International Journal Business, Management and Innovation Review

E-ISSN: 3046-5605
P-ISSN: 3046-6423

Research Article

How Do Perceived Risk, Financial Transparency, and Platform Reputation Drive Investment Decision in Equity Crowdfunding in Indonesia?

Khanza Monica Salsabila [1,*], Dian Prawitasari [2], Herry Subagyo [3], Suhita Whini Setyahuni [4]

[1] Universitas Dian Nuswantoro, Indonesia; e-mail : khzmonica@gmail.com
[2] Universitas Dian Nuswantoro, Indonesia; e-mail : sari.dianprawita@dsn.dinus.ac.id
[3] Universitas Dian Nuswantoro, Indonesia; e-mail : herry.subagyo@dsn.dinus.ac.id
[4] Universitas Dian Nuswantoro, Indonesia; e-mail : whinihita@dsn.dinus.ac.id
* Corresponding Author : Khanza Monica Salsabila

Abstract: With the growing popularity of equity crowdfunding as a business financing alternative, it is very important to understand the factors that are able to influence investment decisions. This study aims to analyze the effect of perceived risk, financial transparency and platform reputation on investment decisions in equity crowdfunding in Indonesia. Using a quantitative approach and a purposive sampling technique, a total of 127 equity crowdfunding investors were surveyed. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS software. The results show that the three variables examined in this study, namely perceived risk, financial transparency, and platform reputation show a positive and significant influence on investment decisions. The findings can help equity crowdfunding platforms build trust and attract more investors by addressing concerns related to risk, transparency, and reputation. In turn, this contributes to broader financial inclusion, improved MSME access to funding, and the sustainable development of Indonesia's digital financial ecosystem.

Keywords: Equity crowdfunding; financial transparency; investment decision; perceived risk; platform reputation.

Received: April 29, 2025
Revised: May 11, 2025
Accepted: May 25, 2025
Published: May 27, 2025
Curr. Ver.: May 27, 2025

1. Introduction

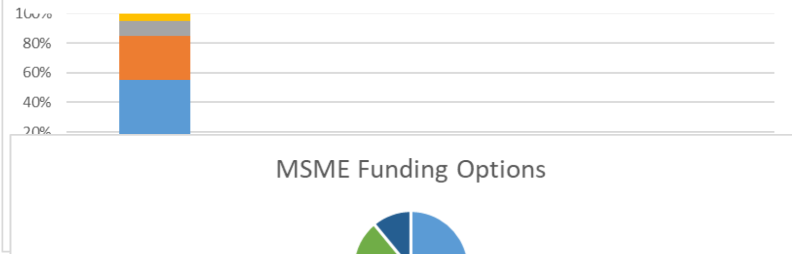
In recent years, digital platforms have transformed how businesses access funding and how individual invest. Equity crowdfunding is one of these innovations, allowing individuals to invest in businesses in exchange for shares. It has created new opportunities for startups and SMEs (Small and Medium sized Enterprises), which gives them a chance to secure funding without relying on traditional financial institutions, such as banks, venture capital, or government grants. The objective of equity crowdfunding is to raise a predetermined amount of funds within a specified timeframe, meaning the project must convince enough crowd-investors to reach the target. Investors, however, are faced with risks and uncertainties with any potential profits likely coming in the long term. As a result, entrepreneurs must effectively communicate their value proposition to persuade investors, underscoring the issue of information disparities between lenders and borrowers (Mazzocchini & Lucarelli, 2023). In Hoque (2024)'s view, Equity crowdfunding offers entrepreneurs a platform to access funding by connecting with a broad network of investors who are willing to support their ventures.

