Equity Crowdfunding Success in Malaysia: The Role of Crowd Investors, Campaign Disclosure and Valuation Disclosure

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Abstract

This study examines the determinants of equity crowdfunding (ECF) campaign success in Malaysia through the lens of quality signaling theory and behavioral herding dynamics. Using a manually collected dataset of 335 completed campaigns launched on pitchIN, MyStartr, and AtaPlus between 2016 and 2025. The study investigates how firm-level and campaign-level signals influence fundraising outcomes in a regulated digital financing environment. Binary logistic regression is employed as the primary analytical method, with probit regression used for robustness testing. The findings show that the number of investors has a significant and positive relationship with campaign success, underscoring the importance of social proof and herding behavior in reducing information asymmetry. Valuation disclosure significantly increases the likelihood of success by enhancing transparency and investor confidence, while company age displays a negative effect, indicating investor preference for younger and growth-oriented ventures. In contrast, campaign duration and industry sector do not significant influence once credible signals are considered. The study contributes to the entrepreneurial finance literature by cooperatively modelling behavioral crowd signals and firm-level quality signals using real-market data from Malaysia, and offers practical insights for entrepreneurs, platform operators, and policymakers seeking to strengthen transparency, investor engagement, and digital financing effectiveness.

Keywords: Equity crowdfunding, signaling theory, information asymmetry, campaign success, campaign duration, valuation disclosure, Malaysia.

1. Introduction

The fast development of financial technology has transformed financial systems around the world by expanding access to entrepreneurial finance and enhancing more inclusive capital formation processes. ECF is among the most crucial innovations in this transformation, as it helps start-ups at early stages to raise equity capital using controlled online platforms that reach out to dispersed geographically retail investors (Belleflamme et al., 2014; Mollick, 2014; Gupta et al., 2024). Venture capital also offers necessary sources of finances to companies with no collateral, history of operation, or credit record, to companies that are less demanding on the conventional bank lending, venture capital, and angel funding.

ECF has become a strategic policy tool in Malaysia that helps SMEs, facilitates digital entrepreneurship, and facilitates national innovation agendas. In 2015, the Securities Commission Malaysia (SC) developed an entire regulatory framework that allowed Recognized Market Operators (RMOs), including pitchIN, MyStartr, and AtaPlus, to start their operations. In recent, it is argued that crowdfunding should be institutionalized in developing economies in the wider financial framework due to structural weaknesses that remain in traditional capital markets (Rizwan et al., 2024).

The performance of the campaigns in Malaysia is still uneven despite the general improvement as most of the issuers are not able to achieve their minimum funding requirements. This situation highlights an information asymmetry: the entrepreneurs have more information about the quality of the venture, and investors have access to minimal information about risk based on disclosed information: valuation, age of the company, duration of the campaign, and participation of early investors. Signaling theory thus provides a logical theoretical basis to explain the role of visible campaign attributes as a proxy to the unobservable quality of venture in an asymmetric information (Spence, 1973; Ahlers et al., 2015). In ECF, where formal due diligence is unavailable to investors, and uncertainty is increased, entrepreneurs rely on both firm-level (e.g., company age, valuation disclosure) and campaign-level (e.g., duration) design decisions to signal credibility and legitimacy.

In addition to the signals generated by the firm, investor decision-making in ECF is also influenced by the behavioral crowd effects, especially herding behavior. Herding indicates the tendency of investors to use apparent involvement by the earlier investors as a shortcut in information in circumstances where personal evaluation is either expensive or unpredictable. Importantly, in the digital context of investment, signaling theory and herding are theoretically interdependent: plausible entrepreneurial signal contributes to increased early participation, which in turn increases social proof and strengthens future investment decisions due to cumulative momentum effects.

The empirical understanding of the success of the campaigns is still scarce and disjointed even though ECF has strategic applicability in Malaysia. The available literature is either based on small sample sizes or it focuses on the perceptions of investors instead of the actual behavior of the market, thus limiting the generalization of theories and the application of the policy. Besides, no previous Malaysian studies have collectively investigated the quality cues of entrepreneurship and behavioral crowd behavior in a single analytical framework, although there are strong theoretical reasons to believe that these two phenomena interact in online investment markets. In turn, this study is motivation to present combined and large-scale evidence that will reflect the mutual influence of these signals on the success of ECF campaigns in Malaysia is driven by the need to contribute to theoretical knowledge and practical implications.

Besides that, earlier research, including Wasiuzzaman and Suhili (2023), who have studied 97 campaigns, and Wasiuzzaman et al. (2022), who have studied investor perceptions based on survey data, provide useful information but have limitations, either by small sample size or by focusing on perceptual measures instead of behavioral measures. Similar studies on Islamic crowdfunding have grown in scale, with the emphasis on the models of mudharabah (Ishak and Rahman, 2021), micro-entrepreneur financing (Ishak and Mohammad Nasir, 2024), and waqf-based funding mechanisms (Mohd Thas Thaker and Pitchay, 2018; Hapsari et al., 2022). Research on Shariah-compliant systems also underlines the importance of trust, ethics, and governance in entrepreneurial finance (Rahman et al., 2020; Abdullah and Oseni, 2017). Though these articles contribute to the knowledge of the finance situation in Malaysia, they lack the empirical analysis of the factors of ECF success based on the market data on a large scale.

In this regard, there are three critical gaps in the Malaysian ECF literature. First, the current empirical research is based on rather small datasets, which restrict the generalizability and inferential power. Second, the joint analysis of both the firm-level signals and behavioural crowd dynamics is not undertaken by any previous research, even though the theoretical evidence indicates that the two interact in digital investment settings. Third, there is a dearth of large-sample, real-market evidence that is specific to the institutional, cultural, and regulatory environment of Malaysia, which is quite different than that of ECF markets in Europe, the United Kingdom, China, and the United States (Estrin et al., 2018; Vismara, 2016; Zhu and Zhou, 2016; Cumming and Reardon, 2023).

