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Article

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OPERATIONS, INFORMATION & TECHNOLOGY | RESEARCH ARTICLE

Inertia to the adoption of crowdfunding in Bangladesh: A study on start-up entrepreneurs

Mohammad Tariqul Islam^{1*} and Muhammad Tahir Abbas Khan²

Abstract: Crowdfunding is an internet-based process of soliciting and accumulation of funds from people to finance business or non-business projects. When many innovative start-ups fail to get capitals from conventional financing sources due to lack of prior credit history and collateral assets, crowdfunding has become panacea for start-ups' financing difficulty. Despite this huge potentiality, start-ups' entrepreneurs still reluctant to crowdfunding, especially, in developing countries. However, a little research has been performed to investigate the reasons behind this inertia of start-ups' entrepreneurs toward crowdfunding. This study intended to unearth the barriers responsible behind the inertia of the entrepreneurs using grounded theory (GT) approach. The research data were collected from 23 start-ups entrepreneurs through semi-structured interview and these entrepreneurs are sampled because of their decision-making authorities in their start-ups. The results indicated that five barriers responsible for the crowdfunding inertia, particularly, absence of crowdfunding know-how, scarcity of government support, vulnerability

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PUBLIC INTEREST STATEMENT

Crowdfunding, a process of internet-based funds collection through open call, is getting popular all over the world. But developing countries especially Bangladesh is lagging behind in adopting this open innovation. Although start-ups are booming in this area, start-up entrepreneurs are not using this innovative source of funding for capital raising. So, this is a demand of time to explore the reasons responsible behind their inertia. Thus, this paper intended to unearth the barriers toward non-adopting crowdfunding. After systematic investigation, five barriers such as absence of crowdfunding know-how, scarcity of government support, vulnerability of security, risk of reputation and unfavorable nature of crowdfunding were identified. Now, these obstacles needed to be overcome as soon as possible through structured and collective efforts. The outcomes of this paper can be used by policy makers, academicians, and crowdfunding platforms in designing strategies for fostering crowdfunding and start-ups in Bangladesh.

of security, risk of reputation and unfavorable nature of crowdfunding. Among these, the absence of crowdfunding know-how is most significant concern for the entrepreneurs. The outcome of this study offers a rich conceptualization of inhibitors for crowdfunding, which can be utilized as the guide to effectively design crowdfunding and start-ups fostering strategies.

Subjects: Management of IT; Information & Communication Technology (ICT); Information Technology

Keywords: crowdfunding; adoption barriers; start-up entrepreneurs; grounded theory; Bangladesh

1. Introduction

Start-up is an early-stage innovative solutions based entrepreneurial venture with business model as the panacea for real-life social problems. Thus, Robehmed (2013) identified start-up as a problem-solving company in uncertain environment of success. Capital raising is considered one of the utmost challenging jobs for innovative start-ups (N. Lee & Brown, 2017). Start-ups face difficulties in raising capitals from traditional financing sources like stock markets and banks because of not having collateral assets and credit operation history to show (S.-G. Kim & Lee, 2014). So, start-ups entrepreneurs are dependent on the available financing options such as friends and families, angel inventors, venture capitalists, and seed funding (StartupExplore, 2014). With the blessing of financial technology or Fintech, some unconventional technology-supported financing sources have been emerged to solve the funding difficulties of start-ups and open call-based crowdfunding is considered well known amongst them (Ahlers et al., 2015; Paschen, 2017). Only innovative idea backed business models of start-up entrepreneurs are sufficient in crowdfunding to raise funds from backers or investors (Stemler, 2013). Furthermore, there are some specific merits of raising capitals through crowdfunding. First, entrepreneurs can publicize their ideas to the greater number of targeted audiences and get feedback along with funds from those crowds (Belleflamme, 2012). Second, entrepreneurs can enjoy more freedom of using collected funds through crowdfunding than from other conventional financing sources (Adhikary, Kutsuna, Hoda et al., 2018). Third, it explores innovative usage of Web 2.0 like social media marketing and viral networking to pool capital from online crowds (Hemer, 2011). Fourth, fundraising becomes free from geographical limitations and entrepreneurs can raise funds from all over the world. Finally, it is a mean for early-stage financing because majority of the crowdfunding projects are initiated for funding before marketing or commercialization of complete products or services (Belleflamme, 2012).

