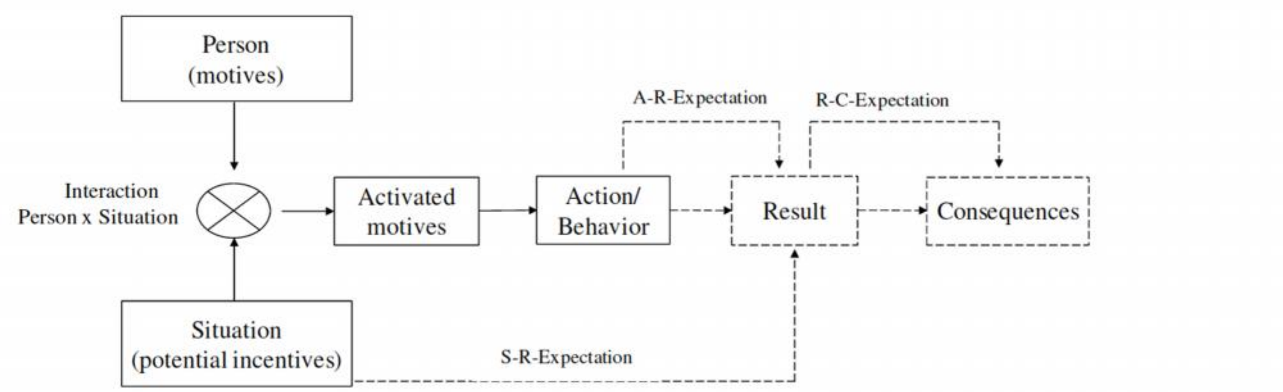


Figure 1: Basic Motivation Model – adapted from Jost (2000), Rheinberg (2006), Heckhausen and Heckhausen (2010)

The Figure shows how an active motive will consequently cause certain behaviour in a specific situational context. The way an individual perceives certain things acts as incentives that somehow stimulate motives in such situational circumstances. Here, the most important aspect to analyse is the interaction between motives – personal factors

– and incentives – situational factors; this interaction results in a current motivation, which, in turn, causes behaviour.

Some other components should be included in the analysis of the model. Thus, the incentive of the result, the expectation that there will be a certain result, and the evaluation of the consequences of an action are relevant for the motivational process (Nerdinger, 2006). Heckhausen and Heckhausen (2010) identify different situations by which incentives can be justified: an action activity itself, an action outcome – or consequences – encourage a person to strive for certain expected goals.

Finally, according to Rheinberg (2006), when the action tendency of an individual is stronger, the more likely the action outcome would have an impact with high incentive value terms (R-C-Expectation), the more likely this result depends from their own actions (A-R-Expectation) and not by its own yields (S-R-Expectation).

3.1. The Self-Determination Theory (SDT)

In the next sections, the Self-Determination Theory (SDT), developed by Deci and Ryan (1975, 1985, 2000), will be described and evaluated. This model, which is cited to be one of the most used and known in the motivational field, outlines as one of the most popular motivation concept the distinction between intrinsic motivation and extrinsic motivation. Evidently, both intrinsic and extrinsic motivational factors may play a major role in an investor's decision to fund a start-up. The succeeding analysis will follow the arguments posed by Deci and Ryan (2000) in their work "*Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions*".

The first consideration that should be done is that motivation cannot be seen as a unitary phenomenon: people have not only different amounts, but also different kinds of motivation. In other words, people vary not only in the *level* of motivation – how much motivation they have –, but also in the *orientation* – what type of motivation they have. By saying "orientation of motivation" it is meant the concern for the underlying attitudes and goals that push people to action, the why of action.

In Self-Determination Theory (SDT), Ryan and Deci distinguish between different types of motivation; the distinction is based on the diverse reasons or goals that give rise to an action, and the most basic distinction is between *intrinsic motivation* and *extrinsic motivation*. The former refers to doing something because it is inherently interesting or enjoyable; the latter, though, refers to doing something because it leads to a separable outcome. The last three decades of research have shown how the quality of performance and experience can vary depending on the fact that a person is behaving for extrinsic versus intrinsic motivation.

Intrinsic motivation has been deeply investigated in the education field, emerging as an important phenomenon. Ryan and Stiller (1991) stated that intrinsic motivation is “a natural wellspring of learning and achievement that can be systematically catalysed or undermined by parent and teacher practices.” Intrinsic motivation plays a major role in high-quality learning, therefore it becomes essential to detail those factors and forces that engender versus undermine it.

In spite of the importance of intrinsic motivation, it is equally fundamental the review of all those types of motivation that fall into the category of extrinsic motivation. Firstly, it should be noticed that, in the classic literature, extrinsic motivation has been usually seen as a pale and impoverished form of motivation, in contrast with intrinsic motivation (deCharms, 1968). Self-Determination Theory identifies different types of extrinsic motivation, some of them actually represent impoverished forms of motivation, but some others are, indeed, active, operative states. For example, students can perform extrinsically motivated actions with resentment, resistance, and disinterest or, alternatively, with positive attitude and willingness that reflects somehow an inner acceptance of the value, or the utility of the task. The former case represents the classic case of extrinsic motivation where one feels externally propelled into action; in the later case, the extrinsic goal is self-endorsed and thus adopted with a sense of volition.

3.1.1. Intrinsic Motivation

“*Intrinsic motivation is defined as the doing of an activity for its inherent satisfactions rather than for some separable consequence*” (Ryan and Deci, 2000)

An intrinsically motivated person is moved to act thanks to the fun or the challenge entailed rather than because of external aspects – that is, prods, pressures, or rewards.

Intrinsic motivation had been first studied during experimental studies of animal behaviour; in these experiments it was discovered that several organisms engage in playful, curiosity-driven, and exploratory behaviours even in the absence of any form of reinforcement or reward (White, 1959). Furthermore, these natural, spontaneous behaviours, which definitively have benefits for the organism, seem not to be related to any instrumental reason, but rather they appear to be done for the positive experiences associated with exercising and extending an organism's capacities.

When it comes to humans, intrinsic motivation, as it has been already stated, is not the only form of motivation, or even of volitional activity, but it is a pervasive and important one. This fact appears clear from birth onward, as humans during their healthiest states are active, curious, and playful, showing a widespread readiness to learn and explore – and they do not require any kind of incentive to do so. This natural drive and tendency is critical especially in cognitive, social, and physical development, because a person grows in knowledge and skills through acting on his or her own inherent interests.

Intrinsic Motivation can be seen from two different points of view: in one sense, it exists within individuals, in another sense it exists in the relation between individuals. Different people can be intrinsically motivated in relation to different activities. At same time, a particular task can be intrinsically motivating for some individuals and not for some others.

Since intrinsic motivation takes place in the nexus between a person and a task, authors have always been divided in two groups: those who have defined intrinsic motivation in terms of the task being interesting, stimulating and those who have defined it in terms of the satisfactions an individual gain from intrinsically motivated task engagement. These different approaches to intrinsic motivation derive from the different features of the two behavioural theories that were dominant in empirical psychology from the 1940s to the 1960s: *operant theory* and *learning theory*.

Operant theory (Skinner, 1953) claimed that all behaviours are motivated by rewards (i.e., by accountable consequences such as food or money). Therefore, intrinsically motivated activities were said to be those for which rewards were in the activity itself. As a consequence of that, researchers studied and investigated what characteristics a task should have in order to be interesting or what makes an activity interesting. On the contrary, learning theory proposed that all behaviours are motivated by physiological drives. Thus, intrinsically motivated activities should be those that provide satisfaction of innate physiological needs; researchers have therefore explored what basic physiological needs are satisfied by intrinsically motivated behaviours.

Ryan and Deci have adopted an approach that focuses primarily on physiological needs (the innate needs for competence, autonomy, and relatedness), but recognizing the importance of basic needs satisfaction from engaging in interesting activities.

3.1.1.1. Operational Definitions

In spite of the fact that intrinsic motivation has been defined in several ways, two measures have been the most often used. The first one had been based on basic experimental research (Deci, 1971) and it took the name of the "free choice" measure. This measure was calculated as it follows. During experiments participants are asked to perform a task under varying conditions (e.g., getting a reward or not). After this period, the experimenter tells participants that they will not be asked to work on that specific task any further; so, they are left alone in the room with the target task as well as with other activities. At this point, the participants would have a period of "free choice" where they can choose between going back to the task they were working on – with no reward and no approval – or doing some of the other activities. Here, it is clear the absence of extrinsic motivation, given by the lack of reinforcements, therefore the more time participants spend with the target task, the more intrinsically motivated they are for that task.

The other typical approach for the measurement of intrinsic motivation is the use of self-reports and enjoyment of the activity per se. This kind of measurement – that is, task-specific measures – is typically related to experimental studies (Ryan, 1982; Harackiewicz, 1979).

3.1.1.2. Facilitating versus Undermining Intrinsic Motivation

Another important field of study related to intrinsic motivation is the one that investigate human's intrinsic motivational tendencies. In this sense, research has placed much emphasis on those conditions that elicit, sustain and enhance this type of motivation versus those that subdue or diminish it. Self-Determination Theory itself is framed by looking at the social and environmental factors that *facilitate* versus *undermine* intrinsic motivation. This fact reflects the assumption that SDT considers intrinsic motivation, which is an inherent organismic propensity, to be catalysed (rather than caused) when individuals face conditions that conduce toward its manifestation.

In order to evaluate the social factors and contexts that influence variability in intrinsic motivation, Deci and Ryan (1985) presented *Cognitive Evaluation Theory* (CET). This theory, which is considered as a sub-theory of SDT, argues that intrinsic motivation can be enhanced by interpersonal events and structures – such as rewards, communications, feedback – that conduce toward "*feeling of competence"* during a specific action or task. The intrinsic motivation is augmented because that specific action or task allow people to satisfy their basic, human, physiological need for competence. Moreover, CET states that feelings of competence cannot enhance intrinsic motivation by themselves; they have to be accompanied by "*a sense of autonomy*" or, in attributional terms, by an "*internal perceived locus of causality (IPLOC)*" (deCharms, 1968). In other words, a high level of intrinsic motivation can be achieved when a person experiences satisfaction of the needs both for competence (self-efficacy) and autonomy (self-determination).

The principles of CET – needs for competence and autonomy – had been studied in both laboratory experiments and applied field studies, especially in order to evaluate the effects of rewards, feedback, and other external events on intrinsic motivation. Below are listed some of the most important findings deriving from different studies:

- Positive performance feedback enhances intrinsic motivation (Deci, 1971; Harackiewicz, 1979)
- Negative performance feedback diminishes intrinsic motivation (Deci & Cascio, 1972)
- Perceived competence mediates these effects (Vallerand & Reid, 1984)
- Increases in perceived competence must be accompanied by a sense of autonomy – given by the enhanced feelings of competence – and, consequently, it increases intrinsic motivation (Ryan, 1982)

Another set of significant research experiments on the effect of environmental events on intrinsic motivation has focused on the issue of autonomy versus control; this issue has been significantly more controversial.

One of the main result has been the demonstration that extrinsic rewards can undermine intrinsic motivation (Deci, 1971; Lepper, Greene & Nisbett, 1973). This outcome can be interpreted by admitting that rewards lead people to shift from a more internal to external perceived locus of causality. In other words, receiving a reward for the completion of a task would decrease the individual's intrinsic motivation as the drive for a positive performance is predominantly linked to the presence of an external incentive. The issue related to external rewards has been deeply investigated. Deci, Koestner & Ryan (1998) have conducted a meta-analysis about this topic and results confirm that every type of expected tangible reward does undermine, indeed, intrinsic motivation.

Moreover, not only the presence of tangible rewards, but also threats (Deci & Cascio, 1972), deadlines (Amabile, DeJong & Lepper, 1976), directives (Koestner, Ryan, Bernieri & Holt, 1984), and competition pressure (Reeve & Deci, 1996) diminish intrinsic motivation. In fact, according to CET, people feel all of them as controllers of their behaviours.

On the contrary, when people are allowed to make choices and have the opportunity for self-direction (Zuckerman, Porac, Lathin, Smith, & Deci, 1978) their intrinsic motivation seem to be enhanced, as they perceived a greater sense of autonomy.

To summarize, the CET tenets suggest that environmental, external events can facilitating as well as limiting intrinsic motivation by supporting versus thwarting the needs for autonomy and competence. Furthermore, it is critical to remember that intrinsic motivation will be shown by individual only when they are asked to perform activities that hold intrinsic interests for them; these activities should have the appeal of novelty, challenge, or aesthetic value for that individual. When the activities do not hold such appeal, the principles of CET do not apply.

3.1.2. Extrinsic Motivation

"*Extrinsic motivation is a construct that pertains whenever an activity is done in order to attain some separable outcome*" (Ryan and Deci, 2000)

Intrinsic motivation, as it has been stated above, plays a fundamental role in the motivational process of each individual. However, it appears clear that most of the activities people do are not, frankly speaking, intrinsically motivated. Especially after the early stages of childhood, the possibility – or the freedom – to be intrinsically motivated becomes increasingly curtailed by social demands and roles that require people to assume responsibility for non-intrinsically motivating tasks. In the educational environment, for example, intrinsic motivation seems to become weaker as students advance to higher classes.

It is correct to claim that extrinsic motivation somehow contrasts with intrinsic motivation, as the latter refers to doing an activity just for the enjoyment of the activity itself, rather than its instrumental value. However, Self-Determination Theory, unlike some different approaches that view extrinsically motivated behaviours as invariantly non independent, proposes that extrinsic motivation can vary largely in the degree to which it is autonomous. In order to better understand this argument, an example will be proposed.

