



# INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP AND MANAGEMENT PRACTICES (IJEMP)

[www.ijemp.com](http://www.ijemp.com)



## SOCIAL CAPITAL THEORY AND CROWDFUNDING: A COMPREHENSIVE EXPLORATION

Ab Razak Che Hussin<sup>1\*</sup>, Ahmad Amru Mohamad Zaid<sup>2</sup>

<sup>1</sup> School of Management, Universiti Teknologi Malaysia, Malaysia  
Email: [abrazak@utm.my](mailto:abrazak@utm.my)

<sup>2</sup> School of Information Technology, Malaysia University of Science and Technology, Malaysia  
Email: [ahmadamru@must.edu.my](mailto:ahmadamru@must.edu.my)

\* Corresponding Author

### Article Info:

#### Article history:

Received date: 27.03.2025

Revised date: 15.04.2025

Accepted date: 15.05.2025

Published date: 04.06.2025

#### To cite this document:

Che Hussin, A. R., & Zaid, A. A. M. (2025). Social Capital Theory And Crowdfunding: A Comprehensive Exploration. *International Journal of Entrepreneurship and Management Practices*, 8 (30), 58-66.

DOI: 10.35631/IJEMP.830005

This work is licensed under [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/)



### Abstract:

Crowdfunding (CF) has emerged as an alternative financing avenue for Small and Medium Enterprises (SMEs), particularly in response to conventional financing challenges. However, CF success is heavily influenced by funders' trust, motivation, and perceived social alignment with the fundraiser. This study critically examines the role of Social Capital Theory in shaping CF participation on social media platforms. Through a systematic literature review (SLR), the study synthesizes theoretical frameworks, participation models, and empirical findings from 2011 to 2023. The results reveal that social capital—encompassing structural ties, trust, reciprocity, and shared norms—plays a crucial role in fostering credible crowdfunding environments. By integrating key constructs from complementary theories such as Trust Theory, Social Identity Theory, and Theory of Planned Behavior, the paper presents a holistic view of how social dynamics enhance CF participation. This insight is particularly valuable for Malaysian SMEs aiming to improve campaign engagement and build trustworthy funding communities.

### Keywords:

Crowdfunding, Social Capital, SMEs, Trust, Social Networks, Social Media, Participation Model

## Introduction

Small and Medium Enterprises (SMEs) play a pivotal role in driving economic growth, employment generation, and innovation across developing and emerging markets (Laila et al., 2022; Yoshino & Taghizadeh-Hesary, 2019). In Malaysia, SMEs represent over 97% of all business establishments, yet they continue to encounter persistent challenges in accessing adequate financing. Traditional financial institutions often perceive SMEs as high-risk entities

due to their limited assets, insufficient credit history, and lack of collateral (Deshmukh et al., 2014; Mustafa & Yaakub, 2018). These limitations hinder their capacity to invest in technology, expand operations, and participate in the digital economy (Shaikh et al., 2021).

Crowdfunding (CF) has emerged as a promising alternative financing mechanism, allowing entrepreneurs to raise funds directly from the public through online platforms. Social media further enhances this mechanism by enabling fundraisers to tap into large audiences quickly and at a lower cost (Chen, 2021). However, the growing popularity of CF has also introduced new challenges. These include heightened competition among campaigns, increased risk of fraud and misuse of funds, and overall donor skepticism toward digital fundraising efforts (Teichmann et al., 2022; Vhatkar et al., 2023). These issues underscore the importance of trust, transparency, and credible social engagement in influencing funder participation.

Recent studies emphasize that trust is not only a behavioral determinant but also a function of social capital—defined by networks, norms, and mutual obligations that facilitate cooperation (Nahapiet & Ghoshal, 1998; Cai et al., 2021). The concept of social capital thus offers a valuable theoretical framework for examining how funders assess credibility and form intentions to support crowdfunding projects. Despite a growing body of literature, few studies have holistically integrated social capital dimensions within the context of crowdfunding, particularly in the Malaysian SME landscape.

### Scope and Objectives

This study aims to explore how social capital influences crowdfunding participation through social media, with a focus on Malaysian SMEs. By synthesizing multiple theoretical frameworks and empirical findings, the study seeks to construct an integrated model that offers practical insights for entrepreneurs and policymakers alike.