In the World Bank's reports (infoDev, 2013; Raymond, 2015), it was identified that crowdfunding is an emerging funds collection options for developing nations. Bangladesh is a developing nation with rising economy with GDP growth 8.13 % for the year of 2018–2019 and per capita income of USD 1,909 (Bangladesh Bureau of Statistics, 2019). Almost 91.818 million people which is about 56% of total population of Bangladesh are internet subscribers (Bangladesh Telecommunication Regulatory Commission, 2019). In line with ensuring supportive technological infrastructure for start-up, the Bangladesh government is launchings many prospective initiatives to promote start-ups underneath the umbrella of Innovation, Design & Entrepreneurship Academy (IDEA) project which is helping start-ups by providing guidelines, motivations, and small-scale funds through competitions (Startup Bangladesh, 2018). There are some groups like Startup Dhaka, Startup DU (University of Dhaka), Future Startup, GP (Grameenphone) Accelerator, Microsoft for Startups and IT Incubator by Banglalink, etc. It is identified that Bangladeshi entrepreneurs are facing challenges in raising capitals for start-ups (Reaz, 2015a; Shams, 2017). For Bangladesh, crowdfunding is identified an ideal financing options for start-ups after assessing all conventional financing alternatives like stock markets, banks, and non-government organizations (Adhikary & Kutsuna, 2016). But, there are only two local crowdfunding platforms available in Bangladesh; which are Projekt.co (Reaz, 2015b) and Oporajoy.org (Islam, 2018). In addition, some social media grounded crowdfunding groups such as Crowdfunding Association of Bangladesh (CAB), Crowdfunding Soft and Crowdfunding Bangladesh are available

there. As a consequence of monetary restrictions on remittance exchange and absence of previous credit history of transactions, entrepreneurs are facing difficulties in raising capitals from global crowdfunding rooms like Indiegogo, Kickstarter, and GoFundMe.

However, only 5% of 270 studied entrepreneurs in Bangladesh know about how to fund from crowdfunding (Adhikary, Kutsuna, Hoda et al., 2018a) and no mentionable number of entrepreneurs are found to use crowdfunding platforms. Besides, in another study, 281 (88.6%) out of 317 start-up entrepreneurs expressed that they did not have crowdfunding use experiences (Islam & Khan, 2019). But, there is scarcity of research to find out the barriers or demotivating factors that discourage the entrepreneurs in Bangladesh to accept crowdfunding.

2. Research background

Crowdfunding is an internet-based pooled financing idea combining the concepts of microfinance and crowdsourcing (Morduch, 1999). It is identified as better financing options for start-ups trying to emerge and exist in the competitive business market with innovative concepts (Stemler, 2013). Psychological and economic factors are considered as better predictors for adopting any new technology and these factors are needed to be assessed for understanding the acceptance and diffusion of crowdfunding (Steinberg & DeMaria, 2012). Indeed, assessment study on the acceptance as well as rejection of a new information system or technology is challenging work in IS research (AlAwadhi & Morris, 2008). In reality, crowdfunding is not well used for fund raising in developing countries because of scarcity in financial regulations, supporting tools and promotional campaigns (Jegeleviciute & Valenciene, 2015; Turan, 2015). But these developing nations has high potentiality in crowdfunding success (infoDev, 2013). Besides, this World Bank report (infoDev, 2013) suggests that the behavioral and cultural readiness for the adoption of crowdfunding are needed to be assessed in consort with technology, regulations, and capital readiness before crowdfunding implementations in these developing countries. This informative background urges more investigative study for enhancing knowledge about the acceptance and/or rejection of crowdfunding in developing countries like Bangladesh.

Crowdfunding is blessing for early funding of start-ups by entrepreneurs (Hemer, 2011). Some previous empirical studies pointed out some motives and reasons for crowdfunding adoption. Gerber et al. (2012) identified financing, product awareness, networking, self-affirmation and replication of success story as the incentives to adopt crowdfunding. Likewise, fund collection, receiving feedback and getting public attention are the reasons for crowdfunding (Belleflamme et al., 2013). On the other hand, Gleasure (2015) recognized risk of information disclosure, opportunity cost, and uncertainty the demotivating factors for crowdfunding by entrepreneurs. Besides, complexity, operational cost and reputation risk are found inhibitors for crowdfunding (Y. C. Lee & Yang, 2019). Limited knowledge is mentioned as main barriers of crowdfunding (Bruton et al., 2015). For these types of barriers entrepreneurs show their resistance toward crowdfunding and these barriers should be revealed properly (Chunlei & Liyun, 2016).