"*A student who does his homework only because he fears parental sanctions for not doing it is extrinsically motivated because he is doing the work in order to attain the separable outcome of avoiding sanctions. Similarly, a student who does the work because she personally believes it is valuable for her chosen career is also extrinsically motivated because she too is doing it for its instrumental value rather than because she finds it interesting. Both examples involve instrumentalities, yet the latter case entails personal endorsement and a feeling of choice, whereas the former involves mere compliance with an external control. Both represent intentional behaviour, but the two types of extrinsic motivation vary in their relative autonomy.*" (Ryan and Deci, 2000)

As it has been described in the previous paragraph, intrinsically motivated activities become smaller in number as an individual grows. Therefore, a central question would be: what should we do to motivate individuals to value and self-regulate such activities? Moreover, how should we do that without any external pressure? These queries are evaluated within SDT in terms of fostering the *internalization and integration* of values and behavioural regulations (Deci and Ryan, 1985).

Internalization and integration operate in different, but mutual ways. The former is the process of taking in a value or regulation, while the latter is the process by which individuals transform the regulation in their own – it will emanate from their sense of self. The relationship between internalization and integration has to be seen as a continuum. In Figure 2, a taxonomy of human motivation is provided and it will help to better understand this continuum, ranging from amotivation – or unwillingness –, to passive compliance, to active personal commitment.

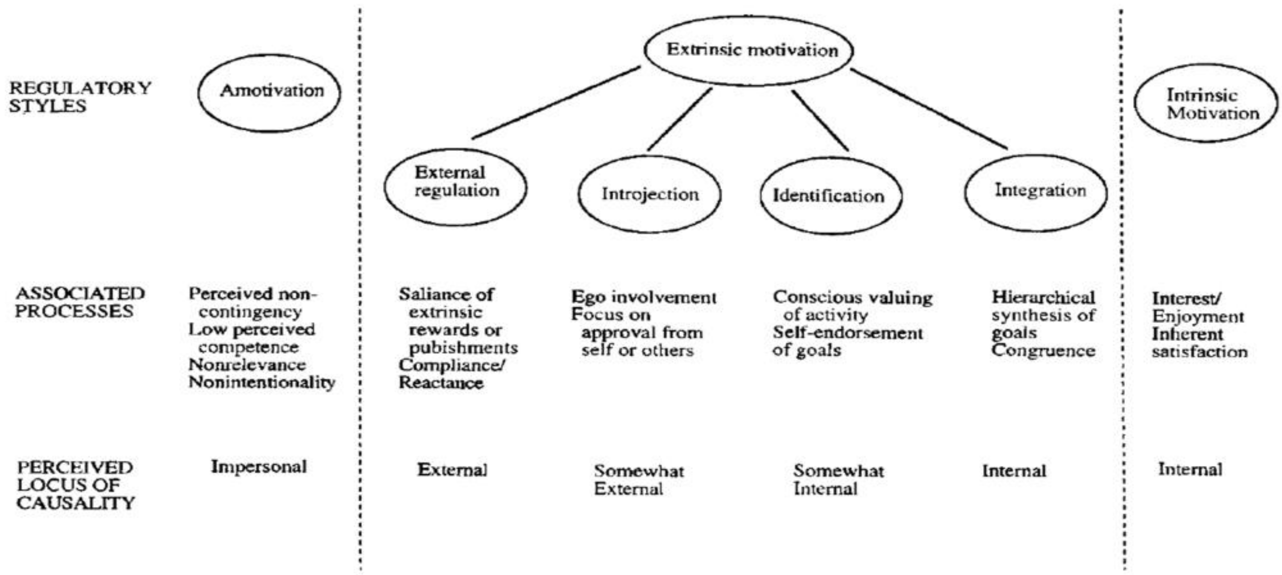


Figure 2: a taxonomy of human motivation (Ryan and Deci, 2000)

Figure 2 shows that as internalization increases, along with its associated sense of personal commitment, persistence, more positive self-perceptions, and better quality of engagement become greater. Actually, Figure 2 illustrates the taxonomy of types of motivation according to another sub-theory of SDT, called *Organismic Integration* (OIT), which was introduced to describe the different forms of extrinsic motivation. Moreover, it also details the contextual factors that either promote or hinder internalization and integration of the regulation for these behaviours (Deci and Ryan, 1985).

The first state illustrated in Figure 2 comes at the far left and it is called *Amotivation*. This state is characterized by the individual's lack of intention to act. Amotivation can derive from not valuing an activity (Ryan, 1995), not feeling competent to do it (Deci, 1975), or not believing it will yield a desired outcome (Seligman, 1975). An amotivated person's behaviour lacks intentionality and a sense of personal causation.

Figure 2 shows that moving from the left to the right there are several types of motivation which are organized to reflect their differences in the degree of autonomy or self-determination.

Moving to the right it comes a category that is the least autonomous form of extrinsic motivation, a category that Ryan and Deci label as *external regulation*. These kind of behaviours are usually performed to satisfy an external demand or obtain an externally imposed reward contingency. Externally regulated behaviours are typically seen by individuals as controlled or alienated; because of this, their actions have an *external perceived locus of causality* (EPLOC; deCharms, 1968). For operant theorists, as Skinner (1953), external regulation is the only existent kind of motivation. Furthermore, this is the kind of motivation which was usually contrasted with intrinsic motivation in early lab studies and discussions.

A second type of extrinsic motivation is called *introjected regulation*. This type of motivation is characterized by a fairly high level of control as individuals perform this kind of actions with the feeling of pressure to avoid guilty or anxiety or, in other cases, to attain ego-enhancements or pride. Another way to describe introjection is that it represents regulation by contingent self-esteem. Ryan (1982) and Nicholls (1984) refer introjection to *ego involvement*, in which a person is prone to act in order to enhance or maintain self-esteem and the feeling of worth. Introjected behaviours, although the regulation is internal to the person, cannot be seen as fully part of the self, therefore they still have an EPLOC.

Another form of extrinsic motivation is called *identification*. Compared to introjection, identification is more autonomous, or self-determined. In this case, the individual has identified with the personal importance of a behaviour and he or she has therefore accepted its regulation as his or her own. An example of this type of motivation could be a boy that memorizes spelling list because he thinks it is relevant for writing, which he values as a life goal. By doing so, the boy has identified with the value of this learning activity.

Finally, after identification, the OIT taxonomy of human motivations shows the most autonomous form of extrinsic motivation: *integrated regulation*. Integration occurs when identified behaviours and regulations have been fully assimilated to the self. The assimilation can be done only through a perfect congruence between a person's values and needs, and new regulations. In other words, the more one internalizes the reasons for an action and assimilates them to the self, the more one's extrinsically motivated actions become self-determined. Although integrated forms of motivation share many features with intrinsic motivation – being both autonomous and unconflicted –, they are still extrinsically motivated because behaviours motivated by integrated regulation are still done for their presumed instrumental value with respect to some outcome that is separate from the behaviour itself, even when it is volitional and valued by the self.

The far right end of Figure 2 is occupied by intrinsic motivation. This positioning aims to emphasizes that intrinsic motivation is a prototype of self-determined activity. However, this does not mean that internalizing extrinsic regulations would automatically lead to the transformation of these external regulations into intrinsic motivation.

3.1.3. Motivation as a continuum

The analysis made by Ryan and Deci identifies the importance of the process of internalization, especially because social values and regulations are continually internalized over the life span. However, the authors do not suggest that this process have to follow a developmental continuum. Put differently, an individual does not have to progress through each stage of internalization; in fact, a person can initially adopt a new behavioural regulation at any point along this continuum. Moreover, the initial position along the line is usually influenced by prior experiences and situational factors (Ryan, 1995).

As it has been stated above, although it is possible to predict the reasons behind a movement on this motivation line, there is no necessary "sequence", as each individual develops his own motivational path. However, developmental issues are evident in two ways:

1. The types of behaviours and values that can be assimilated to the self increase with growing cognitive and ego capacities
2. People's general regulatory style does, on average, tend to become more "internal" over time (Chandler and Connell, 1987), in accord with the general organismic tendencies toward autonomy and self-regulation (Ryan, 1995)

In order to assess these issues, Ryan and Connell (1989) tried to test if these different types of motivation would indeed lie along a continuum of relative autonomy. To do that, they investigated some achievement behaviours, such as doing homework, in elementary schools, assessing external, introjected, identified, and intrinsic reasons shown by children for engaging in these behaviours.

The results have given a clearer idea of the general scenario; in fact, the authors discovered that the four types of regulation were intercorrelated according to an ordered correlation pattern. This means that there are evidences for an underlying continuum of autonomy: differences in attitudes and adjustment were also associated with the different types of extrinsic regulation. Some of these evidences were (Ryan and Connell, 1989):

- The more students were externally regulated the less they showed interest, value, or effort, and the more they indicated a tendency to blame others (teachers) for negative outcomes
- Introjected regulation was positively related to expending effort, but was also related to more anxiety and to poorer coping with failures
- Identified regulation was associated with greater enjoyment and more positive coping styles
- Intrinsic motivation was correlated with interest, enjoyment, felt competence, and positive coping

Other studies concerning the types of extrinsic motivation have been made in the last 30 years. These studies have extended the previous findings, showing for example that more autonomous extrinsic motivation is associated with greater engagement (Connell and Wellborn, 1990), better performance (Miserandino, 1996), less dropping out

(Vallerand and Bissonnette, 1992), higher quality learning (Grolnick and Ryan, 1987), and greater psychological well-being (Sheldon and Kasser, 1995).

All of studies have shown the significance and the importance of extrinsic motivation; it is also clear the fundamental role of internalization for both personal experience and performance outcomes. It is critical now to understand how to promote the autonomous regulation of extrinsically motivated behaviours.

"*Because extrinsically motivated behaviours are not inherently interesting and thus must initially be externally prompted, the primary reason people are likely to be willing to do the behaviours is that they are valued by significant others to whom they feel – or would like to feel – connected, whether that be a family, a peer group, or a society.*" (Ryan and Deci, 2000)

These lines from "*Intrinsic and Extrinsic Motivation*" seem to suggest that the first base for facilitating internalization is providing a sense of belongingness and connectedness to the persons, group, or culture disseminating a goal. In Self-Determination Theory this is called a "*sense of relatedness*". The more individuals feel themselves linked to other people, or to a goal, or to a principle, the greater the internalization of specific behaviours related to those people, to that goal or principle.

Another issue related to extrinsically motivated behaviours concerns perceived *competence*. It is clear, here, that the more a person feels competent in relation to a task, the more he or she will internalize the goal. This happens especially when an individual understands the task and has the relevant skills to succeed at it. Furthermore, Ryan and Deci (2000) theorizes that supports for competence – offering optimal challenges and positive-relevant feedback – facilitate internalization

Finally, it should be remembered that, according to the SDT approach, an internalized regulation may be only introjected and this regulation could easily lead the people to feel satisfaction for their needs for competence and relatedness. However, introjection does not lead the people feeling self-determined, even if they would be controlled by that regulation. This fact is linked to the final suggestion made by Ryan and Deci, which is related to the concept of autonomy – interpreted here as the possibility to decide upon the way to perform a task without any external influence. The authors, indeed, suggest that autonomy facilitates internalization; in fact, it is the critical element for a regulation being integrated rather than just introjected. External contexts, when they support competence and relatedness, can yield introjected regulation, but only autonomy supportive contexts lead to the integration and the self-determination of the regulation.

3.2. Conclusions

This brief presentation of Self-Determination Theory aims to clarify the critical distinction between those behaviours that are volitional and often accompanied by the experience of freedom and autonomy, which are representative of one’s sense of self, and those that are accompanied by the experience of pressure and control, which are not representative of one’s self.

Another main distinction refers to the differences between intrinsically and extrinsically motivated behaviours. The formers are performed out of interest and satisfy the innate needs for competence and autonomy. These behaviours are the prototype of self-determined behaviour. The latters, instead, are executed because they are instrumental to some separable consequences; they can vary in the extent to which they represent self-determination.

Internalization along with its stages – introjection, identification, integration –, are the processes through which extrinsically motivated behaviours become more self-determined.

Finally, social contextual conditions play a major role in the development and tendency of both intrinsic and extrinsic motivation. In fact, they can support – as well as contrast – one’s feelings of competence, autonomy, and relatedness, which are the basis for one maintaining intrinsic motivation and becoming more self-determined in relation to extrinsic motivation.

4. Accredited Investors and Self-Determination Theory

The following section aims to apply the Self-Determination Theory to the crowdfunding field. In particular, we will try to detail the motivations, within the SDT framework, that accredited investors – such as banks, venture capitalists and business angels – have in using crowdfunding platforms to fund start-ups and SMEs.

4.1. Extrinsic Motivation

4.1.1. External Regulation

Firstly, it seems logical to start by addressing these subjects from the perspective of the extrinsic motivation. In fact, these investors are all profit-oriented; therefore, the external regulations, in particular the gains deriving from successful investments, represent a fundamental characteristic of their business models. It is not wrong to say that, even if accredited investors have different goals, the main drive for all of them is the potential return coming from any type of investment. In this sense, the vast majority of accredited investors' behaviours should be extrinsically motivated.

Of course, the ways each investor uses the money to have a financial return differ from each other, especially in relation to the associated level of risk each investor can sustain. It is reasonable to say that the entrepreneurial projects, in which banks are used to invest, often differ from those funded by VCs, or business angels. Hence, the underlying motivations, even if they all belong to the extrinsic ones, are completely different from one investors to the others, according to the inherent characteristics of their shareholders, as well as to the requested level of potential return. Nevertheless, the extrinsic component of their motivation represents the main lead towards their strategic decisions.

As it has been mentioned in the previous chapter, though, according to Self Determination Theory, extrinsic motivation comprises several levels or states, depending on how a certain behaviour has been internalized and integrated in the self. If the external regulations for banks, VCs, and business angels are quite the same for all of them – having a financial return –, the other "stages" of extrinsic motivation for these subjects should be diverse among them. Therefore, the next sections will address each state from the perspective of each accredited investor: banks, VCs and business angels.