To address these limitations, this study analyzes 335 ECF campaigns conducted on pitchIN, MyStartr, and AtaPlus between 2016 and 2025, representing the largest market-based dataset of Malaysian ECF campaigns to date. The use of large-scale, real-market data enables a rigorous empirical test of signaling theory in an emerging economy context, while simultaneously capturing herding effects through observable investor participation. This design allows the study to move beyond fragmented signal analysis and examine how entrepreneurial signals and crowd behavior jointly influence campaign success.

The analysis is based on two research questions:

➢ What are the major determinants of equity crowdfunding campaign success in Malaysia?

➢ Is the number of investors an important factor in the likelihood of campaign success?

This paper has three substantive contributions to the body of research on entrepreneurial finance and digital crowdfunding. First, it contributes to the quality signaling theory by empirically investigating the influence of both costly and costless signals on campaign outcomes in the ECF setting of Malaysia, including age of company, disclosure of valuation, duration of campaign, and involvement of investors, responding to recent calls of more theoretical applications of the theory in crowdfunding studies (You et al., 2025). Second, it utilizes a more diverse and wider range of variables than previous Malaysian research (Menon and Ng, 2017) by incorporating firm-level variables with behavioral crowd dynamics, which allows a more holistic view of the interaction of entrepreneurial signals with herding effects to determine success. Third, it offers the first comprehensive empirical evaluation of Malaysian ECF performance by evaluating 335 campaigns, by far, more than the sample sizes of previous studies (Wasiuzzaman and Suhili 2023), which contributes to the higher statistical power and more detailed findings on investor behavior and digital financing trends in the changing entrepreneurial ecosystem in Malaysia.

2. Literature Review

2.1 Equity Crowdfunding as a Financing Mechanism

ECF enables entrepreneurs to access equity capital through widely spread retail investors through digital platforms (Belleflamme et al., 2014). ECF provides alternative sources of financing to companies that are not covered by the conventional credit systems, through democratizing access to early-stage investment (Mollick, 2014; Mochkabadi and Volkmann, 2020). Structured regulatory regimes have facilitated the existence of global ECF markets, and Malaysia has not been left behind in this trend, having launched a formal ECF regime in 2015 under the SC. It allowed developing the essential platforms like pitchIN, MyStartr, and AtaPlus and promoting national priorities, which are SME empowerment and digital economic development (Rizwan et al., 2024).

While prior studies document the institutional development and diversity of crowdfunding models in Malaysia, they remain largely descriptive and fragmented, offering limited insight into the mechanisms through which campaign-level and firm-level characteristics translate into funding success. The finance environment in Malaysia has also supported the Islamic crowdfunding models. Mudharabah-based ECF has been studied (Ishak and Rahman, 2021), Islamic micro-entrepreneur financing (Ishak and Mohammad Nasir, 2024), mudharabah crowdfunding to book publications (Ishak et al., 2022), and waqf-based crowdfunding (Mohd Thas Thaker and Pitchay, 2018; Hapsari et al., 2022). Further studies

indicate that Sharīah-compliant models are necessary to facilitate entrepreneurship and investor confidence (Rahman et al., 2020; Abdullah and Oseni, 2017). However, these studies primarily focus on institutional design and investor perceptions rather than empirically testing market-based determinants of campaign success.

Unlike earlier Malaysian studies that focus either on survey-based investor perceptions or platform-specific case evidence (e.g., Wasiuzzaman et al., 2022; Wasiuzzaman and Suhili, 2023), the present study adopts a market-wide empirical approach using campaign-level behavioral data and firm-level characteristics across all major Malaysian ECF platforms. This allows for a systematic evaluation of how multiple observable signals jointly shape campaign outcomes, directly addressing the limitations of prior isolated or perception-based analyses.

The information asymmetry issue has taken a center stage in the ECF discussion (Ahlers et al., 2015). Therefore, the effectiveness of a funding campaign is not only determined by the level of information but also by the interpretation and response to the credible signals that reduce uncertainty about the quality of the venture by investors. This effect can also be observed in the Malaysian crowdfunding studies, such as in reward-based crowdfunding, where predictive modelling and signaling variables have an impact on the campaign performance (You et al., 2025). These empirical findings highlight the need to have a theoretically based analysis that connects the entrepreneurial signaling and investor behavior to quantifiable success of the campaign in the Malaysian ECF environment. The recent evidence that has been observed due to the growing competitiveness of markets also suggests that narrative and visual campaign elements can be a key quality indicator, decreasing information asymmetry, and affecting investor perceptions (Mamaro et al., 2025), which also highlights the applicability of signaling-based explanations beyond the financial disclosures.

2.2 Signaling Theory

The signaling theory (Spence, 1973; Mollick, 2014) describes the process through which people convey observable signals about other latent attributes in a situation where there is information asymmetry. Entrepreneurial signals are important mechanisms of building venture credibility in ECF where investors are denied the benefits of formal due diligence and audited financial reports. Signal theory identifies costly signals, where a significant resources, risk or effort are needed to create, and costless signals, where they can be easily imitated and offer weaker guarantees about the quality of the venture (Spence, 1973; Connelly et al., 2011). This distinction forms the basis of quality-signaling theory, which has recently been used to explain how the nature of digital campaigns can affect the decision-making of investors in a crowdfunding setting (You et al., 2025).