Specifically, the objectives are to:

1. Review key theories and models influencing crowdfunding participation.
2. Examine the applicability of Social Capital Theory in the context of crowdfunding behaviour.
3. Propose a conceptual framework integrating social capital constructs tailored for

### Literature Review

#### *Theory of Social Capital and Crowdfunding (CF)*

Social capital has emerged as a key conceptual lens in understanding the mechanisms that influence crowdfunding (CF) success. It refers to the collective value of social networks and the inclinations that arise from these networks to do things for each other (Nahapiet & Ghoshal, 1998). In the CF context, social capital helps facilitate trust, reciprocity, and collective identity between entrepreneurs and potential funders (Abdeldayem & al Dulaimi, 2022; Troise et al., 2020). Scholars distinguish between internal social capital (developed within crowdfunding platforms) and external social capital (networks outside the platform such as friends, family, and social media) (Cai et al., 2021).

Nahapiet and Ghoshal (1998) categorize social capital into three dimensions:

- i. Structural capital – the overall network ties and connectivity of an individual.
- ii. Relational capital – trust, norms, and obligations developed through ongoing interactions.

- iii. Cognitive capital – shared understanding, language, and values within the community.

These dimensions play a central role in CF, where credibility and funder engagement are often based on the entrepreneur's visibility, perceived sincerity, and community engagement (Weiss et al., 2019). Research has also shown that high levels of internal engagement on CF platforms can sometimes substitute for external visibility, such as Facebook activity (Troise et al., 2020; Cai et al., 2021). Thus, a nuanced understanding of how social capital operates within and beyond platforms is crucial for designing effective campaigns.

### ***Comparative Theoretical Perspectives***

While Social Capital Theory is widely used in CF literature, other complementary frameworks help explain different dimensions of funder behaviour. Table 1 summarizes relevant theories and their associated findings:

**Table 1: Theoretical Foundations and Key Findings in Crowdfunding Literature**

<b>Author(s)</b>	<b>Theory</b>	<b>CF Factors</b>	<b>Key Findings</b>
Bretschneider et al. (2014)	Theory of Motivation	Intrinsic & extrinsic motivations	Reward and recognition positively influence participation intention
Rodriguez-Ricardo et al. (2018)	Social Identity Theory	Trust, social identification, attitude	Strong identification with the CF community boosts intention to fund
Kusumarani & Zo (2019)	Theory of Motivation	Social influence, financial constraints	Perceived congruence significantly predicts intention to participate
Liang et al. (2019)	Theory of Trust	Fundraiser credibility, info transparency	Trust mediates investment intention; platform reputation is crucial
Fanea-Ivanovici & Baber (2021)	Theory of Planned Behaviour	Risk, perceived trust, entrepreneurial intent	Attitudes and social norms shape behavioural intention in CF participation

Although each theory offers unique insights, many past studies focus on individual constructs in isolation. This paper argues that Social Capital Theory offers a unifying framework capable of encompassing key elements from other theories—such as trust (Liang et al., 2019), social identification (Rodriguez-Ricardo et al., 2018), and perceived congruence (Kusumarani & Zo, 2019). Moreover, as CF continues to evolve on social media platforms, a multi-theoretical approach is necessary to capture the complex interplay between funders' cognitive, emotional, and social drivers.

### **Research Methodology**

This study employed a Systematic Literature Review (SLR) approach to synthesize existing research on the role of social capital in influencing crowdfunding (CF) participation. The SLR method was chosen for its rigor in identifying, evaluating, and integrating findings from previously published work (Xiao & Watson, 2019). This method is especially suitable for building a conceptual framework grounded in theory and supported by empirical evidence.

### ***Research Design***

The review focused on journal articles published between 2011 and early 2023, accessed through Elsevier's Scopus database, which was selected for its interdisciplinary coverage and indexing of high-impact journals. The search string used was: “crowdfunding” AND “social capital theory”.