4.1.2. Amotivation

The amotivation stage is characterized by the absence of intention to act; it would happen due to a negative valuation of a specific activity, a sense of incompetence, or the feeling that a specific behaviour or task will not yield a desired outcome. In our case of study, the specific activity or task is “using crowdfunding to fund start-up”.

Analysing each typology of accredited investor, it is possible to see how all of them would be amotivated towards crowdfunding because of different reasons. For instance, banks in general could see investing in start-ups through equity-crowdfunding as inconvenient, given the fact that investments through crowdfunding platforms follow a completely different tendency from usual financing strategies; therefore, they should focus their efforts towards understanding crowdfunding’s dynamics and this would be reflected in higher cost in R&D.

Venture Capitalists, instead, could have a different view. In fact, small entrepreneurial projects, such as start-ups, feature a high level of risk, especially during the early stages. Therefore, investing in these projects represents a risky bet for investors, in particular for those, like VCs, that are used to invest great amount of money in promising ideas. Hence, the fear of negative outcome – like the loss of huge amount of money – can lead Venture Capitalists to avoid using crowdfunding platforms to invest in start-ups. Moreover, they can wait and see which projects will be appreciated the most by the crowd and invest the money at a later moment, when the associated risk will be lowered.

Finally, Business Angels could be amotivated towards investing through crowdfunding platforms because they feel a sense of incompetence. The crowdfunding is a relatively new phenomenon that has still to be completely understood. Business angels usually invest lower amount of money than VCs, therefore the associated risk would be lower as well. Nevertheless, angels ask several information about the project to easily get what the start-up is all about and to make their own valuations; crowdfunding not always permits to have all the information needed to completely address an entrepreneurial idea, as the founders could not or do not want to upload the entire business plan on the crowdfunding platform.

4.1.3. Introjected regulation

Introjection occurs when a behaviour, which is characterized by a high level of control, is motivated by the feeling of pressure to avoid guilty or anxiety, as well as to attain ego-enhancements or pride. It is clear that SDT is a framework developed to detail and describe behaviours of individuals, therefore is not easy to adapt it to the case of structured companies, such as banks, VCs and business angels. Nevertheless, it possible to find some affinities.

Banks, for example, could give the possibility to their account holders to invest their money to fund certain categories of start-ups. This strategy would have a twofold consequence: on one hand, they would enlarge the set of services provided to their clients and, on the other one, they would enhance the possibilities for small entrepreneurs to have access to the capitals they need to start. By doing so, banks can also reshape their image towards the public opinion, especially in a moment where they are considered to be strongly focused on investment banking and insufficient in giving credit lines to privates and small companies. Moreover, this type of strategies would positive affect banks’ self-esteem and their feeling of worth.

VCs and business angels, as well, could adopt this strategy to improve their (ego) involvement by participating in the funding process of small promising start-ups since the early stages. The feeling of worth can play an important role even for these subjects, even if it has to be remembered that they are not individuals. Furthermore, adding crowdfunding to their assets would – or could – represent a strategic diversification of their business model.

4.1.4. Identified regulations

As it has been seen previously, identification is more autonomous, or self-determined, than introjection. Identification happens when an individual feels the personal, intrinsic importance of some behaviours.

Identified behaviours for VCs and Business Angels, in the crowdfunding field, would be those in which the company not only invest money, but also put its professional expertise into the development of start-ups. This is the case where Venture Capitalists and Angels do not invest with the only aim of having a return, but deeply participate in the developing process of the idea by bringing in resources, networks, knowledge and competences. The value of such behaviours has not a financial nature, but rather personal.

Banks could do the same, even if their business structure would impede them to follow and provide professional competence to a large number of entrepreneurial ideas. Moreover, they could create online competitions through crowdfunding platforms. By doing so, they could attract a vast number of start-ups and the most voted one – or ones – would have access to a number of professional consultations provided by the bank itself. Another outcome that would derive from this type competition could be the creation of a social community, where entrepreneurs can constantly upload their ideas and receive feedbacks, suggestions from professional and non-professional users. This would also help founders to improve their final outcome, whatever it is a product or a service.

4.1.5. Integrated regulations

Integration is the last stage before intrinsic motivation. It happens when identified behaviours and regulations have been fully assimilated to the self. The assimilation can occur only when there is a perfect congruence between values, needs and regulations. This congruence allows extrinsically motivated actions to become self-determined, even if they still remain in the extrinsic motivation field, as they are still done for their instrumental value and in order to achieve some outcome that are separable from the action itself.

In this regard, accredited investors – especially banks and VCs – should radically their view about crowdfunding. In fact, today equity-crowdfunding is seen as a potential threat for them, as it allows a great number of investors to fund start-ups with small amount of money. Therefore, people could invest their savings through crowdfunding platforms, instead of depositing them in a bank account or giving them to a private fund.

In this sense, crowdfunding should be seen as an additional asset for this category of investors; an asset that, given its novelty and appeal among Internet users, should be implemented in their business model. Including crowdfunding in their services' offer would not only represent a necessary update to their professional knowledge – being up-to-date is essential, especially in the field of investment innovation –, but also the opening to new era of relationships with other institutions (e.g., Governments) of the financing ecosystem.

Furthermore, banks in particular can launch crowdfunding campaigns for philanthropic purposes. It is not rare for corporate banks to promote social initiatives, such as exhibitions, shows, renovations of old buildings or gardens. Crowdfunding platforms allow people to propose social initiatives and events, and banks can participate as sponsors and promoters. These initiatives, as it has been stated for introjection, will help banks to reshape their public image.

Business angels are more used to have integrated behaviours; this fact, though, is due to their intrinsic nature. In fact, they usually invest money not only in promising projects, but also in those ideas that somehow reflects their values. Angels fund start-ups on the basis of their feelings towards the entrepreneurial idea. Therefore, the congruence between values and behaviours is present more often compared to what happens with banks and VCs. Indeed, this congruence is often a necessary condition for the start-ups to obtain the investment.

4.2 Intrinsic Motivation

Applying the Self-Determination Theory framework to the case of companies is not an easy task. First of all, because the theory developed by Ryan and Deci is principally referred to individuals, persons, and not to an organized group of people characterized by a multitude of different roles, like a company. The company has to behave as a unique body, even if it is composed by several and various parts, while a single individual has a simpler structure, even if any person can face conflicts among the decision he or she should make. Secondly, accredited investors are a particular typology of companies, as they are profit-oriented. Therefore, it is reasonable to think that the extrinsic part of their motivational framework represents the leading trigger.

In the case of profit-oriented companies, intrinsic motivation seems to play a secondary role, as it is defined as the doing of an activity for its inherent satisfaction rather than for some separable outcome. The reason of acting, therefore, should be the fun or the challenge entailed by the activity itself. Thus, given the premises, accredited investors should lack the intrinsic component of motivation. However, some considerations can be done.

It has been stated in the previous chapter that intrinsic motivation has been defined by scholars from two different perspectives. On one hand, intrinsic motivation can take place when the task is intrinsically interesting and/or stimulating; on the other hand, intrinsic motivation occurs when individuals gain satisfaction from intrinsically motivated task. Well, according to both definitions, it is possible to find some affinities with all the subjects of this study.

Starting from business angels, that they could experience intrinsic motivation by investing in a stimulating project, as well as by gaining satisfaction from their investment strategy – e.g., they have been able to fund the start-ups the wanted to. Actually, in the business angels example, intrinsic motivation can be seen as one of the main drive to act, as the angels, on average, need something more than the mere financial return to invest in a company: they need to feel "linked" with the project. In this sense, using crowdfunding platforms to fund start-ups could have two opposite effects. As it has been seen above, crowdfunding does not always allow angels (and other subjects) to get a complete understanding of what the projects aim to do, as the campaigns often lack of sensible and necessary information. However, crowdfunding is new, innovative way of investing, where the angels themselves can play an active role by promoting the projects on social networks, as well as by suggesting modifies to the idea. In other words, they would take a part in the developing process of the start-up and possibly feel satisfaction from the success the project could have.

Some of the considerations made for business angels can be transposed to Venture Capitalists. For instance, taking on interesting and stimulating challenges, which are represented by investing in start-ups during the early stages, Of course, this would represent a total change compared to their strategy today, as they now invest only in companies that are valuable rather than challenging. The start-up should have already demonstrated its profitability in order to attract the attention of a VC. However, crowdfunding platforms allow VCs to make a primary selection of the profitable ideas – on the basis of the amount raised when the campaign is still open, the number of backers and the nature of feedbacks and comments. This initial screening permits VCs to focus on a lower number of projects, which have already been backed by other people. Therefore, investing at a previous moment will be less risky, as projects have shown to possess some solid grounds. Furthermore, by using crowdfunding, they will also better understand the start-up environment, the new trends, what customers think and use this information to improve their investment strategy within this market.

Finally, banks could experience intrinsic motivation by creating their own crowdfunding platforms. In fact, they have much more interests, compared to the other two typologies of investors, in building an online platform to attract entrepreneurial projects. The intrinsically motivated behaviours related to the creation of a crowdfunding platforms should not differ from those of VCs and Business Angels, that is taking on challenging task, learning better the start-ups environment and investing in a new, innovative way. However, banks, in particular the most famous ones, have the network and the popularity to justify the investment needed to create a new tool to fund start-ups. The platforms would represent the place where creators and backers can exchange feedbacks and opinions, and the bank would act as coordinator and supervisor. The creation of a crowdfunding platform, which will be directly connected with the bank itself, could be the first step towards the birth of a new relationship between the bank, the entrepreneurs and the investors.

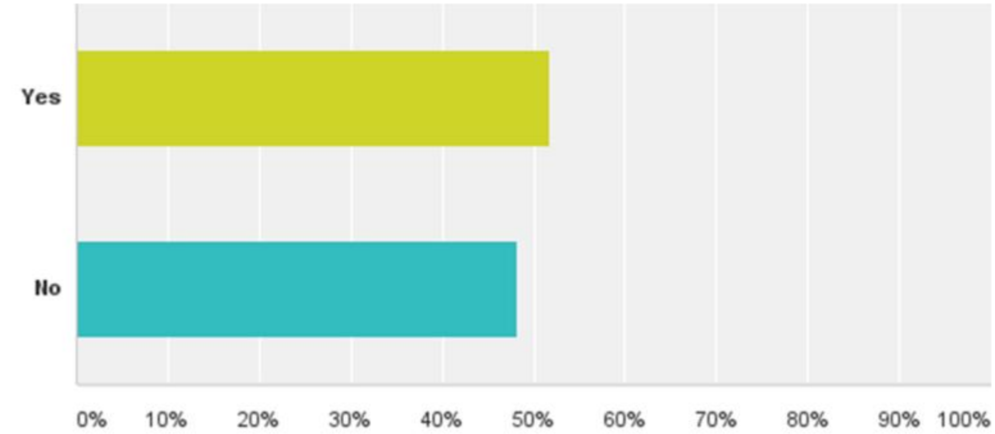
4.3 The Survey

In order to better understand the underlying motivations that accredited investors should have in financing start-ups through equity-crowdfunding platforms, an online-survey has been sent through social networks and it has been filled out by 87 individuals. Respondents were characterized by different educational background; in fact, only 45 participants out of 87 (51,72%) shared an economic background.

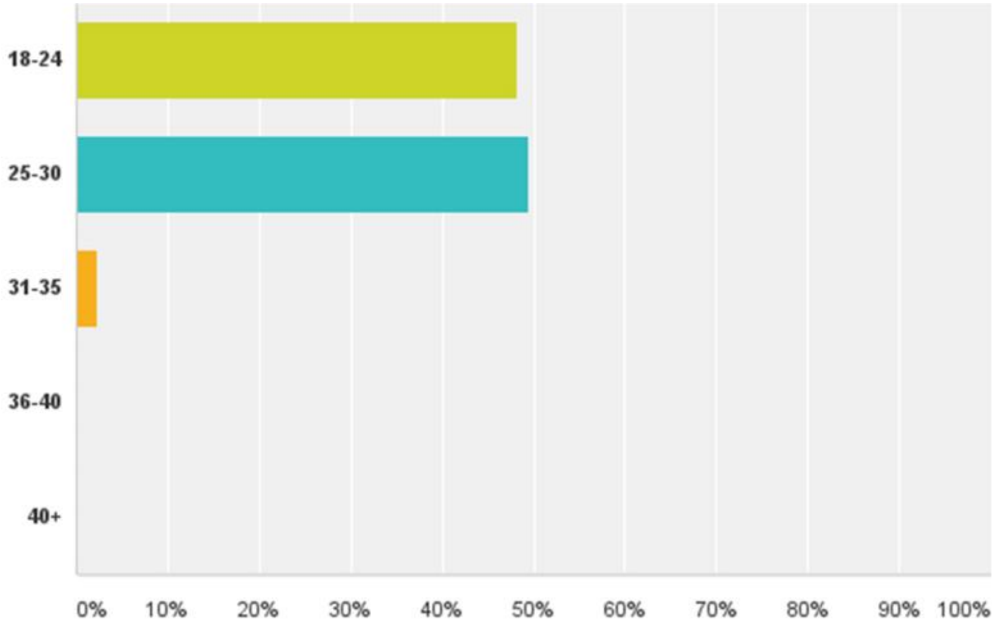
Furthermore, respondents' age largely (97,7%) ranged between 18-24 (48,28%) and 25-30 (49,43%) years old. The nationalites represented were: Italian (71,2%), Dutch

(8%), Greek (2,3%), Romanian (2,3%), German (2,3%), Swiss (1,15%), and Norwegian (1,15%). Genders were equally distributed.

Do you have an economic background?



What is your age?



4.3.1. Methodology

The principle aim of the survey was to analyse the different typologies of motivation explained in the previous paragraphs, extrinsic – and its “stages” – and intrinsic, from the perspective of Internet users, that is “The Crowd”.