In the previous literature, most of the crowdfunding studies were done on investors' or backers' perspective and few studies on start-up entrepreneurs' viewpoint. Besides, most of these crowdfunding studies are done in developed countries, such as China (Lee, 2016; Li et al., 2018), Australia (Ley & Weaven, 2011), Germany (Koch & Siering, 2015), Korea (Moon & Hwang, 2018; S.-D. Kim & Jeon, 2017). Notable, all these researches were done focusing only motivating or enabling factors toward crowdfunding. According to Cenfetelli (2004), user intentions toward any new technology can be assessed using two-factor theory of information systems, specifically, enablers (motivators, encouraging, satisfiers) and inhibitors (demotivators, discouraging, constraints). So, these suggest more empirical exploration for unveiling the barriers or inhibitors for crowdfunding by the start-up entrepreneurs.

A few number of crowdfunding researches have conducted in the context of Bangladesh. Among those, Adhikary and Kutsuna (2016) first pointed out crowdfunding as a possible alternative soft financing source for start-ups and small businesses in Bangladesh after examining other financing

sources like stock market, banks, microcredits, etc. In 2018, the crowdfunding readiness of Bangladesh was assessed in case of citizens' willingness and economic advances (Adhikary, Kutsuna, Hoda et al., 2018). Hasan et al. (2017) first attempted to evaluate the psychological and behavioral readiness of possible crowdfunding participants considering a few factors such as technology awareness, perceived expectations, perceived costs, availability of resources, etc. Moreover, Islam and Khan (2019) found performance expectancy, effort expectancy, social influence, facilitation conditions and perceived trust as the motivating factors for crowdfunding by start-up entrepreneurs. But the inhibitors or barriers toward crowdfunding by the start-up entrepreneurs are remained unexplored in Bangladesh. The barriers of any innovation adoption must be overcome before the expected diffusion of that innovation (Laukkanen et al., 2007). Thus, the objective of this study is to fill research gap by exploring and ranking inhibitors or barriers for crowdfunding adoption by start-up entrepreneurs in Bangladesh. This targeted study is distinguished from other previous researches on crowdfunding by three aspects. Foremost, this is first attempt to apply grounded theory approach to crowdfunding research. Next, this is one of the limited research on identifying the barriers of crowdfunding adoption. Last, the start-up entrepreneurs' viewpoints were first considered to unearth the barriers toward crowdfunding adoption because the value of any crowdsourcing idea will be limited if the view of different stakeholders are not considered (Majchrzak & Malhotra, 2013).

3. Research methodology

As crowdfunding is new phenomenon and now at the initial stage of adoption in Bangladesh (Hasan et al., 2017), doing survey-based empirical study through gathering quantitative data is not suitable and easy. In early stage of research, qualitative approach based on in-depth interview is well suited for finding out the answers of how and why questions (Creswell, 1998). We carried out this study on the basis of Grounded Theory (GT) which is a qualitative research method developed by Glaser and Strauss (Glaser & Strauss, 1967). The aim of GT study is to generate a theory based on grounded data instead of testing the existing developed theories (Charmaz, 2006; Glaser & Strauss, 1967). The prime objective of this study is to develop a new theory of barriers responsible for entrepreneurs' inertias for crowdfunding adoption and this is first attempt to develop this type of theory in the context of crowdfunding. So, we found GT approach is more appropriate way to find the answers of our research questions. Noteworthy, GT is a powerful and popular tool in pioneer IS research (Birks et al., 2013) for developing new theory in the IS research area (Taylor et al., 2010).

3.1. Sampling and data collection

The start-up entrepreneurs of Bangladesh is targeted population of this study. In order to get responses merely from those entrepreneurs, we followed non-probability purposive sampling technique. The list of possible participants was developed from various platforms like startupdhaka.org and startupbangladesh.gov.bd etc. Formal request for participating in the interview was sent through email to 45 start-up entrepreneurs. Moreover, emails for reminding were sent the entrepreneurs from whom we failed to get responses within 4 weeks of first mail. Lastly, 23 of the entrepreneurs willingly joined in the face to face interviews at their workplaces (Table 1). Interview is considered key component in collecting data in qualitative research (Creswell, 2014) for collecting actual perceptions of participants. Besides, the observations in time of direct interactions with interviewees allowed interviewers to capture and confirm more in-depth opinions of participants. The mode of interview was semi-structured which is mostly preferred to eliminate biasness (Creswell, 2014) and capture only information related the objectives of interview. The final written scripts of interview were checked and confirmed by the interviewees. Information related to personal identification was not collected to ensure the ethical guidelines of research.

