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A Signal–Trust–Intention Framework for Retail Investor Behavior in Malaysia's Equity Crowdfunding Market

Loo Sung King
Faculty of Business and Management, Open University Malaysia (OUM), Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

Shishi Kumar Piaralal
Faculty of Business and Management, Open University Malaysia (OUM), Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

Nur Amalina Zulkefli
Faculty of Business and Management, Open University Malaysia (OUM), Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

Siti Mazlita Yamaludin
Faculty of Business and Management, Open University Malaysia (OUM), Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

Santhi Raghavan
Faculty of Business and Management, Open University Malaysia (OUM), Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

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ABSTRACT: Equity crowdfunding (ECF) has emerged as a key fintech mechanism for entrepreneurial financing, yet increasing institutional strengthening has not consistently translated into sustained retail investor participation. This study develops a conceptual Signal–Trust–Intention framework to explain this inconsistency through the Participation Paradox, defined as the breakdown between institutional credibility and behavioral investment conversion. Integrating Signaling Theory, Trust Theory, and the Elaboration Likelihood Model, the framework explains how perceived platform quality, regulatory compliance visibility, and disclosure informativeness jointly shape retail investor trust, which subsequently influences investment intention under the moderating role of financial literacy. The study advances a behavioral transmission perspective in which institutional signals are not directly converted into action but are cognitively processed and filtered through trust formation and investor capability. By situating the analysis within a regulated equity crowdfunding environment, the framework highlights the limitations of institutional signals in generating behavioral uptake when cognitive processing and interpretive capacity vary across investors. The study contributes to fintech investment literature by offering an integrated explanation of investor behavior under uncertainty and proposing a structured agenda for future empirical validation.

KEYWORDS: Equity crowdfunding; Participation Paradox; Signaling Theory; Trust; Financial Literacy; Investment Intention

1. INTRODUCTION

Equity crowdfunding (ECF) has emerged as a major fintech-enabled mechanism that allows early-stage ventures to raise equity capital from dispersed retail investors through regulated digital platforms (Belleflamme et al., 2014; Mollick, 2014). Unlike conventional investment environments where professional intermediaries conduct extensive due diligence, ECF requires retail investors to make high-uncertainty investment decisions based largely on platform-mediated information and institutional cues. Consequently, participation in ECF markets depends heavily on how investors interpret platform quality, disclosure structures, and regulatory safeguards under conditions of incomplete information (Ahlers et al., 2015; Connelly et al., 2011). Malaysia presents a theoretically important case in this regard. Since the introduction of the Recognized Market Operator (RMO) framework by the Securities Commission Malaysia in 2015, the Malaysian ECF market has experienced substantial institutional formalization through platform licensing requirements, investor protection mechanisms, and state-backed initiatives such as the Malaysia Co-Investment Fund (MyCIF) (Securities Commission Malaysia, 2024; Wasiuzzaman, 2021). Despite these developments, retail investor participation has weakened rather than strengthened, creating a contradiction insufficiently explained in existing ECF literature.

This contradiction forms the basis of the Participation Paradox, defined in this study as a condition in which stronger institutional credibility signals fail to generate proportionately stronger retail investment intention within a regulated ECF environment. Although Malaysia's ECF market recorded cumulative fundraising of RM776.15 million across 404 campaigns by end-2024, investor participation declined substantially during the same period, with total participation falling by approximately 24% between 2023 and 2024 and first-time investor participation declining from 76% to 15% (Securities Commission Malaysia, 2024). These trends challenge the common assumption that stronger regulatory safeguards, visible compliance structures, and enhanced disclosures necessarily translate into broader retail participation. Existing research generally suggests that platform governance, disclosure quality, and institutional legitimacy reduce uncertainty and strengthen investor confidence in digital financial environments (McKnight et al., 2002; Mochkabadi & Volkmann, 2020). However, ECF investment decisions remain inherently difficult because investors evaluate ventures characterized by limited operating histories, uncertain future value, illiquidity, and constrained opportunities for independent verification (Ahlers et al., 2015; Vismara, 2016). Therefore, the Malaysian case raises a broader theoretical question: why institutional credibility fails to sustain behavioral participation in regulated digital investment markets?

