



Factors Affecting the Adoption of Crowdfunding as a Source of Funding among SMEs in Colombo Region in Sri Lanka

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Abstract

Small and medium enterprises (SMEs) are regarded as the backbone of economies, whether it is just for a single state or country or if considered for the globe as a whole. There are many challenges that SMEs face one of which is the financial aspect such as insufficient access to financial resources and investment capital can be a significant barrier to the growth of these SMEs. There is a suitable new way funding for this problem that is emerging in the modern world known as crowd-funding. This method mostly involves using the internet to collect money in small and medium amounts from several individuals thereby collecting the needed capital. Therefore, this study focuses on the factors affecting adoption of crowdfunding as a source of funding among SMEs in Colombo region.

Keywords: *Crowdfunding, SMEs, Perceived Ease of Use, Perceived Usefulness, Attitude.*

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Introduction

Background of the Study

Small and Medium enterprises (SME) are regarded as the pillar of economies, whether it is just for a single state or country or if considered for the globe as a whole. These organizations are an essential factor for economic growth and are considered to be adapting and changing in advanced industrialized countries and also developing countries. They are also important because they introduce new techniques and products to markets and thereby promoting competition. It is also fair to say that development in a nation level depends on supporting environment for SMEs, which can supply competitive products at low costs (Maximilian, 2013). However, the increased trade liberalization and globalization has made both new challenges as well as opportunities to SMEs. There are many challenges that SMEs face in the modern economy such as lack of finance, deficiencies in marketing, low human resource capabilities and technological challenges. Out of these the financial aspect such as lacking access to financial resources and capital for investment can be a notable barrier to the growth of these SMEs (Pandya, 2012).

The International Financial Corporation estimates that the total credit gap among the SMEs in developing regions could be as high as \$900 – \$1100 billion. This may be due to information asymmetry or a lack of creditor protection. Lenders may require higher collateral or increase interest rates as a response to

these reasons. The government may also indirectly hinder the finance of SMEs by for example when the government issues large amounts of bonds it may seem more profitable and less risky to invest in these bonds or by rising financial regulations that require banks and financial institutions to keep comprehensive information on clients could reduce the tendency to lend to smaller firms (Abraham & Schmukler, 2017).

Because of these reasons, SMEs struggle to access capital from formal financial institutions such as Finance companies and Banks. They often start their businesses with their own money or money borrowed from relatives and friends. They have also expressed in times that this is often not sufficient when continuing the business (Priyadharsan & Lakshika, 2019).

There is a suitable new way funding for this problem that is emerging in the modern world known as Crowdfunding. This method mostly involves using the internet to collect money in small and medium amounts from several individuals thereby collecting the needed capital. There are also many benefits to crowdfunding when compared to traditional finance collecting methods. For example, unlike from when acquiring finance from angel investors or venture capital firms, SMEs can continue to have the same control over the company's decisions. SMEs can also use crowdfunding when they do not qualify for venture capital. Crowdfunding can also be used as a tool for people to

invest back into their communities. Crowdfunding can also be used to test the marketability of a product because the whole mechanism depends on a large number of people finding the idea interesting, and worth investing their time, attention and money into the idea (Valanciene & Jegeleviciute, 2013).

The Government sees SMEs as the factor for change for inclusive employment generation, economic growth, regional development and poverty reduction. The SMEs in Sri Lanka are expected to make the underdeveloped geographical areas into areas of emerging prosperity. SMEs in Sri Lanka contribute to more than 75% of the number of registered enterprises meanwhile contributes to the GDP at 52% and accounts for 42% of employment in Sri Lanka. SMEs are also considered important because they promote and provide more opportunities for youth and women participation in the economy of Sri Lanka thereby promote a broad-based equitable development of society (Ministry of Industry and Commerce, 2016). Sri Lankan SMEs also face the same problems as SMEs around the globe such as difficulty in collecting finance. Sri Lanka has many local Crowdfunding websites such as crowdland.lk, tribefunds.lk as well as international websites that support Sri Lanka such as indiegogo.com, kickstarter.com, gogetfunding.com and many more. But still crowdfunding technology has been for the most part ignored by SMEs.