Previous ECF studies have focused on analyzing individual signals separately, e.g. disclosure practices, firm age, or campaign design, but not on the joint effects of different types of signals in a single analytical framework (Kleinert et al., 2020; Kim et al., 2022; Bai et al., 2024). Although there is growing evidence that financial and non-financial

campaign signals have a combined effect on investor decision-making in new crowdfunding markets (Mamaro et al., 2025), this piecemeal method makes it difficult to gain a coherent theoretical insight into the interaction of multiple signals to reduce information asymmetry, especially in markets with weaker formal verification systems. In this regard, this paper aims to fill this gap by explicitly classifying and empirically testing various forms of signals through a single modelling framework hence expanding the use of quality signaling theory beyond individual signal studies.

In this context, company age represents a costly signal as survival over time reflects accumulated resources, strength, and operational legitimacy (Hornuf and Schwienbacher, 2018). Valuation disclosure also constitutes a costly signal, with entrepreneurs who disclose valuation putting themselves at the mercy of investor scrutiny and the risk of backlash in case the valuation is seen as high (Block et al., 2018; Cumming and Vismara, 2016). On the other hand, campaign duration functions as a relatively costless signal to manipulate by any issuer and thus less effective in distinguishing venture quality (Cumming et al., 2021).

The signals are overweight in the ECF environment of Malaysia, where formal verification, audited financials, and independent valuations are not always available, and thus help to reduce information asymmetry and shape investor perceptions. This paper therefore uses quality signaling theory as one of the fundamental analytical tools to analyze the impact of costly and costless signals on the probability of campaign success.

2.3 Independent Variables and Hypothesis Development

2.3.1 Investor behavior

In addition to direct entrepreneurial signals, investor behavior generates secondary signals that influence ECF outcomes. According to social evidence, individuals tend to follow the behavior of other investors when making decisions under uncertainty (Banerji et al., 2023). On ECF platforms, where investment progress, number of backers, and funding momentum are publicly displayed, early investor participation serves as an implicit endorsement, triggering herding behavior that accelerates subsequent investment decisions (Mollick, 2014).

The number of investors is therefore a particularly strong predictor of campaign success, as it captures both herding and social proof effects; campaigns that attract early supporters tend to generate momentum that enhances perceived venture quality (Colombo et al., 2015; Vismara, 2016). As such, investor count represents a crowd-generated behavioral signal that is highly visible, difficult to manipulate, and dynamically evolving over the campaign lifecycle. Unlike firm-controlled signals emphasized in most Malaysian ECF studies, investor participation reflects collective market validation rather than issuer intent, making it especially influential in digital investment environments.

While prior Malaysian studies acknowledge the relevance of investor behavior, they do not empirically model investor participation alongside firm-level signals within a unified econometric framework. By jointly examining investor count and entrepreneurial characteristics, this study explicitly captures the interaction between quality signaling and social proof in determining ECF campaign success, complementing recent European evidence that emphasizes the role of competitive pressures by focusing instead on investor-visible signals within a single campaign (Trzebiński & Gemra, 2025).

As such, the initial hypothesis is as follows:

> ➢ H1: Investor number has a positive relationship with the probability of equity crowdfunding campaign success.

2.3.2 Campaign Duration, Firm Age, and Valuation Disclosure

The success of a campaign in ECF is generally a binary outcome that shows whether a campaign has reached its minimum funding goal, which is a commonly used measure in the global research and consistent with the mechanisms of Malaysian platforms (Vismara, 2016; Cumming et al., 2019). Recent ECF evidence from Europe further suggests that campaign success is shaped not only by firm-level and behavioral signals, but also by broader competitive and market conditions, such as platform competition and investor attention constraints (Trzebiński & Gemra, 2025). Building on signaling theory and prior empirical evidence, this study treats campaign duration, firm age, and valuation disclosure, as independent variables rather than control variables, as each represents a theoretically meaningful determinant of campaign success.

The duration of the campaign has mixed empirical findings: longer campaigns can raise awareness and provide more time to interact with investors (Mollick, 2014), but long periods of fundraising without results can be an indicator of low demand or low quality (Cumming et al., 2019). Firm age is a signal of credibility, with older firms generally signaling stability and lower operational risk (Hornuf and Schwienbacher, 2018), although younger start-ups can be attractive to innovation-driven investors and dominate ECF issuance in dynamic markets (Walthoff-Borm et al., 2018). Another factor is the disclosure of valuation; realistic and credible valuation increases investor confidence through preparedness and confidence (Block et al., 2018), and unrealistic or overstated valuation may deter participation by increasing perceived risk (Cumming and Vismara, 2016). Sector of industry also influences the pattern of investment, with investors showing more interest in areas with perceived growth potential and national priorities (Vismara, 2019; Securities Commission Malaysia, 2024), and thus, sectoral differences need to be controlled when evaluating the results of campaigns.

Based on prior empirical evidence and the identified limitations in the Malaysian ECF literature—particularly the lack of joint modeling of behavioral and firm-level signals—the following hypotheses are formulated to test the determinants of ECF campaign success:

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➢ H2a: The duration of campaign is a significant factor in the equity crowdfunding campaign success.

➢ H2b: The age of the company is a significant factor in the equity crowdfunding campaign success.

➢ H2c: The valuation disclosure is a significant factor in the equity crowdfunding campaign.

3. Methodology

3.1 Research Design

The research design used in this study is quantitative research design, in which the determinants of ECF campaign success in Malaysia are investigated. Quantitative modelling is suitable since the information about ECF campaigns is standardized, digital, and publicly available, which allows conducting systematic analysis of observable features that affect investor behaviour (Mollick, 2014; Ahlers et al., 2015). Since the dependent variable, campaign success, is a binary variable, logistic regression is the main method of analysis, which aligns with the existing traditions of ECF research (Vismara, 2016; Cumming et al., 2019). Probit model is also estimated to confirm the robustness of the results.