The questionnaire has been constructed on the basis of a study brought out by Tremblay et al. (2009). The authors, in the paper called "*Work Extrinsic and Intrinsic Motivation Scale: Its Value for Organizational Psychology Research*", wanted to verify the impact of both extrinsically and intrinsically motivated behaviours on the final outcome. In order to do that, they used an 18-item measure, called Work Extrinsic and Intrinsic Motivation Scale (WEIMS), which covered all six levels of motivation, according to Self-Determination Theory: Amotivation, External Regulations, Introjection, Identification, Integration, and Intrinsic Motivation. For each level, there were 3 associated items.

The survey, therefore, has followed the WEIMS measure, which has been adapted to the case of study, that is equity-crowdfunding platforms. As what Tremblay et al. did, even in this survey each motivation's stage has been evaluated through 3 items. The participants were asked to state to what extent – following a 7-point Likert scale – each item would reflect their opinions about the motivations for accredited investors to invest in start-ups through equity-crowdfunding platforms. Following, the items have been reported, clustered according to the stage of motivation they aimed to investigate:

- *External regulations*
  - ITEM 2: "*For the future income the investment can provide*"
  - ITEM 9: "*For the money they can earn*"
  - ITEM 16: "*Because they can increase their financial return and, therefore, attract more money from the market*"

- *Introjection*
  - ITEM 11: "*Because they can use the comments and discussions released by the people on the platforms to improve the final outcome (product or service)*"
  - ITEM12: "*Because investing in start-ups through crowdfunding platforms could allow them to reshape their image towards the public opinion*"
  - ITEM 18: "*Because crowdfunding represents a diversification of their business model*"

- *Identification*
    - ITEM 3: "*Because this strategy could lead to the birth of a new social community*"
    - ITEM 6: "*Because it is another way to achieve success*"
    - ITEM 15: *"Because they can bring their professional contribution to the start-ups from the very earliest stage*"

- *Integration*
    - ITEM 4: "*For philanthropic purposes*"
    - ITEM 10: "*Because crowdfunding represents a fundamental asset for them*"
    - ITEM 17: "*Because learning how crowdfunding platforms work represents a necessary update to their professional knowledge*"

- *Intrinsic Motivation*
    - ITEM 1: "*Because they can better understand and learn something new about start-ups in general*"
    - ITEM 8: "*For the satisfaction they can experience from taking on interesting challenges*"
    - ITEM 13: "*Because crowdfunding is a new, funny, innovative way of investing in promising entrepreneurial projects*"

- *Amotivation*
    - ITEM 5: "*They should not fund start-ups through crowdfunding platforms: it is a waste of time*"
    - ITEM 7: "*They should avoid using equity-platforms because crowdfunding is not the typical way institutional investors use to support entrepreneurial projects*"
    - ITEM 14: "*They should not: it is not realistic*"

4.3.2. Hypotheses

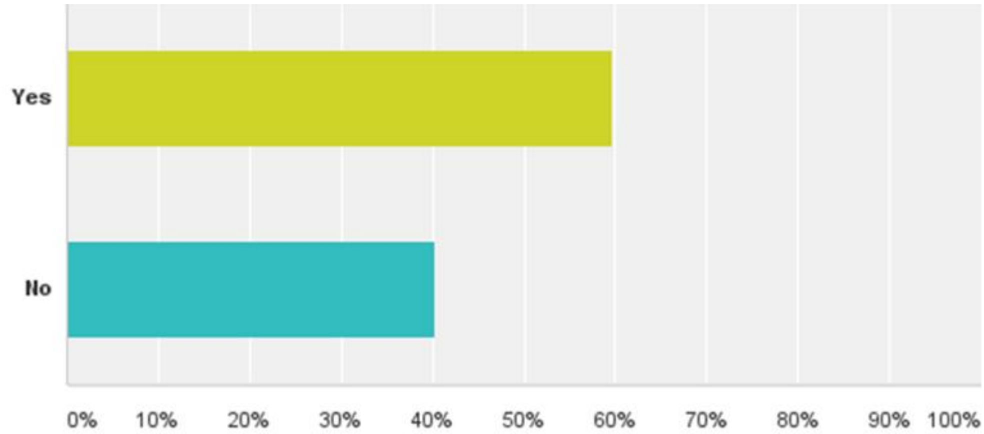
According to what has been previously said about accredited investors, the most reasonable hypothesis is that the items associated with "External Regulation" should post the highest averages, as they reflect the main purposes for these type of investors: realizing profits from their investment – where profits represent the desired separable outcome. In fact, even if the selected sample does not entirely posses an economic background, accredited investors are commonly considered profit-oriented. Therefore, even if crowdfunding is a relatively new phenomenon and it is not generally linked with accredited investors, it seems rational to expect the 3 items will mark fairly high averages.

Moving to the other stages of extrinsic motivation (Introjection, Identification, and Integration), it appears more difficult to formulate any hypothesis. This is mainly due to the fact that the relationship between investors and these typologies of extrinsic motivation has not been already studied, especially when it comes to the crowdfunding field. Theoretically, we should expect that the averages associated with the items would decrease as we move towards the intrinsic component of motivation. Nevertheless, it should be remembered that the boundaries between the stages are not well defined; therefore, it would happen that some averages, associated with more intrinsically motivated reasons, are higher than those associated with more extrinsically motivated ones. For instance, Integration items' averages could be higher than Introjection's. Certainly, a solid hypothesis is that all the associated averages to the other stages would be lower than those marked by External Regulation's items.

Formulating hypotheses about intrinsic motivation's items seems to be easier. In fact, according to the core business of accredited investors, intrinsically motivated behaviours should be less relevant, as they are not done to obtain separable outcome (e.g., profits, information, notoriety). However, the survey has been filled out by Internet users (the crowd), which could have a different approach; they respond according to their general view of crowdfunding and what they think about the relationship between crowdfunding and accredited investors. Therefore, it should be considered that the results will reflect a certain point of view, which is different from the one of banks, VCs and Business Angels. In the end, the final hypothesis relative to intrinsic motivation is that the associated items' averages will be lower than External Regulation's.

Finally, the last hypothesis is about Amotivation. Looking at the actual situation, accredited investors have not shown any particular interest towards crowdfunding, as the vast majority of them still does not see equity-crowdfunding platforms as a viable and profitable way of financing projects. In many cases, indeed, crowdfunding has been evaluated as a threats rather than an opportunity. In spite of this, the questionnaire's results are based on the opinions of the crowd, therefore the hypothesis should not be based on the current scenarios. Usual Internet users (i.e., people that surf the Web on a regular basis) have developed a sort of familiarity regarding crowdfunding. This is also underlined by the fact that, even if 50% of the respondents does not have an economic background, 60% of them (52-out-of-87) have already heard the term "Equity-Crowdfunding" (figure below). Thus, it is not wrong to hypothesize that the crowd would somehow condemn the accredited investors' approach towards crowdfunding. In conclusion, according to our hypothesis, Amotivation items' averages should be very low.

Have you ever heard the term "Equity-crowdfunding" before?



4.3.3. Results

The results of the questionnaire are reported below. They have been sorted according to the motivation "stage" they had to evaluate. In this part, the results refer to the all sample, 87 respondents.

EXTERNAL REGULATION

	Completely Disagree (1)	Disagree (2)	Somewhat Disagree (3)	Neither Agree nor Disagree (4)	Somewhat Agree (5)	Agree (6)	Completely Agree (7)	Weighted Average
ITEM 2	**1,15%** (1 / 87)	**3,45%** (3 / 87)	**11,49%** (10 / 87)	**10,34%** (9 / 87)	**24,14%** (21 / 87)	**33,33%** (29 / 87)	**16,09%** (14 / 87)	**5,17**
ITEM 9	**1,16%** (1 / 86)	**11,63%** (10 / 86)	**12,79%** (11 / 86)	**12,79%** (11 / 86)	**34,88%** (30 / 86)	**16,28%** (14 / 86)	**10,47%** (9 / 86)	**4,59**
ITEM 16	**1,15%** (1 / 87)	**3,45%** (3 / 87)	**10,34%** (9 / 87)	**12,64%** (11 / 87)	**40,23%** (35 / 87)	**28,74%** (25 / 87)	**3,45%** (3 / 87)	**4,87**

INTROJECTION

	Completely Disagree (1)	Disagree (2)	Somewhat Disagree (3)	Neither Agree nor Disagree (4)	Somewhat Agree (5)	Agree (6)	Completely Agree (7)	Weighted Average
ITEM 11	**2,30%** (2 / 87)	**3,45%** (3 / 87)	**5,75%** (5 / 87)	**10,34%** (9 / 87)	**27,59%** (24 / 87)	**26,44%** (23 / 87)	**24,14%** (21 / 87)	**5,33**
ITEM 12	**3,45%** (3 / 87)	**2,30%** (2 / 87)	**16,09%** (14 / 87)	**12,64%** (11 / 87)	**26,44%** (23 / 87)	**25,29%** (22 / 87)	**13,79%** (12 / 87)	**4,87**
ITEM 18	**2,30%** (2 / 87)	**3,45%** (3 / 87)	**9,20%** (8 / 87)	**16,09%** (14 / 87)	**25,29%** (22 / 87)	**29,89%** (26 / 87)	**13,79%** (12 / 87)	**5,03**

IDENTIFICATION

	Completely Disagree (1)	Disagree (2)	Somewhat Disagree (3)	Neither Agree nor Disagree (4)	Somewhat Agree (5)	Agree (6)	Completely Agree (7)	Weighted Average
ITEM 3	**1,16%** (1 / 86)	**6,98%** (6 / 86)	**15,12%** (13 / 86)	**11,63%** (10 / 86)	**19,77%** (17 / 86)	**33,72%** (29 / 86)	**11,63%** (10 / 86)	**4,90**
ITEM 6	**3,45%** (3 / 87)	**6,90%** (6 / 87)	**11,49%** (10 / 87)	**22,99%** (20 / 87)	**21,84%** (19 / 87)	**27,59%** (24 / 87)	**5,75%** (5 / 87)	**4,59**
ITEM 15	**2,33%** (2 / 86)	**2,33%** (2 / 86)	**8,14%** (7 / 86)	**18,60%** (16 / 86)	**24,42%** (21 / 86)	**33,72%** (29 / 86)	**10,47%** (9 / 86)	**5,03**

INTEGRATION

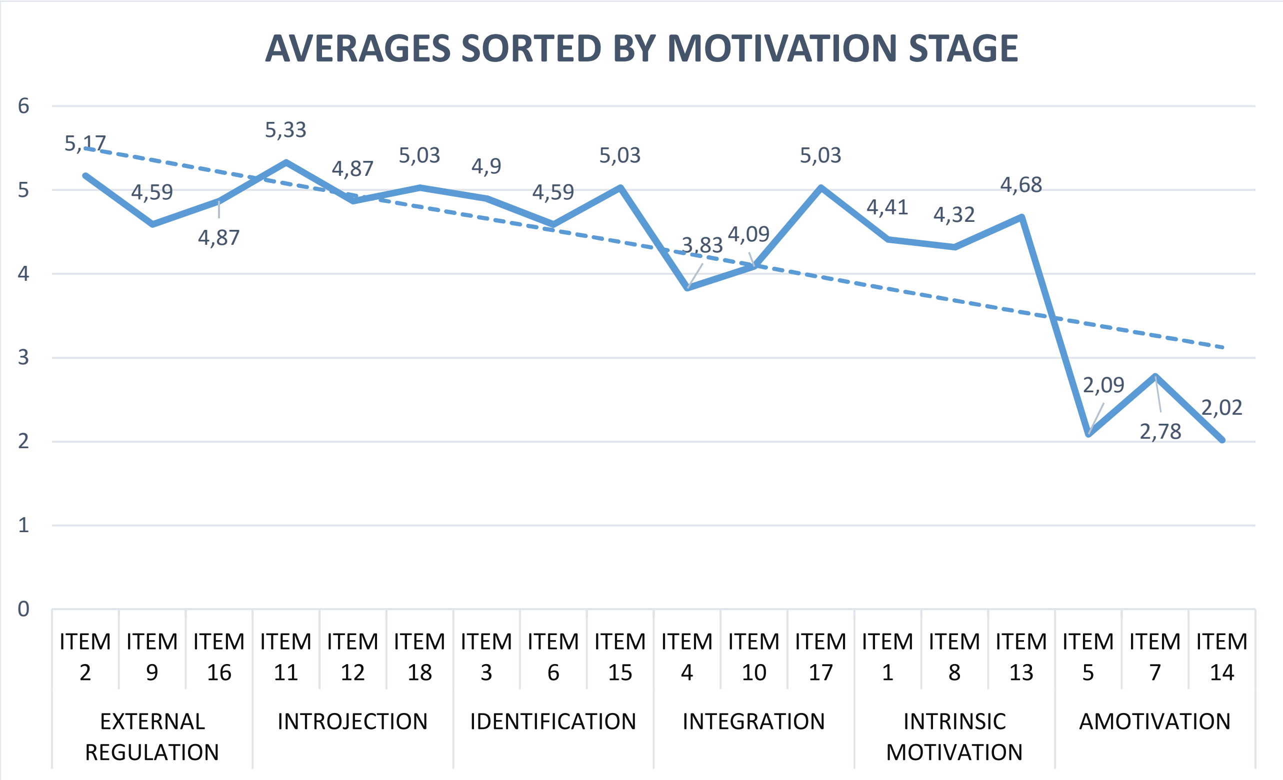
	Completely Disagree (1)	Disagree (2)	Somewhat Disagree (3)	Neither Agree nor Disagree (4)	Somewhat Agree (5)	Agree (6)	Completely Agree (7)	Weighted Average
ITEM 4	**11,63%** (10 / 86)	**11,63%** (10 / 86)	**17,44%** (15 / 86)	**23,26%** (20 / 86)	**18,60%** (16 / 86)	**12,79%** (11 / 86)	**4,65%** (4 / 86)	**3,83**
ITEM 10	**2,33%** (2 / 86)	**16,28%** (14 / 86)	**16,28%** (14 / 86)	**20,93%** (18 / 86)	**26,74%** (23 / 86)	**13,95%** (12 / 86)	**3,49%** (3 / 86)	**4,09**
ITEM 17	**2,30%** (2 / 87)	**3,45%** (3 / 87)	**9,20%** (8 / 87)	**16,09%** (14 / 87)	**25,29%** (22 / 87)	**29,89%** (26 / 87)	**13,79%** (12 / 87)	**5,03**