Research Problem/ Research Gap

SMEs have been identified as an essential element of Sri Lanka's economic and communal fabric; they are exposed to a wide range of constraints that restrict their capability to expand. Although the sector has gained much recognition from several governments and international development organizations over recent decades, the sector is still exposed to these challenges that need to be discussed in an integrated approach. Out of them is the important subject of the struggle in gaining access to finance. The ability of SMEs to grow, develop and strengthen themselves and sustain is mostly determined by their ability to gain and manage finance. Regrettably, SMEs persistently mention the difficulty to access finance as a significant bottleneck. In gaining access to finance, SMEs face difficulties on several ways such as low collateral from SMEs and unwillingness of financial institutions and banks to lend without it. The financial sector's 'unfriendliness' towards SMEs can be seen as disconnect of funding opportunities and SME needs. Misunderstanding between financial institutions and SMEs on each other's constraints and priorities contributes to the lack of information on financing opportunities and insufficient of methods risk mitigation (Wijesinha & Perera, 2015).

There are some developing countries like Nigeria also have same kind of issues which are following crowdfunding as a source of financing.

Kazaure et al. (2020) focused on the factors that are related to the intention to use crowdfunding as a source of finance. By researching these factors, can gain a deeper understanding on what can be done to make crowdfunding a more suitable option for SMEs and other organizations as well. There is very little studies in Sri Lanka that are conducted in relation to crowdfunding and even less studies showing the factors that are considered when selecting crowdfunding as a source of funding which are perceived as a cheaper source of funding.

Rajeevan (2019) conducted a study among CMA Students in Sri Lanka to enhance the existing microfinancing model by incorporating crowdfunding technologies and Gunawardana (2020) which was a research that explored the points that contribute to the success of crowdfunding startups in Sri Lanka. But there is insufficient research that has been performed on the factors in relation to the intention to integrate crowdfunding as a finance source especially in the SME sector. Hence in order to fill the empirical knowledge gap, this study focuses on factors that are considered when selecting crowdfunding as a source of funding with special reference to SMEs in the Colombo region.

The research problem statement is to reduce the failure of SMEs due to lack of finance and increase the adoption of crowdfunding by identifying the factors affecting SME adoption of crowdfunding as a source of funding in the Colombo region.

Research Questions

As this study is about the factors affecting SME adoption of crowdfunding as a source of funding in the Colombo region. The specific research questions are,

1. What is the level of Intention to adopt crowdfunding among SMEs in the Colombo region?
2. What is the relationship between intention and factors such as Crowdfunding awareness, Perceived ease of use, Perceived usefulness and Attitude?
3. What are the potential differences in intention to use crowdfunding about age and education?

Research Objectives

This study is intended to achieve the following objectives:

1. To identify the level of Intention to use crowdfunding among SMEs in the Colombo region.
2. To identify the relationship between intention and factors such as Crowdfunding awareness, Perceived ease of use, Perceived usefulness, and Attitude.
3. To identify potential differences in intention to use crowdfunding about age and education.

Small and Medium Enterprises (SME)

There is no clear commonly agreed-upon definition for Small and Medium Enterprises. Different organizations and countries have different ways of categorizing SMEs. Common ways of

categorizing them include annual turnover, number of employed people, ownership type, total investment, etc. In the Sri Lankan context, the Ministry of Industry and Commerce defines SMEs by annual turnover and number of employees. Table 1 in the appendix shows the criteria.

Sri Lanka for its policy-related measures Micro Enterprises are also considered under SME, but for this study, we will only look at Small and Medium Enterprises. For this study, we only consider the manufacturing enterprises which have an annual turnover between Rs. Mn.16 to Rs. Mn.750 or the number of employees between 11 and 300 and for service industries an annual turnover between Rs. Mn.16 to Rs. Mn.750 or Number of employees between 11 and 200. In case a firm falls into different categories according to different criteria Number of employees will be considered as a deciding factor.