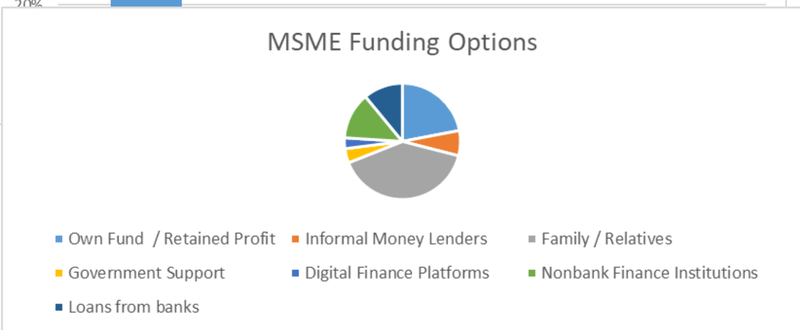
In Indonesia, equity crowdfunding has gained traction because of the regulatory set by the Financial Services Authority (OJK). OJK Regulation No. 37/POJK.04/2018 oversees the sector to ensure legal transparency and safeguard all parties involved in the investment process. While these regulations present promising opportunities for startup businesses and up-and-coming companies to obtain financing (Faturrahman, et al., 2024), they also introduce complexities that require careful consideration. Therefore, investors must still carefully assess the risks, examine investment contracts closely, and seek advice from experienced financial or legal professionals prior to making decisions on equity crowdfunding platforms. Thorough preparation and research are necessary for making well-informed investment decisions (Pratama & Setiawati, 2023).

According to the Coordinating Ministry for Economic Affairs of the Republic of MSMEs are regarded as essential foundations of the country's economic development. They contribute to economic growth, poverty reduction, equitable income distribution, and foreign exchange revenue for the government. It is constantly encouraged to level up so that they can make an even greater contribution to the economy and absorb more labor. Currently, the MSME sector accounts for approximately 61% from Gross Domestic Product (GDP), or around Rp9,580 trillion, and relies on 97% of the total workforce (Limanseto, 2023). However, as shown in Figure 1, over 85% of MSMEs experienced severe financial difficulties during the COVID-19 pandemic, with most reporting insufficient cash or savings to sustain their operations (International Monetary Fund, 2021).

Source: International Monetary Fund, 2021

Figure 1. Covid-19 Impact on MSME Financial Condition





Traditional funding sources, particularly bank loans, were largely inaccessible, forcing many MSMEs to rely on personal networks, informal lenders, or retained earnings. The MSME funding options is summarized in Figure 2 below.

Source: International Monetary Fund, 2021

Figure 2. MSME Funding Options

It is thought that a number of factors, such as perceived risk, financial transparency, and platform reputation, affect equity crowdfunding investment decisions. Since crowdfunding platforms are regarded as a relatively new and risky investment, Risk perception plays a significant role in influencing people's investment choices (Kartini, 2022). Financial transparency is also crucial because it fosters trust by giving precise and understandable information about project progress and how funds are being used (Yoro, 2024). Because a platform with a solid track record is more credible and appealing to investors, platform reputation adds yet another layer of influence. Although these elements have been covered in previous research, more research is necessary to fully understand how they affect investor decisions in Indonesia's equity crowdfunding market.

This study addresses the research question: "How do perceived risk, financial transparency, and platform reputation influence investor decisions in equity crowdfunding in Indonesia?". This study aims to achieve the following objectives:

- To understand how perceived risk affects investor decisions.
- To understand how financial transparency affects investor decisions.
- To understand how platform reputation affects investor decisions.

The results of this study should give MSMEs looking to raise capital through equity crowdfunding platforms important information about investor preferences and risk perceptions.

2. Literature Review

2.1 Equity Crowdfunding

Equity crowdfunding is a sort of crowdsourcing in which companies provide financial assets to meet their capital requirements, while investors expect financial returns on their investments. Often referred to as investment-based crowdfunding, securities-based crowdfunding, or crowd investing (Herawati & Wibowo, 2022), this approach become a popular alternative financing method, particularly for startups and small businesses that face challenges accessing traditional funding sources.