INTRINSIC MOTIVATION

	Completely Disagree (1)	Disagree (2)	Somewhat Disagree (3)	Neither Agree nor Disagree (4)	Somewhat Agree (5)	Agree (6)	Completely Agree (7)	Weighted Average
ITEM 1	**2,30%** (2 / 87)	**10,47%** (9 / 87)	**17,24%** (15 / 87)	**14,94%** (13 / 87)	**32,18%** (28 / 87)	**14,94%** (13 / 87)	**8,05%** (7 / 87)	**4,41**
ITEM 8	**4,60%** (4 / 87)	**11,49%** (10 / 87)	**10,34%** (9 / 87)	**22,99%** (20 / 87)	**27,59%** (24 / 87)	**17,24%** (15 / 87)	**5,75%** (5 / 87)	**4,32**
ITEM 13	**4,60%** (4 / 87)	**4,60%** (4 / 87)	**10,34%** (9 / 87)	**22,99%** (20 / 87)	**21,84%** (19 / 87)	**27,59%** (24 / 87)	**8,05%** (7 / 87)	**4,68**

AMOTIVATION

	Completely Disagree (1)	Disagree (2)	Somewhat Disagree (3)	Neither Agree nor Disagree (4)	Somewhat Agree (5)	Agree (6)	Completely Agree (7)	Weighted Average
ITEM 5	**37,93%** (33 / 87)	**42,53%** (37 / 87)	**8,05%** (7 / 87)	**1,15%** (1 /87)	**6,90%** (6 / 87)	**1,15%** (1 / 87)	**2,30%** (2 / 87)	**2,09**
ITEM 7	**20,93%** (18 / 86)	**34,88%** (30 / 86)	**15,12%** (13 / 86)	**12,79%** (11 / 86)	**11,63%** (10 / 86)	**0,00%** (0 / 86)	**4,65%** (4 / 86)	**2,78**
ITEM 14	**37,93%** (33 / 87)	**40,23%** (35 / 87)	**11,49%** (10 / 87)	**5,75%** (5 / 87)	**2,30%** (2 / 87)	**1,15%** (1 / 87)	**1,15%** (1 / 87)	**2,02**



4.3.4. Analysis

External Regulation – As we expected, External Regulation's items posted high averages: 5,17 (ITEM 2), 4,59 (ITEM 9), and 4,87 (ITEM 16). However, they are not the highest, as the final average of this "stage" is 4,88. It is interesting to highlight that respondents have mainly agreed with the statement about external regulated behaviours, but not completely. This is reflected by the percentage of "Completely Agree" answers, which has been relatively low: 16,09% (I2), 10,47% (I9), and 3,45% (I16). On the other hand, though, the crowd seems to recognize accredited investors as profit-oriented subjects. In fact, in both items 2 and 16, the percentage of "Completely Disagree" and "Disagree" accounted for just 4,60%. Therefore, it is confirmed that, from the crowd's perspective, separable outcome, such as income and financial return, play an important role in the motivational framework of accredited investors.

Introjection – Surprisingly, the highest average has been posted by an Introjection's item (ITEM 11), with a figure of 5,33. This is the most important result of the survey. In fact, ITEM 11 referred to the importance of comments and feedbacks, about a specific product or service, posted on equity-based crowdfunding platforms. As it will be better explained in the next chapter, users' comments on products and services are becoming one of the most important aspects of crowdfunding in general. Companies are now understanding the intrinsic, strategic significance of keeping in consideration what final consumers think about their products, and use the customers' opinions to improve the final outcome. This result shows that the crowd is sensible in respect to this characteristic of crowdfunding campaigns. Therefore, ITEM 11's result has shown that comments are a fundamental part of crowdfunding and they should be recognized as, probably, the biggest added value, for start-ups as well as for investors, deriving from using crowdfunding platforms.

Respondents have demonstrated to have clear opinions about all three items of this motivation stage. In fact, the "Completely Agree" and "Agree" percentage ranged from 39,08% (I12), to 43,68% (I18), to 50,58% (I11). Moreover, those who strongly disagreed with the statements – that is, the people who answered "Completely Disagree" and "Disagree" – represented, in each item, just the 5,85%. These results tell us that crowdfunding is also seen as way for accredited investors to reshape their image towards public opinion, and it represents a needed and strategic diversification for their business model. Finally, Introjection has posted the highest final average among all the stages: 5,01.

Identification – Regarding this stage, the most important result is represented by ITEM 15 ("*Because they can bring their professional contribution to the start-ups from the very earliest stage*"), with an associated average of 5,03. The percentage of people who agree with the statement, at any level, has been 68,61%. The result reflects the vision of the crowd about a new role that accredited investor should perform towards start-ups: they should act as professional, external consultants in order to follow and support start-ups during the business development. New entrepreneurial projects need expertise, knowledge, network, resources and competences and, in particular, banks and VCs should embrace the opportunity and satisfy these needs. By doing so, they would not only help the projects, in which they have invested money, to bootstrap, but

also they can dictate some guidelines that reflects their own opinion about how the idea should be developed.
The other items, those referred to the possibility to create a social community through crowdfunding platforms (ITEM 3) and the idea that crowdfunding represents another way to achieve success (ITEM 6), scored respectively 4,90 and 4,59. The final average of this stage is 4,84, which is not very lower than External Regulation's (4,88).

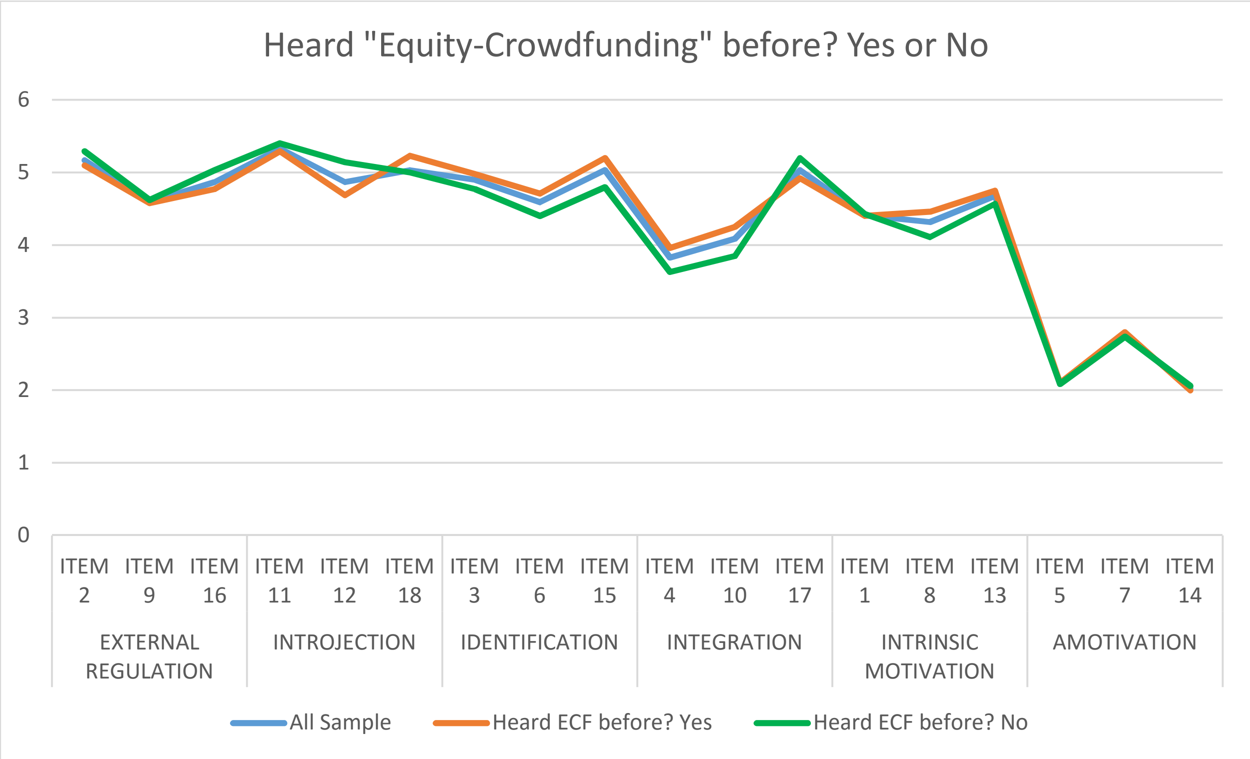
Integration – The result associated to ITEM 17 has been surprising, posting an average of 5,03. The item was referred to the need for accredited investors to update their professional knowledge by adding crowdfunding in the list of provided services. Internet users recognize the innovation that crowdfunding can bring in reducing the funding gap for start-ups. Again, crowdfunding is seen as complementary to accredited investors, and not as a competitor; it represents an opportunity, and not a threat.
On the other hand, the average of ITEM 4 ("*For philanthropic purposes*") is the lowest among all the stages of extrinsic motivation. This could be explained by the fact that philanthropy is not related to equity-crowdfunding platforms. If a project shares some philanthropic purposes and it has to be launched through crowdfunding, then the promoters should use the other typologies of crowdfunding, for instance donation-based or reward-based.
Finally, ITEM 10, which asks if crowdfunding is a fundamental asset for accredited investors, scored a relatively low average (4,09). The result is somehow in contrast with what we have seen in ITEM 17, where respondents have highlighted the importance for accredited investors to add crowdfunding among their offers. Nonetheless, the contrast could be due to the fact that crowdfunding is an innovation, an opportunity, a technology, rather than a proper asset.
The final average of this stage (4,31) is the lowest among all the stages of the motivation, extrinsic and intrinsic – only Amotivation has a lower final average.

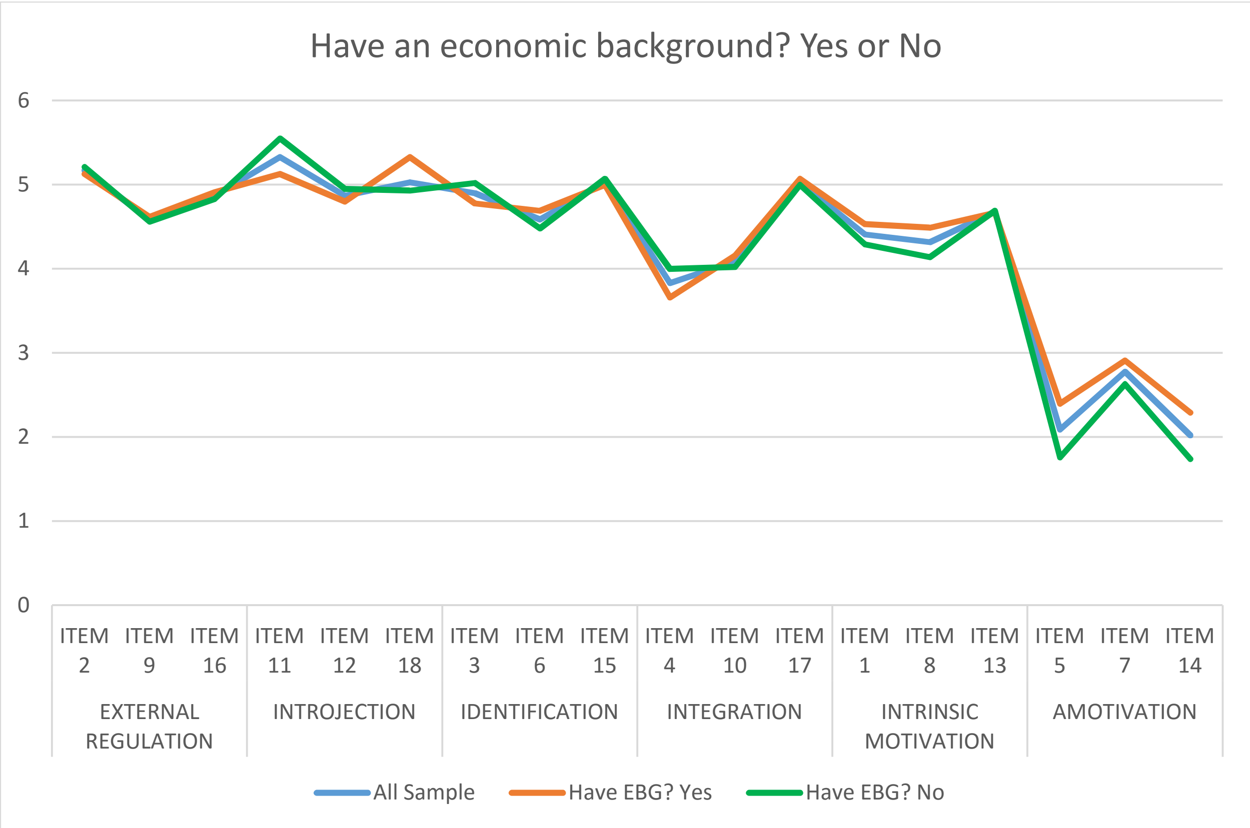
Intrinsic Motivation – This type of motivation has been characterized by similar results in all items: 4,41 (ITEM 1), 4,32 (ITEM 8), and 4,68 (ITEM 13). The final outcome reflects a quite clear opinion respondents have towards intrinsic motivation:

they see the importance of intrinsically motivated behaviours – in fact, roughly 50% of them declares to “Somewhat Agree” and “Agree” what all the three statements –, but these behaviours do not represent the main drive for accredited investors for using equity-crowdfunding platforms to fund start-ups. This fact is also highlighted by the fact that only 5-8% of the participants completely agrees with the items of this section. However, it is interesting to see that the highest average is associated with ITEM 13, which referred to the fun associated with use of crowdfunding (“*Because crowdfunding is a new, funny, innovative way of investing in promising entrepreneurial projects*”); in fact, this item, among the three of this motivation stage, is the one that better reflects the definition of motivation given by the authors of Self-Determination Theory, Ryan and Deci: “*Intrinsic motivation is defined as the doing of an activity for its inherent satisfactions rather than for some separable consequence*”. The final average marked 4,47, which is higher than Integration.