Signaling Theory is the theoretical foundation of the study that describes how entrepreneurs decrease the information asymmetry by signaling quality with observable signals (Spence, 1973; Connelly et al., 2011). Such signals are important to investors in ECF environments, where formal due diligence is restricted (Ahlers et al., 2015; Bogdani et al., 2022). The other complementary behavioral mechanism is social proof, which assumes that investors can also derive quality based on the behavior of prior participants, which induces herding effects that influence fundraising performance (Mollick, 2014; Chen et al., 2024). These theoretical underpinnings are used to select variables and interpret empirical findings.

The conceptual framework in figure 1 relates the entrepreneurial signals, social proof, and campaign success in the Malaysian ECF environment.
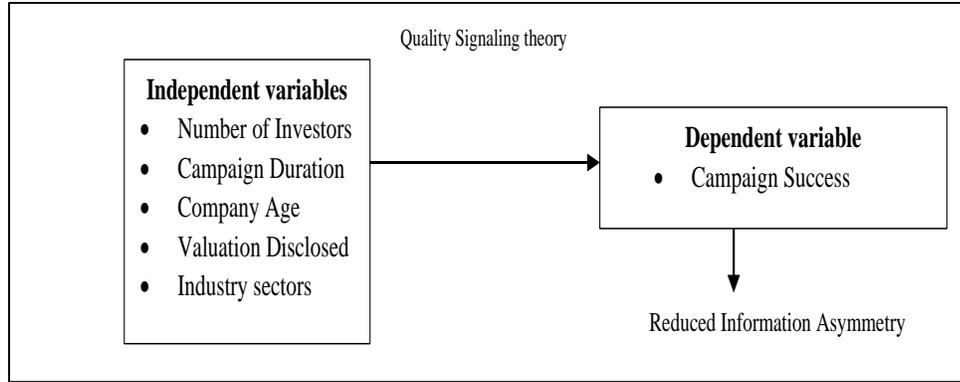
Figure 1: Conceptual Framework

3.2 Data Collection and Sample Description

The data set is comprised of 335 completed ECF campaigns that were carried out in Malaysia between the year 2016 and 2025. RMO websites and issuer disclosure documents of publicly available sources were manually assembled into campaigns. To be consistent, only campaigns that had all the data were included; active, suspended, or incomplete listing were excluded.

The three registered market operators that have their campaigns licensed by the Securities Commission (SC) are (1) pitchIN with 188 campaigns, (2) MyStartr with 85 campaigns and (3) AtaPlus with 62 campaigns. This distribution indicates the comparative market dominance of pitchIN and conforms to the national trends of crowdfunding (Abdullah, 2025; Securities Commission Malaysia, 2024). The campaigns were divided into six consolidated industry sectors that are typical of ECF research (Vismara, 2019): services, technology and software, food and beverage, consumer and retail, industrial and manufacturing, and healthcare and biotech.

Table 1: Distribution of Campaigns by Platform and Industry Sector

Platform	Consumer & Retail	Food & Beverage	HealthCare & Biotech	Industrial & Manufacturing	Services	Technology & Software	Total
AtaPlus	10	5	8	2	29	8	62
MyStartr	15	18	10	2	29	11	85
pitchIN	6	20	5	20	108	29	188
Total	31	43	23	24	166	48	335

As can be seen in Table 1, the services industry is the most represented (166 campaigns), then technology and software (48). This trend is representative of the trends in the world

at large where service-oriented and technology-driven businesses often turn to ECF because of the requirement to fund their initial stages (Butticè & Vismara, 2021).

3.3 Variables and Operational Definitions

Variable selection is guided by signaling theory, which emphasizes observable indicators of venture quality, and by empirical evidence from prior ECF studies. Table 2 presents the operational definitions and corresponding references.

Table 2: Variables and Definitions

Variable Type	Variable	Operational Definition	Signal Type (Costly / Costless)	Reference(s)
Dependent Variable (DV)	Campaign Success	A binary variable coded 1 if a campaign met or exceeded its minimum funding target, and 0 if it failed.	—	Vismara (2016); Cumming et al. (2019); Ralcheva & Roosenboom (2020); Yang et al. (2025); You et al. (2025)
Independent Variable (IV)	Number of Investors	Total number of individuals investing in the campaign. Functions as a social proof signal through herding behavior.	Costly signal (requires actual investor commitment; difficult to fake)	Vismara (2016); Colombo et al. (2015)
Independent Variable (IV)	Campaign Duration (days)	Total number of days the campaign remained open for fundraising.	Costless signal (easy to choose; minimal credibility cost)	Mollick (2014); Cumming et al. (2019)
Independent Variable (IV)	Company Age (years)	Number of years between incorporation and campaign launch; proxy for firm maturity.	Costly signal (requires time and long-term survival; cannot be imitated)	Hornuf & Schwienbacher (2018); Ahlers et al. (2015); Walthoff-Borm et al. (2018)
Independent Variable (IV)	Valuation Disclosed	Dummy variable coded 1 if company valuation is disclosed, and 0 otherwise.	Costly signal (revealing valuation exposes firm to scrutiny; risky if misaligned)	Block et al. (2018); Cumming & Vismara (2016)
Independent Variable (IV)	Industry Sector	Firm's primary industry classification (categorical variable).	Costless signal (categorical identity; not inherently credibility-enhancing)	Vismara (2019)

Industry sector is included as an independent variable because investor preferences vary across industries, potentially influencing campaign outcomes (Vismara, 2019; Securities Commission Malaysia, 2024).