3.2. Data analysis

Since GT investigation is better suited when there is lack of prior research and information (Kopanitsa, 2017), we followed GT approach for our study. Data analysis in a qualitative research involves data coding, determining and differentiating the identified variables, and estimating the relative significance of identified variables on the basis of frequencies

Table 1. Demographic information of participants

Number of Interviewees	23 Start-up entrepreneurs
Method of Data Collection	Semi-structured interviews
Setting of Interviews	Face to face interactions
Duration of Interview	20–30 minutes
Recording of Interviews	Paper based writing by interviewers
Range of Age	28–40 Years
Educational Qualifications	<ul style="list-style-type: none"> • Honors Degree (7) • Master's Degree (14) • Doctorate Degree (2)
Business Experience	<ul style="list-style-type: none"> • 1–5 Years (9) • 6–10 Years (12) • More than 10 Years (2)
Experience of Using Crowdfunding	<ul style="list-style-type: none"> • Yes (2) • No (21)

(Creswell, 2014). For this study, we followed the Grounded Theory building process recommended (see Figure 1) by Rodon and Pastor (2007).

Data collection is the first step of GT-based data analysis (Glaser & Strauss, 1967). So, firstly, we did the data coding after the data collection according the GT instructions (Glaser, 1992). Data coding process started by identifying key points in the data after systematic line-by-line reading of interview written scripts (Glaser, 1978) and recognized key points were assigned by open codes following open coding process (Glaser & Strauss, 1967). Memos were used to keep records of analysis and support the further relationships development among the coded variables.

Second, Following the GT guidelines of Glaser and Strauss (1967), we did constant comparison technique among discovered open codes in term of comparing with prior codes in same interviews scripts and codes in different scripts. This helped us to do the data reduction by grouping similar emerged codes and discover concepts or higher abstractions. Moreover, repetitive application of constant comparison helped us in determining sufficient categories as the barriers to adopt crowdfunding by the start-up entrepreneurs. This type of axial coding process allowed us to relate categories to sub-categories (Strauss & Corbin, 1998) and reassemble the initial coded data for emerging analysis (Charmaz, 2006).

Figure 1. Grounded theory building process (Rodon & Pastor, 2007).

