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CREATING A ROBUST CROWDFUNDING ECOSYSTEM IN VIETNAM

- The factors influencing the crowdfunding ecosystem in Vietnam

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CREATING CROWDFUNDING ECOSYSTEM IN VIETNAM

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For the last decade, crowdfunding has been a new concept that has been receiving attention in academic research and gaining ever wider use in practice. Even though crowdfunding is in its infancy, it is not only popular in developed countries but also becoming a global phenomenon. Crowdfunding has just reached Vietnam within the last few years, thus is still a relatively new concept for the country. However, crowdfunding is showing growth and is emerging as a new trend.

This research was set out to understand this phenomenon deeper, analyze factors that affect crowdfunding in Vietnam, and develop strategic recommendations for the government, NGOs, and the private sector to deal with the challenges.

A literature review was conducted to deepen knowledge of crowdfunding, specifically to find the elements of a crowdfunding ecosystem. In the empirical research, qualitative method was employed. Primary data came from semi-structured interviews with crowdfunding platforms representatives in Vietnam.

The findings of the research reveal that there are several factors that affect crowdfunding ecosystem in Vietnam, which can be broadly grouped into four categories: cultural, social, technology, and regulatory. The most important factors required for crowdfunding to exist are broadly present in Vietnam. However, to make crowdfunding succeed, a culture of trust should be fostered not only in crowdfunding activities but also in entrepreneurial activities and online payment activities. Therefore, a list of recommendations was developed to create a robust crowdfunding ecosystem in Vietnam.

KEYWORDS:

Crowdfunding, entrepreneurship, entrepreneurship ecosystem, crowdfunding ecosystem, financing, fundraising

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LIST OF ABBREVIATIONS

Abbreviation	Explanation of abbreviation
ATM	Automated Teller Machine
GDP	Gross Domestic Product
GSO	General Statistic Office of Vietnam
ICT	Information and Communications Technology
IT	Information Technology
ITU	International Telecommunication Union
NGO	Non-governmental organization
POS	Point-of-sale
R&D	Research and Development
SMEs	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
VC	Venture Capital

1 INTRODUCTION

1.1 Research background

Today more than three billion people are using the Internet thus gaining access to information and communication technologies, according to a report from the International Telecommunication Union – a United Nation’s Agency (ITU, 2016a). Thanks to this widespread adoption of information and communication technologies and the rapid rise of online social interaction, people now have more chances to interact, build trust and collect funds from the crowd, which is called “crowdfunding”. For the last decade, crowdfunding has been a new concept that has been receiving attention in academic research and gaining ever wider use in practice. Even though crowdfunding is in its infancy, it is not only popular in developed countries but also becoming a global phenomenon.

Many researchers such as infoDev (2013), Antonenko, Lee & Kleinheksel (2014) and Pekmezovic & Walker (2016) agree that crowdfunding was a societal response to the 2008 financial crisis and stricter business loan regulations. Since then, crowdfunding has attracted individuals and organizations (especially NGOs, SMEs and start-ups) to create public campaigns to fund their projects, whether for charity causes or for-profit ideas (infoDev, 2013).

Crowdfunding has been receiving great attention from the developed Western world and now spreading to emerging markets too. According to a World Bank report on crowdfunding, entitled “Crowdfunding’s Potential for the Developing World” (infoDev, 2013, p. 10), approximately 344 million households in developing countries can pool their money and have the ability to contribute up to US\$ 96 billion a year by 2025 to invest in community businesses. Considering the amount, the developing world has a significant potential to facilitate crowdfunding.

Crowdfunding has just reached Vietnam within the last few years, thus is still a relatively new concept for the country. Even though yet crowdfunding is not as common as in many Western countries, it is showing growth and is emerging as a new trend in Vietnam. (DealStreetAsia, 2015; Fintechnews Singapore, 2016b). As yet, there has not been any study regarding crowdfunding in Vietnam.

1.2 Research motivation and Research objectives

On April 25th 2015, a violent 7.8-magnitude earthquake struck Nepal, killing around 8,969 people and destroyed around 602,592 houses and buildings (USAID, 2015). One of them was the author's friends' school. The author raised a donation-based crowdfunding and collected money from friends from all over the world, especially from her network in Vietnam. The success of the campaign fascinated the author greatly with the concept of crowdfunding and encouraged the author to understand this phenomenon deeper and analyse its potential in a developing nation context: Vietnam. The motivation behind this thesis is to understand the concept of crowdfunding, how crowdfund investment works, the potential of crowdfunding in Vietnamese start-up ecosystem, what facilitate and restrict crowdfunding in Vietnam, and solutions to overcome challenges. The situation describes in section 1.1 led the author to explore the potential of crowdfunding in Vietnam and how to enable a robust ecosystem. These are also the main objectives of this research paper.

1.3 Research questions

Considering the objectives, these problems will be addressed by answering following main and sub-research questions. The main question is: "How to facilitate crowdfunding in Vietnam". This research will concentrate on the ecosystem in Vietnam as a whole so the main question is broken down to these two sub-questions:

- RQ.1: Identify the main factors that influence crowdfunding ecosystem in Vietnam
- RQ.2: How to create a robust crowdfunding ecosystem in Vietnam

1.4 Research structure

This study is divided into five chapters, illustrated in the figure below.

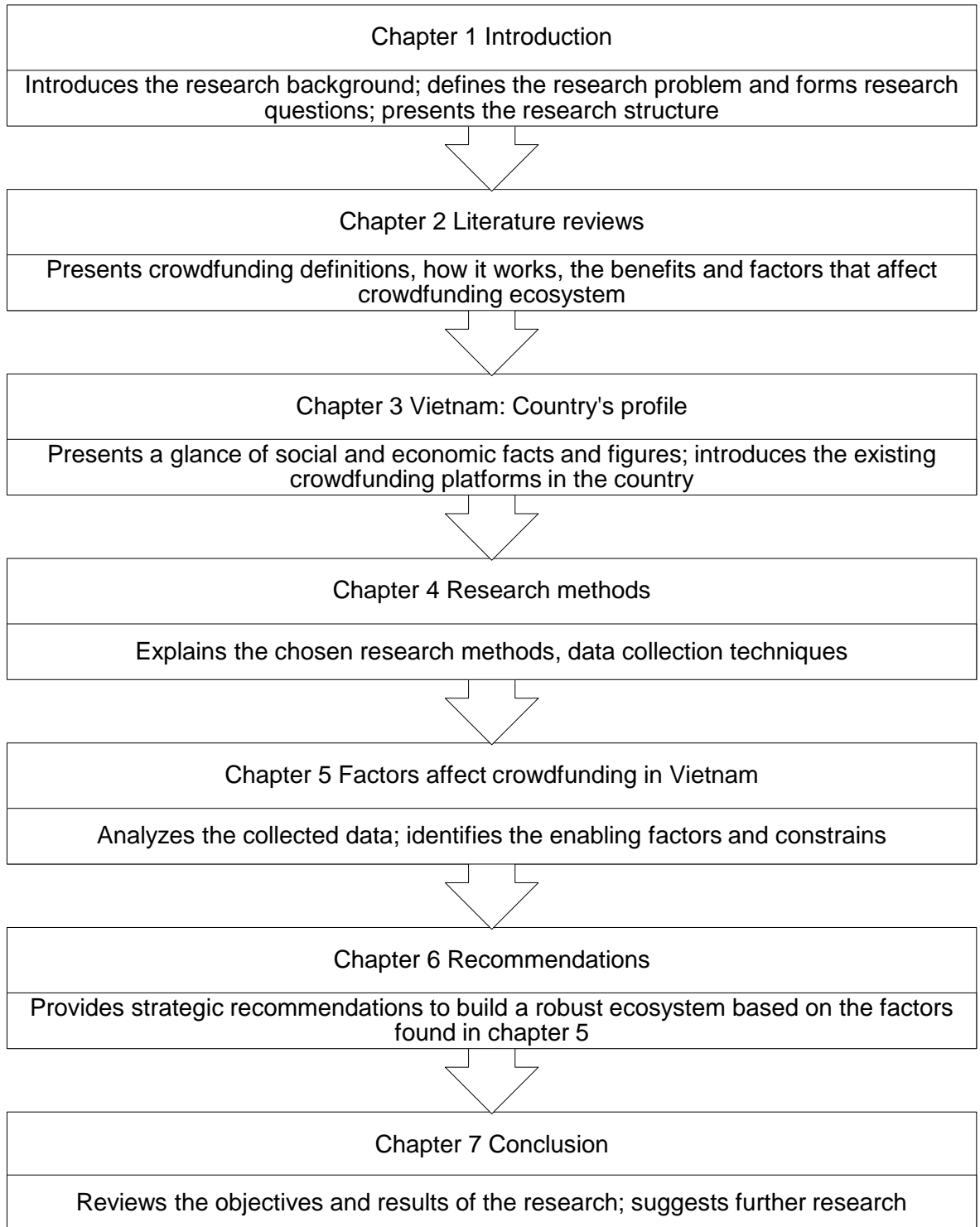


Figure 1. Research structure.

2 LITERATURE REVIEW

2.1 Definition of crowdfunding

Crowdfunding is believed to be derived from the broader concept of “crowdsourcing” and “micro-finance” (Yao & Zhang, 2014; Mollick, 2014; Belleflamme, et al., 2014). According to Hossain & Kauranen (2015), the concept crowdsourcing was coined by Howe in 2006 in Wired Magazine referring to the practice of outsourcing organizations’ tasks to a distributed network of individuals as an open call. Micro-finance is a type of financial service that serves clients who have been excluded from the formal banking sector (for examples low-income households) (Morduch, 1999). In line with these, crowdfunding utilizes the power of the crowd to finance small ventures, projects that cannot get access to institutional funders such as banks, credit institutions or professional investors using crowdfunding platforms or social networks (Lambert & Schwenbacher, 2010). Despite being inspired from those concepts, crowdfunding represents its distinctive form of fundraising with different vehicles, processes, and goals, facilitated by the rapid growth of the Internet.