Crowdfunding

Crowdfunding is an innovative approach for funding enterprises of for-profit nature firms, cultural firms or social firms and projects by collecting financial contributions (Mollick, 2013). Crowdfunding is an activity undertaken for the gathering of money for a new project proposed by a particular individual, by gathering small to moderate sums of investments from numerous other persons that gather to a greater amount (Ordanini, 2009). These are often popularized and performed through the help of the Internet enabled

platforms by persons or a group of people who are looking for financial support (Mokter, 2017).

There are several types of Crowdfunding such as equity crowdfunding, lending crowdfunding, and donation crowdfunding.

Donation Crowdfunding

Donation crowding is when the founder receives the money from the crowd but the crowd does not get any tangible return for that contribution. The funds given are usually for a purpose but no specific return is given for the funder. The reward-based crowdfunding model can employ an incentive-based reward scheme where the backers get non-monetary rewards such as personal recognition or experimental rewards such as the chance to meet the creators, and attend special meetings or events to contribute to the development of the product (Paschen, 2016).

Lending Crowdfunding

Lending crowdfunding is also known as peer to business(P2B) and also peer to peer(P2P) crowdfunding. This is given with the expectation that the founders will repay the supporters. This takes one of three forms (1) the presales model (2) the traditional lending model and (3) the forgiven loan model. The presales model collects the fair value of the product before it is produced and supplies the finished products to the supporters once production is completed. The traditional lending model is similar to a bank loan because

interest rates are determined pre-campaign launch and repaid according to the terms agreed upon. The forgiven loan model only repays contributions when the project begins to make profits (Paschen, 2016).

Equity Crowdfunding

Equity crowdfunding is also referred to as investment funding. This is where the enterprise collects money in exchange for an ownership stake in the firm. This is the fastest-growing crowdfunding category (Paschen, 2016).

For the sake of this research all three types, donation crowdfunding, lending crowdfunding, and equity crowdfunding will be considered.

Recently the adoption of crowdfunding to SME financing around the world has increased steeply, in 2015 amount was nearly \$ 34 billion and projected to increase every year, and in 2019 the value was estimated to be \$ 59.564 billion (Amuna, 2019). Researchers have greatly examined the factors that influence an investor to contribute to a crowdfunding campaign. Zvilichovsky et al., (2018) stated that the main factor that motivates the intention of the investor to invest is the desire to materialize the product of the crowdfunding campaign. Furthermore, Bento et al. (2018) have reported that the economic benefit with respect to the investment in crowdfunding campaigns is an important motivational factor. Similarly, Bretschneider and Leimeister (2017) found that factors such as, perceived profit, backers image

development and self-esteem are vital factors. However, Hornuf and Schwienbacher (2017) have reported a contrary view, they have mentioned that the platform security was a significant motivator for backers to contribute to crowdfunding programs.

There have also been studies, by Kazaure et al. (2020) in the determinants of SMEs' intention to adopt the Islamic crowdfunding model in Northwestern Nigeria. This study concluded that there is a significant relationship between factors such as perceived ease of use, perceived usefulness, information on crowdfunding, use of social media, and the intention of SMEs in the Northwestern Nigeria region to use the Islamic model crowd funding. This study also found that out of the factors perceived usefulness is the most effective in determining intention to use crowdfunding.

Intention to Adopt Crowdfunding

Intention has been systematically studied by researchers from fields for example social sciences, psychology, philosophy, medical sciences, etc. Intention is closely linked to the behavior and actions that a person performs. Lau et al (2007) mention “Intention is central to the concept of voluntary action”. Intentional activities are typically considered the origin of all performance and usage. Theoretically, a comprehensive intentional act is regarded as a motivation development and a performance of the choice (Lewin, 1951).

