

## Crowdfunding: Tunisia's new challenge

Afef SAHLI

*Faculty of Economics and Management of Tunis  
University of Tunis El Manar*

### I. INTRODUCTION

Crowdfunding, or participatory financing, is a financial innovation that enables project owners to raise funds directly from individuals via Internet platforms (Ben Slimane and Rousselet, 2018 ; Bouzidi and Nabate, 2022). This mechanism has been around since the 1885s, and was used by journalist Joseph Pulitzer in collecting donations for the completion of the Statue of Liberty. The journalist managed to raise around \$100,000 for this action. The word "crowdfunding" was first mentioned in 2006 by American Michael Sullivan, who helped revive this phenomenon of financial subsidy. Former President Obama made history with his crowdfunding campaign, which enabled him to raise \$150 million. In France, the law was passed in 2014 after the creation of the first KissKissBankBank platform in March 2010. This revolutionary solution presents itself as a powerful communication and mobilization tool for project carriers. Our study falls within the context of social marketing, as we address the concept of giving money on social networks. As such, we aim to understand crowdfunding on social networks by identifying the variables likely to explain it. To answer the question: What are the factors likely to influence crowdfunding on social networks? We conducted a literature review and an empirical study.

### II. LITERATURE REVIEW

**Definition of crowdfunding :** Several recent research studies have addressed the subject of crowdfunding (Wallmeroth et al., 2018 ; Mochkabadi and Volkmann, 2020). « Crowdfunding is broadly defined as raising capital from an external source that consists of a large community of people » (Le Pendevenet al., 2022). Crowdfunding is participatory financing to support a project, an idea, or a company to contribute to its development (Le Pendeven and Schwienbacher, 2023). According to Lambert and Schwienbacher (2010), it is an open appeal via the Internet to obtain funding either in the form of a donation, in exchange for a reward, or in exchange for voting rights to contribute to the development of the initiative for specific projects. Several authors (Oktubre, 2018 ; Boukouyen, 2020 ; El Ayachi, 2022) argue that crowdfunding has its origins in the broader concept of crowdsourcing. This uses the crowd to obtain ideas, feedback, and solutions to develop activities within the company. According to Howe (2006), crowdfunding is one of four sub-components of crowdsourcing: crowd wisdom, crowd creation, crowd voting, and crowdfunding. Crowdfunding uses the crowd to obtain funding via platforms (Rouzé and Matthews, 2018; Berthelot et al., 2021; Oruezabala et al., 2023). According to Inariten and Angade (2023), crowdfunding is a Web 2.0 phenomenon, they state that the success factor for this type of initiative is due to the digitalization of society with a growing presence of the internet. Web 2.0 is seen as a dialogue box that facilitates web users' interaction with a site/company to create user-generated content and encourage certain online behaviors such as community or social network participation, content rating, widget use, etc.

Several authors (Vasilescu and Tudor, 2018; Dumas, 2020; Husin and Haron, 2020; Penz et al., 2022) present different forms of crowdfunding, namely donation financing, loan financing, equity financing, and invoice financing. Crowdfunding is made possible by bringing together the three main players, who are the project owner, the investor, and the platform (Boyer et al., 2016; Chollet, 2019). Several forms of donation have been studied in the literature, such as blood (Parash, et al., 2020), organs (Singh et al., 2022), gifts (Pommier, 2008), time (Bourgeon, 2013), and money (Albert, 2011). In this article, we focus on the donation of money by e-donors, as this seems to be the most common form of exchange on social networks. In the field of marketing, Le Gall-Ely (2013) defined the gift of money as "any act involving the transfer of goods or services of any kind between a donor, individual or organization, and a recipient, individual or organization, without contractual obligation or immediate consideration, intending to create a bond of a social nature". Donation has also been defined in terms of several related concepts: offering, gratuity, sacredness, relationship with others, sacrifice(...) What's more, the notion of a gift mobilizes several key elements: the context, the giver, the receiver, and the object of the gift.