Crowdfunding means collecting funds from the crowd. Each investor provides a relatively small amount financial support, acquiring physical product or equity in return as Mollick (2014) noted. The astounding rise of crowdfunding over the last decade has raised awareness and interest in its potential (Belleflamme & Lambert, 2016). Consequently, a wide variety of its definitions has been given. Table 1 presents different definitions for crowdfunding. Even though researchers identify crowdfunding in a similar way, there are still some slight differences in their interpretations. Crowdfunding can be perceived as an approach (Bechter, et al., 2011), a process (Belt, et al., 2012), an effort (De Buysere, et al., 2012; Mollick, 2014), a capital formation strategy (Sigar, 2012) or a financial mechanism (Powers, 2012) and all of these are valid as crowdfunding as it covers many uses and span across many fields (Mollick, 2014). In addition, different researchers emphasize different aspects of crowdfunding. However, they still share the same insight: crowdfunding is an informal alternative way for individuals/ businesses to connect with funders or investors, an emergent source of financing, an opportunity for ordinary people invest a small sum of money; and it is internet-based.

Table 1. Perspectives on crowdfunding's definition.

	Definition of crowdfunding
Bechter, et al. (2011)	An “approach to raising capital required for a project or enterprise by appealing to large numbers of ordinary people for small (\$1 -\$100) contributions”
Belleflamme, et al. (2014)	“an open call, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes”.
Belt, et al. (2012)	“process by which capital is raised for a project, initiative or enterprise through the pooling of numerous or relatively small financial contributions or investments, via the internet.”
De Buysere, et al. (2012)	“a collective effort of many individuals who network and pool their resources to support efforts initiated by other people or organizations. This is usually done via or with the help of the Internet”
Kirby & Shane (2014)	An “umbrella term describing the use of small amounts of money, obtained from a large number of individuals or organizations, to fund a project, a business or personal loan, and other needs through an online web-based platform”
Lynn & Sabbagh (2012)	A “new outgrowth of social media that provides an emerging source of funding for ventures”
Mollick (2014)	“the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries.”
Powers (2012)	A “financial mechanism that allows startup companies to solicit funds from the general public through website intermediaries”

(continue)

Table 1 (continue).

Wheat, et al. (2012)	A “new internet based method of fundraising in which individuals solicit contributions for projects on specialized crowdfunding websites”
Sigar, 2012	A “capital formation strategy that raises small amounts of funds from a large group of people through online means”

Source: composed by the author, adapted from Valanciene & Jegelviciciute (2013)

It can be seen from the table that different researchers' perception towards crowdfunding depends on their point of view towards the three actors participating in crowdfunding which will be introduced in the next section.

2.2 How crowdfunding works

There are three main actors in crowdfunding projects, namely: Requesters, Funders, and Crowdfunding platforms. Researchers and crowdfunding platforms differ in their use of terminology, referring to people who request fund as “requesters” (Gerber & Hui, 2016), “project founder” (Yao & Zhang, 2014; Mollick, 2014), “project initiators” (Bouaniss, et al., 2016), “creators” (Gerber, et al., 2012) or “creatives”, “designers”, “inventors”, etc. depending on platform's focus (Lambert & Schwienbacher, 2010). People who pledge funds may be referred as “funders”, “fuelers”, “donors” “backers”, “investors” (Lambert & Schwienbacher, 2010; Bouaniss, et al., 2016). In this section, for clarity, the author will refer to people who request funds as “requesters” and people who provide funds as “funders”. Crowdfunding platforms (websites) act as an intermediary, facilitating the transactions between the crowd of potential funders and the fund requesters (Bouaniss, et al., 2016). Platforms usually require fees which can be platform fee, processor fee as a given percentage of fund raised.

As demonstrated in Figure 2, first, requesters will apply to a crowdfunding platform to call for funds for their project. Crowdfunding websites are online platforms which enable crowdfunding requesters to provide information for potential funders such as: introduction about the project, product function and features, project progress, customer participation (for instance, the cumulative amount raised to date and online identity of current funders) (Yao & Zhang, 2014, p. 28), all of which are factors influence funders' decisions and behaviors. These platforms use existing technology systems to enable the

exchange of resources between requesters and funders, such as payment systems (e.g. PayPal), messaging systems (e.g. comment threads), social media (e.g. Facebook, Twitter) and video sharing platforms (e.g. YouTube, Vimeo) to raise awareness about the project (Hui, et al., 2014). When funders participate in the crowdfunding, they can interact with the requester and get information via the platform. During the campaign, crowdfunding requesters can exchange information with funders, update on the campaign progress and possibly improve their projects by funders' recommendations. Funders contribute an amount of money depending on their expected return by clicking on a preset quota button, completing online transaction. Within a specific time frame, the project should achieve or exceed their preset goal otherwise it fails and funders may get their money back. After that, requesters will distribute the rewards (if necessary) and update the results as a follow-up.

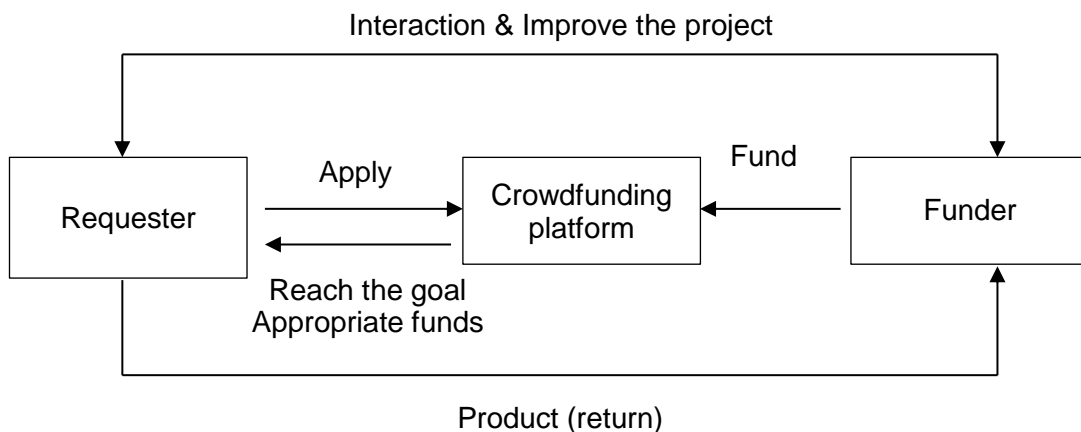


Figure 2. Operation Framework of Crowdfunding. ¹

All crowdfunding platforms operate under the same principle of pooling small sum of money from the crowd to fund a project (Bouaniss, et al., 2016). Crowdfunding platforms provide tools for fund requesters to create and launch their campaigns, to market their products by engaging integrated marketing communications, to manage and adjust the campaign by management tools such as integrated analytics or even provide fulfillment and manufacturing support (Indiegogo, 2017) or make arrangements with micro-payment providers. Therefore, all participants involved in crowdfunding benefit from the

¹ Adapted from Yao & Zhang (2014)

process: requesters can raise more funds, funders can have better understanding of the project they are supporting, and platforms can get more traffic and make more money. Hemer (2011) stressed the importance and the role of these platforms: “The rapid emergence of such platform is logical and crucial for this new market to be able to function properly”. In the last few years a variety of platforms have been founded all over the world, each attempting to offer novel features and specialize in different sort of activities, from art, humanity to venture capital. The next section will discuss four main types of crowdfunding platform.

2.3 Types of crowdfunding

The Crowdfunding Industry Report by Massolution (2012) distinguishes four main types of crowdfunding based on the form of capital provision: donation-based, reward-based (pre-selling), lending-based and finally equity-based crowdfunding. As shown in Figure 3, depending on the chosen form, the complexity of transaction varies greatly, starting from the simplest form (donations) through a more complex and highly regulated form (equity) (Hemer, 2011).

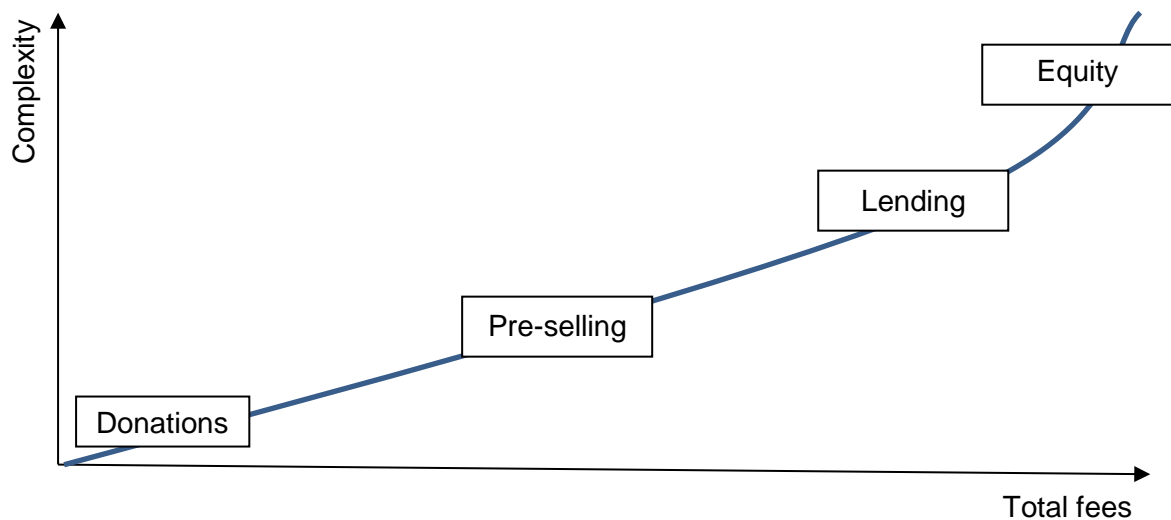


Figure 3. Major Forms of Capital Provision Ranked by Process Complexity. ²

² Adapted from Hemer, et al. (2011)

2.3.1 Donation-based crowdfunding

The donation-based model is probably the simplest form of all crowdfunding models, which “placing funders in the position of philanthropists” (Mollick, 2014), who give money because they want to support a cause and expect no direct return or compensation for their contributions. It is most commonly used when the project or campaign is done by a non-profit organization or an individual for a cause such as: humanity, environment, children development and so on. It has become a quick way to response to global crisis such as earthquakes, floods, wars, etc. The tragic and traumatic earthquake in Nepal on April 25, 2015 drew an unprecedented relief effort by crowdfunding campaigns, which raised more than 10 million USD within first 10 days after the disaster struck the nation (Sigdya, 2015). These campaigns have proved to be an efficient way to help people in need, in a timely manner. The advantage of this model is there is no risk for the fundraisers. On the other hand, the disadvantages are donors do not obtain any interest and fundraisers may have difficulty raising substantial money (infoDev, 2013).