3.4 Multicollinearity and Pearson Correlation

Variance inflation factor (VIF) tests were conducted to ensure the independence of explanatory variables. VIF values below 10 indicate no multicollinearity concerns (Gigante & Cozzio, 2022).

Table 3: Multicollinearity

Variable	VIF	1/VIF
Number of Investors	1.06	0.9434
Campaign Duration	1.06	0.9419
Company Age	1.03	0.9743
Industry Sector	1.05	0.9507
Valuation Disclosed	1.06	0.9433
Mean VIF	1.05	—

As shown in Table 3, the results indicates that the multicollinearity is not a concern for this dataset. The Mean VIF for the model is 1.05, which is very close to 1. Besides that, the VIF values for the variables are also extremely low, ranging from a minimum of 1.03 to a maximum of 1.06. These figures are well below the critical value of 10. This is evidence that the independent variables are separate entities and do not share a high level of correlation. Hence, the regression coefficients that will be estimated in the following sections can be regarded as being stable and trustworthy.

Table 4: Pearson Correlation for Independent Variables

Variables	Number of Investors	Campaign Duration	Company Age	Industry Sector	Valuation Disclosed
Number of Investors	1	—	—	—	—
Campaign Duration	0.142	1	—	—	—
Company Age	−0.083	−0.021	1	—	—
Industry Sector	0.066	−0.044	0.118	1	—
Valuation Disclosed	0.101	−0.037	−0.052	0.083	1

Note: All correlations are below the multicollinearity threshold ($r < 0.70$).

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Table 4 reports the pairwise correlation coefficients among the independent variables. All correlation values are low to moderate, with none exceeding the conventional multicollinearity threshold of 0.70 (Gigante & Cozzio, 2022), indicating that the predictors do not exhibit problematic linear dependence. The number of investors shows a small positive correlation with campaign duration and valuation disclosure, suggesting that campaigns with longer visibility or transparent valuation may attract more investors, although the relationships remain weak. Company age is negatively correlated with number of investors and valuation disclosure, consistent with the tendency for younger firms to actively signal quality. Overall, the correlation matrix supports the VIF results and confirms the suitability of these variables for inclusion in the regression models.

3.5 Data Analysis Method: Logistic and Probit Regression

Since the dependent variable, which is campaign success, is dichotomous, logistic regression is the main analytical method used in the study. Logistic regression is used to estimate the likelihood that a campaign will meet its minimum funding target given a number of campaign- and firm-level predictors. The reason is that this method is popular in the ECF literature because it is suitable to model binary outcomes and flexible in dealing with non-normally distributed predictors (Vismara, 2016; Ahlers et al., 2015; Cumming et al., 2019).

The logistic model can be defined as (equation 1):

$$\log\left(\frac{P(Success)}{1-P(Success)}\right) = \beta_0 + \beta_1(Investors) + \beta_2(Duration) + \beta_3(Company\ Age) + \beta_4(Valuation) +$$

$$\beta_5(Industry) + \varepsilon \dots (1)$$

where:

Investors measures social proof and herding, duration, company age, and valuation disclosure represent entrepreneurial signals, industry sector controls for sector-specific differences in investor preferences.

Each coefficient (β_i) reflects the change in the log-odds of campaign success associated with a one-unit change in the predictor, holding other variables constant. Statistical significance is assessed at conventional levels (1%, 5%, and 10%).

3.6 Data Imbalance and Model Validity

The dependent variable in this study exhibits substantial class imbalance, with approximately 95% of ECF campaigns achieving funding success. This distribution reflects the institutional characteristics of Malaysia's regulated ECF market, where issuers are pre-screened by licensed platforms and unsuccessful campaigns are less frequently observed. Consistent with prior ECF research, the objective of this study is inferential rather than predictive. Accordingly, logistic regression is employed to estimate the marginal effects of firm-level and behavioral signals on campaign success, rather than to optimize classification accuracy. To ensure robustness, a probit model is estimated as an

alternative specification. The consistency of coefficient signs and statistical significance across models indicates that the findings are not driven by data imbalance or distributional assumptions.

3.7 Robustness Check: Probit Regression

A probit regression model is estimated to check the robustness of the results, which is necessary to guarantee the stability and consistency of the results. The inferences made by probit and logit models are usually similar, but the underlying assumption of the distributions of the error term varies (normal distribution in probit; logistic distribution in logit). In accordance with the best practices of entrepreneurial finance and crowdfunding studies, the operation of both models reinforces the credibility of the results (Ralcheva and Roosenboom, 2020; Walthoff-Borm et al., 2018).

The same coefficient signs and level of significance in both models would mean that the determinants of ECF success are strong to model specification.

4. Results and Discussion

This study shows the empirical findings of the logistic regression analysis performed on 335 Malaysian ECF campaigns on pitchIN, MyStartr, and AtaPlus. The aim is to analyze the relationship between campaign-level cues such as the number of investors, campaign duration, age of the company, disclosure of valuation and industry sector and success of the campaign. The findings are discussed in the context of signaling theory and social proof, which gives a comprehensive perspective of how investor behavior and entrepreneurial communication influence fundraising in the Malaysian ECF ecosystem that is still developing.

4.1 Descriptive Statistics

Table 5: Summary Statistics of 335 Observation (2016 -2025)

Variable	Obs	Mean	Std. Dev.	Min	Max
Campaign Success		0.949	0.220	0.000	1.000
Number of Investors		68.866	99.060	0.000	1046.000
Campaign Duration		60.663	58.497	1.000	714.000
Company Age	335	5.290	5.580	0.000	40.000
Industry Sector		4.179	1.568	1.000	6.000
Valuation Disclosed		0.940	0.237	0.000	1.000

Table 5 demonstrates that there is significant variation in the key variables in the descriptive statistics. The number of investors is very varied: some campaigns have a very limited number of investors, and there are very popular campaigns with more than 100

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investors. The duration of campaigns may be short campaigns with high urgency and long campaigns with a duration of several months. The age of the company is between new ventures and companies that have been in operation many years before raising funds in ECF platforms. There is also a difference in valuation disclosure whereby some companies disclose their valuation wholly whereas others do not disclose this information.