### ***Inclusion and Exclusion Criteria***

Studies were filtered based on the following criteria:

- Inclusion: Peer-reviewed articles, published in English, related to social capital and crowdfunding
- Exclusion: Duplicates, non-English articles, editorials, and studies not involving social networks or participation factors

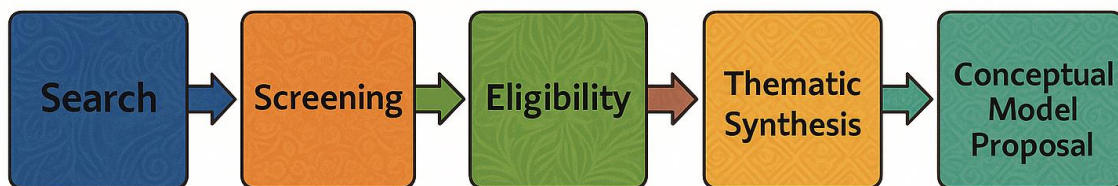
Out of an initial 71 records, 5 core articles were selected after full-text review and thematic relevance screening.

### ***Data Extraction and Analysis***

The selected articles were subjected to thematic analysis to identify common variables, theoretical foundations, and empirical findings. Key themes—such as trust, structural ties, reciprocity, and cognitive alignment—were categorized under the three dimensions of social capital (structural, relational, cognitive). Theories such as Motivation Theory, Trust Theory, Social Identity Theory, and Theory of Planned Behaviour were also recorded and compared to Social Capital Theory.

### ***Contextual Scope and Process Flow***

Although the review is global in coverage, particular attention was paid to Malaysian SME settings, given the national relevance of the study. The analysis reflects not only general trends in CF participation but also contextual challenges such as donor scepticism, platform maturity, and institutional trust. Figure 1 shows the review process flow.



**Figure 1: Review Process Flow**

### ***Finding and Discussions***

The systematic review revealed a fragmented yet rich landscape of theoretical models explaining crowdfunding (CF) participation. While each model offers valuable insights, they often emphasize individual variables—such as trust, motivation, or social identity—without integrating the social contexts and relational dynamics that shape funders' decisions. This is where Social Capital Theory demonstrates its conceptual strength: it provides a unifying framework that captures how trust, social ties, and shared norms interact to influence CF participation.

### ***The Role of Social Capital in Crowdfunding***

In the reviewed literature, social capital emerged as a consistent enabler of CF success. Entrepreneurs with well-developed internal social capital—built through prior engagement, endorsements, and reciprocity on CF platforms—were perceived as more credible and trustworthy (Troise et al., 2020). External social capital, manifested through social media presence, personal networks, and digital storytelling, also influenced funder perceptions, especially in the early stages of campaign outreach (Cai et al., 2021).

In essence, funders respond not just to campaign content or promised rewards, but also to signals of embeddedness—that is, how socially connected and community-engaged the fundraiser appears to be (Zhang et al., 2020; Weiss et al., 2019). These signals reduce perceived risk and reinforce trust, particularly when campaigns are shared through overlapping networks where social obligations and norms are stronger.

### ***Practical Implications for SMEs***

Malaysian SMEs stand to benefit from understanding how social capital can be leveraged in CF campaigns. By actively engaging in digital communities, participating in peer CF initiatives, and sharing culturally resonant narratives, entrepreneurs can enhance both their internal and external social capital. This positions them not only as credible fundraisers but also as contributors to a broader community of trust and collaboration.

### ***Proposed Crowdfunding Participation Model***

Various CF participation models have been proposed in previous studies, in which the factors influencing the CF participation intention varies such as self-interest motivation, reward, others recognition (Bretschneider et al., 2014), social identification, innovativeness (Rodriguez-Ricardo et al., 2018), perceived congruence (Kusumarani & Zo, 2019), trust (Liang et al., 2019), entrepreneurial intentions, perceived risk and perceived trust (Fanea-Ivanovici & Baber, 2021). However, all the theories used focus on one theory at a time, and this study extends the prior effort that examines the effect of social media in CF in two ways.

First, the current literature is mostly focused more on finding the driven factors to increase the success of CF in social media. Entrepreneurs often use CF as a first resort for three different motives which are to raise money, validate business ideas, and increase brand awareness. This study extends the factors listed in previous works in discovering how can the social media platform be used to increase the intention of CF participation of social media user and invest in them.