The link between entrepreneurs and investors in Equity Crowdfunding is made possible by digital platforms. Few Examples of Equity Crowdfunding platforms are EKUID (Indonesia), SeedInvest (USA), and CrowdCube (UK). These platforms act as intermediaries to guaraantee secure transactions and adherence to regulations. Modern internet technology has further enhanced Equity Crowdfunding's appeal by breaking geographic barriers, reducing costs, and increasing access for both fundraisers and investors (Wangchuk, 2021). In addition to digital platforms acting as intermediaries, equity crowdfunding involves at least two other key actors. According to Octaviani et al. (2021), the equity crowdfunding ecosystem typically consists of fundraisers, intermediaries, and investors as backers. The scheme is as illustrated below:

Source: (Hoogiemstra & Buysere, 2016)

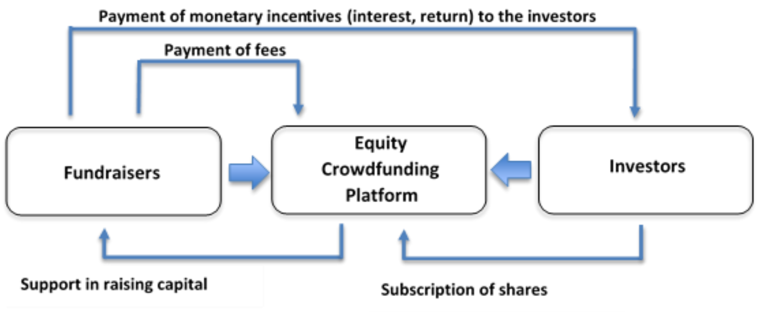


Figure 3. Equity Crowdfunding Mechanism

Figure 3 presents the basic mechanism of equity crowdfunding. The fundraiser initiates the process by registering a business campaign on a licensed platform and offering ownership shares to the public. The platform serves as the intermediary that facilitates the funding process by providing campaign exposure, verifying documentation, and ensuring that the fundraising process that aligns with the regulations. Once listed, investors can access information regarding the project proposed, including financial plans and risk disclosures, before making an investment decision. If the funding target is achieved, investors receive equity and become part-owners entitled to dividends or profit-sharing, depending on the agreement.

2.2 Perceived Risk

Behavioral finance theory states that psychological variables and investors' decision-making are highly correlated (Dervishaj, 2021). One of which is perceived risk. As Mishra (Mishra, 2019) quoted from Ricciadi Victor (2008), risk perception is how individuals perceive a potential threat or danger might manifest itself. It is how individuals assess a risky situation based on their personal knowledge, judgment, and the information they gather from outside sources, like the media. Some people, when faced with the same decision-making situation, may make different choices depending on their individual perceptions and understanding of the risks and their potential impacts. Research conducted by Mulyani, et al., (2021) shows that Perceived Risk had an insignificant effect on investment decisions. In contrast, Rohani & Pamungkas (2023) states that perceived risk positively impacts investment decisions. Individuals with higher risk awareness make more informed choices, as they better understand their risk tolerance and approach decisions with greater caution and precision.

2.3 Financial Transparency

When it comes to funding through crowdfunding platforms, transparency is essential. Transparent financial reporting, marked by accurate, clear, and timely disclosures, is important for good corporate governance and investor confidence. High-quality disclosures help investors make informed decisions by providing reliable and accessible information. Francis et al. (2005) explain that uncertainty caused by inconsistent financial reporting may lead investors to expect higher returns or avoid investments altogether, as cited from Yoro (2024). Financial transparency refers to the degree to which a company offers clear, precise, and easily accessible details regarding its financial performance. Research from Roychowdhury et al., (2019) also states that financial transparency significantly effects investment decisions as it builds confidence, reduce information disparities, and encourage long-term investments.