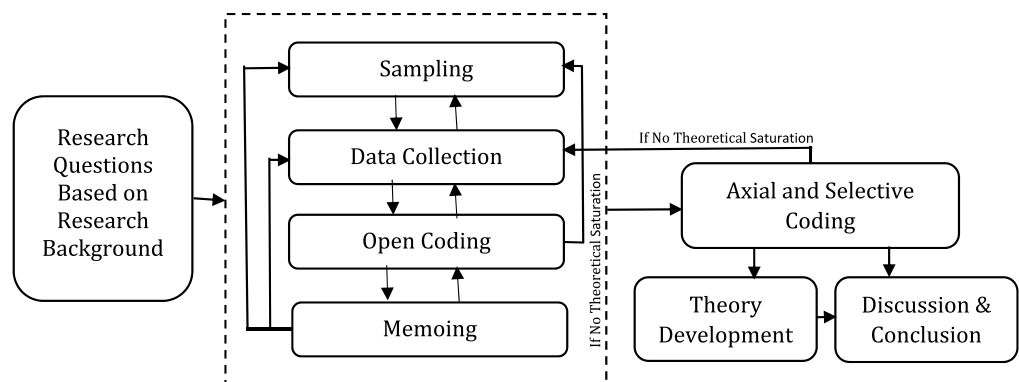


Table 2. Emerging categories of crowdfunding barriers through coding process

Initial Categories (Open Coding)	Sub-categories (Axial Coding)	Super-categories (Selective Coding)
Don't know how to use CF (3)	Lack of Knowledge (4)	Absence of Crowdfunding Know-how (17)
Never hear about CF (1)		
Never use CF (4)	Lack of Experience (7)	
Never visited CF websites (2)		
Not seen other to use CF (1)		
Not have skill of using CF (2)	Lack of Training (3)	
Don't have training of using CF (1)		
Inadequate CF platforms (3)	Lack of CF Platforms (3)	
No financial policy for CF (2)	Lack of Regulatory Policy (5)	Scarcity of Government Support (11)
Unclear financial laws related to CF (3)		
Can't do global money transfer through CF (3)	Restrictions in Money Transfer (5)	
Complexity of local money transfer using CF (2)		
Failure to meet audit requirements (1)	Managing Audit Compliances (1)	
Business model will be publicly available (2)	Fear of Privacy Break (4)	Vulnerability of Security (8)
Privacy break of financial information (2)		
CF is not trustable (1)	Lack of Trust (3)	
Open to online attacks (2)		
Less confidence in secured sharing with crowdfunders (1)	Fear of Solving Information Asymmetry (1)	
May not collect fund (2)	Fear of Failure (3)	Risk of Reputation (5)
Risk of losing other financing sources (1)		
Possibilities of lawsuits (2)	Fear of Lawsuits (2)	
Need more time to collect fund (2)	Slow Funding (2)	Unfavorable Nature of Crowdfunding (3)
Publicize more business information (1)	Disclosure of Information (1)	

Note: Frequency of codes is mentioned in the parentheses.

In the third coding stage, we did selective coding to integrate and refine the theory (Corbin & Strauss, 2008) and explore only core variables to develop a parsimonious theory (Glaser, 1978). Lastly, we stopped coding procedure when the theoretical saturation was achieved. Categories through three-step coding process are illustrated in Table 2.

The reliability and validity of qualitative study can be promoted by triangulation (Creswell, 1998) which involves checking the data with different sources. In this study, we achieved data triangulation by examining various documents such as websites, journal papers, books, and field notes of observation in time of interviews.

4. Results

After systematic data analysis using GT approach, five categories of crowdfunding barriers have been derived, namely: (1) Absence of Crowdfunding Know-how, (2) Scarcity of Government Support, (3) Vulnerability of Security, (4) Risk of Reputation, and (5) Unfavorable Nature of Crowdfunding (see Table 2). Each barrier is explained below following the order of significances of identified barriers. The significances are ranked according to the frequency of codes revealed by start-up entrepreneurs. Excerpts from interviewees are mentioned as exemplars of categories of the barriers.

4.1. Absence of crowdfunding know-how

The most mentioned reasons for not using crowdfunding by start-up entrepreneurs interviewed in this study are lack of knowledge, experience, training, and platforms of crowdfunding. As crowdfunding is a new concept in Bangladesh, a number of entrepreneurs complained about not having enough opportunity to get knowledge and experience of using crowdfunding platforms. Sufficient knowledge and experience can change the mindsets and increase the crowdfunding intentions of the entrepreneurs. Any financial activities are coupled with risk concern which can be lessened through proper knowledge and experience. One entrepreneur stated:

“I don’t have any knowledge about crowdfunding because I never get opportunity to collect capitals using crowdfunding. So, crowdfunding is actually an unexplored thing to me. Unfortunately, most of my staffs don’t have used crowdfunding.” [Interviewee 7]

Moreover, some entrepreneurs revealed training issue for making crowdfunding popular and well accepted. The step-by-step crowdfunding training can increase the confidence and technological readiness of entrepreneurs. One entrepreneur with crowdfunding experience disclosed:

“I learn how to raise funds through crowdfunding from one of friends. Although that was for donation purpose. I believe there should be available training programs at national and organizational levels. Besides, these training programs should be free of cost and updated regularly for coping with the changes in technical issues of crowdfunding.” [Interviewee 13]

4.2. Scarcity of government support

The second-most derived barrier for crowdfunding is scarcity of government support in terms of financial and monetary regulations as well as legal framework of auditing. Bangladesh does not have any crowdfunding supporting legal and financial policies. On the other hand, there are restrictions on inbound-outbound money transfer which disallows entrepreneurs to experience fundraising through crowdfunding. An entrepreneur commented with depressed emotion:

“Although there is a vision 2021 of ‘Digital Bangladesh’, still there is no crowdfunding supporting legal financial policies. Even we can’t invest and collect money through international crowdfunding sites because of strict money transfer regulations.” [Interviewee 2]