Amotivation – The Amotivation’s items posted the lowest score, by far. The final average of the section is a meaningful, significant 2,30. Furthermore, respondents answered uniformly in relation to all the items. Respectively, 10,35% (ITEM 5), 16,28% (ITEM 7), and 4,60% (ITEM 14) of the participants do not agree, at any level. The outcome of this section represents a strong condemn by the crowd towards the current approach to crowdfunding of accredited investors. It is noticeable that Internet users think that crowdfunding and the institutional financing system should cooperate, rather than fight against each other. In this regard, it is significant that the lowest average, among all items of the questionnaire, is associated with ITEM 14 (“*They should not: it is not realistic*”). It is clear that thinking crowdfunding as an unrealistic opportunity for accredited investors is an old idea, and it has to change.

Further Analyses – In the graphs below are shown the differences between respondents’ answers, according to the fact that they have an economic background (or not) and if they have (or have not) already heard the term “Equity-Crowdfunding”.





Starting with the first graph, which compares answers given by those respondents who have already heard about equity-crowdfunding and those who have not, it is possible to see that answers have been quite similar in the External Regulation part. Furthermore, participants of both groups posted almost the same averages in items related to Amotivation. Between these two stages, answers largely varied across the two groups.

For instance, in the Introjection part, apart from ITEM 17, people who ignored the existence of equity-crowdfunding marked fairly higher averages than participants who have previously learnt about this new way of financing start-ups. Then, the trend changes as we move towards intrinsic motivation. In fact, the orange line remains above the green one until Amotivation, with exceptions of ITEM 17 and ITEM 1.

Results for Amotivation are almost the same across the two sub-samples, signalling that the vast majority of participants does not see crowdfunding as an obstacle for accredited investors. This is interesting because even those people that did not know equity-crowdfunding before has somehow understood the potential benefits deriving from using equity-based platforms to find promising entrepreneurial projects and fund them.

The second graph is related to the differences, in the answers, between respondents who share an economic background and those who do not. Even in this case, External Regulation's results are almost identical within the sub-samples. The result, along with what we discovered in the previous case, tells us that the crowd strongly thinks that accredited investors should use crowdfunding in order to achieve the separable outcome they work for: profit. Therefore, the core business of these subject would not be changed by the introduction of new investment tool among their offers, but instead crowdfunding can be used to support the business strategy of banks, VCs and Business Angels.

Moving to the Introjection section, it is possible to see two big discrepancies between the sub-samples, relatively in ITEM 11, where the green line is fairly above the orange one, and in ITEM 18, where people sharing an economic background posted a higher average. It is interesting to ascertain that these big differences occur at two important items. In fact, ITEM 11 is related to the importance of comments and feedbacks that an entrepreneurial idea can receive on a crowdfunding platforms from users and customers; while ITEM 18 refers to the adoption of crowdfunding by accredited investors in order to diversify their business model. Thus, these discrepancies could represent the two approaches that characterize the sub-samples: on one hand, people who have not an economic background mostly focus on the final outcome and reason from a customer point of view; on the other hand, though, the respondents that share an economic background have principally approached the crowdfunding topic from a managerial and strategic point of view. In both cases, however, the utility of using crowdfunding platforms is evident.

In the Identification and Integration section, the two lines almost overlap; the results are quite similar, apart from ITEM 3 – the one referred to the birth of a new social community –, where people without an economic background marked a higher figure, and ITEM 4 – relative to philanthropic purposes –, where both sub-samples posted low average, but people with economic backgrounds posted a higher result – 4.00 against 3.66)

The Intrinsic Motivation part has been characterized by people sharing an economic background; they marked significant higher averages in ITEM 1 and 8. This result could be due to the nature of the statements. In fact, ITEM 1 and 8 were both related to the intrinsic, but also strategic, advantages accredited investors would have in investing in start-ups through equity-based platforms. This is also supported by the fact that in ITEM 13, where the statement had a more intrinsically motivated nature, both sub-samples performed similarly.

Finally, the Amotivation has been characterized by the major differences across the two typologies of respondents. Looking at the graph, it is possible to see that people without an economic background has more condemned, compared to the other respondents, the fact that crowdfunding would be unused by accredited investors – final averages of the section: people with EBG, 2,53; people without EBG, 2,04. As it has mentioned above, the difference in the final averages could be due to the different approaches of the respondents, given their knowledge about economics and business. Nevertheless, both sub-samples have expressed the opinion that crowdfunding should be used by accredited investors.

4.3.5. Conclusions

After having analysed the final results deriving from the answers to the questionnaire, this final section aims to verify if the hypotheses made at the beginning have demonstrated to be correct.

The first hypothesis was referred to External Regulation, and, in particular, it stated that the items' averages of this section should be the highest among the all stages of motivation. The hypothesis has revealed to be incorrect. In fact, even if the final average of this section is fairly high (4,88), it has been exceeded by Introjection, which posted a final average of 5,01. Therefore, it is possible to claim that External Regulation's behaviours surely plays a fundamental role in the adoption of equity-crowdfunding by accredited investors as a mean to find and fund profitable start-ups. However, introjected behaviours, according to the questionnaire's results, are more important drivers, especially those related to the use of comments and feedbacks to improve the product/service offered by the entrepreneurs.

The second hypothesis was related to the other stages of extrinsic motivation, and it proposed that the associated averages to each stage would decrease as they move towards intrinsic motivation. Furthermore, it also supposed that all the averages of the other stages – Introjection, Identification, and Integration – should be lower than External Regulation's. In this case, the primary hypothesis has proved to be correct, as the final averages decrease as they move towards intrinsic motivation: Introjection (5,01), Identification (4,84), and Integration (4,31). However, as it has been stated above, Introjection's final average exceeds External Regulation's.

The next hypothesis was relative to the Intrinsic Motivation section and it proposed that the associated averages of this part would be lower than those related to External Regulation. In this case, we can claim that the hypothesis was correct, as the final average of Intrinsic Motivation has been 4,47 (External Regulations = 4,88).

In the end, the hypothesis about Amotivation supposed that all the items of this section should mark very low figures. The hypothesis, indeed, is strongly correct, and this fact is grounded by the final average: 2,30. This results signals the strong position of the crowd against the approach to crowdfunding that accredited investors have shown so far. Respondents do not see why investors should avoid using crowdfunding platforms.

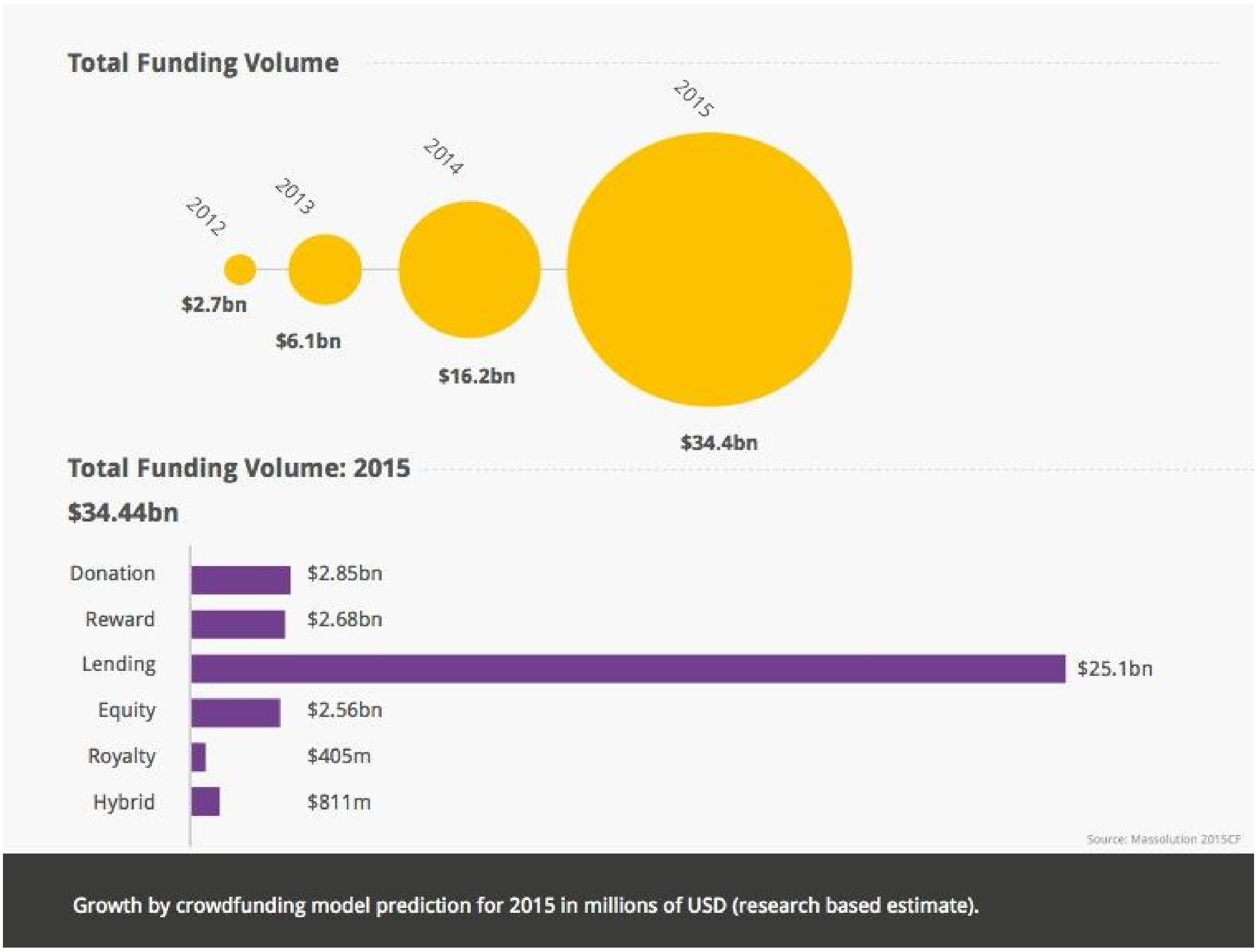
5. The Future of Crowdfunding

The following section presents the new scenarios deriving from the growth of the crowdfunding phenomenon. The advent of this new way of financing have already changed the investment environment, but more things are going to change in the next years. The chapter will touch the new trends and the relationship between crowdfunding and other subjects operating in the financing ecosystem.

5.1. Crowdfunding: the new primary resource of funding?

As it has been stated in the previous section, crowdfunding could definitively be used to fill some of the *funding gap* faced by SMEs and start-ups. In other words, it represents one of major alternatives new companies have to find investments. The question now is: will crowdfunding become the most important one among these funding alternatives?

It is appropriate to report again the estimates related to 2015:

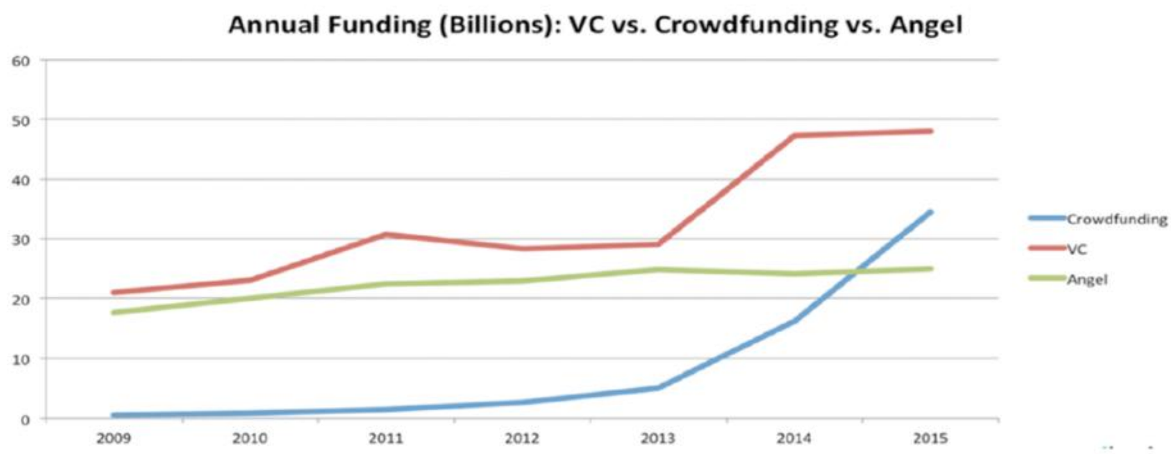


Source: *Massolution.com, 2015*

Moreover, a recent estimate made by the World Bank claims that the crowdfunding market will achieve the impressive figure of $90 billion of investments by 2020. Actually, if the trend seen in the last five years would remain constant, the $90 billion figure will be already achieved by 2017.

The World Bank's estimate takes into account that in many countries only the "*accredited investors*" have access to *equity-crowdfunding*. Therefore, it excludes all of those *private investors* that will be able to invest capital through *equity-crowdfunding* platforms as soon as the legislations would change.

A study made by Crowdcube.com (2015) claims that, by the end of 2016 the crowdfunding market value could exceed not only the *angel investors'* market but also the one of *venture capital*:



Source: *Crowdcube.com, 2015*

5.2. The evolution of crowdfunding, the new trends and the relationships with the other subjects of the financing environment

Are there traditional subjects that could have a "complementarity" with crowdfunding? Or, in other words: is it possible to collect evidence that shows how crowdfunding is – or could be – a sort of "bridge" that connect all the well-established financing institution? Furthermore, can the crowdfunding become a means, an instrument that all the traditional subjects would, enhancing the synergies inside the financing ecosystem?