2.3.2 Reward-based crowdfunding

Currently, reward-based crowdfunding is the most prevalent (Bouaniss, et al., 2016). It happens when funders expect to receive a certain reward for backing a project. The reward can be either tangible (the product itself as a pre-ordered) or intangible (being credited in a movie or as simple as receiving a thank-you note). (Belleflamme, et al., 2014). Using this approach to introduce and sell new products, entrepreneurs can test the products’ attractiveness as well as market the product to early customers, allowing them to purchase the product earlier, with a better price or even be involved in the development of the product. According to Bouaniss, et al. (2016), this model can be split into two sub-categories: the “all or nothing” and the “keep what you raise” model. In the “all or nothing” model, it is compulsory to complete a targeted sum of money within a chosen timeframe otherwise the pledged money will be transferred back to the funders or funders are not charged at all. Thus, funders will be protected against failed projects. Kickstarter is an example of all or nothing financing. In “keep what you raise” financing, in contrast, the raised funds are paid to the crowdfund requesters, regardless of whether or not the project reaches its funding goal by the end of the chosen period of time. IndieGoGo is a popular platform offering this approach in addition to “all or nothing”

model. For “keep what you raise” campaigns, majority of crowdfunding platforms charge higher fees if the goal is not met than it is as an incentive to motivate requesters to reach their funding goals. (Bouaniss, et al., 2016). The advantage of reward-based crowdfunding is the low risk in fulfillment and fraudulence. On the contrary, the disadvantages include small potential return and the difficulty in raising enough money without an appealing product. (infoDev, 2013).

2.3.3 Lending-based crowdfunding

Lending-based model relates to funds which are offered as a loan (Hemer, 2011). It can be distinguished into two sub-categories: micro-financing (micro-lending) and peer-to-peer lending (Bouaniss, et al., 2016). In the case of micro-financed loans, the capital is pooled from the crowd to grant microloans to poor or underprivileged clients who usually do not have access to banking services. The process is managed by a platform. Kiva is the most well-known online micro-lending platform. Peer-to-peer lending corresponds to individuals bid on micro-loans (to reduce the risk) sought by borrowers directly. The largest peer-to-peer lending website is Prosper.com. Prosper sets the rules, connects borrowers and lenders, and handles servicing of the loan on behalf of the matched borrowers and lenders. (Bouaniss, et al., 2016). The advantages of lending-based model include: pre-determined rate of return; secured status may make it easier for entrepreneurs to raise funds. In contrast, some disadvantages can be: startups’ high failure rate poses risk of loss; businesses may be required to have already generated cash flow. (infoDev, 2013).

2.3.4 Equity-based crowdfunding

Equity-based crowdfunding is the most complex model of crowdfunding which requires a great deal of information and regulations (Hemer, 2011). This model of crowdfunding allows funders to invest a small amount of money in projects or companies in exchange for a share of the profits or ownership. This model is “equivalent to buying company stocks without any intermediaries” (Bouaniss, et al., 2016). According to the Crowdfunding Industry Report by Massolution (2012), equity-based crowdfunding is the fastest-growing category and is especially suitable for digital goods such as mobile applications, computer games, films, music, and literature. The advantage of this model

is the ability to raise a large amount of money and the potential to share in the profitability of the company, making equity-based crowdfunding a great alternative source of financing, particularly benefits small businesses and start-ups which have difficulties in raising funds by traditional means. However, in many countries, legislation makes equity crowdfunding difficult and nearly impossible for small projects to get funded by the crowd (infoDev, 2013).

2.4 Benefits of crowdfunding in developing countries

The report of infoDev, entitled “Crowdfunding’s Potential for the Developing World” (2013), stated that crowdfunding has demonstrated several benefits that include:

- Increased access to capital: crowdfunding democratizes and expands the access to capital to underserved markets or segments:
 - Facilitating the flow of information from early-stage entrepreneurs to potential investors more rapidly than traditional financing models, thus provide a faster access to investment opportunities;
 - Allowing investors to investigate several potential investments online at one time and decide quickly if the company fits their strategy;
 - Expanding the geographic range of angel investment.
- The benefits of crowdfunding can go beyond financial efficiency and transparency:
 - Enabling entrepreneurs to receive validation from a larger set of investors at early stage, thus may help reduce risks of early-stage investment;
 - Gaining product validation, support networks, partnerships, and business exposure at low costs;
 - Market testing and demand measurement by evaluating the crowd’s response to their funding appeal.

Researchers also highlighted that crowdfunding could “serve as an enabling mechanism for new venture formation, job creation, and inclusive economic growth” (infoDev, 2013). Because of increased visibility and networking, crowdfunding also enables startups to get access to skilled labors and deal flow (MIF, 2015). Crowdfunding is not only an alternative financing method belongs to a market economy, but also belongs to a participative economy: “The expected return is not only monetary, it is sentimental and

emotional” (De Vauplane, 2013). The developing nations that can utilize emerging technology and business models such as crowdfunding may be able to benefit from the above advantages and even leapfrog the developed world in term of regulations and economy.

2.5 Crowdfunding ecosystems

Crowdfunding ecosystems have emerged as a concept to explain the existence of crowdfunding and its potential within regions (infoDev, 2013; MIF, 2015; Munyanyi & Mapfumo, 2016; CCAF, et al., 2017). However, as a theoretical concept, crowdfunding ecosystems remain underdeveloped, making it difficult to understand their structure. In this section, the characteristics that most commonly insist in a crowdfunding ecosystem will be identified and collected, suggesting a framework to answer research questions.

2.5.1 Definition of ecosystem

Ecosystems, as defined by Cambridge Advance Learner’s Dictionary, are “all the living things in an area and the way they affect each other and the environment”. This is a general definition of biological ecosystems. These days, ecosystem is also used as an economic term. Rothschild (1990) equated economy with biological ecosystem as both are a system in which there is an interaction amongst the participants. In the biological context, every living thing is defined by its genes, relationships to its prey and predators. In the economic context, entrepreneur is associated with its suppliers, customers, and competitors, in addition, every organization is defined by its technology and innovation level (Rothschild, 1990). Spigel (2017, p. 50) gave a broad definition of entrepreneurial ecosystem:

“Entrepreneurial ecosystems are combinations of social, political, economic, and cultural elements within a region that support the development and growth of innovative startups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding, and otherwise assisting high-risk ventures”.

2.5.2 Crowdfunding ecosystem elements

Crowdfunding is an innovative tool for entrepreneurs finance their projects by utilizing social media, Big Data, and cloud technologies (Colgren, 2014). Importantly for our purposes, crowdfunding defines both a technical architecture and a business model. As infoDev (2013) reports, the concept of the formation of a new ecosystem around a technology platform is not new, for examples, ecosystems around social networking platforms and online advertising platforms. As a new technology platform and new investment vehicle, crowdfunding needs supports and initiatives. On the macro level, a vibrant ecosystem should be formed to make this innovative model viable.

There are multiple perspectives on factors which affect crowdfunding ecosystem. According to Agrawal et al. (2011), Agrawal et al. (2013), and Rodríguez de las Heras Ballell (2013), the crowdfunding ecosystem is made up of six key parts: borrowers or entrepreneurs, lenders or investors, the service being exchanged, the price at which the exchange is agreed, the digital platform and the existing regulatory framework. Yao & Zhang (2014) found that the economic, customer participation, trust, information quality and social network have effects on crowdfunding project financing. Munyanyi & Mapfumo (2016) claimed that a strong active social network, an easy reliable payment system, a passionate audience and a funding gap drove the inevitability of the launch of crowdfunding. Researchers from infoDev (2013, p. 51) stated that the right blend of social, cultural, economic, and technological factors can encourage crowdfunding. These characteristics can be broadly grouped into four categories: cultural, social, regulatory and technology based on how their benefits are created and governed.

The author proposes a structure of four interlinked elements of a crowdfunding ecosystem (Figure 4). This structure is adapted from the model created by infoDev (2013, p. 51) (see Appendix 1). One may question why not choose a model and stick to it. The reason is that the concept of crowdfunding ecosystem is too novel and complex that there has not been any research that accommodate comprehensively all the aspects regarding the creation of a robust crowdfunding ecosystem. The model proposed by infoDev (2013) shows a clear structure of crowdfunding ecosystem. However, it does not accommodate some other important aspects found by other scholars. Given other important factors found by other researchers (see Appendix 2), the author synthesizes all elements to create the structure below.

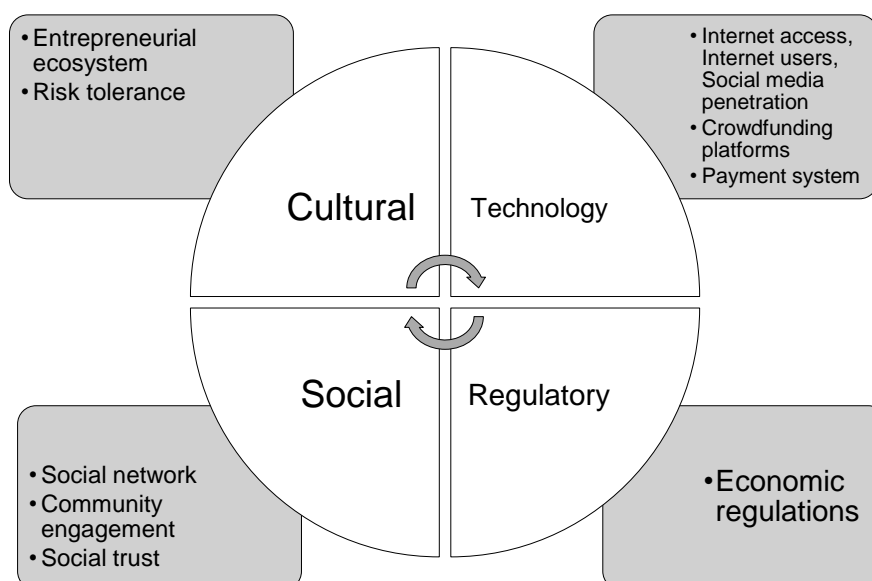


Figure 4. Elements of a Crowdfunding Ecosystem. ³

The following parts will describe these four main elements in detail.