Intention in this context is referred to Behavioral intention that an individual has towards adopting and using a particular good or service and in this context the use of crowdfunding. Davis (1989) presents arguments for significant positive correlation between intentions and usage. Swanson (1982) also suggests “intention models from social psychology as a possible foundation for the research on the determinants of user behavior”. According to Fishbein and Ajzen (1975) “a person's performance of a specified behavior is determined by his or her behavioral intention”. Furthermore, the Technology Acceptance Model (TAM), which was developed by Davis et al (1989) also implies “all else being equal, people form intentions to perform behaviors toward which they have positive affect”. TAM also suggests that intention is specifically important underlying factor for behavior and acceptance of emerging technology. Intention to adopt crowdfunding technologies can be reliably used to determine the acceptance and behavior of using crowdfunding technologies. Several concepts such as Awareness, Perceived ease of use, Perceived usefulness and attitudes can be linked to the behavioral intention to use crowdfunding services.

Crowdfunding Awareness and Intention to Adopt Crowdfunding

According to Rogers and Shoemaker (1971), users experience “a series of process in knowledge, conviction,

decision and confirmation” before they are ready to use an innovative product or service. This acceptance or rejection of a new product or service initiates when the customer is aware of the innovation. And to be aware of those innovations the user has to have adequate information about the introduced product or service. Lack of awareness is an important that negatively effects the use of new technologies (Sathye, 1999).

Crowdfunding is a relatively new way of sourcing funds when compared to methods such as banking, finance companies, venture capital Etc. It is possible that SMEs are largely unaware of crowdfunding technologies and that this is causing them to have a reduced intention to use crowdfunding. Information regarding the internet, E-business, crowdfunding processes and crowdfunding platforms are important for individuals to be aware of crowdfunding technologies. It is vital to recognize that awareness is a key factor for acceptance and partaking the crowdfunding platforms by both the investors and the entrepreneurs (Muhammad & Ngah, 2020).

Pikkarainen et al. (2004) stated that the acceptance of a new concept can be greatly correlated with the level of awareness. There have been several studies that suggest a positive relationship between crowdfunding awareness and intention to adopt crowdfunding technologies. For example, research conducted in Nigeria by Kazaure et al. (2020) and Muhammed and Ngah (2020) found

that there was a significant positive relationship between crowdfunding awareness and intention to adopt crowdfunding technologies. Similarly, a study in Bangladesh by Hasan et al. (2018) also reports a positive relationship between technology awareness and crowdfunding services among startups. Soreh (2017) also suggests a positive relationship between awareness and crowdfunding services among startups. Therefore, the first hypothesis for this study is:

H₁: Crowdfunding awareness has a positive relationship with SMEs' intention to adopt Crowdfunding.

Perceived Ease of Use and Intention to Adopt Crowdfunding

Davis (1989) defines Perceived ease of use as the “degree to which an individual believes that using a particular system would be free of physical and mental effort”. This is derived from the description of "ease": "freedom from difficulty or great effort." Effort is a limited resource that an individual may assign to the several actions for which they can be held accountable (Radner and Rothschild, 1975). All other factors being constant, we imply an action is perceived to be easier to use than other activities that are more predictable to be adopted by its users. Prominent research on the intention and adoption of innovative technologies advocates an important role for perceived ease of use.

Prior research done in this context suggest that there is a positive correlation between perceived ease of

use and intention to adopt crowdfunding technology. For example, research conducted in Malaysia by researchers such as Rahman et al. (2020) and Thaker (2018) confirmed their hypothesis that there was a significant positive relationship between perceived ease of use and intention to adopt crowdfunding technology. Similarly, Thaker et al. (2017) also confirmed a positive relationship in the case of using the crowdfunding waqf model (CWM) between perceived ease of use and intention to adopt crowdfunding technology. Kazaure et al. (2020) have also found perceived ease of use to be positively correlated to the intention to use crowdfunding in Northwestern Nigeria. Also, a similar study by Tanamal and Yulianto (2019) was conducted in Indonesia that confirmed a positive relationship. However, Sulaeman (2021) when studying the effect in Indonesia found that perceived ease of use and intention to use did not have a significant positive relationship. Therefore, the second hypothesis for this study is:

H₂: Perceived ease of use has a positive relationship with SMEs' intention to adopt Crowdfunding.