Stakeholder involvement is fostered by matching platform models to their motivations. Belleflamme et al (2015) present five crowdfunding models: donation-based crowdfunding, reward-based crowdfunding, crowdlending, equity crowdfunding, and royalty-based crowdfunding.

**Crowdfunding in Tunisia:** As part of the development of innovative solutions in the world of the social and solidarity economy, crowdfunding plays an important role in creating new opportunities for social entrepreneurs in Tunisia. Tunisia recently adopted the Crowdfunding law in August 2020 to enable the creation of institutions that offer this service. In October 2016 Tunisia organized the first edition of the "Mediterranean Crowdfunding Forum" in Tunis, which was marked by strong institutional involvement (Minister of Development and International Cooperation, Minister of Finance, Governor of the Central Bank, Chairman of the ARP Finance Committee, etc.), whose interventions underlined the interest of crowdfunding in financing SMEs in Tunisia. In Tunisia, Crowdfunding, which is also known as participatory financing, has been taking its first steps for over a year with Law No. 2020-37 of August 6, 2020, relating to "Crowdfunding", adopted by a majority with 127 votes in favor with no opposition or abstentions.

#### **The principles of crowdfunding**

- a- Transparency and trust: With participatory financing, investors can choose where their money goes. Thanks to the Internet, an interaction emerges between the investor and the fundraiser. In many cases, this interaction will form a community, as the investor is kept regularly informed of the project's progress, and can give his or her opinion, to help it evolve... (Rouxhet, 2017).
- b- Creating links: When an investor participates in a crowdfunding campaign, bonds are forged not only with the fundraiser but also with other investors. According to Rifikin (2014), this phenomenon is part of the collaborative economy and, more specifically, of the consumer's desire to become a "Consumer-actor", wanting to be responsible for his or her investments.
- c- Collaboration and shared knowledge: According to Schvienbacher and Larralde (2012), interaction, communication, and the exchange of skills are essential in a crowdfunding process. For example, for high-risk projects, crowdfunding allows everyone to form their own opinion and decide whether or not to invest. According to Cialdini (1984) cited by Kahamba et al. (2021), if the project achieves the desired funding, this is "social proof" that people are interested. "Social proof refers to that tendency to believe that, if most people believe in something or act in a certain way, the better to conform to that by virtue of the idea that so many people can't all be wrong" Cieply and Le Nadant (2016).
- d- Reduced entrepreneurial uncertainty: Crowdfunding reduces entrepreneurial uncertainty because investors will pre-order a product during the campaign. The entrepreneur can therefore ensure that his project has interest and adapt his strategy according to the feedback he gets from investors (Rouxhet, 2017).

### **III. RESEARCH METHODOLOGY**

As this research is exploratory, a qualitative survey, using a semi-structured interview guide, was carried out with 20 Internet users. Raymond and Coll (2003) assert that content analysis is the most appropriate method for analyzing data collected through a semi-structured interview. A thematic analysis based on the process recommended by Bardin (1977), cited by Raymond and Coll (2003), was therefore chosen. The interviews lasted an average of 30 minutes each. All responses were recorded. Themes were identified on the basis of several listenings to the recordings. Units of recordings and units of meaning were assigned. We chose as our research perimeter the deployment of crowdfunding in Tunisia with Cha9a9a.tn "which is the associative online donation platform that enables associations and individuals to create donation campaigns and mobilize people around their solidarity/humanitarian causes, projects, or events. Cha9a9a.tn is 100% secure and easy to use. It was created by the Tunisian Association of Digital Technologies (ATTD) on the 09<sup>th</sup> of August 2017."

### **IV. RESULTS AND DISCUSSION**

The discussion of our results is organized in two stages. First, we will show that our observations make it plausible that crowdfunding is being nurtured and evolved in Tunisia. Secondly, we will focus on the factors that influence crowdfunding behavior.