Cultural

Crowdfunding, as a funding mechanism of entrepreneurial individuals and groups (Mollick, 2014), depends crucially on the existence of an entrepreneurial culture in a country (infoDev, 2013). The more robust the entrepreneurial culture is, the more likely crowdfunding will be enabled within a region. The existence of an entrepreneurial culture can be identified by measuring and observing how actively people involve in starting new businesses and how the society promotes or hinder entrepreneurship. A study of the World Bank (infoDev, 2013, p. 37) shows that the societies with more educated populations are more likely to foster entrepreneurship and crowdfunding. Education can be a key factor influencing the perception of entrepreneurship and crowdfunding.

The analysis also shows a negative correlation between face-saving, uncertainty avoidance and in-group collectivism and the development of crowdfunding (infoDev, 2013, p. 37). All of these factors are related to risk tolerance. Environments in which

³ Adapted from infoDev (2013, p. 51)

people do not fear losing face, have a low level of uncertainty avoidance and experience group backlash against risk taking may help crowdfund investing thrive.

Social

Studies prove that signals of social capital, such as social network size, community engagement and social trust are closely correlated with crowdfunding success (Giudici, et al., 2013; Hui, Gerber & Gergle, 2014; Kuppaswamy & Bayus, 2015; Mollick, 2014). As explained in the definition of crowdfunding and how it works, crowdfunding depends on people using their social networks to solicit funds for their ventures. It is nearly impossible to reach the crowd of potential funders without social network.

Studies also show that the amount of players within a network has a positive relation with the success of the collective financing projects (Mollick, 2014; Hui, Gerber & Gergle, 2014). Players within a network, either a requester or a funder, play vital roles through out the process of crowdfunding. Roles of the community include but not limited to providing mentorship, giving feedback and advice, spreading the word, providing manufacturing or shipping support and last but not least providing financial resources (Hui, Greenberg & Gerber, 2014). This is completely consistent with the highly social nature of crowdfunding. The study performed by Yao & Zhang (2014) reinforces this relation, indicating that the strong customers' willingness to participate in projects which they can track the progress, provide advice and directly interact with the founder is directly related to the project's success. Therefore, community engagement is definitely a key factor to determine a healthy crowdfunding ecosystem.

However, making the community engage in crowdfunding activities is not easy; it requires one of the most important element which is social trust between members of the community: entrepreneurs, funders and customers. Because crowdfunding is a novel funding mechanism, crowdfunding projects have some risks and its products have not been market tested; a circle of trust needs to develop to flourish crowdfund investing. "Crowdfund investing is unlikely to thrive if social networks do not exist or communities lack "constellation of trust"", stated infoDev (2013).

Regulatory

Economic policies and governance are a key part of the economic and political context in which entrepreneurship occurs (Spigel, 2017). Since crowdfunding is a

part of entrepreneurial activity, to some extent, economic policies and governance also affect the emergence of crowdfunding within a country. Numerous studies on regulatory norms which may affect crowdfunding platforms have stressed the importance of this factor (Röthler & Wenzlaff, 2011; De Buysere, et al., 2012; Kirby & Worner, 2014; Cuesta, et al., 2015; Crowdfunding in Africa, 2017). A research carried out by infoDev (2013, p. 38) suggests that “crowdfunding platforms are more likely to develop in economies with low market entry costs and adequate investor protection”. How regulatory norms affect crowdfunding may be different from countries to countries: developing or developed economies. Munyanyi and Mapfumo in a study about factors influencing crowdfunding plausibility in Zimbabwe (2016) suggest that regulatory framework in Zimbabwe is not conducive for launching crowdfunding. Therefore, there are needs to be done with regard to the financial regulations. Juredieu & Mayoux (2016) conducted an international analysis of crowdfunding legal framework (all of the analyzed countries are developed countries). They emphasize the importance of a legal framework: “Without an adequate legal framework, dissociated from the standard financing method, crowdfunding cannot flourish”.

Technology

Crowdfunding uses current and future technologies to revolutionize financing methods so local technology access plays a crucial role to diffuse this innovation. Internet users, social media penetration (with Facebook penetration as a strong proxy for social media engagement) are strongly correlated with crowdfunding platforms (infoDev, 2013). Strong active social media is identified as an important factor which considerably influences the plausibility of crowdfunding in Zimbabwe (Munyanyi & Mapfumo, 2016). This finding is consistent with conclusions of other scholars from other countries (Mollick, 2014; Hui, Gerber & Gergle, 2014; Verschoore & Zuquetto, 2016). In the paper about social media impacts on crowdfunding, Lu, Xie, Kong and Yu (2014) presented the underlying connections between promotion campaigns in social media and the results of crowdfunding projects. They also demonstrated that “features arising from social media can help improve the accuracy of predicting eventual outcomes, specifically how popular a project will be, and which projects are likely to successfully reach the fundraising goals”.

Another technology factor is crowdfunding platforms (portals). Acting as an intermediary between entrepreneurs and funders, crowdfunding platforms are essential and conducive for publishing campaigns and collecting funds. Thus, they facilitate of interaction between entrepreneurs and the crowd of funders (Belleflamme & Lambert, 2016). The emergence of local crowdfunding platforms boosts the dynamics of crowdfunding within a region. Especially in many developing countries where English is not a popular language and the concept of crowdfunding is still novel, local crowdfunding platforms would play a vigorous role in spreading this model of funding.

Last but not least, payment system is also a technology factor influencing the possibility of entrepreneurial ventures employing crowdfunding as a mechanism to seek funds. Munyanyi & Mapfumo (2016) studied how easy reliable payment system in Zimbabwe would affect crowdfunding and indicated that the probability of implementing crowdfunding is a result of existing easy payment system. These findings are in line with Gerber and Hui (2012) who established that the presence of an efficient payment system is prerequisite to a robust crowdfunding ecosystem.

3 VIETNAM: COUNTRY'S PROFILE

3.1 Vietnam at a glance

Before going deeper into crowdfunding in Vietnam, Vietnam as a country is generally introduced. Vietnam is a Southeast Asian country with a total area of 331,210 km², ranked 66th of the world (CIA, 2017). Vietnam is highly populated with a population of 95,261,021 (July 2016 est.), ranked as the world's 15th most populous country and the population has been increasing continuously (1.1% annually) (CIA, 2017). The Gross Domestic Product (GDP) per capita in Vietnam was last recorded at 2110.919 US dollars in 2015 and is equivalent to 21% of the world's average (World Bank, 2015). Even though Vietnam is still categorized as a developing country with lower middle-income level, the country has been among the fastest growing economies with the GDP per capita growth averaging 6.4% a year in the 2000s (World Bank, 2017a). Figure 5 shows a relatively high annual GDP per capita growth rate of Vietnam in comparison with the world from 2000 – 2015 (World Bank, 2015).

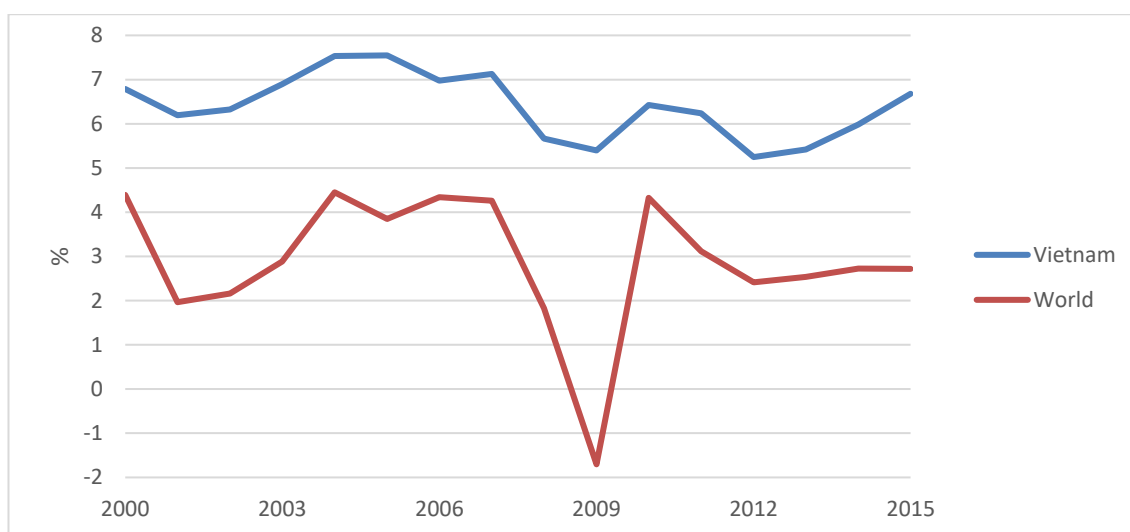


Figure 5. Vietnam's GDP per capita growth rate in comparison with the world (World Bank, 2015).

One of the underpinnings of this growth has been the expansion in telecommunication networks. Vietnam was ranked the 37th most connected country out of 139 countries by McKinsey Global Institute (2016). Until 2014, there were 120.32 million mobile subscribers (3G: 35.78 million) with a mobile signal coverage of 94% and 45.5 million

internet users (52% users per capita) (ITU, 2016b; GSO, 2016; MIC; NCAIT, 2014). According to ITU (2016), Vietnam had the 5th highest ICT Development Index in Southeast Asia and ranked 16th out of 34 Asia-Pacific countries.

Another aspect should be noted is the ease of doing business. According to the World Bank (2017b), Vietnam has an average position in comparison with other economies in terms of easiness of doing business: Vietnam has been ranked 82th out of 190 economies and ranked 9th out of 24 East Asia-Pacific economies. However, Vietnam has been ranked relatively low in term of starting a business as the 121th out of 190 economies (World Bank, 2017b). The Enterprise Survey for Vietnam conducted by the World Bank (2016, p. 10) identifies the most important business environment obstacles considered by Vietnamese firms compared to the regional averages (Figure 6).