Perceived Usefulness and Intention to Adopt Crowdfunding

Davis (1989) defines Perceived usefulness as the “degree to which an individual believes that using a particular system would enhance their job performance”. This is derived from the definition of the term useful:

“capable of being used advantageously”. In a business context, individuals are mostly motivated for good performance by bonuses, promotions, raises, and other rewards (Pfeffer, 1982; Schein, 1980). Systems with high perceived usefulness which a user perceives the presence of a positive use-performance relationship. Perceived usefulness is often used the context of emerging technologies and as an important variable that determines the adoption and intention of users in adopting these emerging technologies.

There have been several studies linking Perceived usefulness to intention to adopt crowdfunding services. Tanamal and Yulianto (2019) and Sulaeman (2021) have confirmed a positive relationship between perceived usefulness and intention to use crowdfunding technology in Indonesia. Kazaure et al. (2020) has also found perceived usefulness to be positively correlated to intention to use crowdfunding in Northwestern Nigeria. Thaker et al. (2017) and Thaker (2018) confirmed their hypothesis that there was a significant positive relationship between perceived usefulness and intention to adopt crowdfunding technology in Malaysia. However, Rahman et al. (2020) found that there was no significant positive relationship. Therefore, the third hypothesis for this study is:

H₃: Perceived usefulness has a positive relationship with SMEs intention to adopt Crowdfunding.

Attitudes and Intention to Use Crowdfunding

Attitudes represents a person’s general emotions of favorableness or unfavorableness towards a stimulus object according to Fishbein and Ajzen (1975). At the most general level we learn to associate things we like or have a favorable feeling as ‘good’ things and those we don’t like or with an unfavorable feeling as ‘bad’ things. On a daily basis we inevitably obtain an attitude towards some new objects or ideas when we learn its associations with objects, attributes or qualities to which we previously had an attitude towards. Soreh (2017) has stated “A positive attitude towards crowdfunding from the crowd is an indication of the concepts’ acceptance, while a negative attitude is an indication of rejection of crowdfunding. Attitude once developed may be enduring but subject to change with surrounding circumstances”.

According to Fishbein and Ajzen (1975), attitudes is the positive or negative emotion that is perceived by an individual when performing a specific task. There have been several studies that show a positive the relationship between Attitude and intention to adopt crowdfunding. For Example, studies conducted in Nigeria by Kazaure et al. (2020) and Soreh (2017) showed a significant positive relationship between Attitude and intention to adopt crowdfunding. Similarly, a study conducted in Malaysia by Baber (2021) also showed a positive relationship. Another study was also conducted in Indonesia by Pangaribuan et al. (2018)

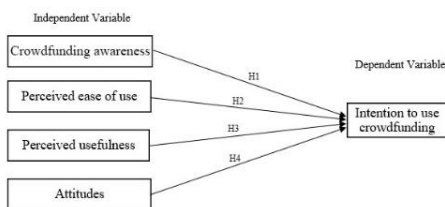
also studying the connection between Attitude and intention to adopt crowdfunding services. Deepika et al. (2019) have also suggested a positive relationship between Attitude and intention to adopt crowdfunding. Therefore, the fourth hypothesis for this study is:

H₄: Attitude has a positive relationship with SMEs intention to adopt Crowdfunding.

Methods

Research Approach

Quantitative data uses deductive method. Quantitative data needs statistical investigation to test hypotheses. The deductive method is that assumes a clear theoretic position is developed in before the collection of data (Saunders et al., 2007). The deductive approach is commonly used as it enables the researcher to reason from generic to specific. In addition, deduction from general perspectives leads the researcher to develop a theoretical framework (hypothesis) and test it thereby concluding a specific conclusion.