Existing scholarship has examined ECF participation from signaling, trust, and behavioral perspectives, yet these explanations remain theoretically fragmented. Signaling-based studies have primarily focused on isolated campaign-level indicators such as retained equity, founder characteristics, and disclosure quality as predictors of investment outcomes (Ahlers et al., 2015; Vismara, 2016). Other studies have separately examined trust formation, platform governance, and investor motivations within alternative finance environments (Moritz et al., 2015; Mochkabadi & Volkmann, 2020). As a result, limited attention has been given to how institutional signals are cognitively interpreted, converted into trust, and subsequently translated into investment intention. Existing ECF research also remains dominated by single-theory approaches such as the Theory of Planned Behavior and Technology Acceptance Model, which provide limited explanatory power under conditions of uncertainty and incomplete information. In addition, the literature remains concentrated in developed-market contexts, offering insufficient insight into signaling credibility within emerging-market environments characterized by hybrid state-market institutional arrangements.

This paper advances the Signal–Trust–Intention framework, an integrated conceptual model explaining how institutional credibility signals are converted into retail investment intention within Malaysia's regulated ECF market. Drawing on Signaling Theory, Trust Theory, and the Elaboration Likelihood Model (ELM), the framework conceptualizes perceived platform quality, perceived regulatory compliance visibility, and perceived disclosure informativeness as signal-based antecedents of retail investor trust, which subsequently mediates their relationships with investment intention. The framework further positions financial literacy as a stage-specific cognitive boundary condition influencing the trust–intention relationship. This perspective reconceptualizes participation as a behavioral transmission process in which institutional signals must first be interpreted as credible before they can generate trust and behavioral commitment under uncertainty (Connelly et al., 2011; Mayer et al., 1995; Petty & Cacioppo, 1986).

This study makes three primary contributions to the ECF and fintech investment literature. First, it introduces the Participation Paradox as a theoretically distinct phenomenon describing incomplete behavioral conversion of institutional credibility in regulated digital investment markets. Second, it integrates signaling, trust, and cognitive-processing perspectives into a unified behavioral transmission framework explaining how institutional cues become behavioral commitment under uncertainty. Third, the study extends Signaling Theory by identifying a boundary condition within state-capitalist ECF environments where the certifying authority simultaneously functions as both regulator and co-investor through mechanisms such as MyCIF, thereby complicating the certifier-independence assumption underlying conventional signaling credibility. Beyond its theoretical contributions, the study offers practical implications for regulators, platform operators, issuers, and financial literacy practitioners seeking to strengthen retail participation and trust within emerging digital investment ecosystems.

2. THEORETICAL FOUNDATION AND CONCEPTUAL FRAMEWORK

2.1 Signaling Theory

Signaling Theory explains how actors form judgments when relevant quality cannot be directly observed (Connelly et al., 2011; Spence, 1973). In equity crowdfunding (ECF), retail investors evaluate ventures characterized by limited operating histories, uncertain future performance, and constrained opportunities for independent verification (Ahlers et al., 2015; Vismara, 2016). Therefore, investment decisions depend heavily on platform-mediated institutional cues rather than direct assessment of underlying venture quality. Existing ECF research has primarily emphasized campaign-level indicators such as retained equity, founder characteristics, and financial disclosures (Ahlers et al., 2015; Mollick, 2014; Vismara, 2016), while platform-level and institutional signals remain comparatively fragmented within the literature. This fragmentation is theoretically problematic because investors encounter platform quality, regulatory safeguards, and disclosure structures simultaneously as components of a broader credibility environment rather than as isolated cues (Mochkabadi & Volkmann, 2020).

The present study extends signaling logic by conceptualizing perceived platform quality, perceived regulatory compliance visibility, and perceived disclosure informativeness as concurrent signal categories shaping investor evaluation in Malaysia's regulated ECF environment. A critical distinction must nevertheless be made between signal observability, signal credibility, and behavioral influence. Observable signals do not automatically generate investor confidence merely because they are visible (Connelly et al., 2011). Regulatory badges, compliance disclosures, or platform assurances may signal institutional seriousness without necessarily producing behavioral commitment. Consequently, the framework focuses on perceived regulatory compliance visibility rather than objective regulatory quality alone. Perceived platform quality signals intermediary competence and operational reliability, perceived regulatory compliance visibility signals institutional assurance and structural integrity, and perceived disclosure informativeness signals informational clarity and decision usefulness. Thus, Signaling Theory explains how institutional cues become visible under information asymmetry, but it does not independently explain how these cues are transformed into behavioral intention.