2.4 Platform Reputation

Platform reputation is an essential factor in determining the success of fintech platforms, as it reflects the perception of lenders regarding the platform's institutional mechanisms, which influence both funding outcomes and protection of investor interests (Shi, et al., 2019). While much of the existing research, including the cited studies, focuses on platform reputation in the context of peer-to-peer (P2P) lending, its relevance extends to equity crowdfunding due to shared characteristics in the reliance on online platforms and investor trust. Research conducted by Kartini (2022) suggests that platform reputation has a high influence towards investment decisions.

2.5 Investment Decision

Investor decision refers to the process by which individuals or entities evaluate available investment opportunities and choose where to allocate their resources based on factors such as risk, return, financial goals, and market conditions (Jerab, 2024). These decisions are influenced by information about the investment, such as financial transparency, potential growth, and external factors like economic trends or regulatory policies. In equity crowdfunding, the investment decision becomes more complex due to limited direct interaction with fundraisers, requiring investors to rely heavily on the quality and clarity of digital information, platform credibility, and the perceived feasibility of business proposals presented within a limited campaign timeframe.

Conceptual framework

Based on the preceding description, the research framework may be developed as follows:

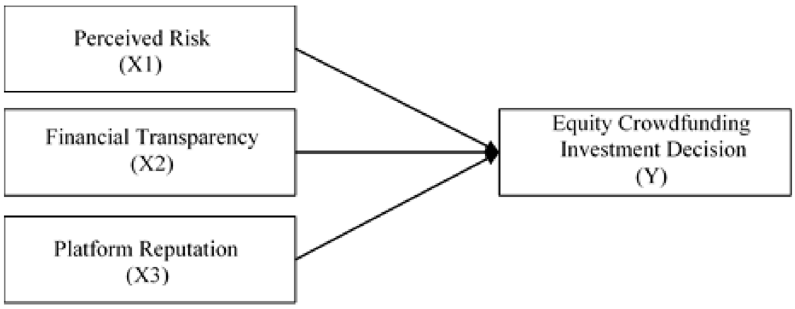


Figure 4. Research Framework

Research Hypothesis

Based on the problem formulation and conceptual framework above, the researcher proposes the following research hypothesis:

The effect of Perceived Risk on Investment Decision in Equity Crowdfunding

Perceived risk is considered an important factor influencing investment decisions, especially in digital platforms such as equity crowdfunding. In behavioral finance theory, the concepts of risk psychology and risk perception are essentially synonymous, as individual risk assessments vary when confronted with uncertain or risky choices (Ricciardi, 2008). Kartini (Kartini, 2022) found that perceived risk significantly affects investors' willingness to invest in digital financial platforms. In the context of equity crowdfunding, retail investors are often less experienced and more cautious about potential losses, fraud, or the absence of legal protection. Therefore, higher perceived risk tends to discourage investment, while lower perceived risk encourages participation. Based on this, the first hypothesis is:

H1 : Perceived Risk has an influence on investment decision on equity crowdfunding in Indonesia

The effect of Financial Transparency on Investment Decision in Equity Crowdfunding

Financial transparency plays a crucial role in reducing information asymmetry between the platform and potential investors. According to behavioral finance theory, investors are influenced not only by objective data but also by their emotional responses to financial information. Transparency helps reduce uncertainty and builds confidence. Financial transparency directly affects investor behavior. Positive reports often boost investor sentiment, while negative ones may lead to panic or withdrawal. As Zhu (2023) explains, market reactions to financial statements can be immediate, influencing asset prices and investor sentiment. Krah and Mertens (2023) states that financial transparency increases investor confidence and encourages greater participation in crowdfunding activities. In equity crowdfunding, clear and accessible financial reports, funding updates, and performance metrics allow investors to evaluate the viability and credibility of the business. As a result, investors are more likely to invest when financial information is open and accessible. Thus, the second hypothesis is:

H2 : Financial Transparency has an influence on investment decision on equity crowdfunding in Indonesia