Based on this approach the variables such as Intention, Crowdfunding awareness, Perceived Ease of use, Perceived Usefulness and Attitude are well defined, explained the relationship,

develop hypotheses as well as collection of quantitative data and testing of hypotheses. Therefore, this study has used deductive approach.

Time Horizons

Time horizon outlines the time frame for the research. As per Saunders et al. (2007), “time horizons are needed for the research design independent of the research methodology used. There are two types of time horizons, specifically Longitudinal and Cross-sectional. Longitudinal studies are recurrent over an extended period while Cross-sectional study is restricted to a specific time frame”.

Cross-sectional studies often employ the survey strategy. They may be looking for to describe the incidence of a phenomenon or to compare factors in different organizations (Saunders et al., 2007). This study design used cross-sectional studies. Data for this study was collected during the month of September-October in the year 2021.

Study Settings

The research site or area is a place where the research is conducted. Considering objectives of this study, SMEs in the Colombo region is the study setting because of the higher number of SMEs in the Colombo compared to other districts.

Population of the Study

Polit and Hungler (1999) refer to the population as an “aggregate or totality of all the objects, subjects or members

that conform to a set of specifications”. Friedman (2005) defines “the study population that it should be defined in advance stating unambiguous inclusion (eligibility) criteria”. The influence that these criteria will have on ability to generalize, study design, and participant recruitment should be considered. The theoretical population is all owners/managers of SMEs that employ 11-300 employees in the Colombo district. An up-to-date list of small and medium enterprises in the Colombo region cannot be found. The latest information regarding the population for this study can be found in the Economic Census by the Department of Census and Statistics (2014), which states 15913 Small enterprises and 3419 Medium enterprises but defines small enterprises as industry and construction enterprises with 5-24 employees, trade enterprises with 4-14 employees and service enterprises with 5-15 employees. And also describes medium-scale enterprises as industry and construction enterprises with 25-199 employees, trade organizations with 15-34 employees and service enterprises with 16-74 employees. These population figures cannot be considered as these are not the population of the study. It is most likely that the population is much smaller than that above mentioned. Therefore, the population is undefined.

Sampling Design

Non-probability technique sampling was used to select the sample of SMEs. Due the population being undefined,

transport restrictions and lockdown measures in the country during the period of data collection online questionnaires were designed and sent to owners and managers of SMEs in the Colombo through a chain referral system/Snowball sampling technique as well as convenience sampling technique.

Method of Data Collection

Method of data collection describes to the method in which data were collected to perform the research study. This study was carried out based on primary data. The data was collected from SME owners and managers in the Colombo region. For those reasons, questionnaire was issued to the owners and managers. In ordered to collect data the questionnaire has been used. The questionnaire is a tool that comprises of questions used to collect the data. In general, closed questions are included to express their views on the topic of interest possibly. The Questionnaire was developed with reference to Davis, F. D. (1989), Fishbein & Ajzen (1975) and other articles. This questionnaire contains two parts.

1. Personal details of SME owners and managers in Colombo region
2. Research information

Personal Information of Respondents

It requires some statistics related to the Position in business, Business sector, Age, Gender, Highest Education, Number of employees, years in

business and sources of finance currently used. In the first part of questionnaire there are seven question and all of them are required to mark.

General Research Information

It is related to the research information regarding intention, crowdfunding information, perceived ease of use, perceived usefulness, and attitude, which will be measured by Likert scale of 1-5 ranging from “Strongly disagree” to “Strongly agree”. The questionnaire consists of research information in part 2. The respondents were asked to mark their choice in a suitable box. Respondents’ degrees of agreements with the statement in Likert’s scale.

Questionnaire Formation

The questionnaire was developed with the support of prior studies carried out by the researchers in the applicable subject area.

In addition to the above questions Location of business was also added to the online questionnaire containing the districts in Sri Lanka as options as an additional cautionary measure to avoid the inclusion of SMEs from other districts in the data due to the Snowball sampling method. Data collected from districts other than Colombo will be excluded from Data Presentation, Analysis, and Evaluation.