In addition, the required supporting financial documents and process for auditing keep entrepreneurs far from crowdfunding. Besides, the unavailability of proper accounting and auditing guidelines, entrepreneurs believe there are problems in maintaining audit compliances to manage the gathered funds from crowdfunding. Without audit policy change, it is much more difficult to go through the audit process with crowdfunded capitals because crowdfunding does not offer all the needed documents for auditing. One entrepreneur, who did crowdfunding, has shared:

“Lots of manual documents demanded by audit process inhibits us from raising funds for our start-ups through crowdfunding.” [Interviewee 15]

4.3. Vulnerability of security

Notable number of entrepreneurs concern about security vulnerability of crowdfunding and this concern is the product of fear of privacy break, lack of trust, fear of solving information asymmetry. They think that the intellectual properties or copyrights of their ideas have risk of imitation in the open crowdfunding platforms. Furthermore, they are afraid of inside and outside attacks to hack the sensitive financial information in time of uploading and/or performing financial transactions through crowdfunding platforms. According to one entrepreneur:

“Although we discussed about to adopt crowdfunding in our last monthly meeting. Before moving to crowdfunding, we had serious concerns about the security issues of our business ideas.”

Actually, our business model does not need huge resources to operate. The model itself is a huge resource for us and any imitation of this model may drive us to failure.” [Interviewee 7]

In case of start-up projects, entrepreneurs have more knowledge about the projects and entrepreneurs afraid that they might not be able to properly convey the details of their projects to the investors through online crowdfunding platforms. So, there is a risk of information asymmetry. A different entrepreneur cited:

“As it is difficult to convey all the needed information in online platforms, I don’t know how investors can know details about our start-up before investing on it. It’s my thinking that investors can’t know as much as entrepreneurs about the posted start-ups through crowdfunding.” [Interviewee 19]

4.4. Risk of reputation

Some entrepreneurs stated the risk of reputation, consisting of fear of failure and lawsuits, is a significant inhibitors that demotivates them toward crowdfunding. They fear of being unsuccessful to collect required funds within targeted deadline. They need to mention a specific timeline for launching new products or services in the markets; but sometimes entrepreneurs fail which causes long-term reputation losses for the entrepreneurs and their start-ups. This type of failure is liable for losing other available funding options like banks, angel investors, seed funding, and venture capitals. One of the interviewed entrepreneurs said:

“We can’t trust crowdfunding for financing because there is always possibility of failure; may be in terms of time or targeted money. Once we fail, there will be loss of our goodwill in future. If that happens, we may not get funds from other alternative financing sources.” [Interviewee 5]

Sometimes, entrepreneurs fear lawsuits by investors and/or customers who fund the start-ups and want the products or services within expected time duration. One entrepreneur pointed out:

“Sometimes, I hear, investors file cases for any failure of start-ups. So, crowdfunding is not only making public the financial details of start-ups but also taking risk of lawsuits by outsiders.” [Interviewee 21]

4.5. Unfavorable nature of crowdfunding

The slow funding and public information disclosure natures of crowdfunding are important anxieties for entrepreneurs. The posted funding projects of start-ups is a market push strategy for raising capitals and this process of attracting and collecting funds needs comparatively more time than collecting from other alternative sources like angel investors, venture capitalists, and seed funding. Besides, this longer time is needed because of involvements of third parties, crowdfunding platforms, between entrepreneurs and investors. One entrepreneur shared:

“We need funds within a limited time duration so that we can see our ideas (start-ups) commercialized as soon as possible. We need this (start-up) to be market pioneer and not to be imitated before our start. But, so far I know, crowdfunding takes more time to fund a start-up.” [Interviewee 7]

Business information, in terms of business models or financial plans, is weapon to get competitive positions in the market. Sharing details information is needed to attract prospective investors through an open call in crowdfunding, which inhibits entrepreneurs from crowdfunding. An entrepreneur disclosed the following:

“Of course, I don’t want to share all details of my start-up publicly. So, it’s a serious challenge to get funds from investors without letting them know the details through crowdfunding platforms.” [Interviewee 18]

5. Discussion and conclusion

5.1. Discussion

This research is among the earliest academic attempts to explore the inhibitors which are responsible for the inertia of start-up entrepreneurs toward crowdfunding adoption. Moreover, the identified inhibitors or barriers are ranked based on their relative significances. Particularly, five key themes as the barriers were unearthed. These barriers are absence of crowdfunding know-how, scarcity of government support, vulnerability of security, risk of reputation, unfavorable nature of crowdfunding; which are consistent with the findings of different prior crowdfunding researches. Using the outcomes of this study and previous findings in crowdfunding literature, we developed a grounded theory on barriers or inhibitors liable behind not accepting crowdfunding. This qualitative explorations can be used as guidelines for designing crowdfunding and start-ups fostering policies, plans, and training programs by governmental and non-governmental organizations. This type of studies for exploring IS resistance was rarely addressed in conventional IS research (Lapointe & Rivard, 2005).