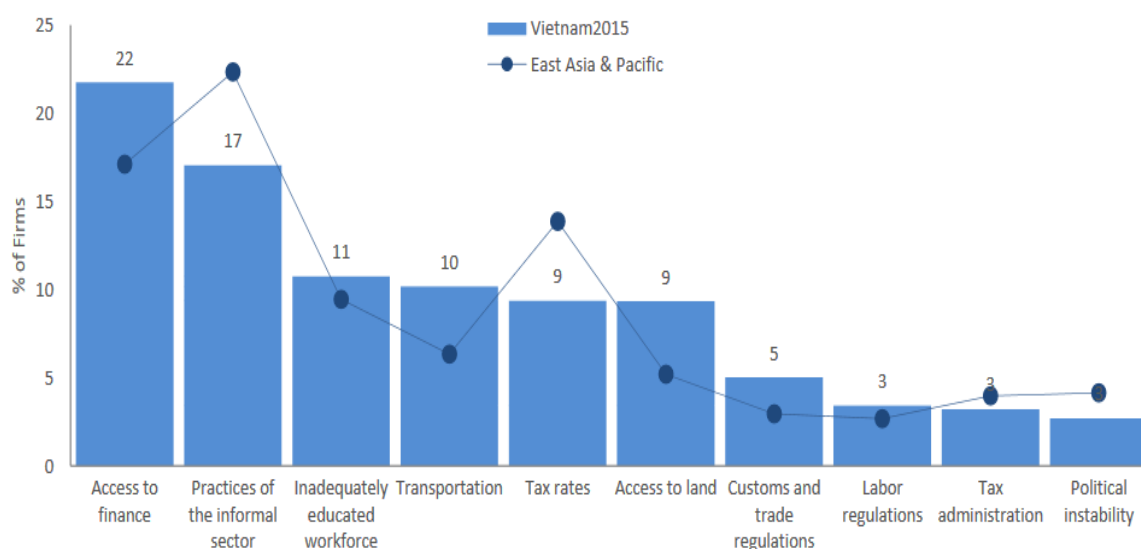


Figure 6. Top ten business environment constraints (World Bank, 2016, p. 10).

As shown in the figure, the most constraining feature is access to finance. Another survey which was conducted by the World Economic Forum (2016, p. 362) also listed access to finance as one of the most problematic factors for doing business in Vietnam.

To reform its economy, Vietnam is trying to restructure public investment, state-owned enterprises, and the banking sector, although the progress in reaching its targets is falling behind the proposed agenda. The economy is facing challenges from an undercapitalized banking sector and nonperforming loans. (CIA, 2017).

The following table was obtained from the Global Venture Capital and Private Equity Country Attractiveness Index (Groh, et al., 2011, p. 232). It provides an overview on the strengths, weaknesses, opportunities, and threats (SWOT) in financing in Vietnam.

Table 2. SWOT analysis of financing in Vietnam (Groh, et al., 2011, p. 232).

Strengths	Weaknesses
<ul style="list-style-type: none"> • Abundance of natural resources • Comparatively low labor costs • Political stability • Strong entrepreneurial culture • Strong and growing domestic demand. 	<ul style="list-style-type: none"> • Nascent VC population, lacking practical experience in various sectors • Administrative procedures still lagging behind regional peers • Underdeveloped financial markets • Relatively weak corporate governance • Financial reporting not yet in line with international standards.
Opportunities	Threats
<ul style="list-style-type: none"> • Rise in standard of living is creating demand for products and services, particularly in urban centers • Exports to US, China, and ASEAN are growing • Vietnamese enterprises have a greater appetite and scope for operational and financial improvements • Infrastructural demand is driven by the transformation of the economy. 	<ul style="list-style-type: none"> • More time consuming to do business given relatively stricter government regulations • High inflation rate • Escalating cost of borrowing.
Outlook	
<ul style="list-style-type: none"> • High potential in consumer sectors • Strong commodities production, with potential for more natural resource exploration and infrastructure development • Concern about inflation rate presents challenges for the public sector to gain investor confidence • Potential for higher growth, provided economic reforms are implemented efficiently to reduce the cost of doing business in Vietnam 	

In line with the aforementioned indications of Vietnam economy in this section, this SWOT analysis suggests that even though Vietnam has potential to higher growth, the country is financially underdeveloped leaving small and young enterprises without proper access to finance. This funding gap could be filled by more informal alternatives, one of which is crowdfunding.

3.2 Crowdfunding platforms in Vietnam

There is just a handful of crowdfunding platforms which has been operating in Vietnam. All the platforms are presented in the sections below, grouped into the four main types of crowdfunding: donation-based, reward-based, lending-based, and equity-based.

3.2.1 Donation-based crowdfunding platform(s)

- **Charity Map**

Founded in 2012 by Bilesh Ladva and Tu Hoang, Charity Map's mission was to solve a mismatch between donors and knowledge about orphanages and other social organizations across Vietnam. This is also the only known donation-based crowdfunding platform that has operated in Vietnam. Charity Map connected social organizations such as orphanages, elderly houses with donors who want to donate their money to charity by helping the organizations post their projects on the platform and collect money from donors. Charity Map was claimed as the first crowdfunding platform in Vietnam. They had raised over 200 million VND for over 50 social organizations across the country before they closed after four years of operation (Ladva, 2016). According to its founder, the reason of closing the platform was because the founders had different priorities and they "had achieved enough to let other players in the space grow and expand" (Ladva, 2016). The platform was claimed to have encouraged other entrepreneurs, other NGOs to start their own crowdfunding platform.

3.2.2 Reward-based crowdfunding platform(s)

Up until now, there are four active reward-based crowdfunding platforms in Vietnam: Comicola, FirstStep, Betado and Fundstart.

- **Comicola**



Figure 7. Comicola logo.

Founded in 2015 by Nguyen Khanh Duong, Hoang Anh Tuan and Dang Ngoc Minh Trang, Comicola is a crowdfunding platform for the Vietnamese comic industry and a trusted organization with many successful funding projects. Considering itself as a comic online alliance, Comicola also publishes comics, sell comic-related products on its website and offers activities to engage young artists, writers, and readers. (Comicola, n.d.)

- **FirstStep**



Figure 8. FirstStep logo.

FirstStep, founded in 2014 by Kieu Cong Binh, Nguyen Trung Kien and Hoang Manh Duc, is a reward-based crowdfunding platform in Vietnam covering many areas such as: agriculture, software, entertainment, games, charity, etc. FirstStep sees itself as a bridge that connects Vietnamese startups who have innovative ideas with supporters. (Firststep, n.d.).

- **Betado**



Figure 9. Betado logo.

Like FirstStep, Betado is also a rapidly growing crowdfunding platform, which was founded in 2015, with the goal of creating opportunities for bringing innovative artistic products to the Vietnamese market. (Betado, n.d.).

- **FundStart**



Figure 10. FundStart logo.

Founded in 2015 by Cao Vu Anh, Truong Vu Tuan and Pham Thu Hang, FundStart.vn follows their mission to support local startups with great and innovative ideas to realize their vision through community funding. FundStart seeks to allow the community to find the best projects to support and project owners to engage with funders and get media attention to reach success. The company incubates small to big projects from different fields such as music, art, design, games, or technology. (FundStart, n.d.).

3.2.3 Lending-based crowdfunding platform(s)

- **HuyDong**



Figure 11. HuyDong logo.

HuyDong is a subsidiary of Finsom Joint Stock Company, a registered entity. Founded in 2015, as a peer-to-peer lending platform, the company focuses on personal loans and aims at bridging the gap between the underbanked population and investors. (HuyDong, n.d.)

- **Tima**



Figure 12. Tima logo.

Founded in 2015, Tima claimed to get 150 billion VND funding and claims to be the first peer-to-peer lending platforms in Vietnam. The startup's goal is to close the gap between consumer and SME loan seekers and lenders that do not want to make small loans. (Tima, n.d.).

3.2.4 Equity-based crowdfunding platform(s)

Up until now, based on the author's research, there has not been any equity-based crowdfunding platform in Vietnam.

Clearly, crowdfunding is a nascent phenomenon in Vietnam as these platforms were founded very recently (most of them in 2015). The potential for crowdfunding contributing in a significant way to financial development and inclusion in Vietnam remains unclear. However, the benefits of crowdfunding which were discussed in 2.4 are attractive enough to find ways to enable a robust crowdfunding ecosystem in Vietnam. This is also the objective of this thesis.

4 RESEARCH METHODOLOGY

4.1 Research Philosophy

Identifying research philosophy is important as, according Saunders, Lewis, and Thornhill (2016, pp. 124-125), it refers to “a system of beliefs and assumptions about the development of knowledge”. These assumptions will shape all aspects of one’s research projects: research approach, research method, data collection techniques and analysis procedures. The philosophy applied in this research is interpretivism. Interpretivism relates to the philosophical stance of social sciences research, whose purpose is to create new, richer understandings and interpretations of social worlds and contexts (Saunders, et al., 2016, p. 140). It is acknowledged that only through subjective interpretation of reality, as the world is complex and ever changing, can it be fully understood. Since crowdfunding is a relatively new phenomenon, its shape and the way people perceive it are changing over time. Therefore, it is important for the author of this thesis to focus on individual perspectives and the social contexts to have a deep insight into the concept.

4.2 Research Methodology

This study’s objective is to explore how to facilitate crowdfunding in Vietnam, more specifically identifying factors that enable or deter the crowdfunding ecosystem. The study is as an exploratory study since crowdfunding is a new phenomenon and study about crowdfunding ecosystem is very limited. Following an exploratory purpose, the researcher can ask open questions to discover what is happening and gain insights about the topic (Saunders, et al., 2016, p. 174).

In this empirical research, qualitative method was employed. The reason for this choice of method is because it is most suited for social and cultural phenomena and good for exploratory research (Myers, 2013, pp. 7-9). Focusing on answering “why” and “how”, qualitative method enables us to understand the issue from different perspectives of different people, thus leaves room for interpretation. In addition, quantitative method requires a large number of respondents to generalize the statistics; however, crowdfunding is a new concept in Vietnam, it limits the number of respondents who have

some knowledge about crowdfunding. Therefore, qualitative method is the most appropriate way.

