

Assignment Cover Sheet



Student Number:	C1665704		
Module Code:	CPT898	Date:	11/9/16
Essay Title:	Summative Assessment 1		
Required Word Count:	1000	Actual Word Count:	996

## 1 Research Question (85 words)

What potential factors or effects may affect the crowdfunding?

My research aims:

- What factors from the information of the project, such as the project category or purpose of the project, may attract potential investors to participate the crowdfunding?
- Whether and how do Social activities, such as the referrals on the Facebook and the number of post in the twitter, impact the performance of crowdfunding projects?
- Whether there exist herding effect or information cascades and how do they affect the success of crowdfunding?

## 2 Research Field (156 words)

My research is located in the field of Account and Finance, which may include financing process for an entrepreneur (Mollick 2014, Kuppuswamy and Bayus 2015). Meanwhile, this topic also involves the Behavior finance and social science (Mollick 2014, Kuppuswamy and Bayus 2015, Zhang and Liu 2012, Zhe and Freedman 2014, Zvilichovsky et al. 2015). Moreover, because crowdfunding platforms are built up based on the internet, few researchers have attempted to combine crowdfunding with the Data Mining and AI, which may be related to the computing science section (Xu et al. 2015).

The limited literature intends to uncover the properties of crowdfunding and try to find the divergence from the traditional finance. More importantly, a vast of research articles focus on the Behavior finance and social science with the different Ontological and Epistemological Views or Methodologies. Some of them choose the critical realism approach to investigate the social phenomena (Ryan et al. 2011, Ley and Weaven 2011). And others choose positivism approach (Valančienė and Jegelevičiūtė 2013, Galuszka and Brzozowska 2016, Mollick 2014, Kuppuswamy and Bayus 2015).

## 3 Epistemological perspective 1 (147 words)

Positivism:

The Positivism is firstly described by Comte (1970), that believes that the real world, such as society, operates based on the general laws (Comte et al. 1975), and postulates a "real" but apprehend-able reality that exists external and objective to the observers' senses (Gray 2013, p.20).

Positivism advocates the use of rigorously scientific method to explore reality or the object of inquiry based on the observable and measurable valid knowledge (Thomas and Larrain 1981) or empirical evidence (Macionis and Gerber 2002).

The positivists in the natural and social sciences share common logical procedures and statistical methodology, utilising existing theories to develop and test a hypothesis for developing further ideas (Olesen, 2004).

Furthermore, the scientific methods used by positivists chiefly are the quantitative methods for developing the causal relation between independent variables and dependent variables and emphasis on verification of hypotheses, impartiality, objectivity and repeatability (Aliyu et al. 2014).

#### 4 Epistemological perspective 2 (149 words)

##### Critical realism(CR)

Critical realism is initially produced by Bhaskar (1975). The first tenet of CR is that the reality exists independently of human beliefs and behaviour, (May 2011). However, some idea argues that reality contains two sides of knowledge: transitive phenomena---changing knowledge, and intransitive objects of knowledge, which do not depend on human activities (Bhaskar, 1998).

Furthermore, critical realism can be depth-stratified by (Bhaskar 1975, Sayer 2000):

- The real: (causal) mechanisms or structures and co-produced changing phenomena
- The Actual: observable and unobservable events
- The Empirical: Experiences and empirical observations

Critical realists believe that not all the mechanisms are observable (Zachariadis et al. 2010), and also recognise that the existence of these unobservable structures can be proved by several observable events (Andrew and Collier 1994). Thus, it may be possible to understand the social reality, particularly unobservable entities, by studying causal mechanisms behind the changing social phenomena (Zachariadis et al. 2010).

#### 5 How has the perspective identified in box 3, above been used in your field of research? (160 words)

Currently, Positivism is the main Epistemological Views on the crowdfunding, particularly on the behaviour finance:

- Valančienė and Jęgelevičiūtė (2013) apply the positivism approach to investigate the strength and weakness of the crowdfunding. They find that marketability, the convenience to raise money, welfares from social interactions, flexible decisions for entrepreneurs are the advantages of crowdfunding, and weakness involves accounting issues, the safety of idea, weaker protection and fraud.
- Mollick (2014) estimates three different regression models to attempt to discover the causal relationship and evaluate the magnitude of linkage between the performance and factors. He finds that personal social networks and underlying project quality have a strong positive relation to the chance of success and geography present a strong component to the nature of online entrepreneurial financing.
- Deutsch et al. (2015) present a theoretical model to empirically analyse voluntary private contributions to public goods and the role of seed money. They find A positive change in contribution behaviour between prior contributions and subsequent contributions and the signal embraces the number of contributors and the average contribution.

6 How has the perspective identified in box 4, above been used in your field of research? (147 words)

Critical realism analysis has gradually been utilised in the social science and behaviour finance. Currently, there are still few articles on this Epistemological views:

- Ryan et al. (2011) use a case study to investigate users of crowdfunding platforms on motivation and peer influence. The part of results shows:
  - A large number of users can be seen as the intrinsic reason;
  - Frequency and amount reflect the motivational reasons;
- Ley and Weaven (2011) demonstrate the critical realism approach to investigate agency dynamics in crowdfunding models, which obtain unobservable factors. They interview 11 venture capitalists to obtain the qualitative data (convergent interviews) that provide early stage financing. And they find that agency dynamics in crowdfunding models involve:
  - investor specific factors
  - ex-ante and ex-post investment factors
- Schwienbacher and Larralde (2010) develop the first descriptions of crowdfunding by using a brief case study on the French Music crowdfunding SMEs. They describe crowdfunding as “an open call”.

7 Choice and justification of epistemological framework selected for research question in box 1, above. (152 words)

I prefer to adopt those both epistemological frameworks to study my research questions. The reason for selecting both epistemologies is the limitation of positivism approach.

Although, most articles choose the positivism as epistemology to analyse or develop the relation between the factors and performance of crowdfunding (Valančienė and Jęgelevičiūtė 2013, Galuszka and Brzozowska 2016, Mollick 2014, Kuppaswamy and Bayus 2015). However, the positivism approach is not entirely satisfied the requirement of study. There still exist some unobservable structures, which cannot be covered by the positivism (Ley and Weaven 2011). Meanwhile, some research may involve not only the quantitative research but also qualitative research (Ley and Weaven 2011, Ryan et al. 2011). Thus, the critical realism is essential for the comprehensive study.

Ryan et al. (2011) not only adopt case study to investigate motivational reasons and relations, but also regress a model to analyse the potential factors influencing the funding behaviours. Expect the fundamental reason and motivational reasons; the age does change the investor's behaviours.

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