The majority of twenty-three entrepreneurs in this study pointed out absence of crowdfunding know-how as higher concern behind their reluctant to crowdfund. As crowdfunding is a new concept in Bangladesh, a number of entrepreneurs complained about not having opportunity to get knowledge and experience of using crowdfunding platforms. This finding is supported by previous studies. Adhikary, Kutsuna, Hoda et al. (2018b) found that only 14 (5%) out of 270 studied entrepreneurs in Bangladesh have crowdfunding knowledge and Islam and Khan (2019) identified that 281 (88.6%) out of 317 start-up entrepreneurs do not have crowdfunding experience. The reason behind this is the unavailability of local crowdfunding platforms. Only two local crowdfunding platforms, Oporajoy.org (Islam, 2018) and Projekt.co (Reaz, 2015b), are currently operating in Bangladesh. Likewise, this scenario also exists in developed countries. For example, in an international report about crowdfunding, lack of crowdfunding knowledge and experience are found barriers among 66% entrepreneurs of United Kingdom (Bone & Baeck, 2016). So, effective crowdfunding promotion campaigns and well design training program are the demand of time for the diffusion of crowdfunding in Bangladesh. If start-up entrepreneurs get the opportunity for experiment, they will do crowdfunding without delay (Islam & Khan, 2019).

The second recognized significant barrier by start-up entrepreneurs is scarcity of government support in cases of lack of crowdfunding supporting financial and monetary regulations as well as restrictions on inbound-outbound money transfer. Government policies and regulations for promoting new technology work as the driving forces behind widespread adoption of that technology (Bessant, 1982; King et al., 1994). Like Bangladesh, Brazil is lagging behind in crowdfunding adoption typically due to the want of regulations and government support (Lima & Araújo, 2019). However, most of countries providing crowdfunding supporting environments have crowdfunding regulating and monitoring laws and regulations. For instance, Jumpstart Our Business Startups Act (JOBS Act) was implemented by the Securities and Exchange Commission at USA for providing legal support in the CF processes. Besides, Financial Conduct Authority (FCA) of UK is regulating crowdfunding activities under Financial Services and Markets Act 2000. According to the design and implementation experiences of JOBS Act in USA, it was identified that huge changes in the existing legislatives are required for development of crowdfunding related regulations (Kitchens & Torrence, 2012; Stemler, 2013). The government should study the policies of these countries and create a crowdfunding supporting environment by designing new crowdfunding policy and modifying exiting financial and monetary regulations.

Consecutively, the next most important inhibitor of crowdfunding acceptance is security vulnerability, which confirms privacy and risk concerns by previous researchers (Y. C. Lee & Yang, 2019; Gleasure, 2015). For instance, Chunlei and Liyun (2016) found that most of entrepreneurs in China are showing their resistance toward crowdfunding because of risk fear. Proper computer literacy and online security measures can reduce this type of vulnerability as recommended by Gleasure (2015). Furthermore, the reputation risk is also a concern for entrepreneurs, which is consistent

with the outcomes of other previous studies (Y. C. Lee & Yang, 2019; Gleasure, 2015). In term of financial risk, entrepreneurs perceived less risk in crowdfunding because they are receivers of funds; unlike the investors who give their money through crowdfunding taking more risk (Islam & Khan, 2019). Business reputation is an asset for start-ups, which can be destroyed by the failure of timely launching of start-ups. In crowdfunding, there is possibility to be failed publicly in collecting funds and commercializing the proposed products and services. As a result, there is fear of facing lawsuits by funders is another concern for entrepreneurs. Retro Computers faced a suit by Morton for delaying the product delivery and commercialization in the market (Benchhoff, 2018). In the same way, a lawsuit was filed against a company for not delivering products at Washington (Gross, 2014). Slow funding and information disclosure natures of crowdfunding become concerns for entrepreneurs. Crowdfunding sometimes takes more time than other conventional financing options to collect the targeted funds by entrepreneurs and this may delay the launching the start-ups (Damus, 2014) and this happens because of perceived procedural complexity of crowdfunding. This type of complexity is found as a significant barrier in the adoption of new innovation (Laukkanen et al., 2007). Moreover, entrepreneurs need to share publicly more business information to grow the interests of investors for funding and this increases trust concern among entrepreneurs. Adhikary & Kutsuna (2016) suggested to improve trust among the crowdfunding participants about the feasibility and benefits of crowdfunding.