4.3 Data collection

According to Collis & Hussey, primary data are “generated from an original source such as your own experiments, surveys, interviews or focus groups” (2014). In this research, primary data comes from three interviews. Specifically, the author is conducting semi-structured interviews with crowdfunding platforms representatives in Vietnam, following an interview question protocol developed with the understanding that additional questions may arise as people provide experiential information and/ or as clarification or explanation is needed (see Appendix 3). According to Meyers (2013, pp. 121-123), this type of interview sits somewhere in between structured and unstructured interviews as it consists of key questions to be covered but it does not force the interview to go precisely as the prepared questions instruct. Semi-structured interviews also provide the researcher with the opportunity to ‘probe’ answers, encourage interviewees to explain, or build on, their responses (Saunders, et al., 2016, p. 394). This is important as the author of this thesis is adopting an interpretivist philosophy, where there is a concern over understanding the meanings that crowdfunding participants ascribe to the phenomenon.

The interviews are performed for the main question: “How to facilitate crowdfunding in Vietnam” which is broken down to two sub-questions:

- RQ.1: Identify the main factors that influence crowdfunding ecosystem in Vietnam
- RQ.2: How to create a robust crowdfunding ecosystem in Vietnam

Due to the nature of research questions, the research’s target group is crowdfunding experts in Vietnam such as people who run a crowdfunding platform and have significant insights into the topic. The author chose not to interview people who are using crowdfunding platforms to raise fund or people who are giving their money to different causes via crowdfunding platforms. The reason is the author believes they do not have enough insights into the big picture, for examples which legislation or cultural constraint may affect crowdfunding activities now. According to Myers (2013, pp.7-9), the quality of interviewees is very important in qualitative research as it will help to avoid the collecting of irrelevant data. Therefore, the author tried to contact crowdfunding platforms’

representatives through emails and phone calls for over two months. 25 invitations were sent to seven platforms and crowdfunding experts. The author was fortunate enough to connect to three crowdfunding platforms founders from among a handful of platforms in Vietnam. Interviewees' overall information is presented in the following table.

Table 3. General information of interviewees

Name and position	Platform	Types	Interview method	Duration
Mr. Bilesh Ladva (Co-founder)	Charity Map	Donation-based	Skype call	45 minutes
Mr. Cao Vu Anh (Co-founder, CEO)	FundStart	Reward-based	Skype call	50 minutes
Mr. Kieu Cong Binh (Co-founder)	FirstStep	Reward-based	Internet/ text-based conversation	40 minutes

The interviewees are the founders of three crowdfunding platforms founded in Vietnam: Charity Map (donation-based), FundStart (reward-based), and FirstStep (reward-based). There is a limitation in comprehensiveness that the author could not contact any lending-based platform. The first interview conducted with Bilesh Ladva is in English. The other two are mixed of English and Vietnamese as the interviewees felt more comfortable in using their mother tongue (Vietnamese) but still mentioned many terms in English. The two Skype calls, which used Internet to transmit voice (and video) with high signal quality, were audio-recorded with permissions from interviewees and subsequently transcribed and translated from Vietnamese to English by the author. The last interview adopted text-based/ Internet method for the interviewee's convenience.

4.4 Research reliability, validity, and limitations

Establishing the quality of research is also a critical part of designing a research project (Saunders, et al., 2016, pp. 201-207). To evaluate research reliability, validity and limitations, the author adopts Lincoln and Guba's evaluative criteria for qualitative research (1985). A set of criteria including credibility, transferability and dependability were outlined to point out the reliability, validity as well as limitations of the research study.

Credibility - this criterion parallels internal validity, ensuring the “truth” of the findings (Saunders, et al., 2016, p. 206). There is a limitation lies in the limited number of interviewees. As explained above, crowdfunding is a novel concept in Vietnam and there are just a handful of experts who have sufficient understanding and knowledge of the factors affecting crowdfunding ecosystem so it is difficult to gather a considerable number of respondents. Fortunately, all interviewees of this research are experts of crowdfunding in Vietnam. They have experience of acting as crowdfunding requesters who seek funds, as funders who support projects and as crowdfunding platform founders who create the foundation for the development of crowdfunding in Vietnam. They have solid knowledge and deep insight into the phenomenon in this emergent market. Therefore, their ideas satisfy the validity of the research. To ensure the research analysis match the interviewees’ ideas, data, analysis and interpretations are checked with the interviewees after the interview to confirm the results and correct the errors as well as the misinterpretations of the interviewer.

Transferability – this criterion parallels external validity, indicating whether the findings have applicability in other settings (Saunders, et al., 2016, p. 206). By using a rigorous descriptive method, the author provides a sufficient description of the research questions, design, context, findings and interpretations to let readers judge the transferability of the study to another context. The limited number of interviewees and the changing perceptions of crowdfunding in the market might negatively affect the transferability of the research to another time or market. However, the research is still valid as it presents what the situation in the target market looks like in a certain moment of time.

Dependability – this criterion parallels reliability, showing that the findings are consistent and could be repeated (Saunders, et al., 2016, p. 206). The interview questions were sent to the interviewees before the interview, giving them “neutral time” to think about the answers objectively. The author also applies the external audit technique, having three researchers (the thesis supervisor and two mentors) who did not involve in the research process checked and evaluated the entire process and findings. This ensures the reliability of the research as the emerging research focus will be understood and evaluated by others (Saunders, et al., 2016, p. 206).

Taking everything into account, the study is reliable and valid despite some limitations.

5 FACTORS AFFECT CROWDFUNDING IN VIETNAM

The factors affect crowdfunding in Vietnam which were identified from the interviews are grouped into four main categories: cultural, social, technological, regulatory.

5.1 Cultural

The interviewees pointed out that a vibrant startup culture built on trust, risk taking, entrepreneurship and collaboration would boost crowdfunding in Vietnam. “Once there is a strong entrepreneurial ecosystem, entrepreneurs will take advantage of crowdfunding. Otherwise they will seek other financial sources”, said Kieu Cong Binh. He also added that start-up community in Vietnam is not as strong as it seems to be now. Cao Vu Anh explained that there is an entrepreneur ecosystem in Vietnam, however, it is still a “chaotic system”:

“There has been a growing trend of entrepreneurship in the last few years; even the government is eyeing start-up community. However, not everyone understands the true sense of entrepreneurship. Many don’t understand what they are doing and they can’t add any value... Entrepreneur ecosystem is still a chaotic system. So many don’t take entrepreneurship as a career path.”

There is also a barrier in the culture of trust. In terms of donation-based crowdfunding for charity causes, Vietnamese tend to help people in need in a timely manner, as Bilesh Ladva stated. However, in terms of investing into for-profit projects, it will take more time to persuade funders to invest into a start-up project, claimed Kieu Cong Binh. Investors in Vietnam do not have much trust in start-ups, mainly because of their quality. Cao Vu Anh explained:

“There are many start-up groups which are very trustworthy, very well-known, and very stable in R&D, in products and services, in work integrity but they are just a minor part of the community. For example, in other markets, one VC can filter down two out of five start-up projects while in Vietnam, we have to filter many projects to get only one... Start-ups are enthusiastic about their ideas but their business management skills and project management skills are nearly non-existent.”

Furthermore, the interviews indicate that Vietnam has a culture that is disdainful of failure. This also links to the trust issue described above. In general, Vietnamese investors do not take risk. “They claim they are taking risk, but they don’t”, argued Cao Vu Anh. He explained that these investors when providing money establish many control mechanism to ensure that the risk is under control. There is still a minority of investors who take risk, but more foreign investors than domestic investors.

Another aspect of culture which affect crowdfunding is collaboration. According to the interviewees, Vietnam is a collectivistic society that value communal culture. This agrees with Hofstede’s cultural dimensions of Vietnam (Hofstede, 2017). According to Hofstede (2017), Vietnam, with a score of 20 in individualism dimension is a collectivistic society. In this collectivistic society, people nurture strong relationships; and offence leads to shame and loss of face (Hofstede, 2017). In Vietnam, word-of-mouth marketing plays a very important role. It might help expand crowdfunding but also might discourage it. “A project which is going well may fail if the community is against it”, said Cao Vu Anh.

Moreover, the accessibility of capital is usually one of the most important missing factors when attempting to foster a robust entrepreneurial ecosystem. Financing for start-ups and SMEs are mainly provided by friends and family, as the interviewees indicated. Banks are not active in lending to SMEs and start-ups that do not have sufficient collateral to guarantee the loan. Besides, early-stage venture capital (VC) funds are not actively making investments in start-ups and SMEs. VC investors collect information from financial statements, tax regulations, and other sources to decide whether they should invest in a business. But Vietnam financial markets lack culture of transparency and accountability, according to the World Bank & International Monetary Fund (2014), so it makes VC investors hesitate to invest in start-ups and SMEs. This market gap deters the growth of entrepreneurial ecosystem. However, this is the reason crowdfunding platforms can exist in Vietnam, as Cao Vu Anh stated.

5.2 Social

The interviewees also report that networking plays a major role in expanding crowdfunding in Vietnam. Talking about Charity Map’s initial steps, Bilesh Ladva described first they had to contact non-governmental organizations (NGOs), non-profit organizations such as orphanages, disability centers, nursing homes to understand their needs and introduce the model. Next, they tried to attract donors by various channels

such as friends, family, and online marketing. They also secured seed funding from a U.S. based organization to help Charity Map grow and expand, claimed Ladva. Cao Vu Anh also emphasized the importance of networking as his platform (FundStart) keeps expanding their network, gathering contacts, and establishing relationships with start-up community and investors. These networking activities helped them build strong networks and educate people about crowdfunding, thus boosted their businesses. These indications agree with the extensive studies discussed in 2.5.2, which highlight the importance of networking and community engagement.

5.3 Technological

Due to its nature as a tech-based funding model, crowdfunding is heavily related to technological factors such as e-banking, fin-tech companies, e-commerce, online marketing and so on, as Cao Vu Anh pointed out. Vietnam has a relatively high degree of Internet penetration, as presented in 3.1, with more than 45.5 million internet users (ITU, 2016b). There is also a high degree of mobile penetration and utilization, with 120.32 million mobile subscribers and a mobile signal coverage of 94% (ITU, 2016b; MIC; NCAIT, 2014). Social media utilization is high, Facebook now has 30 million monthly active users in the country, with 27 million accessing the social network on their mobile devices, according to statistics obtained by Tuoi Tre newspaper (2015). With this high penetration of the Internet and social media, there is potential for crowdfunding development, stated Cao Vu Anh. Interviews and data indicate that where information technology (IT) solves common and practical problems, adoption happens quickly.