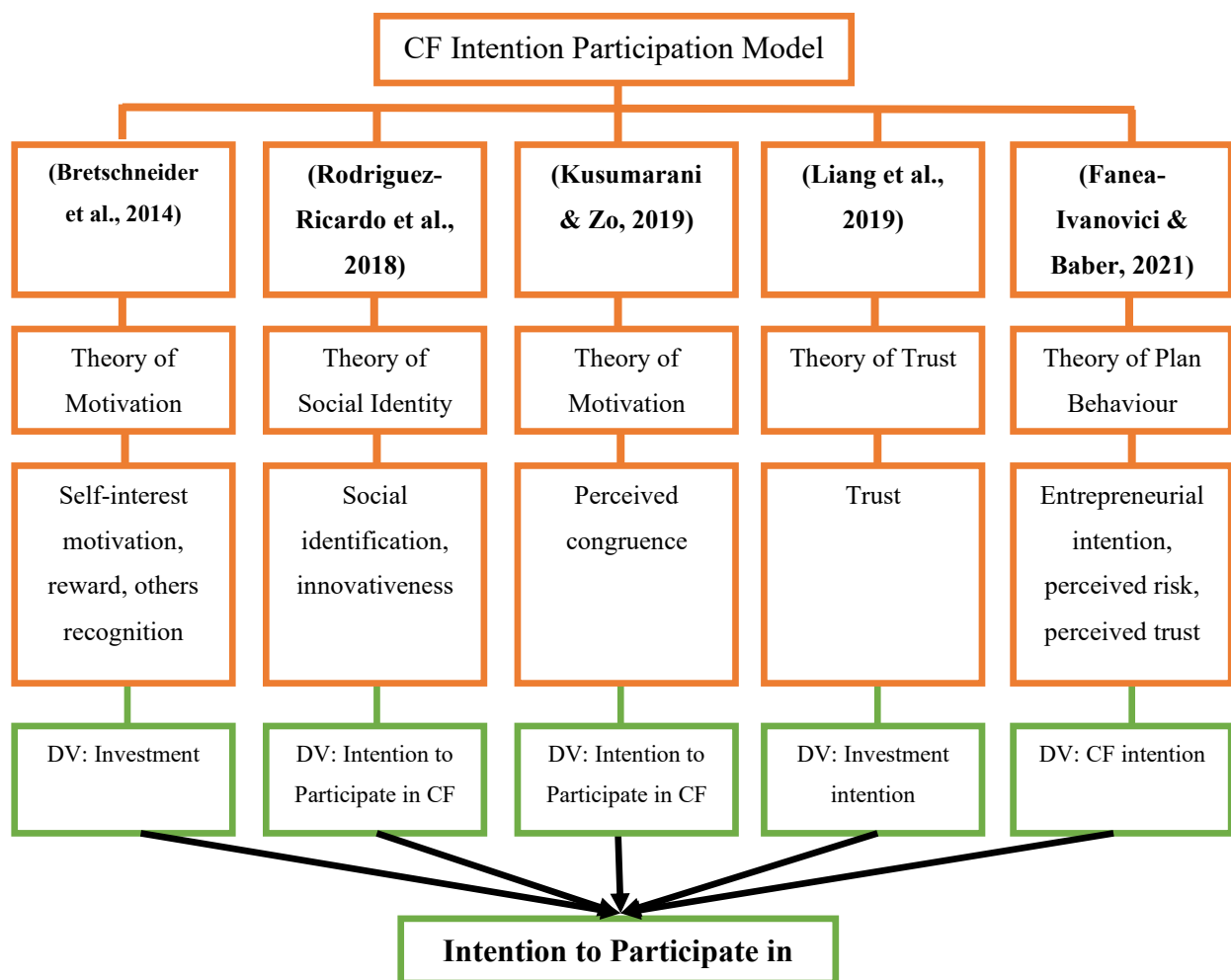
According to (Cai et al., 2021), social capital is a comprehensive notion that encompasses many aspects and facets such as social networks, trust, obligation, and shared ideals. As social capital-based CF research advances, it is becoming increasingly important to reconcile disparate research streams and support theoretical development. With a knowledge of the social capital theory, entrepreneurs can launch a CF project to the public through social media and social networks to contact friends to invest in the project.