2.2 Trust Theory

Trust Theory explains how individuals make decisions under conditions of vulnerability, incomplete information, and limited control (Mayer et al., 1995; McKnight et al., 2002). This perspective is particularly relevant in ECF because retail investors commit capital to uncertain ventures without the protections typically associated with mature public markets or conventional financial intermediation. Mayer et al. (1995) define trust as the willingness to be vulnerable based on positive expectations about another party's behavior or intentions. In digitally mediated investment environments, trust is especially important because investors rely heavily on institutional arrangements, platform governance structures, and disclosure systems rather than on direct interpersonal familiarity. Prior ECF studies consistently acknowledge the importance of trust in shaping investment participation (Alharbey & Van Hemmen, 2021; Wasiuzzaman et al., 2022). However, existing scholarship frequently treats trust as one predictor among many rather than as the central mechanism through which institutional signals are converted into behavioral intention.

The present study positions retail investor trust as the formal mediating mechanism linking signal perceptions with investment intention. This specification argues that exposure to institutional cues alone is insufficient to produce participation unless those cues are interpreted as sufficiently credible to justify accepting vulnerability. Mayer et al.'s (1995) dimensions of ability, integrity, and benevolence provide conceptual grounding for the three signal-based antecedents. Perceived platform quality primarily activates ability-based evaluations, perceived regulatory compliance visibility primarily activates integrity-based evaluations, and perceived disclosure informativeness structurally supports benevolence-based evaluations through the disclosure–trust pathway. Retail investor trust is operationalized as a unitary reflective construct because ECF relationships are typically characterized by low familiarity, limited relational history, and platform-mediated interaction (Li, 2012; McKnight et al., 2002). Therefore, Trust Theory explains how interpreted signals become confidence under uncertainty, but it does not independently explain why trust produces stronger behavioral consequences for some investors than others.

2.3 Elaboration Likelihood Model

The Elaboration Likelihood Model (ELM) explains how individuals process information through different levels of cognitive elaboration depending on their evaluative capability and motivation (Petty & Cacioppo, 1986). The model distinguishes between central-route processing, which involves systematic evaluation of information content, and peripheral-route processing, which relies more heavily on heuristic or contextual cues. This distinction is highly relevant in ECF settings because investors must interpret uncertain financial information, venture risk, and platform-mediated disclosures under substantial informational opacity. Investors may therefore report similar levels of trust while differing significantly in their willingness to invest because trust is processed and behaviorally interpreted at different levels of cognitive depth.

The present study incorporates financial literacy as a stage-specific cognitive boundary condition influencing the strength of the trust–intention relationship (Lusardi & Mitchell, 2014; Van Rooij et al., 2011). Financial literacy is conceptualized not as a direct antecedent of participation, but as an evaluative capability shaping whether trust becomes behaviorally actionable. Investors with stronger financial literacy are generally better equipped to interpret disclosures, evaluate risk implications, and connect trust-relevant signals with investment consequences in a systematic manner (Adil et al., 2022; Dinç Aydemir & Aren, 2017). This perspective extends ELM into the regulated ECF context by explaining heterogeneity in behavioral activation rather than heterogeneity in trust formation itself. The ELM therefore explains why trust may not generate identical investment intention across investors with different processing capabilities, but it does not independently explain how institutional trust is initially formed.

2.4 Integration of Theories and Conceptual Framework

The present study integrates Signaling Theory, Trust Theory, and the Elaboration Likelihood Model into a unified Signal–Trust–Intention framework explaining retail investment intention in Malaysia's regulated ECF market. None of these theories independently explains the Participation Paradox identified in the present study. Signaling Theory explains how institutional cues become observable under conditions of information asymmetry, yet it does not explain how those cues become behavioral commitment. Trust Theory explains how perceived credibility is transformed into willingness to accept vulnerability, yet it does not explain why trust produces uneven behavioral consequences across investors. The Elaboration Likelihood Model explains variation in behavioral activation, but it does not account for the institutional origins of trust formation. Thus, their integration provides a more complete explanation of why stronger institutional safeguards may coexist with a weakening of retail participation in regulated digital investment environments.