The effect of Platform Reputation on Investment Decision in Equity Crowdfunding

Platform reputation is another important factor that shapes investor trust and influences investment behavior. Reputation is an important component in building trust, especially in digital environments where direct interaction is limited. In behavioral finance theory, investors' decisions are influenced by psychological perceptions, leading them to favor platforms with strong reputations and perceived credibility. A study by Rizqullah and Zahra (2023) states that a strong platform reputation positively impacts investor trust and decision-making in crowdfunding. When a platform is known for its credibility, integrity, and positive track record, investors are more likely to feel secure in placing their funds. Therefore, the third hypothesis is:

H3 : Platform Reputation has an influence on investment decision on equity crowdfunding in Indonesia

3. Proposed Method

This study uses a quantitative method with a survey to collect data. This method is used to measure investor opinions and analyze the factors that influence their decisions to invest in equity crowdfunding. The research focuses on general investors in Indonesia who understand or have experience with equity crowdfunding. Data collection started in February 2025 and was adjusted based on the situation in the field and the characteristics of the respondents. The researcher used purposive sampling to choose 127 respondents who were most suitable for the study. This method was chosen because not everyone has enough knowledge or experience in equity crowdfunding. According to Sugiyono (2017), purposive sampling is a way of selecting people based on certain criteria set by the researcher. The primary data was obtained from an online questionnaire shared through Google Forms. The questions used a Likert scale from 1 (strongly disagree) to 5 (strongly agree) to measure risk perception, financial transparency, platform reputation, and investment decisions. Secondary data from past researches were also used to support the results.

Operational Definition of Research Variables:

- Perceived Risk (X1), measured using three indicators: the presence of risk, the possibility of financial loss, and the perception that investing is risky. These indicators are adapted from Kartini (2022) and assessed using a 5-point Likert scale.

- Financial Transparency (X2), which includes six indicators: availability of information on the platform, updates on social media, access at business locations, reports during community events, distribution via email or messages, and public media disclosure. This refers to (Krah & Mertens, 2023), using a 5-point Likert scale.
- Platform Reputation (X3) measured through four indicators: platform recognition, positive reputation, integrity, and user familiarity with the website. These are based on Rizqullah and Zahra (2023), using a 5-point Likert scale.
- Investment Decision (Y), assessed using three indicators: return, risk, and time value of money. This variable follows the framework of Putri and Hamidi (2019), also measured on a 5-point Likert scale.

4. Results

4.1 Outer Model Analysis

4.1.1 Reliability Test

Table 1. Construct Reliability Test

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Financial Transparency	0,706	0,709	0,819	0,531
Investment Decision	0,761	0,768	0,839	0,512
Perceived Risk	0,717	0,737	0,824	0,541
Platform Reputation	0,744	0,756	0,854	0,661

Source: SmartPLS Processed Data, 2025

Table 1 shows that all four latent constructs meet the criteria for good validity. This is proven by the Average Variance Extracted (AVE) values, all of which are above 0.5. These results suggest that the indicators (manifest variables) used in this study are able to reflect their respective latent variables effectively.

4.1.2 Discriminant Validity

To test the discriminant validity, few approaches were used in this research, those are the Fornell-Larcker criterion, and Heterotrait-Monotrait Ratio (HTMT), and the cross-loading analysis. Aside from evaluating convergent and discriminant validity, the outer model was also tested for reliability. This was done by examining the composite reliability values of each construct. The first step in determining discriminant validity was the Fornell-Larcker test, which compares the square root of each construct's AVE to its correlation with other constructs. The results are presented in table below:

Table 2. Fornell-Larcker Criterion Test Results

	Financial Transparency	Investment Decision	Perceived Risk	Platform Reputation
Financial Transparency	0.728			
Investment Decision	0.696	0.716		
Perceived Risk	0.536	0.620	0.736	
Platform Reputation	0.504	0.630	0.604	0.813

Source: SmartPLS Processed Data, 2021

The Fornell-Larcker Criterion is used to evaluate discriminant validity by comparing the square root of the AVE for each construct to its correlations with other constructs in the model. Based on the findings, the square root values (shown on the diagonal) consistently outperform the correlations with other variables. This means that each construct is more strongly associated with its own indicators than with indicators from other constructs. Thus, the discriminant validity requirement has been met.