**Crowd:** The crowd plays a crucial role in project communication (Onnée and Renaulte, 2014). They are likely to share about the project in a variety of ways, and platforms provide them with the right tools to do so, such as Twitter, and Facebook.

Project owners don't hesitate to ask the crowd to promote the project to their networks and acquaintances, enabling the project owner to access more distant circles. Here are just a few examples of what Internet users have done:

*"Hello everyone, we're delighted that the fundraising campaign is progressing so well, with almost 10% of our target achieved in 5 days! A big thank you to you and keep spreading our message!"*

*"Good news: we're at 20% of the fundraising total. We're counting on you to keep liking, sharing, and spreading the word over the remaining days."*

Through their advice, the crowd exerts a form of driving pressure on the project owner. Indeed, if the crowd has invested in the project, it's because they want to see it succeed.

**Confidence:** Presenting a project on a crowdfunding platform is an opportunity for the project owner to solicit the support of his or her inner circle, to see if they will support him or her in the venture. What's more, we've observed that some Internet users renew their trust and contact with the project owner thanks to the exchange offered on the platform. These interview excerpts illustrate the point:

*"I'm confident that this great initiative will bring out the best in all of us: creativity, credibility, solidarity, valuing differences..."*

*"Honestly, I'm following you with my eyes closed! I can't wait to see this new aspect of your work."*

From these discussions, we note that trust positively affects crowdfunding behavior on Cha9a9a.tn.

**E-reputation:** By studying the responses of the various participants, we found that reputation is a key factor in crowdfunding on Cha9a9a.tn. They refer to both the reputation and image of the platform and the project owner when making a decision. The platform encourages exchanges between both the project owner and his or her backers. Generally, the project owner also runs a large-scale communication campaign, intending to reach as many contributors as possible (Dumas, 2020). If the crowdfunding campaign is unsuccessful, all these players are notified, resulting in a drop in the company's credibility (Joffre and Trabelsi, 2018). On the other hand, a good reputation for the Cha9a9a.tn platform can give project owners a good reputation in the eyes of customers to help them achieve their goals.

*"But of course, I always look for the most honest and least risky site".*

*"For me, if the platform has a good reputation, I support it with great pleasure and hope that its project reaches its goal. Good luck!!! "*

**The risk:** An unsuccessful project can have financial consequences for its leader. Indeed, some project leaders incur numerous expenses to put all the chances on their side. If the project does not raise the amount initially planned, the amount invested in the campaign is a lost (Paes, 2016). In the event of bankruptcy, the project owner is no longer in a position to repay the sums loaned. Contributors therefore run the risk of never seeing the money they invested again. Generally speaking, platforms decline all responsibility in the event of the campaign leader's insolvency or failure to deliver the consideration. The funder must therefore be well informed about the intentions and seriousness of the applicant (Clemetson et al., 2015).

*"Sincerely, this creates a great financial risk. "*

*"There is a great risk of fraud, financial loss, and piracy."*

### **Socio-demographic variables**

Socio-demographic variables are the individual variables that drive giving behavior.

**Age:** Appears to be the primary explanatory variable for money-giving behavior. The results underline that, as individuals advance in age, they give more money, time, and objects. These results are in line with the work of (Schlegelmilch, 1988; Shelley and Polonsky, 2002, Yan et al. 2015). Thus, the under-30s would be very much in favor of hedonic solidarity products, while the over-50s would be more interested in utilitarian products.

**Genre:** Divergent results concerning the amount and frequency of money donated. 65% of respondents said that women would donate more and more regularly than men. This result is in line with the work of Shelley and Polonski (2002).

**Income level:** It influences the amount given to associations in absolute terms, but it seems that, in proportion to their income, middle-income households give more to associations, according to Schlegelmilch et al. (1997); Sargeant and Jay (2004).

**Level of education:** Level of education has a positive influence on donation behavior. Indeed, the higher an individual's level of education, the more likely they are to donate (Bekkers, 2010).