The resulting framework conceptualizes ECF participation as a sequential behavioral transmission process. Perceived platform quality, perceived regulatory compliance visibility, and perceived disclosure informativeness function as concurrent institutional credibility signals influencing retail investor trust. Retail investor trust subsequently mediates their relationships with investment intention because signals alone are not expected to produce behavioral commitment without interpretive conversion into confidence. Financial literacy further moderates the trust–intention relationship by conditioning the behavioral effectiveness of trust once formed. The framework also introduces an important contextual boundary condition for conventional signaling assumptions. In Malaysia's ECF market, the state simultaneously functions as both regulator and co-investor through mechanisms such as the Malaysia Co-Investment Fund (MyCIF). This dual role complicates the certifier-independence assumption underlying traditional signaling credibility because the certifying authority is partially embedded within the market environment it regulates. Malaysia therefore represents not merely an empirical setting, but a theoretically meaningful context for extending existing explanations of signaling credibility in regulated fintech ecosystems.

Figure 1 illustrates the proposed conceptual framework of the study.

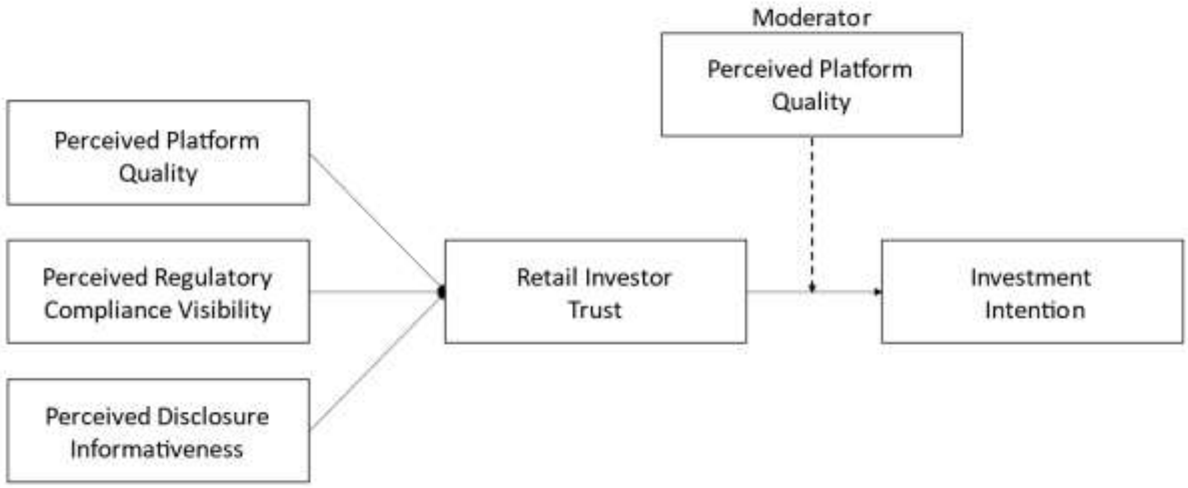

Fig. 1 Conceptual Framework.

3. REVIEW OF CORE CONSTRUCTS

3.1 Investment Intention

Investment intention represents the investor's stated likelihood or willingness to commit capital to an equity crowdfunding (ECF) campaign within a defined future period (Alharbey & Van Hemmen, 2021; Yang et al., 2019). Within regulated ECF environments, investment intention is not merely a financial preference but a behavioral commitment formed under conditions of uncertainty, limited verifiability, and asymmetric information (Ahlers et al., 2015; Vismara, 2016). Unlike conventional equity markets, retail ECF investors frequently evaluate ventures characterized by short operating histories, illiquidity, and limited external monitoring, making intention formation heavily dependent on interpretive judgments regarding platform credibility, institutional safeguards, and informational reliability (Mollick, 2014; Mochkabadi & Volkmann, 2020).

Although prior ECF studies commonly treat investment intention as a direct outcome of technological adoption factors or perceived investment attractiveness, this approach remains theoretically incomplete because it under-specifies the cognitive and relational mechanisms through which investors become willing to accept vulnerability in uncertain digital investment environments (Liang et al., 2019; Friederich et al., 2024). Therefore, the present study conceptualizes investment intention as the final behavioral outcome of a broader signal–trust conversion process in which institutional and platform-based cues shape behavioral readiness indirectly through investor trust.

3.2 Perceived Platform Quality

Perceived platform quality refers to the investor's evaluation of how competently an ECF platform performs its intermediary role across technical quality, information quality, and service quality dimensions (DeLone & McLean, 2003; Piaralal et al., 2026). In ECF environments, platform quality functions as a competence-based signal because investors cannot independently verify most issuer claims or monitor investment quality directly (Ahlers et al., 2015). Consequently, the platform itself becomes a central object of evaluation through which investors infer procedural reliability, operational capability, and transaction security (Moritz et al., 2015; Wasiuzzaman, 2021).