Together, these variables provide valuable information on the way Malaysian entrepreneurs convey the quality of projects and the reaction of investors in a controlled digital financing setting.

4.2 Logistic Regression Results

The logistic regression model approximates the predictive likelihood of each independent variable on the likelihood of campaign success. Rather than merely identifying statistically significant relationships, the results provide insights into how different signal types operate and interact in the Malaysian ECF context. In line with the existing evidence in the world, the regression indicates that the number of investors, valuation disclosure, and age of the company are important predictors. The duration of campaigns and industry do not have statistically significant impacts.

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[1] The dependent variable exhibits substantial class imbalance, with approximately 95% of campaigns achieving funding success. This distribution reflects the institutional characteristics of Malaysia's regulated ECF market, where platforms pre-screen issuers and unsuccessful campaigns are less frequently observed. While such imbalance may affect predictive classification accuracy, the study focuses on inferential estimation of signal effects rather than pure prediction.

Table 6: Logistic Regression Result

Variables	Model 1 (Baseline)	Model 2 (DV & IV)	Model 3 (Full Model)
Number of Investors	—	3.147 (1.072) ***	4.087 (2.743) **
Campaign Duration	0.993 (0.003) **	—	1.001 (0.007)
Company Age	0.911 (0.051) *	—	-0.803 (0.097) *
Industry Sector	0.723 (0.170)	—	3.601 (4.213)
Valuation Disclosed	186.196 (152.152) ***	—	71.932 (147.646) **
Constant	5.812 (6.445)	0.132 (0.096) ***	0.000 (0.000)
Mean dependent var	0.949	0.949	0.949
SD dependent var	0.220	0.220	0.220
Pseudo R²	0.536	0.765	0.881
N (obs)	335		
Chi-square	72.126 ***	102.826 ***	118.527 ***
Prob > Chi²	0.000	0.000	0.000
AIC	72.348	35.648	27.946
BIC	91.418	43.276	50.831

Note: Standard errors in parentheses. ***p<0.01,**p<0.05,*p<0.10.

Table 6 reports three model specifications that progressively introduce behavioral and firm-level signals, allowing an assessment of their relative explanatory power. In line with the previous signaling-based studies (Ahlers et al., 2015; Vismara, 2016; Kim and Petrick, 2021), the number of investors is the most significant positive predictor of success across models, which supports the importance of social proof and herding effects in decreasing perceived uncertainty. Substantively, the result suggests that investor participation is a powerful crowd-based signal that reduces uncertainty among subsequent investors thus strengthening social proof and herding effects. This finding is consistent with past analyses in developed and developing ECF markets, which have recorded the self-reinforcing nature

of the early investor involvement in accelerating fundraising momentum (Mollick, 2014; Vismara, 2016; Kim and Petrick, 2021).

The disclosure of valuation also shows a positive and statistically significant impact on the success of the campaign. This shows that the disclosure of the valuation is a costly and credible sign of readiness and trust, especially in the places where audited financial reports are uncommon. In line with the signaling theory, when entrepreneurs disclose valuation, they risk being scrutinized by their investors and are vulnerable to reputational risk, making such a signal hard to replicate (Block et al., 2018; Wang et al., 2018; Akter et al., 2025). The strong magnitude of this coefficient highlights the role that information transparency plays in countering information asymmetry in the comparatively young ECF market in Malaysia.

Age of companies has negative and weakly significant association with campaign success. This paradoxical result is an indication that in the environment of early-stage ECF, investors might be more interested in growth potential and innovation rather than in firm maturity. The same trends were seen in other ECF markets, with younger companies being seen as having more upside despite higher risk (Walthoff-Borm et al., 2018; Cumming et al., 2019). From a signaling perspective, this finding suggests that the reputation that has traditionally been linked with the persistence of a firm could be partially neutralized by the fact that investors would favor scalable and disruptive projects in the digital financing setting.

Conversely, the duration of the campaign and the industry sector are statistically insignificant when behavioral and disclosure-based signals are added. This indicates that the structural campaign features have a weak direct impact on funding results in the situations when more noticeable quality and crowd indicators can be observed. The insignificance of duration is consistent with the theoretical predictions according to which costless signals become irrelevant when there are more credible signals (Spence, 1973; Cumming et al., 2021). Similarly, the lack of industry effects suggests that investor decision-making in Malaysian ECF is influenced less by their sectoral classification and more by campaign-specific signals.

The model fit statistics show that it has a strong explanatory power with the pseudo-R2 values going up significantly with the specifications and the chi-square statistics are very significant. This increasing change in model fit is a positive indication that the addition of both behavioral and firm-level signals is significant in increasing explanatory power. Stability of these findings can also be supported by robustness tests based on alternative estimations.