In order to shed the light on these questions, some empirical evidences – in particular, *case studies* – will be presented in the following sections, with a deep focus on the relationships crowdfunding has with:

1. *Venture Capital* funds
2. *Corporate Crowdfunding*
3. *Banks*

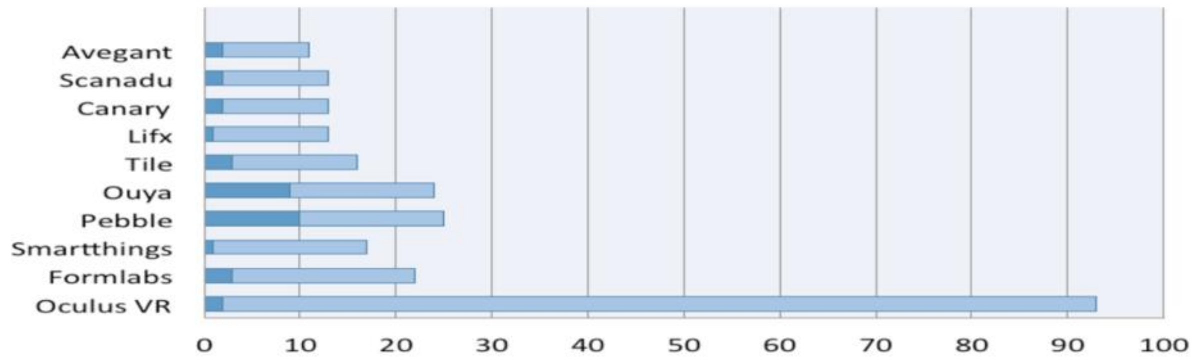
5.2.1. Crowdfunding and Venture Capital funds

According to an estimate made by CB Insight in 2013, out of all the projects that, through crowdfunding, have been able to reach the threshold of $100.000, 10% of those has been then financed by *Venture Capitalists*. The estimate is interesting as well as significant: in fact, it shows that *Venture Capitalists* are indirectly exploiting crowdfunding platforms to discover projects that they are going to finance in the future.

"*The way we see it is that crowdfunding funds the product, and then VC funding funds the company*" claimed, in 2014, Andrew Kippen, Head of Marketing Operation at Canary, which has been one of the most famous cases of start-ups that were initially funded through crowdfunding campaigns and then by VCs. Essentially, crowdfunding campaigns allow VCs to gather valuable information about the project, such as trends about the product, even before financing it. In relation to this aspect, Steve Schlafman of Lerer Ventures during the same year (2013) affirmed: "*Before Kickstarter it was hard to show consumer appetite, that's changed now… Now, you can show validation for your idea when, historically, that did not exist!*". This represents another evidence of how precious crowdfunding can be for *Venture Capitals*, especially when they have to obtain validations on consumers' preference before testing them.

In order to collect empirical facts, an analysis have been made. The analysis aims to outline the 10 most important cases of start-ups that saw the light thanks to crowdfunding and, then, received significant financings from *Venture Capital* funds.

Top 10 – Start-ups funded firstly by crowdfunding and then by VC funds



	Oculus VR	Formlabs	Smartthings	Pebble	Ouya	Tile	Lifx	Canary	Scanadu	Avegant
Crowdfunding ($M)	2	3	1	10	9	3	1	2	2	2
VC Funding ($M)	91	19	16	15	15	13	12	11	11	9

Source*: Personal elaboration – Data from: Indiegogo.com, Kickstarter.com, CrunchBase.com (2014)*

Danae Ringelmann, one of the founders of the platform Indiegogo.com, during an interview in 2014, claimed: "*We're seeing Indiegogo become an incubator platform for traditional financiers to come in and discover new ideas. A successful crowdfunding campaign helps prove to VCs, angel investors and banks that there is a demand for a product in a marketplace, removing some of the risk from the equation*". It interesting to highlight the choice of the term "*incubator platform*"[11], which perfectly describe the new role played by crowdfunding platforms towards VCs.

5.2.2. Crowdfunding and the Corporate Investment: Corporate Crowdfunding

In the literature, the *corporate crowdfunding* phenomenon has been recently introduced. In this sense, the initiatives are still too little in order to make some estimates on the future scenarios. Nonetheless, a new trend can be detected, as some successful cases have happened in recent times (they will be evaluated in the next sections).

One of the reasons of the rise of this phenomenon is strictly linked with one of the crowdfunding's limits: the incapacity of new entrepreneurs to attract resources which have not a financing nature. In other words: obtaining an adequate capital is certainly

[11] Woods, Ben (2015). Indiegogo's co-founder on ethos, safeguards and how crowdfunding is becoming an incubator for VCs. Retrieved from: http://thenextweb.com/insider/2014/07/03/indiegogos-co-founder-ethos-safeguards-crowdfunding-becoming-incubator-vcs/#gref

crucial, but start-ups will soon need *expertise*, *competences*, *knowledge*, and *network*. In this regards, big companies, with a solid and innovative corporate strategy, can have a major impact in the start-ups' environment, as they can bring not only significant financing resources, but also a strong *know-how*.

Even if there is not a definition which is unanimously adopted, it is possible to define *corporate crowdfunding* as the discipline in which companies stimulate the collective investment process with the objects of:

1. Investing and supporting the most promising start-ups
2. Launching crowdfunding campaigns to test new entrepreneurial ideas
3. Collaborating with the existing communities and platforms to create initiatives of *social responsibility*

***5.2.2.1. Corporate Crowdfunding* – Investing in promising start-ups**

The approach, here, is to settle *partnership* with crowdfunding platforms in order to more easily obtain ideas and discover opportunities to invest in. For instance, on 4th of November 2013, General Electric officialised a partnership with *OurCrowd*, which the company leader in equity-crowdfunding in Israel. Furthermore, according to 2015 charts, thanks to the city of Tel Aviv, Israel ranked 1st in Europe (5th in the World) as start-up ecosystem.

Jeff Pulver – an Internet entrepreneur who is considered one of the leading experts in the field of streaming audio and video technologies –, few days after the announcement claimed: "*What you're seeing with GE is foreshadowing of where the World is going, and for an entrepreneur to have a resource like GE is mutually beneficial relationship for both parties*"[12].

This partnership has been defined "*a game changer*" by Forbes magazine (2013); Mark Feldman, famous collaborator of Forbes magazine and author of the article where the partnership is examined, said that what GE and OurCrowd did would revolutionize

[12] Fidelman, Mark (2013, 12th November). Here's What General Electric's (GE) Big Bet On Crowdfunding Looks Like. Retrieved from: http://www.forbes.com/sites/markfidelman/2013/11/12/heres-what-general-electrics-ge-big-bet-on-crowdfunding-looks-like/#7ad902b05002

the investment environment, especially for VCs and business angels. In fact, Feldman affirmed in the article that VCs and angels have not understood the impact of a partnership between a big corporate (GE) and a leading equity-based crowdfunding platform (OurCrowd). Feldman's reasoning was as simple as straightforward: VCs and angels are able to bring competences and financial resources, but none of them, not even the best ones, would be able to offer the same level of expertise of General Electric, – or of any other big company that will adopt this strategy. This is the reason why, according to Feldman, big corporate companies will be in the best, strategic position to acquire promising and winning start-ups.

As it has been stated above, this strategy seems to bring benefits for both parties: start-ups will have access to significant resources – financial and not –, corporates will be favoured in the acquisition of the start-ups against other investors, such as VCs and angels. This fact is supported by what other big corporates did after the GE – OurCrowd partnership had been officialised. *Procter&Gamble*, *Johnson&Johnson*, *General Mills*, and *Virgin America* stipulated a partnership with the same famous equity-crowdfunding platform, *CircleUp*, whose focus has always been the *consumer retail* sector. The main aim of these partnerships was to offer physical spaces to the start-ups as well as big opportunities in terms of coaching. On the other hand, the big companies would have received insights and the possibility to acquire the most interesting and promising start-ups. This strategy can be seen as a ne way of doing R&D.

Since 2012, CircleUp has helped more than 120 companies to raise more than $135 million; on average, these companies have seen their turnovers to increase by an annual 86%. According to the CEO and founder of CircleUp, Ryan Caldbeck, there is a sector full of potentialities where private equity funds do not invest. In particular, CircleUp offers financing opportunities to early-stage companies with an annual turnover of $10 million, which is too big for the business angels as well as too small for private equity funds (Financial Times, 2013)[13].

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[13] Dembosky, April (2013, 29th January). P&G joins forces in search for start-ups. Retrieved from: http://www.ft.com/cms/s/0/c126cd1c-6a0d-11e2-a80c-00144feab49a.html

Mr. Caldbeck also focuses on the differences related to different sectors in which start-ups operate; he stated that the sector strongly influences the start-ups' capacity to attract investments. Therefore, CircleUp has started to offer reports with the major trends of 18 product categories, such as *pet foods*, *beverages*, *snack foods*, and *infant products* to these big corporates. The information concentrate on the analysis of the categories where it has been observed the biggest request of capitals, along with the names of the start-ups that have obtained greater interest. For instance, *Virgin America* has declared that the partnership with CircleUp will be used to find new snacks and beverages to offer on board during flights.

As the partnership has a twofold nature, it is also interesting to analyse what the big corporates offer in exchange. About this, *Procter&Gamble* offers mentoring activities to the founders, as well as legal and strategic aid in order to close deals and joint ventures. In this sense, the company works as an incubator for the start-up. Moreover, *General Mills* has officially announced that it will not only offer capital, but will also act as a real partner by bringing in its expertise in critical business operations, such as *supply chain management*, *research*, *finance*, and *marketing*. The transfer of knowledge could significantly improve the start-ups' growth rate, and this type transfer is what crowdfunding has missed so far.

5.2.2.2. Corporate Crowdfunding **– Launching crowdfunding campaigns to test new entrepreneurial ideas**

Another interesting utilization of crowdfunding which is becoming more important and crucial is the one who sees big multinational companies exploiting crowdfunding platforms to launch campaign in order to test crowd's interest towards new innovative ideas developed by companies' departments. There is a substantial difference with what we have seen in the previous paragraph. In fact, in the former case the corporates invest money in startup developed by other people, aiming to acquire them if they show economic potential. Here, instead, companies are directly testing their own ideas.

Clearly, the level of investments raised by the new product/service, along with the nature comments left by the people, will represent the key indicator during the evaluation of the potentialities of the new idea. Furthermore, all the process often occurs in an anonymous form, through alias. By doing so, the company should be sure to avoid personal prejudices and influences about the company itself that could alter the results.

An important case took place in December 2014: the multinational company and technology worldwide leader Sony decided to make use of a famous Japanese crowdfunding platform – called Makuake. The objective was to test some new products, in particular the so-called *e-ink smartwatch* and *new e-paper FES Watch* (2014, Crowdfundinsider, Samantha Hurst). The initiative was a complete success; the results were so interesting that Sony decided to replicate this strategy by creating a new campaign to test a *smartlock*[14].

Another example is represented by a company called Marvell Tech – leader in the semiconductors sector, with a turnover of more than $3 billion in 2014. The company launched on the market a product called Kinoma Create (a toolkit made of a hardware and a software) after having tested it on the crowdfunding platform Indiegogo. The trend appears clear: the hardware company as well have a significant advantage in directly linking with the potential consumers before launching a *full-scale manufacturing*. "*The backers' voice is much more revelant than any focus group we could organize*" recorded Peter Hoddie, vice-president of Marvell; Mr. Hoddie also said: "*We have received many feedbacks from the people and brought adjustments to the product based on their judgements and opinions*"[15].

Finally, the last case involves Misfit, a company that invents and manufactures wearable computing products. In 2014, Misfit was able to raise $850.000 thanks to a crowdfunding campaign – the goal was settled at $100.000 –, even if the company had previously received an investment of $7.6 million from Khosla Ventures and Founders Fund. Furthermore, the company also received another tranche of $15 million from other VCs after the success of the campaign.

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[14] Hurst, Samantha (2014, 12th December). Brief: Sony Hits Crowdfunding Platform Makuake to Raise Funds For New Smart Lock. Retrieved from: http://www.crowdfundinsider.com/2014/12/59223-brief-sony-hits-crowdfunding-platform-makuake-raise-funds-new-smart-lock/

[15] Rosman, Katherine (2014, 9th July). Crowdfunding Isn't Just for the Little Guys. Retrieved from: http://www.wsj.com/articles/crowdfunding-isnt-just-for-the-little-guys-1404955610

Therefore, the question becomes obvious: why Misfit created a crowdfunding campaign to raise few thousands of dollars when the money was not even close to be an issue? Because the final objective of the campaign was not to raise money, but to test the public opinion in order to persuade big retailers, such as *Best Buy*, to sell Misfit wearables. The result deriving from the crowdfunding campaign suggested the company to launch the product simultaneously in 30 countries during the first three months. "*It was almost embarrassing that we were doing crowdfunding because we didn't need the money in the ways that other companies did*"[15] said Sonny Vu, CEO of Misfit. This is another demonstration of how the role crowdfunding is changing; it plays different roles from those it was born for, nonetheless less important.

5.2.2.3. Corporate Crowdfunding **– Intensifying and developing initiatives of social responsibility**

Another relevant topic is the possibility, especially for big companies, to exploit the crowdfunding mechanism in order to generate and promote initiatives in the field of *social responsibility*. To do that, big firms could collaborate with specific communities, as well as work directly with crowdfunding platforms. It could also happen that companies themselves would launch their own platforms, which could be created *ad hoc* for this specific purpose.

One of the most famous cases in this field is represented by Coca-Cola. In 2014, the Company released a peculiar initiative. A Mexican brand that produces water, called Ciel, which is owned by Coca-Cola, launched *ex-novo* a new crowdfunding platform, called "Transformadora Ciel". The platform could be used just by *social entrepreneurs* and it gives the possibility to them to present their ideas. If the pitch would pass different selection steps, then Ciel would create and promote a crowdfunding campaign. The objective of the campaign is obviously to raise money for the project presented by the entrepreneur.