Table 3. Heterotrait-Monotrait Ratio Test Results

	Financial Transparency	Investment Decision	Perceived Risk	Platform Reputation
Financial Transparency				
Investment Decision	0.942			
Perceived Risk	0.749	0.823		
Platform Reputation	0.673	0.817	0.800	

Source: SmartPLS Processed Data, 2025

Heterotrait-Monotrait Ratio was also used to further asses the discriminant validity. A value below 0.90 is generally accepted as the threshold for adequate discriminant validity. In this research, most of the HTMT values meet this requirement. However, the findings indicate that the HTMT value between Financial Transparency and Investment Decision is 0.942, surpassing the suggested limit while all other variable pairs have HTMT values below 0.90. This indicates acceptable discriminant validity among those constructs.

4.1.3 Convergent Validity

Convergent validity assesses how accurately the indicators reflect the relevant latent constructs. External loading values above 0.70 are generally considered acceptable, although values between 0.50 and 0.70 may still be acceptable in the early stages of the research.

As shown in Figure 4, the majority of indicators for Perceived Risk, Financial

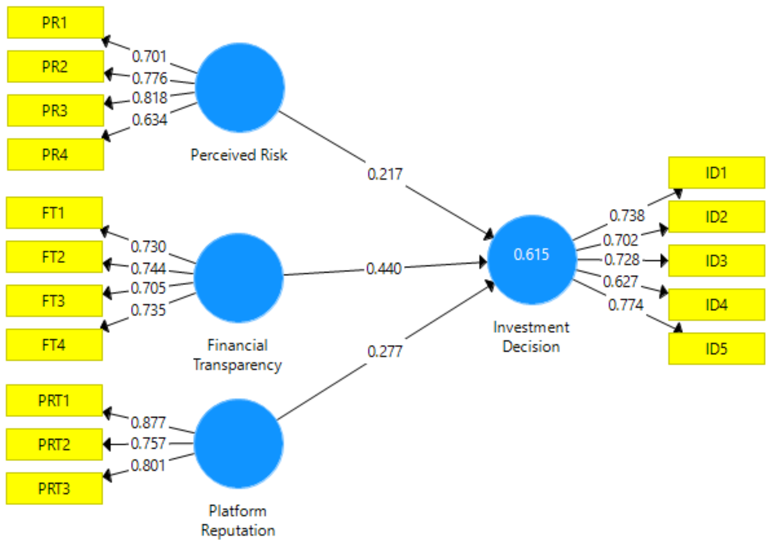


Figure 4. Outer Loading Values

Transparency, Platform Reputation, and Investment Decision demonstrate satisfactory outer loading values exceeding 0.70. Although a few indicators fall slightly below the ideal threshold, they are still within the acceptable range. These results suggest that all indicators possess adequate convergent validity and are suitable for measuring their respective constructs.

4.2 Inner Model

4.2.1 Multicolinearity Test

The multicollinearity test determines whether the regression model's independent variables have a strong linear relationship. A good regression model should not exhibit multicollinearity symptoms. To detect multicollinearity, the VIF (Variance Inflation Factor) is used. A VIF value of < 10 indicates no multicollinearity. The results of the multicollinearity test are shown in the table below.

Table 4. Multicollinearity Test

Variable	Investment Decision
Financial Transparency	1,511
Perceived Risk	1,776
Platform Reputation	1,698

Source: SmartPLS Processed Data, 2025

Based on Table 4, it can be seen that all independent variables have a VIF value below 10. Financial Transparency has a VIF of 1,511, Perceived Risk is 1,776, and Platform Reputation is 1,698. Since all VIF values are <10, it can be concluded that there is no multicollinearity in the regression model.