Existing ECF literature frequently treats platform quality as a usability or technological-performance construct, emphasizing interface efficiency or system functionality alone. This perspective is analytically narrow because platform quality in ECF also carries institutional and epistemic significance: it shapes how investment opportunities are framed, interpreted, and rendered credible to retail investors (Correia et al., 2024; Friederich et al., 2024). Accordingly, the present study conceptualizes perceived platform quality not simply as a technological attribute, but as a broader operational competence signal distinct from regulatory assurance and disclosure transparency. This distinction is theoretically important because investors may perceive a platform as technically competent while still doubting the credibility of its regulatory environment or informational disclosures.

3.3 Perceived Regulatory Compliance Visibility

Perceived regulatory compliance visibility refers to the extent to which retail investors recognize, understand, and perceive the presence of institutional safeguards governing the ECF environment (Hornuf & Schwienbacher, 2017; McKnight et al., 2002). The construct emphasizes perceived visibility rather than objective regulatory quality alone, reflecting the argument that institutional safeguards influence investor behavior only when they are cognitively observable and behaviorally meaningful to investors (Connelly et al., 2011). In Malaysia's regulated ECF market, regulatory visibility includes licensing signals, investor protection mechanisms, disclosure rules, and state-supported initiatives such as the Malaysia Co-Investment Fund (MyCIF), all of which collectively shape perceptions of institutional assurance (Securities Commission Malaysia, 2024; Wasiuzzaman et al., 2022).

Prior ECF studies commonly operationalize regulation as a background institutional context rather than as an investor-perceived signal that directly affects trust formation (Cumming et al., 2021; Teo et al., 2024). This treatment overlooks an important distinction between the existence of regulation and investor interpretation of regulatory credibility. Institution-based trust literature suggests that visible structural assurances reduce uncertainty in digitally mediated environments where interpersonal familiarity is absent (McKnight & Chervany, 2001; Mabkhot & Piaralal, 2023). However, stronger regulatory visibility does not necessarily produce stronger investor confidence automatically, particularly in emerging-market settings where institutional credibility may be interpreted unevenly among investors (Musacchio & Lazzarini, 2014). The present study addresses this gap by conceptualizing regulatory compliance visibility as a distinct institutional-assurance signal operating alongside, rather than interchangeably with, platform quality and disclosure informativeness.

3.4 Perceived Disclosure Informativeness

Perceived disclosure informativeness refers to the extent to which campaign information is regarded by investors as clear, coherent, relevant, and useful for investment evaluation (Ahlers et al., 2015). Within ECF markets, disclosure operates as a critical informational signal because investors must evaluate uncertain ventures with limited operating history and restricted opportunities for independent verification (Mollick, 2014; Vismara, 2016). Informative disclosure reduces information asymmetry by helping investors interpret business models, financial prospects, risk exposure, and issuer credibility more effectively (Franke et al., 2008; De Crescenzo et al., 2020).

Despite broad agreement that disclosure quality matters, the literature increasingly suggests that disclosure effectiveness depends less on disclosure quantity than on interpretive clarity and decision relevance (Gallucci et al., 2023). Excessive disclosure may increase cognitive burden, reduce processing efficiency, and weaken investor confidence when information exceeds investors' evaluative capacity. This tension is particularly important in ECF settings, where retail investors often have varying levels of financial literacy and investment experience (Nose & Hosomi, 2023). Thus, the present study focuses on perceived disclosure informativeness rather than objective disclosure volume, conceptualizing disclosure as an informational-transparency signal distinct from platform competence and institutional assurance. This distinction is important because disclosure may appear formally comprehensive while remaining behaviorally ineffective if investors cannot process or interpret the information meaningfully.

3.5 Retail Investor Trust

Retail investor trust is conceptualized as the investor's willingness to accept vulnerability to ECF opportunities offered through regulated digital platforms, grounded in perceptions of competence, integrity, and institutional assurance (Mayer et al., 1995; Alharbey & Van Hemmen, 2021). Trust becomes particularly important in ECF because investors operate under conditions where complete monitoring, direct verification, and reliable future prediction are largely impossible (McKnight et al., 2002; Yang et al., 2019). In such environments, trust functions as the central evaluative mechanism through which investors determine whether observable signals are sufficiently credible to justify behavioral commitment.