As previously said, earlier studies used mostly one theory, whereas Theory of Social Capital provides a more diverse approach that includes the interplay of numerous social components in explaining human behaviour and social dynamics. While previous research may have concentrated on the effects of a single factor, such as economic incentives, cultural norms, or individual motivations, the Theory of Social Capital emphasizes the importance of social



relationships and networks in shaping opportunities and outcomes for individuals and groups. This study may provide a more thorough understanding of the function of social ties and networks in improving CF participation by employing the Theory of Social Capital. This theory highlights the importance of social resources including trust, norms, and shared values in facilitating collaboration, information exchange, and resource access among individuals and organizations.

As a result, this research may give light on how social capital influences the behaviour of the people involved, as well as how it can shape the outcomes of the CF system. In comparison to previous studies that employed single theories, this study employs the Theory of Social Capital, which may provide a more holistic and nuanced understanding of the phenomenon under investigation by considering the social context and relationships that are frequently overlooked in other approaches. Figure 2 shows CF Participation Model and Theory in Previous Works.



**Figure 2: CF Participation Model and Theory in Previous Works**

## Conclusion

This study set out to explore how Social Capital Theory can enhance our understanding of crowdfunding (CF) participation, especially among Malaysian SMEs leveraging social media platforms. By conducting a systematic literature review of key theories and empirical findings, the research fulfilled its objectives:

1. Reviewed major theoretical perspectives influencing CF participation, including Motivation Theory, Trust Theory, Social Identity Theory, and Theory of Planned Behaviour.
2. Examined the relevance and applicability of Social Capital Theory in synthesizing diverse constructs such as trust, relational ties, and cognitive alignment; and
3. Proposed an integrated conceptual model that positions social capital as a strategic driver of CF engagement and success.

The findings demonstrate that social capital is not merely a peripheral factor but a foundational enabler of trust, credibility, and funder participation. Entrepreneurs who cultivate both internal (platform-based) and external (community/social media) social capital can significantly improve their crowdfunding performance. For Malaysian SMEs, where funding constraints and public scepticism persist, building social capital through community engagement, reciprocity, and transparent communication can serve as a low-cost, high-impact strategy. Future research may extend this model by incorporating longitudinal case studies or exploring platform-specific dynamics.

### Acknowledgement

The authors would like to express their sincere gratitude to all scholars and practitioners whose research has contributed to the advancement of knowledge in the fields of crowdfunding and social capital. Special thanks are extended to the reviewers of this paper for their constructive feedback, which significantly improved the quality of this work. The authors also acknowledge the institutional support received from the Malaysia University of Science and Technology and Universiti Teknologi Malaysia.

### References

- Abdeldayem, M. M., & al Dulaimi, S. H. (2022). The dynamics of crowdfunding campaigns in the Middle East: Does social capital matter? *Zbornik Radova Ekonomskog Fakulteta u Rijeci: Časopis Za Ekonomsku Teoriju i Praksu*, 40(1), 63–78.
- Ahlers, G. K. C., Cumming, D., Günther, C., & Schweizer, D. (2015). Signaling in equity crowdfunding. *Entrepreneurship Theory and Practice*, 39(4), 955–980.
- Bapna, S. (2019). Complementarity of signals in early-stage equity investment decisions: Evidence from a randomized field experiment. *Management Science*, 65(2), 933–952.
- Bretschneider, U., Knaub, K., & Wieck, E. (2014). Motivations for crowdfunding: What drives the crowd to invest in start-ups? *Proceedings of the European Conference on Information Systems (ECIS)*, Tel Aviv.
- Cai, W., Polzin, F., & Stam, E. (2021). Crowdfunding and social capital: A systematic review using a dynamic perspective. *Technological Forecasting and Social Change*, 162, 120412.
- Chen, L. (2021). Investigating the impact of competition and incentive design on performance of crowdfunding projects: A case of independent movies. *Journal of Theoretical and Applied Electronic Commerce Research*, 16(4), 791–810.
- Deshmukh, P. D., Kalamkar, V. R., & Thampi, G. T. (2014). ERP in Indian SMEs: Issues, challenges and future. *International Journal of Research in Advent Technology*, 2(7), 22–28.
- Erubami, J. A., Tebekaemi, P., & Egbon, K. J. (2023). Perception of online medical crowdfunding posts among social media users in Nigeria. *Journal of Management and Social Sciences*, 8(Special Issue).