4.2.2 Determination Coefficient Test

The coefficient of determination test is used to determine how much the ability of the independent variables to explain variations in the dependent variable. The R Square value shows the proportion of variability in the dependent variable that can be explained by the regression model. The higher the R Square value, the better the model in explaining the dependent variable. The results of the coefficient of determination test are presented in the following table:

Table 4. Multicollinearity Test

Variable	R Square	R Square Adjusted
Investment Decision	0,615	0,605

Source: SmartPLS Processed Data, 2025

Based on the table above, the R Square value of 0.615 means that 61.5% of the changes in investment decisions can be explained by the three independent variables: risk perception, financial transparency, and platform reputation. The remaining 38.5% is caused by other factors not included in this study. The Adjusted R Square value of 0.605 takes into account the number of independent variables and still shows that the model is strong enough to explain the investment decisions.

4.2.3 PLS Equation Model Structure Analysis (SEM)

The influence test is done out to determine how much the independent variable contributes to the dependent variable, namely the investment decision. Based on the results of path analysis obtained from the original sample (O) value, it can be explained as follows:

Table 6. Structure of the PLS Equation Model (SEM)

Variable	Original Sample (O)	Conclusion
Financial Transparency -> Investment Decision	0,440	Positive Influence
Perceived Risk -> Investment Decision	0,217	Positive Influence
Platform Reputation -> Investment Decision	0,277	Positive Influence

Source: SmartPLS Processed Data, 2025

Based on the results of the SmartPLS 3.0 analysis shown in Table 6, the structural path model of this study can be described as follows:

(1) Investment decisions are positively influenced by the financial transparency variable, with a coefficient value of 0.440. This means that the higher the financial transparency provided by the platform, the better the investment decisions made by investors because they feel more confident and have sufficient information.

(2) Investment decisions are positively influenced by the risk perception variable, with a coefficient value of 0.217. This means that when risk perception is well managed or

communicated, investment decisions are more likely to be made because investors feel more confident in assessing risk.

(3) Investment decisions are positively influenced by the platform reputation variable, with a coefficient value of 0.277. This means that the better the platform's reputation, the more investor confidence will increase and support stronger investment decision making.

4.2.4 Hypothesis Test

To determine whether there is a significant influence between each independent variable on investment decisions, hypothesis testing is carried out. The results of the T statistical test and the significance value (p-value) of each relationship between variables can be seen in the following table:

Table 7. Hypothesis Test

	T Statistics (|O/STDEV|)	P Values	Conclusion
Financial Transparency -> Investment Decision	5,645	0,000	Significant
Perceived Risk -> Investment Decision	2,629	0,009	Significant
Platform Reputation -> Investment Decision	3,355	0,001	Significant

Source: SmartPLS Processed Data, 2025

It can be seen from the table above that all independent variables in this model have a significant influence on investment decisions on the equity crowdfunding platform. The explanation of each variable relationship is as follows:

- Financial transparency has a significant effect on investment decisions, with a t-statistic value of 5.645 and a p-value of 0.000 ($p < 0.05$). This means that the more transparent the financial information provided by the platform, the more it will encourage investors to make investment decisions.
- Risk perception also has a significant effect on investment decisions, with a t-statistic value of 2.629 and a p-value of 0.009 ($p < 0.05$). This suggests that how risk is perceived by investors will influence their decision to invest, especially if the risk can be explained or reduced through adequate information.
- Platform reputation has a significant influence on investment decisions, with a t-statistic of 3.355 and a p-value of 0.001 ($p < 0.05$). This means that the better the reputation of the crowdfunding platform, the investor confidence will increase and encourage the decision to invest.