4.3 Robustness Check - Probit Regression Results

Table 7: Probit Regression Results

Variables	Model 1 (Baseline)	Model 2 (DV & IV)	Model 3 (Full Model)
Number of Investors	—	0.612 (0.157) ***	0.785 (0.383) **
Campaign Duration	0.004 (0.002) **	—	0.001 (0.004)
Company Age	0.044 (0.027)	—	-0.132 (0.069) *
Industry Sector	0.162 (0.122)	—	0.790 (0.663)
Valuation Disclosed	2.733 (0.404) ***	—	2.480 (1.157) **
Constant	0.832 (0.607)	1.147 (0.396) ***	6.394 (4.353)
Mean dependent var	0.949	0.949	0.949
SD dependent var	0.220	0.220	0.220
Pseudo R²	0.540	0.761	0.883
N (obs)	335		
Chi-square	72.567 ***	102.326 ***	118.762 ***
Prob > Chi²	0.000	0.000	0.000
AIC	71.906	36.147	27.712
BIC	90.977	43.775	50.596

Note: Standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

A probit model was also estimated with the same specifications of variables to determine the strength of the logistic regression findings. Table 7 indicates that the probit estimates are similar to the logistic regression outcomes in the sense of the signs of the coefficients, the level of significance and the explanatory power. This consistency shows that the results are not distributional sensitive and thus empirical findings are more reliable (Wooldridge, 2019).

In line with signaling and behavioral theories, the number of investors is a positive and very important predictor of all probit specifications. This supports the reading that investor

engagement is a costly behavioral indicator that replaces due diligence by signaling group market approval. The same effect has been reported in various ECF markets such as Europe and Asia, highlighting the omnipresence of herding in digital investment platforms (Mollick, 2014; Vismara, 2016; Banerji et al., 2023; Hopp et al., 2025).

The positive impact of valuation disclosure remains high, and it proves that signals based on transparency always lead to a decrease in perceived risk among estimation methods. This finding is also in line with the signaling theory because it shows that expensive disclosure systems do not lose their explanatory value when specified with different model parameters.

Company age indicates a negative and weakly significant correlation with the success of campaign. The fact that this effect is persistent across models is evidence that there is a stable pattern of investor preference and not a statistical artifact. The discovery is consistent with the results of emerging ECF ecosystems, in which retail investors are drawn to early-stage startups with high growth stories more than to older firms with more conservative innovation paths (Walthoff-, Borm et al., 2018; Cumming et al., 2019).

The duration of the campaign and the industry are not statistically significant. The overlap of the insignificant findings between the logistic and probit models means that these factors do not have an independent effect on the success of the campaigns when credible quality and crowd indicators are taken into consideration. This supports the theoretical difference between costly and costless signals and emphasizes the role of information-rich signals in the decision-making process of investors.

Table 8 is a summary of the logistic and probit findings, which gives a combined assessment of the hypotheses, signal interpretation, and strength. The identical pseudo-R 2 values of the models show that their explanatory power is strong and stable. Collectively, the results affirm that behavioral participation and credible disclosure cues are the primary factors contributing to the success of ECF in Malaysia as opposed to structural campaign design characteristics.

However, in line with H1, the involvement of investors turns out to be the most decisive factor of the successful campaign, which confirms the presence of herding and social evidence in the digital investment market. The H2a is rejected, because the duration of a campaign is not a credible signal when other stronger indicators are present. H2b is opposed with negative effect, i.e. the preference of investors to younger ventures and H2c is completely supported, which proves the valuation disclosure as one of the costly signals, which makes investors more confident.

Overall, these findings extend signaling theory by showing how the joint effects of crowd-generated and entrepreneur-generated signals in an emerging ECF market and provide new empirical evidence that can be compared and contrasted with other more developed crowdfunding ecosystems.

Table 8: Comparison of Logistic and Probit Results and Hypothesis Evaluation

Variable	Hypothesis	Logistic Result (Model 3)	Probit Result (Model 3)	Signal Interpretation	Conclusion
Number of Investors	H1	Positive & Significant (p < 0.05)	Positive & Significant (p < 0.05)	Costly behavioral signal (social proof / herding)	Supported
Campaign Duration	H2a	Not Significant	Not Significant	Costless campaign design signal	Rejected
Company Age	H2b	Negative & Significant (p < 0.10)	Negative & Significant (p < 0.10)	Costly firm-level signal (innovation vs maturity)	Supported (negative)
Industry Sector	—	Insignificant	Insignificant	An Independent variable	—
Valuation Disclosed	H2c	Positive & Significant (p < 0.05)	Positive & Significant (p < 0.05)	Costly disclosure-based signal	Supported
Pseudo R²	—	0.881	0.883	Model explanatory power	Consistent

4.4 Practical Implications

The results of the research provide the definite and practical implications to the main stakeholders of the Malaysian ECF ecosystem, such as entrepreneurs, platform operators, and policymakers.

To entrepreneurs, the findings suggest that mobilization at initial stages is essential to the success of the campaigns since early mobilization creates visible social evidences, which cause herding effects and strengthen the momentum of the campaign (Colombo et al., 2015; Vismara, 2016). In practice, pre-campaign networking, anchor investor acquisition and early outreach are important elements that should be focused on by entrepreneurs to make initial participation visible. Furthermore, valuation disclosure significantly enhances campaign credibility because it decreases the information asymmetry; thus, it can be

implied that the transparent and well-grounded communication of valuation should be regarded as a strategic tool of signaling instead of a voluntary disclosure (Ahlers et al., 2015; Block et al., 2018). The negative correlation between the age of firms and their success also suggests that younger ventures must focus on the potential of innovation, scalability, and growth stories, as Malaysian retail investors seem to be more interested in the opportunities of high growth in the early stage (Walthoff-Borm et al., 2018). Clear narrations, traction updates, and continuous engagements are necessary to maintain investor confidence during the campaign (Mollick, 2014).

To operators of ECF platforms, the findings indicate that platform design is a significant factor to enhance credible signals. The social proof mechanisms can be reinforced by improving real-time visibility of the number of investors and the status of funding, and the momentum formation can be hastened (Mollick, 2014). The platforms can also enhance the quality of campaigns by standardizing the valuation disclosure formats, providing issuer training on the credibility of signals, and providing analytics to show patterns of investor engagement, which enhance information transparency and minimize investor uncertainty.