It is relevant to highlight that Ciel would give the 50% of the final goal in each project that would pass the selection project. During the first two months, the platform has greatly performed, marking interesting and unexpected numbers: 1320 registered users, 450 investors, 75 ideas and $275.000 raised (roughly 3.5 million of Pesos) (Massolution, 2015).

5.2.3. Crowdfunding and Banks

During its expansion, the crowdfunding is slowly activating a real evolution of the financing environment, by getting involved – as it has been seen so far – a multiplicity of actors and objectives that have never been related before. In this scenario, it is becoming more important the relationship between crowdfunding and the banking system. This recent and innovative relation could represent a major step towards the creation of a proper ecosystem of investment.

In particular, some of the most important banks worldwide have started to establish partnerships with crowdfunding platforms. The main objective of this strategy is to expand their offer in order to serve market segment – start-ups and small entrepreneurial projects – that have been largely ignored in recent years.

An important research, made by BBVA bank at the end of 2014, stated:

"*Crowdfunding platforms are not banks, and yet they offer loans and brokerage services to individuals and small businesses like any other bank would do. They currently serve the "bottom of the market", but that doesn't mean they cannot reach upper segments. In fact, by the time crowdfunding platforms appeal to mainstream costumers it will be too late for banks to catch up with the new trend. And there is a real risk that banks stop being the primary source for personal and small businesses loans. Therefore, it is important that commercial banks devote resources to understand and potentially benefit from this kind of disruptive technologies*".

The question now is: how could concretely work a partnership between a bank and a crowdfunding platforms, two subjects that are completely different and, in some ways, competitors?

The first example is related to the case of Santander bank. On the 18th of June 2014, the Group announced a strategic partnership between Santander UK and the crowdfunding platform Funding Circle. The partnership was structured as it follows: the

Bank committed itself to assume an active role in signalling to the platform thousands of small British businesses that are supposed to be potentially valuable. The clear objective is to help these entrepreneurial projects to have more easily access to the monetary resources they need to operate. This sort of references is directly posted on the bank's webpage, as well as through letters that are sent to the clients requesting loans. The CEO of Santander UK, Ana Botin, regarding the partnership, commented: "*SMEs need access to multiple sources of finance, and Santander's partnership with Funding Circle is a good example of how traditional and alternative finance can work together to help the nation's SMEs prosper*"[16]. This concept, highlighted by the words of Mrs. Botin, represents a revolutionary view in the financing sector. In fact, these partnerships will allow a cooperation between traditional – the banking system – and alternative – crowdfunding – ways of financing.

Santander UK, however, is not the only example. Another giant of the banking sector, BNP Paribas, few months after the Santander – Funding Circle partnership, officialised a strategic partnership with the platform *MyMicroInvest*, leader in the Belgian market. Similarly to what Santander did, the partnership was done with the final goal of cooperating in order to promote private businesses in Belgium. Moreover, on the official website of BNP it is possible to find a statement, which represent the new view of bank towards crowdfunding: "*If you as a company wish to widen your funding base and tap into an alternative funding source besides lending and share capital, then crowdfunding could be the answer*".

The partnership has been followed by other initiatives, such as the "Live Crowdfunding Event", which has been launched by MyMicroInvest and sponsored by BNP Paribas. It consists in: "*Four carefully selected start-ups have 5 minutes each to present their funding needs to an audience of investors and an expert panel comprised of Belgium's most important Business Angels. Investments from the crowd will be made in real time, with amounts starting from €100, directly on your smartphone*" (MyMicroInvest.com). All the "Live Crowdfunding" events have been live, visible on

[16] Jones, Natasha (2014, 18th June). Funding Circle & Santander announce partnership to support thousands of UK businesses. Retrieved from: https://www.fundingcircle.com/blog/2014/06/funding-circle-santander-announce-partnership-support-thousands-uk-businesses/

streaming, allowing, therefore, a larger number of people to attend and, consequently, invest.

Other examples come from small and medium banks. For instance, the Belgian bank Belfius will “redirect” entrepreneurs looking for investments to the platform *Angel.Me*, thanks to an official partnership. As it has been seen in the previous paragraph, this is another example of a bank organising events with the platform to promote the use of crowdfunding as well as valuable entrepreneurial projects. Furthermore, in 2014 a Canadian bank, ATB Financial, created and launched its own platform – “Alberta BoostR” –, which focuses on local businesses. ABN AMRO, a famous Dutch bank, did the same, by creating a platform called “Seeds.nl”. The platform has a social goal, gathering projects which have an impact on social, educational, and environmental issues. Finally, the German Fidor Bank AG, which offer a crowdfunding service to its clients.

Hence, banks are slowly entering in the crowdfunding market. This fact highlights a clear trend that has to be taken into consideration by whichever stakeholder operating in the startups and SMEs ecosystem. Furthermore, this trend has been confirmed by a fundamental research made by BBVA in 2013: “*Crowdfunding is a disruptive innovation that commercial banks cannot ignore. Perhaps, for the first time in history, business and individuals have access to an unprecedented source of capital created from the small contributions of millions of individuals around the world. This is good news for individuals and entrepreneurs, who may never have to worry about not being able to access traditional lending sources or using more expensive funding solutions to finance their projects. It is also good news for small investors seeking a higher return than conventional investment products. For banks, crowdfunding poses a challenge. From here on, they will face a new competitor with lower operating costs, a different approach to risk management and a simpler product offering. To what extent crowdfunding platforms will displace commercial banks in the retail and small business segments remains to be seen. However, banks should be prepared for this trend and make it work to their advantage*”.

6. Final Conclusions

The study has presented the crowdfunding phenomenon and its four models, the Self-Determination Theory developed by Ryan and Deci, and the new trends associated with the evolution of the role of crowdfunding within the financing ecosystem. Moreover, the third chapter has included the application of Self-Determination Theory to the case of three accredited investors – Banks, Venture Capitalists, and Business Angels –, along with a survey that wanted to investigate the crowd's opinions towards the reasons why these categories of investors should use equity-crowdfunding platforms to fund start-ups. This last section aims to recap what has been studied and discovered throughout the all study.

In the first chapter, it has been analysed the crowdfunding tool, with a particular focus to the four established models – donation-based, reward-based, lending-based, and equity-based. The section has also highlighted the differences between backers, according to Kuppusamy and Bayus (2013); they have identified three typologies of backers: Donors – backers with no compensation expectations –, Funders – backers that seek benefits that could have a financial nature –, and Investors – backers that want to receive equity of the funded projects/start-ups.

Furthermore, it has been described the differences within the same crowdfunding model. For instance, it has been seen that the reward-based includes three typologies: the "modal" donation, which is the most known one and it provides for a reward, the pre-order, where the backers are guaranteed with a copy of the funded project, and the royalty-based model. The former one has been rapidly growing for the last years, as this model shares some feature of the reward-based as well as some of the equity-based; therefore, people has started to think about royalty-crowdfunding as completely autonomous model, with no links with any other existing one. The lending-based model, as well, encompasses three categories, according to Kirby and Worner (2014): the Client Segregated Account model, where the platforms simply match borrowers' funding needs with lenders' funding disposals, the Notary model, where the platforms do the same as in the CSA model but they also collect the money and issue a note to the lenders, and the Guaranteed Return model, where the platforms issue the loan directly to the borrowers.

The chapter, then, continues by giving a market overview of crowdfunding worldwide. The focus has been put on the geographical areas that most invest through crowdfunding platforms, the total amount of money raised by each model, and the typologies of activities that have received investments through crowdfunding campaigns.

In the end, the legal environment has been described, with a specific interest in the new developments regarding the non-accredited investors. In fact, as it has been mentioned in the chapter, Governments have acknowledged the urgency of including also non accredited investors within the set of persons that could invest in equity-based platforms. In particular, United States and Italy have recently changed their legislation in order to admit a larger set of people to use this financing tool, by lowering the previous, stringent requirements.

In the second chapter we have seen the characteristics of the motivational framework called Self-Determination Theory. The framework, developed by Ryan and Deci, divides motivation in two categories: intrinsic and extrinsic. The former is defined as "*the doing of an activity for its inherent satisfaction*", that is doing something because it is inherently interesting or enjoyable; extrinsic motivation, instead, is "*a construct that pertains whenever an activity is done in order to attain some separable outcome*".

The section has also detailed the other stages of motivation: Amotivation, External Regulation, Introjection, Identification and Integration. Amotivation is characterized by the individual's lack of intention to act; this can derive from not valuing an activity, not feeling competent to do it, or not believing it will yield a desired outcome. The other stages, instead, are organized to reflect their differences in the degree of autonomy or self-determination. External regulation, for instance, includes behaviours that are usually performed to satisfy an external demand or obtain a reward; this stage is therefore characterized by an external perceived locus of causality. Introjection occurs when individuals perform specific activities in order to avoid guilty or anxiety, as well as to attain ego-enhancements or pride. Even in this case the perceived locus of causality is external, although introjected behaviours are internal to the person. Identification is more autonomous: the individual has identified the personal importance of a behaviour and he (or she) has accepted its regulation as his or her own. Finally, Integration takes place when identified behaviours and regulation have been fully assimilated to the self.

Finally, the analysis of the framework ends by taking into consideration the social contextual conditions that support one's feelings of competence, autonomy, and relatedness. They represent the basis for the conservation of intrinsic motivation and the necessary requirements to become more self-determined with respect to extrinsic motivation.

The third chapter has seen the application of Self-Determination Theory to the case of three typologies: Banks, VCs, and BAs. It starts by analysing the stages associated with extrinsic motivation. The first to be studied has been External Regulation, as all the investors are profit-oriented; crowdfunding seems to represent a new opportunity for them to find profitable start-ups, as equity-based platform allow to have a free view of the new entrepreneurial proposal. Although each category studied has different investment strategies, they all can pull benefits from using crowdfunding platforms, and this fact is highlighted by data related to the market value of crowdfunding. Amotivation for crowdfunding takes place in different modes for the accredited investors. Banks could see investing in start-ups through equity-based platforms as inconvenient, because investments through crowdfunding platforms are characterized by tendencies that are completely different compared to usual financing startegies; VCs usually do not invest in entrepreneurial projects that are characterized by high level of risk, and crowdfunding platforms are typified by the presence of a great percentage of risky start-ups; Business Angels can be amotivated given their feeling of incompetence toward crowdfunding, as well as because crowdfunding projects often lack of the information to evaluate a project.

Introjected behaviours are those related to the use by investors of comments and feedback posted on platforms to improve the final outcome, the possibility for the banks to enlarge their services offer towards their clients by adding crowdfunding, and the diversification of investors' business model. Identification mostly refers to the possibility for investors to put their professional expertise into the development of the start-ups. In this way, accredited investors would play a strategic and active role by bringing into the project their resources, networks, knowledge and competences. Integration, instead, would occur when investors will radically change their opinion about crowdfunding, as today they see it as a potential threat, rather than an enormous opportunity.

Finally, the survey has confirmed out main hypothesis about the relationship between accredited investors and crowdfunding. In fact, the respondents have posted significant low averages in the items related to Amotivation, signalling that they view crowdfunding as new opportunity for investors: something that cannot be set aside anymore. Moreover, all the respondents have confirmed the importance (for investors) of using crowdfunding platforms to fund start-ups because they can understand the feeling of the crowd towards a project by looking at the comments posted by the users. In this way, the final outcome would be shape according to the customers' preferences and, consequently, the related level of risk decreases. The lesson of this chapter is that accredited investors' approach towards crowdfunding should definitively change, as the crowd, that Internet users, strongly condemn their current positioning in this market. Therefore, Banks, VCs, and Business Angels have to implement some crowdfunding tools in order to enlarge their offer of services for their clients, as well as to more easily find the most promising and profitable start-ups.

The study concludes with the evolution of the crowdfunding market, the new trends and the relationships with the other subjects operating in the financing environment. Firstly, it has been analysed the relationship between crowdfunding and Venture Capital funds. In that section, it has been mentioned an interesting fact: out of all the projects that have been able to reach the threshold of $100.000 thanks to crowdfunding, only 10% of them are then financed by Venture Capitalists. This fact is significant as it tells us two different things: on one side, it shows that Venture Capitalists are somehow indirectly exploiting crowdfunding platform to discover interesting projects, on the other hand, though, 10% is a very low percentage and it confirms that a big piece of the market has not been already considered.

Secondly, it has been covered the topic of Corporate Crowdfunding, defined as the discipline in which companies stimulate the collective investment process with the goals of: investing and supporting the most promising start-ups, launching crowdfunding campaigns to test new ideas (market testing), and collaborating with existing communities and platforms to create initiatives of social responsibility.

Finally, it has been investigated the relationship between crowdfunding and the banks. In particular, the cases of Santander UK and BNP Paribas, where two of the most famous banks in the World have started partnership with crowdfunding platforms, in order to give an easy access to capitals to national businesses and allow them to operate. Moreover, a banks itself, BBVA, in a research made in 2013 stated that crowdfunding is an innovation that banks cannot ignore: they should be prepared for this trend and make it work.

To conclude this study, a last consideration has to be made. Crowdfunding has totally proven to be a disruptive innovation in the investment environment and it has already changed the way start-ups attract capitals. Ignoring this trend would be not only a strategic mistake, but also a wrong approach towards the directions that economy in general has undertaken. If the Governments worldwide would agree upon a common legislation in order to lower the barriers that obstacle the free use of crowdfunding platforms, we will probably see a revolution where every single start-up will be funded by hundreds of people. Crowdfunding represent an efficient way to attract money, as well as to promote and meliorate any entrepreneurial idea.

Thanks to crowdfunding, the future of financings has just started, we have just to make it last and flourish.

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