All the interviewees agreed that an advantage of technology sector in Vietnam is the labor force. Vietnam has cheap but strong IT labor force. It is thanks to national strategies on IT industry development such as “National strategy on development of information and communication technology of Viet Nam to 2010, and orientations toward 2020”⁴ and “Transforming Viet Nam into an advanced ICT country”⁵. The number of employees in IT industry sector had nearly doubled from 226,300 in 2009 to 441,008 in 2013. (MIC; NCAIT, 2014, pp. 42-43). The interviewees claimed that the competent IT labor force has helped them handle tech side of their businesses smoothly.

⁴ Prime Minister’s Decision No. 75/2007/QĐ-TTg dated May 28th, 2007

⁵ Prime Minister’s Decision No. 1755/QĐ-TTg dated Sep 22nd, 2010

On the other hand, there are some technological factors that deter crowdfunding. First is data security. In Vietnam, data security is “100% a governmental security issue”. It is even stricter if it is related to cash. Cao Vu Anh explained, “Our [Vietnam’s] e-commerce is still way behind the world but the regulation on data security is too heavy. It is not flexible so we cannot control data security by ourselves.” Second barrier is the payment system. There is an increase in online payment gateways such as 123Pay, OnePay, NganLuong, BaoKim, VTCPay and even the worldwide popular PayPal (König, 2016). These gateways support e-commerce and crowdfunding platforms. However, according to the interviewees, there are several payment options available but Vietnamese people just prefer cash or bank transfer:

“Credit card use is very low in the country. We did have online credit card options available through PayPal things like that but they weren't the primary method of donation. The primary method was either cash or bank transfer... Our staff would go to the donor’s house and collect the cash and then we transferred to the social organization when we made trips there.” (Bilesh Ladva)

“Vietnam’s economy is still a heavily cash-based economy. Credit cards just exist in urban areas. People prefer cash-on-delivery, bank transfer (e-banking). Other options are quite limited.” (Cao Vu Anh)

“We have credit cards, but they are not like American credit cards such as Bank of America, Chase [cards], etc. Vietnamese credit cards need to be activated for internet banking. Most people are too lazy to do it, or don’t know how to do it. So, it makes payment more problematic.” (Kieu Cong Binh)

These indications are in line with Munyanyi & Mapfumo (2016), found that the variable easy reliable payment system affects the possibility of employing crowdfunding as a technique to raise capital. According to UNCTAD (2015), Vietnam has very few people using electronic payments which is a barrier to e-commerce and crowdfunding activities. However, in recent years, Vietnam has shown an increase in number of cards issued. There had been 111 million bank cards issued in Vietnam as of 4th quarter of 2016, doubled the figure of 2012 with 54.29 million, according to the State Bank of Vietnam (SBV, 2017a). Most of those bank cards are debit cards (SBV, 2016). Yet, the number of active bank cards in Vietnam is relatively low: 60-70% (Ministry of Industry and Trade, 2016). The SBV estimates that only 20% of Vietnam’s population have bank accounts,

with each having three to five cards on average (Vietnam Economic Times, 2017). The reason is commercial banks appear to be rushing to issue financial cards; thus, customers accept the cards without awareness of using them or not. Vietnamese consumers have not adopted cards as a means of payment but mostly use cards to withdraw cash from automated teller machines (ATMs). 85% of card transactions in Vietnam are performed at ATMs, and 85% of this value is cash withdrawal (Ministry of Industry and Trade, 2016; SBV, 2017b).

5.4 Regulatory

All the interviewees considered that regulatory factors will affect crowdfunding. There is no crowdfunding legislation in Vietnam at the moment. According to Kieu Cong Binh, due to the lack of government regulation of crowdfunding, it is challenging to foster crowdfunding ecosystem. Cao Vu Anh pointed out there is a high risk if the government decides crowdfunding is not eligible, crowdfunding platforms will have to stop operating. In addition, if a bill is passed and it is related to financial business model and crowdfunding, crowdfunding platforms must adjust to suit the law. That will be time-consuming and will negatively affect the platforms because “in this fast-paced technological environment, it will be a deal-breaker”, said Cao Vu Anh. Conversely, thanks to the lack of government regulation of crowdfunding, there is an advantage that Vietnamese law does not ban crowdfunding:

“It’s not banned, so we can be as flexible as we can. It means in reward-based crowdfunding we can pick up any kind of model, any kind of nature of project. We can pick up commercial projects, even commercial research like spaceships or submarines as long as it’s not banned, and anything in between. It’s the flexibility that we are provided now.” (Cao Vu Anh)

Furthermore, when asked about the existence of equity-based crowdfunding, all interviewees agreed that model will not exist, at least for now. The reason is Vietnamese structure and policies are far from being in place to offer equity-based crowdfunding approach, as the interviewees indicated.

Another aspect of regulation should be noted is the level of process complexity involved in starting a business. The administrative process to register a business may be easy to a business with sufficient tools, legalized documents, and network. On the other hand, it

may be complicated to start-ups without adequate financial resources, documents, and/or bad management, said Cao Vu Anh. This is in line with Vietnam's low rank in the ranking of the ease of starting a business as the 121th out of 190 economies (World Bank, 2017b). Specifically, Bilesh Ladva explained the process of register his donation-based platform Charity Map:

“When you're setting up a company you can choose whether or not to register as an NGO or as a for-profit company. As a for-profit company, you have to pay taxes on your income or revenue streams. Now that is quite a bit of burden on a company that is orientated towards social organization. So, in addition to your operating costs you have to pay tax on top of that as well. So that sets a drawback but a positive is that it is faster to register as a for-profit entity. It takes much longer to register as a not-for-profit entity and there are other requirements as well in terms of capital, in terms of who the founding members are and company incorporation. So, we decided to register as a for-profit entity and we had to pay tax on most of the donation that we received. So that wasn't good because it is so obvious that you want to maximize the amount of cash that goes to any social organization.”

Appendix 4 shows a summary of the above findings on factors which effect crowdfunding ecosystem.

6 RECOMMENDATIONS TO CREATE A ROBUST CROWDFUNDING ECOSYSTEM IN VIETNAM

Integrating the general comments of the interviewees and suggestions from infoDev (2013), the following illustrates author's recommendations to create a robust crowdfunding ecosystem in Vietnam. This is a list of policy and strategic recommendations related to government, NGOs, and the private sector to tackle the cultural, social, technological, and regulatory challenges.

6.1 Cultural

To tackle cultural challenges, a strong entrepreneurship culture built on trust, risk taking, entrepreneurship and collaboration should be fostered. Changing cultural attitudes towards trust, risk, failure, entrepreneurship, and collective action is not a small task that can be achieved overnight. It will take time and effort from government and other entities.

First, it is important to educate both potential entrepreneurs and investors about what crowdfunding is, how it works, what the risks are and how to safely involve in this funding model. The government in collaboration with trusted third-party entities could create public campaigns to raise awareness of crowdfunding across the country. These campaigns can be seminars, workshops, or competitions. They could also partner with the media to build momentum around crowdfunding by highlighting successful stories and impacts. These image buildings activities or campaigns should be held throughout the year and on a long-term basis.

Second, entrepreneurs should be equipped with the skills necessary to start and run a business or a project. For crowdfund entrepreneurs, raising fund online could be their first fundraising experience. If so, it is important that they have all the training needed to prepare them for the crowdfunding campaign, to determine the amount needed, to use integrated marketing tools efficiently, and to communicate with funders. Training programs could be delivered by incubators, accelerators, co-working spaces, academic institutions, NGOs, online, or outreach and development programs.

Third, both professional and individual investors' confidence in crowdfunding should be built. The government or sponsoring organizations could work to convince investor

networks and capital groups that crowdfunding is not a competitor. It is an alternative for seed financing and an evidence of a feasible market for entry-level companies. The government or development organizations could strengthen investors' confidence by co-investing to match crowdfunding targets. In addition, they could attract and secure investments from lead investors who are well-known and trusted. This will help accelerate funding in the initial stage.

6.2 Social

Expanding networking and nurturing relationships do not only benefit crowdfunding activities but also start-up communities. The government and supporting organizations could hold networking events and encourage the participation of local business communities. They could also utilize existing co-working spaces, incubators, accelerator as hubs for innovation in funding. Furthermore, identify and invite social media experts, bloggers, and influencers to participate in certain events to speak with local audiences about the value of crowdfunding and spread the message to online audiences. In addition, they could form a crowdfunding association or market alliance to support all networking and educational events.

6.3 Technological

In order for crowdfunding to work, people must have access to reliable Internet network. Technology related to crowdfunding activities such as websites, communication tools, management tools, payment tools, and so on must also be employed and allowed to operate freely.

The government and commercial banks should facilitate the strong development of cashless payment in the economy rather than just focusing on issuing new cards or encouraging people to withdraw cash from ATMs. Vietnamese consumers are looking for a secured yet simple online payment system. Therefore, the government and supporting organizations should:

- Continue to improve the legal framework, mechanisms and policies for development of electronic payment and card payment;
- Build and develop infrastructure and technology for bank cards;

- Educate, promote to raise awareness and strengthen the belief of citizens in the benefits and efficiency of electronic payment and card payment, thus change the cash payment habits; widely install the system of POSs and card readers in trade centers, restaurants, hotels, entertainment areas and so on;
- Strengthen regulations and measures to ensure cyber security; detect, prevent and handle acts of law violation in the field of electronic payment and card payment, ATM, POS and payment methods using high technology.

6.4 Regulatory

First, policies and regulations that make it burdensome to start, conduct, and end business must be addressed. Regulators and policymakers should coordinate and lighten the rules in company laws under which early-stage company regimes can offer and assign shares to new investors, thus eliminating formal processes that do not fit the information age.