- Fanea-Ivanovici, M., & Baber, H. (2021). The role of entrepreneurial intentions, perceived risk and perceived trust in crowdfunding intentions. *Engineering Economics*, 32(5), 433–445.
- Ghazali, N. H., & Yasuoka, T. (2018). Awareness and perception analysis of small medium enterprise and start-up towards FinTech instruments: Crowdfunding and peer-to-peer lending in Malaysia. *International Journal of Finance and Banking Research*, 4(1), 13–23.
- Jenik, I., Lyman, T., & Nava, A. (2017). Crowdfunding and financial inclusion. CGAP Working Paper, 41.
- Kuppuswamy, V., & Bayus, B. L. (2018). Crowdfunding creative ideas: The dynamics of project backers. In C. Lehner & D. Schwienbacher (Eds.), *The economics of crowdfunding* (pp. 151–182). Springer.
- Kusumarani, R., & Zo, H. (2019). Why people participate in online political crowdfunding: A civic voluntarism perspective. *Telematics and Informatics*, 41, 168–181.
- Laila, N., Ratnasari, R. T., Ismail, S., Hidzir, P. A. M., & Mahphoth, M. H. (2022). The intention of small and medium enterprises' owners to participate in waqf: The case of Malaysia and Indonesia. *International Journal of Islamic and Middle Eastern Finance and Management*, 16(3), 429–447.
- Li, Y. M., Liou, J. H., & Li, Y. W. (2020). A social recommendation approach for reward-based crowdfunding campaigns. *Information & Management*, 57(7), 103246.
- Liang, T. P., Wu, S. P. J., & Huang, C. (2019). Why funders invest in crowdfunding projects: Role of trust from the dual-process perspective. *Information & Management*, 56(1), 70–84.
- Mustafa, H. K., & Yaakub, S. (2018). Innovation and technology adoption challenges: Impact on SMEs' company performance. *International Journal of Accounting*, 3(15), 57–65.
- Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, 23(2), 242–266.
- Narayan, D., & Cassidy, M. F. (2001). A dimensional approach to measuring social capital: Development and validation of a social capital inventory. *Current Sociology*, 49(2), 59–102.
- Rodriguez-Ricardo, Y., Sicilia, M., & López, M. (2018). What drives crowdfunding participation? The influence of personal and social traits. *Spanish Journal of Marketing - ESIC*, 22(2), 163–182.
- Shaikh, D. A. A., Kumar, M. A., Syed, D. A. A., & Shaikh, M. Z. (2021). A two-decade literature review on challenges faced by SMEs in technology adoption. *Academy of Marketing Studies Journal*, 25(3).
- Teichmann, F., Boticiu, S. R., & Sergi, B. S. (2022). Compliance risks for crowdfunding: A neglected aspect of money laundering, terrorist financing and fraud. *Journal of Financial Crime*.
- Troise, C., Tani, M., & Jones, P. (2020). Investigating the impact of multidimensional social capital on equity crowdfunding performance. *International Journal of Information Management*, 55, 102230.
- Vhatkar, H. V., Singh, H. G., Sonavane, A. S., Singh, S., & Pulgam, N. (2023). Crowdfunding using Blockchain. In 2023 11th International Conference on Emerging Trends in Engineering & Technology-Signal and Information Processing (ICETET-SIP) (pp. 1–6). IEEE.
- Vismara, S. (2016). Equity retention and social network theory in equity crowdfunding. *Small Business Economics*, 46(4), 579–590.



- Weiss, J., Anisimova, T., & Shirokova, G. (2019). The translation of entrepreneurial intention into start-up behaviour: The moderating role of regional social capital. *International Small Business Journal*, 37(5), 473–501.
- Zhang, H., Gupta, S., Sun, W., & Zou, Y. (2020). How social-media-enabled co-creation between customers and the firm drives business value? The perspective of organizational learning and social capital. *Information & Management*, 57(3), 103200.
- Zheng, H., Li, D., Wu, J., & Xu, Y. (2014). The role of multidimensional social capital in crowdfunding: A comparative study in China and US. *Information & Management*, 51(4), 488–496.