Much of the existing ECF literature acknowledges the importance of trust but often treats it as one predictor among many rather than as the primary conversion mechanism linking institutional signals to behavioral intention (Kang et al., 2016; Rodriguez-Ricardo et al., 2019). This under-specification poses an important theoretical limitation, as observable signals alone cannot explain why institutional strengthening may coexist with weak retail participation. Trust Theory suggests that the key issue is not whether signals are present, but whether those signals are interpreted as sufficiently credible to support willingness to accept investment vulnerability (Mayer et al., 1995; Williamson, 1993). The present study positions retail investor trust as the central relational mechanism transforming platform quality, regulatory visibility, and disclosure informativeness into behavioral intention within Malaysia's regulated ECF environment.

3.6 Financial Literacy

Financial literacy refers to the knowledge, understanding, and evaluative capability that enable individuals to make effective financial decisions (Supramaniam et al., 2025; Lusardi & Mitchell, 2014). Within ECF environments, financial literacy extends beyond general financial knowledge to include the ability to interpret investment risk, evaluate uncertain venture information, and assess digitally mediated investment opportunities systematically (Gallucci et al., 2023). Because ECF campaigns frequently involve uncertain cash flows, illiquidity, and condensed disclosure structures, financially literate investors are generally better equipped to process investment-relevant information through a more analytical, less heuristic evaluation process (Adil et al., 2022; Dinç Aydemir & Aren, 2017).

Existing ECF research predominantly specifies financial literacy as a direct predictor of participation behavior, implicitly assuming that more financially literate investors participate more actively in crowdfunding markets (Van Rooij et al., 2011; Meoli et al., 2021). While this relationship is well established, such treatment overlooks the possibility that financial literacy also functions as a stage-specific capability condition shaping how trust becomes behaviorally actionable. Drawing on the Elaboration Likelihood Model (Petty & Cacioppo, 1986), the present study conceptualizes financial literacy as a boundary condition influencing the effectiveness of the trust-to-intention conversion process. This perspective shifts analytical attention from participation level alone to differences in how investors process, interpret, and operationalize trust in uncertain digital investment environments.

4. DISCUSSION AND PROPOSITION DEVELOPMENT

The central argument of this study is that declining retail participation in Malaysia's regulated equity crowdfunding (ECF) market cannot be adequately explained by conventional participation models that assume stronger institutional safeguards naturally lead to greater investor engagement. Existing ECF literature largely treats regulation, platform quality, and disclosure mechanisms as credibility-enhancing conditions expected to reduce uncertainty and stimulate participation (Ahlers et al., 2015; Hornuf & Schwienbacher, 2017). The Malaysian case complicates this assumption. Despite increasing regulatory formalization, stronger platform governance, and visible state-supported initiatives such as MyCIF, retail participation has weakened rather than expanded. This contradiction is theoretically significant because it challenges the implicit assumption that institutional strengthening automatically produces behavioral commitment. The present study conceptualizes this contradiction as the Participation Paradox: a condition in which institutional credibility signals fail to generate proportionate retail investment intention within a regulated digital investment environment.

This perspective challenges the dominant orientation of existing ECF research, which has generally relied on fragmented or direct-effect explanations of investor behavior. Many studies examine isolated campaign signals, disclosure attributes, or platform characteristics independently, while behavioral models such as the Theory of Planned Behavior (TPB) and Technology Acceptance Model (TAM) typically conceptualize intention as a relatively immediate outcome of favorable perceptions or attitudes. Such approaches are useful for explaining technology adoption and campaign evaluation under stable conditions, but they are less capable of explaining investment behavior in environments characterized by uncertainty, vulnerability, illiquidity, and incomplete verification. Investment participation in ECF is not simply a technology-acceptance decision. It is a high-uncertainty behavioral commitment requiring investors to interpret institutional credibility under conditions where future outcomes remain fundamentally indeterminate. Hence, the present framework argues that participation failure emerges not from the absence of signals, but from incomplete behavioral conversion of those signals into actionable trust.