## V. PSYCHOLOGICAL VARIABLES

### Personal gains:

Most respondents suggest that there is a personal benefit behind their giving behavior.

*"I give in order to receive something in return for reducing my sense of discomfort;*

*"I give to reduce my discomfort with the suffering of others;*

*"I give so that I don't feel guilty or ashamed of not giving.*

This result is in line with the literature, in which the donor seeks to benefit from a reward or avoid punishment (Cialdini et al., 1987). Donations can also be made to obtain economic benefits such as tax advantages (Sargeant et al., 2006).

### The pleasure of giving:

The results show that 74% of respondents experience psychological benefits through improved self-esteem.

*"I give to have the personal satisfaction of having done well because it makes me feel good."*

This result is in line with the work of Hibbert and Horne (1996) and Ballarini (2022). Economist James Andreoni calls this sensation warm glow-giving, and several experimental studies have demonstrated a correlation between giving and the satisfaction felt. Although not necessarily sought after by the donor, the pleasure of having personally contributed to doing good could have an addictive effect.

### Prestige and reputation:

This category focuses on the donor rather than the recipient. Donations are made to improve the donor's well-being (David and Mairesse, 2022).

*"I give to publicly show my generosity."*

*"I give to have a good reputation."*

*"I give to gain the approval of the social groups to which I belong."*

*"I give to leave a trace in history."*

The sociology of elites and the marketing of legacies have underlined the importance of the social prestige dimension of giving.

### Reciprocity:

Interviewees expressed a sense of compensation and social equality.

*"I give to respect the golden rule."*

*"I give to give back."*

*"I give to reward those who have given before me."*

Reciprocity generates social benefits such as greater social recognition (Sargeant et al., 2006; Maignan and Karmouni, 2022) and adherence to social norms (Fonrouge, 2017). Yet reciprocity is at the heart of the work of sociologist Marcel Mauss, who saw giving as a total social fact. Giving is a means of forming a society with fellow human beings and a strong social norm that cannot be broken without reprisal.

### Religions and values:

Believers give because their religion demands it (indeed, most religions have explicit injunctions to give), but social psychology has shown that atheists and agnostics also give out of conviction: humanism and social justice are values often invoked by non-religious donors (Belqasmi, 2022).

*"I give to embody beliefs or values that I hold dear and that guide my life."*

## IV. CONCLUSION

Since the beginning of the twentieth century, giving has been the subject of a great deal of research in the humanities and social sciences. Donation behavior in marketing was dealt with later, towards the end of the 1970s, as an extension of this work. Giving has been approached from several different perspectives (Le Gall-Ely, 2013). Some works have focused on intimate giving (Sherry et al., 1993; Otnes and Beltramini, 1996), while others have focused on charitable giving (Bajde, 2009), or on helping relatives (Marcoux, 2009). Generally speaking, the approaches adopted by researchers are contextual and mostly oriented towards

individual giving behavior. To the best of our knowledge, little research has focused on donation resistance behavior. Researchers in consumer behavior have focused on issues of resistance to the market system, and to the practices and discourse of certain companies. The work of Urbain et al., (2012) has enabled the first outlines of resistance to the gift of money to be drawn. Our work is in line with academic research on giving in social marketing. This research contributes to expanding the literature on resistance to giving money to associations. It sheds new light on a recent field of study on the motivations behind giving behavior. The novelty of the theme is what makes this research work so difficult, as it has been little investigated by academic marketing studies. This difficulty is accentuated by the complexity of the field since crowdfunding takes many forms. Our investigation enables us to assess the ability of crowdfunding to minimize the risk of donating money to charities. It is part of the field of money donation and is in line with work on the determinants of money donation solicitations by associations. Our contribution consists in studying the factors influencing crowdfunding behavior, which have been overlooked in previous studies. The managerial implications of this research are intended to suggest new avenues for associations to follow in setting up solicitation methods capable of reassuring and reinforcing this new challenge in Tunisia.

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