Second, a legal framework specific to crowdfunding should be set up. Crowdfunding cannot flourish without an adequate legal framework. It is necessary both for transparency and to protect the actors. As mentioned, crowdfunding is not only an alternative financing method belonging to a market economy, it also belongs to a participative economy. The expected return is sentimental and emotional (De Vauplane, 2013). Therefore, a suitable legal framework which ensures both flexibility and protection for different crowdfunding parties from any risks should be created. Vietnam can learn from early lessons of countries including the United States, the United Kingdom, France, and Italy (Juredieu & Mayoux, 2016) to create a balance regulatory regime that is suitable for Vietnam's culture, business environment, and economic growth targets. As Cao Vu Anh – a crowdfunding platform founder insisted:

“We really need regulations for crowdfunding platforms with all kinds of models: donation-based, reward-based, lending-based, and equity-based. We need a legal framework as a manual to guide us what is right, what is wrong in the eyes of the government. “

7 CONCLUSION

7.1 Conclusion

Crowdfunding has demonstrated several benefits not only in financing entrepreneurs and SMEs, but also in job creation, economic inclusivity, and economic opportunity. With the rapid expansion of crowdfunding around the world, the time is right for Vietnam to engage in this new technological form of fundraising. There has not been any research that investigate any factors facilitate or constrain this phenomenon in the country to provide a framework for development. Therefore, this study was set out to understand factors that affect crowdfunding in Vietnam and develop strategic recommendations for the government, NGOs, and the private sector to deal with the cultural, social, technology, and regulatory challenges. This empirical study shows that the most important factors required for crowdfunding to exist – Internet access, social network engagement, and highly-skilled IT human resource – are broadly present in Vietnam. However, to make it succeed, a culture of trust should be fostered not only in crowdfunding activities but also in entrepreneurial activities and online payment activities. The government and other related organizations should provide greater support and implement strategic plans. These plans include promoting crowdfunding nationwide, educating entrepreneurs and investors, nurturing entrepreneurship ecosystem, upgrading technology infrastructure, and setting up a crowdfunding regulatory framework.

7.2 Suggestions for future research

The limited resources and the ever-changing characteristics of crowdfunding led to the incomprehensiveness and the lack of generalization ability of this thesis. Therefore, if there are any researchers who would like to further deepen their understanding in crowdfunding and its development in Vietnam, the author hereby suggests the future researchers to (1) evaluate the readiness of the market for crowdfunding (look at the self-assessment tool provided by infoDev (2013, pp. 66-67)), (2) investigate the opportunities and challenges of current position and status of entrepreneurship ecosystem and crowdfunding ecosystem, (3) investigate crowdfunding participants' attitudes in Vietnam, and (4) assess the relationship between cultural, social, technology and regulatory factors in affecting the crowdfunding ecosystem. The author believes that these

problems will have answers with the evolution of the crowdfunding phenomenon and new problems will be raised. After all, “crowdfunding, like science, is a collective action and an evolutionary process”, as Verschoore & Zuquette (2016) stated.

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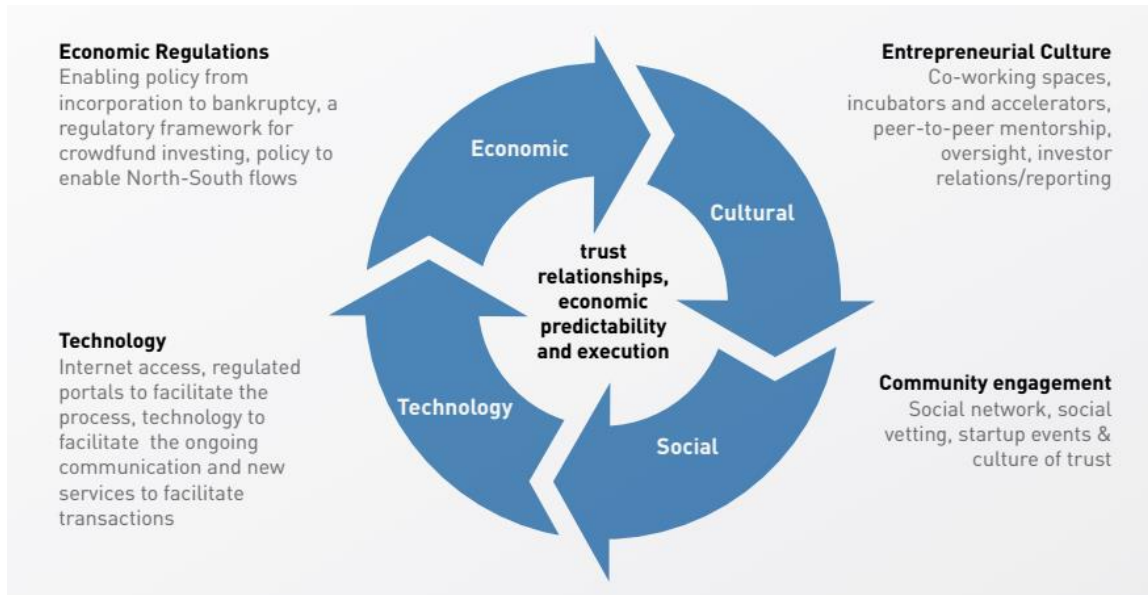
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Appendix 1. Four elements of a robust crowdfunding investing ecosystem



Source: infoDev (2013, p. 51)

Appendix 2. Factors affect crowdfunding ecosystem

Element	Factor	Description	References
Culture	Entrepreneurial ecosystem	The development of crowdfunding depends crucially on how entrepreneurial ecosystems develop within a region.	infoDev (2013)
	Risk tolerance	Face-saving, uncertainty avoidance and in-group collectivism are correlated with the launch of crowdfunding platforms.	infoDev (2013)
Social	Social network	Without social networks, entrepreneurs cannot reach the crowd of potential funders.	Giudici, et al., (2013); Hui, Gerber & Gergle (2014); Kuppuswamy & Bayus (2015); Mollick (2014)
	Community engagement	Community plays different vital roles in the process of crowdfunding. The community engagement is directly related to the success of crowdfund investing.	Hui, Greenberg & Gerber (2014), Yao & Zhang (2014)
	Social trust	Trust between entrepreneurs, funders and customers is an important element that support a healthy ecosystem.	infoDev (2013); Yao & Zhang (2014)
Economic	Economic regulations: Conducive regulatory framework	There are regulatory norms that may affect the conditions for crowdfunding. Crowdfunding cannot flourish without an adequate legal framework.	De Buysere, et al. (2012); Kirby & Worner (2014); Röhler & Wenzlaff (2011); Cuesta, et al., 2015; Munyanyi & Mapfumo, 2016; Juredieu & Mayoux (2016); Crowdfunding in East Africa: Regulation and Policy for Market Development (2017)

(continue)

Appendix 2 (continue).

Element	Factor	Description	References
Technology	Internet Access, Internet Users, Social media penetration	Crowdfunding uses current and future technologies to revolutionize financing methods so local technology access plays a crucial role to diffuse this innovation.	infoDev (2013); Mollick (2014); Lu, et al., (2014); Verschoore & Zuquetto (2016)
	Crowdfunding platforms	Crowdfunding platforms assist in publishing campaigns and collecting funds and facilitate of interaction between entrepreneurs and the crowd of funders.	Belleflamme & Lambert (2016)
	Payment system	The variable easy reliable payment system influences the possibility of entrepreneurial ventures employing crowdfunding as a technique to raise capital	Gerber, et al. (2012); Munyanyi & Mapfumo (2016)

Appendix 3. Interview questions

1. Please tell me more about yourself and your crowdfunding platform. How did you found it? How does it work? Is there any successful campaign?
2. How would you describe the potential of crowdfunding in Vietnam?
3. What are the crowdfunding ecosystem players in Vietnam?
4. In your opinion, what are the factors of crowdfunding ecosystem in Vietnam? How do they affect (positive/ negative) crowdfunding?
5. Is there any regulation for crowdfunding in Vietnam?
6. In your opinion, what could be done to create a robust crowdfunding ecosystem in Vietnam?

Sub-questions which may be raised:

7. Does a culture of entrepreneurship exist and is entrepreneurship considered a reputable career path?
8. In general, do you think Vietnamese people trust entrepreneurship?
9. In making investments, how risk-tolerant are people in Vietnam?
10. In general, are actions more driven by more individualistic goals or group goals?
11. How much trust do individuals have in the businesses they have relationships with?
12. In your opinion, what could be done to build trust?
13. Is entrepreneurship in Vietnam fostered by the government and/or NGOs?
14. Are people accustomed to buying and selling goods and services online?
15. How do you rate the technology infrastructure and labor force?
16. What is the level of regulation/process complexity involved in starting a business today?
17. Financing for start-up and SMEs mainly provided by which source?
18. Are banks, VC funds, and angel investors actively making investments in start-ups and SMEs in Vietnam?

Appendix 4. Summary of factors which affect crowdfunding in Vietnam

Element	Factor	Description	Effect
Cultural	Entrepreneurship	A strong entrepreneurial ecosystem will boost crowdfunding. However, as the interviewees perceive, the entrepreneurial ecosystem is not as strong as it seems to be now.	positive
	Trust	Culture of trust exists but people do not have much trust in start-ups because of their poor quality.	positive
	Risk taking	People are afraid of failure and do not want to take risk.	negative
	Collaboration	The communal culture may help expand or discourage crowdfunding	both
	Lack of funding	Vietnam's startup ecosystem has a market gap as far as seed funding goes. It deters entrepreneurial ecosystem, but encourages crowdfunding as an alternative funding source.	both
Social	Networking	Networking plays a vital role as crowdfunding platforms must look for users (both requesters and funders).	positive
Technological	Internet users and social media users	Crowdfunding heavily depends on the Internet and social media so high penetration of Internet users and social media users will encourage crowdfunding.	positive
	Labor force	Cheap and high-quality IT labor force supports the technical side of crowdfunding businesses	positive

(continue)

Appendix 4 (continue).

Technological	Payment system	There are several payment options but people prefer using cash or bank transfer so it makes payment problematic.	negative
Regulatory	No legal framework for crowdfunding	There is no legal framework for crowdfunding activities in Vietnam. Crowdfunding platforms have to face risks closing or adjusting their businesses. But it leaves room for flexibility.	both
	Regulatory framework	Regulatory framework is not conducive for launching equity-based crowdfunding.	negative
	Process complexity	The complex process of starting a business discourages crowdfunding platforms.	negative