So, it can be concluded from the results that financial transparency, perceived risk, and platform reputation all have a significant and positive influence on investment decisions in equity crowdfunding in Indonesia.

5. Discussion

5.1 The Influence of Financial Transparency on Investment Decisions

The results of the study show that financial transparency has the strongest positive influence on investment decisions, with a path coefficient of 0.440 and a significant t-statistic of 5.645 ($p = 0.000$). This means that the more clearly a platform or campaign provides financial information, such as how the funds will be used, financial reports, or growth projections, the more confident potential investors feel in making a decision. This finding supports the concept that investor confidence increases when information is clearly communicated, especially in an online environment where face-to-face validation is absent. In crowdfunding, especially equity-based ones where money is invested into businesses, people want to know how their money will be handled. If a campaign is unclear about their financial needs or expected outcomes, investors tend to hesitate. But when financial details are transparent and easy to understand, investors are more likely to trust the campaign. These results are in line with precious study, (Yoro, 2024) which states that transparent financial information may increase investor's confidence and facilitate more informed investment choices.

5.2 The Influence of Perceived Risk on Investment Decisions

The variable Perceived Risk also significantly influences investment decisions, although to a lesser extent than financial transparency. With a path coefficient of 0.217, a t-statistic of 2.629, and a p-value of 0.009, the result suggests that how investors interpret or evaluate risks affects their willingness to invest. Rather than avoiding risk entirely, investors prefer to be informed about the nature and degree of potential risks. Transparent communication of risk factors, as well as mitigation strategies, can create a perception of openness and professionalism, thus reinforcing investor confidence. This result is consistent with (Dinarjito, 2023), showing that respondents perceive risk as something manageable, which encourages them to apply analytical thinking when evaluating potential risks in their investment decision-making process.

5.3 The Influence of Platform Reputation on Investment Decisions

Platform reputation was found to have a positive and significant relationship with investment decisions, with a coefficient of 0.277, a t-statistic of 3.355, and a p-value of 0.001. This indicates that investors are more likely to invest through platforms that are well-established, have a good track record, and are known for credibility and reliability. This result is supported by research conducted by Septarizki (2020) which found that platform credibility significantly influences investor behavior. In essence, a good platform reputation can be the basis for an investor to determine their investment choices.

6. Conclusions

The study finds that financial transparency, risk perception, and platform reputation all have a positive and significant impact on investment decisions in equity crowdfunding platforms in Indonesia. Among these, financial transparency is the most influential factor. This indicates that information that is submitted openly and clearly, such as the use of funds, financial reports, and business projections, can increase investor confidence to participate in funding. Risk perception also has a significant influence on investment decisions. Investors are not completely risk-averse, but they tend to be more confident in making decisions when information related to risks that might happen and mitigation strategies are transparently delivered by the fundraiser. This information disclosure supports investors to make rational considerations. In addition, the reputation of the platform also affects the level of investor confidence. Platforms that have a good track record of funding, are widely recognized by the public, and demonstrate high credibility tend to attract more investors than platforms that do not have a strong reputation. Thus, building trust through reputation is important in the equity crowdfunding ecosystem.

However, despite the ease equity crowdfunding offers for startups and MSMEs to access funding, project success rates remain low. Many campaigns fail to meet their minimum targets, with only a few achieving full funding. Thus, while the potential of equity crowdfunding platforms is great, their success largely depends on the quality of communication and transparency of the information delivered.

6.1 Suggestions

For project owners and businesses, it is important to present financial information in a clear, complete and easy-to-understand manner. Projections of the use of funds, cash flow statements, and growth targets need to be prepared realistically and presented openly because this transparency has proven to be the most decisive factor in building investor confidence.

Equity crowdfunding platforms need to maintain and improve their reputation through good governance, information disclosure, and professional services.

For future researchers, it is recommended to expand the variables studied, for example by adding financial literacy, digital trust, or the influence of social media on investment decisions.

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