Reliability Test

Reliability defined as “the degree to which measures are free from error and therefore yield consistent results” (Zikmund, 2003). According to DeVellis (1991), “Cronbach’s Alpha

coefficient (CAC) is the most accepted index in testing and evaluating the reliability of data for internal consistency”. Cronbach’s alpha coefficient (CAC) ranges differ from 0 to 1 and value close to one indicating increased consistency, and value close to 0 signifying no consistency. Based on Geograge and Mallery (2003), Cronbach’s alpha coefficient (CAC) ranges as in Table 5 in the appendix.

However, Godard et al. (2001) indicate that the statistics are reliable when the CAC is higher than or equal to 0.7.

Results

Objectives

Objective 1: To identify the level of Intention to use crowdfunding among SMEs in the Colombo region.

Univariate analysis has been used to appraise the first objective. For this investigation mean values and standard deviation of the variable have been taken into consideration to find out the level of Intention to use crowdfunding among SMEs in the Colombo region. According to the data collected 128 respondents or 80.0% of respondents had a low level of intention out of the 160 respondents.

Objective 2: To identify the relationship between intention and factors such as Crowdfunding Awareness, Perceived Ease of Use, Perceived Usefulness, and Attitude.

Bivariate correlation examines the relationship between two variables and if it is linear (Kumar, 2014).

There is a Strong positive correlation between Intention and other variables.

Objective 3: To identify potential differences in intention to use crowdfunding about age and education.

ANOVA test was used to identify significant differences in age and education. It was found that there is no significant differences between the age groups as well as the groups in education.

Testing hypothesis

All H1, H2, H3 and H4 showed a significant strong positive relationship.

Discussion

This research explored the levels of Intention. According to the descriptive analysis results, in SME's mean value of Intention shows Low Level of Intention. Therefore, based on the decision rule, it indicates that there is a low level of Intention among the selected apparel companies. The frequency of Intention also suggests that 80.0% of the SMEs are have Low intention to use crowdfunding.

The researchers also explored the relationships among Intention, Crowdfunding Awareness, Perceived ease of use, Perceived Usefulness and Attitude of SMEs in the Colombo region. The correlation analysis was made to get the following results and the researcher has identified following relationships through the analysis. There is a strong significant positive relationship between Intention and factors such as Crowdfunding Awareness, Perceived ease of use,

Perceived usefulness and Attitude.

ANOVA analysis was used to analyze the differences between the groups in age and education. It was identified through ANOVA that there were no differences in mean between the groups in age and also there were no differences in mean between the groups in education.

Conclusion

This study is mainly focusing on the factors affecting SME adoption of crowdfunding as a source of funding in Colombo region. In Sri Lankan context, SMEs are a major contributor to the Economy and SMEs have the potential to grow into larger industries that provide large employment and export opportunities in the Sri lankan economy.

This research shows that there is a strong positive relationship between Intention and Factors such as Crowdfunding Awareness, Perceived ease of use, Perceived usefulness and Attitude towards crowdfunding among SMEs in the Colombo region. Therefore, the intention to use crowdfunding can be increased by attempting to increase the Awareness of crowdfunding technology, Increasing the perceived ease of use by making this technology easy access to them and educating SMEs in the method of use of crowdfunding technology by conducting workshops, seminars, etc. The intention of using crowdfunding can also be increased by increasing the Perceived usefulness of the crowdfunding platforms and this can be

done by informing SMEs about the potential usefulness of the crowdfunding platforms and the use cases that it can be used. Attitude is also shown to have a positive correlation with intention therefore, it will also be beneficial to create a positive attitude in the SMEs about crowdfunding to increase the intention to use it.

Further, it can be seen through the findings that the majority of SMEs still resort to traditional funding techniques such as Bank loans and Finance companies, this can be potentially changed with the use of crowdfunding. SMEs can benefit by removing the middleman of Banks and Finance companies by getting funding more easily at a lower cost of capital.

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