Till now, crowdfunding is considered as blessing for start-ups to overcome funding problems (Melton et al., 2020). But entrepreneurs will not get the full benefits of using crowdfunding if the explored barriers toward crowdfunding adoption are addressed with proper care and effective measures as soon as possible.

5.2. Implications

5.2.1. Theoretical implications

This study presents deep insights into barriers presumed by start-up entrepreneurs toward adopting crowdfunding for financing, which has the possibility to be generalized in other countries with similar economic and cultural backgrounds. The research has systemically developed a theory from the collected field data mentioning all probable barriers toward crowdfunding adoption. Further, Grounded Theory approach was used first time in crowdfunding research from the viewpoint of entrepreneurs. Finally, the outcomes can give literature foundations for investigating more insights in future by other researchers in the fields of crowdfunding and/or start-ups.

5.2.2. Practical implications

There are some notable practical implications of this study for policy makers, crowdfunding platforms, universities, and incubation centers that are working to foster start-ups. The identified barriers for not adopting crowdfunding can be used as checklist for policy makers to develop and adjust their supporting policies toward start-ups and crowdfunding in Bangladesh. Also, the findings can be used by crowdfunding platforms in planning and facilitating their services. Moreover, incubation centers, entrepreneur clubs, and universities can design and update their entrepreneurial training programs for the diffusion of crowdfunding in start-up financing. In addition, macro-level scenario of entrepreneurs' perceptions toward crowdfunding adoption can be seen by this research.

5.3. Limitations and future directions

This study has some mentionable limitations. First, this cross-sectional study fails to show before–after comparative scenario of crowdfunding adoption. Secondly, we did the manual coding which may be influenced by our personal judgments. Although we tried our best to be as objective as possible because the knowledge constraints of researchers can limit the generalizability of the developed theory (Cho & Lee, 2014). Thirdly, the sample size is low. Besides, most of the participants do not have crowdfunding experience which may account for irrational responses based on their frightened minds toward crowdfunding. Fourthly, we cannot claim our findings are universal because participants have limited opportunities to use crowdfunding. But, the finding has characterized the context studied (Adolph et al., 2008).

Despite its limitations, this study offers literature groundwork for future researches in the areas of crowdfunding and start-ups. A further study using longitudinal data will provide better insights of comparative relationships over time among the identified barriers of crowdfunding. The scope of study can be extended by increasing sample size as well as study area. Moreover, the derived theory demands empirical test using quantitative data from entrepreneurs. Finally, comparative studies with countries will be precious contributions in crowdfunding and start-up researches.

5.4. Conclusion

Crowdfunding has huge potentiality for booming up innovative start-ups targeted to solve various social and business problems. It has been more than five years since crowdfunding was first locally introduced in Bangladesh. But, the acceptance rate is not remarkable. The success of this promising financing source highly depends on the adoption and continuation by end users, both entrepreneurs and investors or backers. This study systematically revealed the barriers responsible behind the low adoption of crowdfunding by the start-up entrepreneurs and this study is considered as demand of time to foster start-ups and crowdfunding in Bangladesh. This study also concludes that absence of crowdfunding know-how and scarcity of government support are relatively vital concerns for the entrepreneurs among all the identified barriers. These barriers can be reduced or removed by collective efforts by the government, educational institutions, incubation centers, financial institutions, and crowdfunding platforms through taking different supporting programs for crowdfunding and start-ups. To achieve greater crowdfunding adoption, these different stakeholders can take some specific initiatives. For example, government and policy makers can modify existing monetary and financial policies to support this online-based funding. Simultaneously, incubation centers and universities can design crowdfunding supporting programs and campaigns to increase the trust and knowledge bases of entrepreneurs about crowdfunding. Moreover, crowdfunding platforms can increase information and system securities through various measures. In fine, these stakeholders need to work together start-up entrepreneurs in order to simply and shorten the capital-raising procedures through crowdfunding.

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