From a policy perspective, the results suggest that the regulatory assistance should shift the focus off platform authorization to the quality improvement of the ecosystem. To enhance financial literacy through investor education, policymakers can intensify these efforts (Buttice and Vismara, 2021); to enhance signal credibility, they can increase minimum disclosure standards; and to support innovation-driven and early-stage ventures, they can adjust regulatory incentives accordingly, which is also consistent with the broader agenda of entrepreneurial development in Malaysia (Rizwan et al., 2024).

Overall, the practical value of the research is that it proves that the structural design decisions are not the only factor that makes the campaign successful, and the strategic mobilization of plausible entrepreneurial and behavioral cues is what matters.

4.5 Theoretical Contributions to Quality Signaling Theory

This paper contributes to the quality signaling theory in a number of significant ways by considering the functioning of the various types of signals within a nascent ECF market. First, the results affirm and extend signaling theory (Kohler, 2018; Daradkeh, 2022) as they show that behavioral crowd signals, especially the number of investors, may override traditional firm-level signals in forecasting campaign success. Although the previous research on signaling has mainly dealt with signals that are controlled by the entrepreneur it is demonstrated that crowd generated signals are very credible signals of venture merit and can be used to effectively replace formal due diligence in online investment settings. This validates the fundamental assumption of signaling theory that the credibility is based on the observability and cost of signals and extends it to the collective investor behavior as a signaling mechanism.

Second, the findings refine quality signaling theory by revealing that costly signals do not always have the same interpretation across situations. Though, the valuation disclosure is a strong positive signal, the age of the firm has a negative impact. This is unlike the conventional belief that older companies are always indicative of superior quality, and in new markets with ECF, perceived innovation potential and growth potential might be more important than age. This observation indicates that interpretation of signals is context specific, which supports the notion that signal efficacy changes with market maturity and investor composition.

Third, the empirical evidence of the theoretical distinction between costly and costless signals can be supported by the fact that the duration of the campaign is irrelevant. Duration as a free and easily manipulated campaign-design characteristic does not affect investor decision making when other more powerful signals such as investor participation and transparency in valuation become visible. This finding supports the forecast of signaling theory that low-commitment signals become irrelevant when more believable alternatives exist.

These results both confirm quality signaling theory and extend it by showing that (1) signal credibility is context-dependent, (2) the signal credibility may be generated by crowds, and (3) investor interpretation of signals changes as the ecosystem matures.

5. Conclusion

ECF is a rather significant alternative financing method in Malaysia, which offers early-stage enterprises with access to capital using regulated online platforms (Belleflamme et al., 2014; Mollick, 2014). Based on the quality signaling theory (You et al., 2025) and social proof dynamics (Banerji et al, 2023), the research examined 335 ECF campaigns of pitchIN, MyStartr, and AtaPlus to reveal the factors that determine campaign success.

The empirical findings demonstrate that there are three variables that have a significant impact on ECF success. Investor count comes out as the most effective predictor, which proves the importance of social proof and herding behavior in investor decision-making, and the earlier an investor is involved, the higher the perceived campaign credibility (Colombo et al., 2015; Vismara, 2016). Another positive and significant impact is the effect of valuation disclosure, which supports the role of transparency in the minimization of information asymmetry and enhances investor trust (Ahlers et al., 2015; Block et al., 2018). Conversely, firm age has an inverse relationship with success, which implies that Malaysian retail investors reward younger, innovation-focused enterprises, in line with national policy goals of promoting early-stage entrepreneurship (Rizwan et al., 2024).

On the other hand, the duration of the campaign and the industry sector do not have a substantial influence on the results of funding when the credible entrepreneurial and behavioral indicators are considered. This shows that the quality signal and the involvement of the crowd in the decision-making of the investors in Malaysian ECF is a

more influential factor in investor decision-making than the structural campaign features or familiarity with the sector.

Overall, this study provides one of the most comprehensive empirical examinations of Malaysian ECF performance to date, contributing to the literature on digital entrepreneurial finance in emerging markets while offering evidence-based insights for entrepreneurs, platforms, and policymakers.

5.1 Limitations and Future Research

The research is subject to several of limitations that point to significant directions of future research. First with, the analysis is limited to the campaign-specific information and does not include the specifics of founder traits, marketing efforts, and communication plans, which can have an impact on investor perceptions and investment performance. Future research should include these variables that were not taken into consideration, and the results would provide a more detailed picture of signal composition in ECF campaigns.

Second, the study has a cross-sectional design that identifies the campaign results at one point in time. Longitudinal data would allow future research to explore the development of investor behavior, signal efficacy and herding behavior at various degrees of market maturity, especially as the ECF ecosystem in Malaysia continues to evolve.

Third, the current research is limited to Malaysian platforms, and this fact might limit the applicability of the results to other institutional and cultural settings. A comparative cross-country study would give more information as to how regulatory frameworks and investor standards influence signal interpretation across jurisdictions.

Lastly, even though this study uses econometric models to formulate the most important determinants of campaign success, future studies would be enriched by the use of other analytical methods, including non-linear or predictive methods, to help describe more intricate interactions between signals and investor behavior. These methodological extensions would also increase the strength and explanatory power of ECF studies.

Research Funding

Availability of Data

The dataset is available from the corresponding author upon reasonable request.

Declaration of AI Use

AI-assisted tools were used strictly for language polishing, grammar correction, and clarity enhancement, particularly in the Introduction, Discussion. No AI tool was used to generate

original ideas, theoretical arguments, data analysis, empirical results, or interpretations. The core intellectual content, research design, analysis, and conclusions are entirely the authors' original work.

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