The study extends Signaling Theory by repositioning signals as inputs within a sequential behavioral transmission process rather than as direct determinants of intention. Existing signaling research in ECF has concentrated predominantly on campaign-level cues such as founder characteristics, equity retention, or disclosure quantity (Ahlers et al., 2015; Vismara, 2016, 2018). However, investors do not evaluate these signals in isolation. They encounter platform infrastructure, regulatory architecture, disclosure environments, and institutional protections simultaneously as components of a broader credibility ecosystem. The framework proposed here suggests that observable signals possess limited behavioral value unless investors interpret them as credible, relevant, and sufficiently reliable to justify vulnerability under uncertainty (Connelly et al., 2011; Spence, 1973). This distinction is critical because visible institutional safeguards may create signal observability without necessarily generating signal credibility or behavioral trust conversion. Therefore, the Participation Paradox emerges when institutional visibility exceeds behavioral persuasiveness.

Trust occupies the central explanatory position within this framework because ECF participation fundamentally involves vulnerability in the absence of complete monitoring and control (Mayer et al., 1995). The study argues that perceived platform quality, perceived regulatory compliance visibility, and perceived disclosure informativeness operate collectively as trust-generating mechanisms that shape how investors evaluate the reliability of the investment environment. However, the framework departs from prior ECF studies by arguing that trust should not be treated merely as one predictor among several. Instead, trust represents the primary conversion mechanism through which institutional and platform signals acquire behavioral force. Without sufficient trust formation, stronger disclosure structures, regulatory safeguards, and platform sophistication cannot reliably generate participation intention (Othman et al., 2024). This interpretation helps explain why institutional development alone may fail to resolve weak investor participation in regulated fintech markets.

The framework further argues that trust does not translate into behavioral commitment with equal strength across investors. Existing ECF studies frequently position financial literacy as a direct predictor of participation, implying that more knowledgeable investors simply participate more often. The present study advances a different interpretation grounded in the Elaboration Likelihood Model (Petty & Cacioppo, 1986). Financial literacy is conceptualized as a stage-specific evaluative capability that conditions whether trust can be converted into committed investment intention. Investors may report similar levels of trust while differing substantially in their ability to evaluate risk exposure, uncertainty, illiquidity, and opportunity cost. Investors with stronger financial literacy are therefore expected to translate confidence into investment commitment more systematically because they possess greater capacity for elaborative processing and risk evaluation (Lusardi & Mitchell, 2014; Van Rooij et al., 2011). This perspective introduces an important behavioral heterogeneity mechanism largely underdeveloped in existing ECF theory.

A broader theoretical implication of this framework is that institutional credibility in digital investment markets should not be understood as inherently self-executing. Much of the fintech and crowdfunding literature implicitly assumes that stronger institutional design improves participation because it reduces uncertainty and increases legitimacy. The present study suggests that this relationship is conditional and behaviourally contingent. Institutional signals must first be interpreted as credible, then converted into trust, and finally transformed into behavioral commitment through sufficient evaluative capability. This sequential logic extends existing ECF theory beyond static signal-based explanations and offers a more integrated behavioral account of why participation outcomes may diverge even within highly regulated investment environments. The framework may therefore have broader relevance beyond Malaysia, particularly for emerging fintech ecosystems where formal regulatory strengthening has outpaced sustained retail investor engagement.

Based on this discussion, the following propositions are advanced:

P1: Perceived platform quality positively influences retail investor trust in equity crowdfunding environments.

P2: Perceived regulatory compliance visibility positively influences retail investor trust in equity crowdfunding environments.

P3: Perceived disclosure informativeness positively influences retail investor trust in equity crowdfunding environments.

P4: Retail investor trust mediates the relationships between perceived platform quality, perceived regulatory compliance visibility, and perceived disclosure informativeness, and investment intention in equity crowdfunding environments.

P5: Financial literacy positively moderates the relationship between retail investor trust and investment intention, such that the relationship is stronger at higher levels of financial literacy.

4.1 Theoretical Contribution

This study contributes to equity crowdfunding and fintech investment literature by advancing an integrated Signal–Trust–Intention framework that consolidates Signaling Theory, Trust Theory, and the Elaboration Likelihood Model into a unified explanation of retail investor behavior under institutional uncertainty. Theoretically, it moves beyond fragmented signaling perspectives by demonstrating that platform quality, regulatory compliance visibility, and disclosure informativeness operate as a coordinated signal system rather than isolated predictors of investment outcomes. A key contribution lies in repositioning retail investor trust as a central mediating mechanism that explains how institutional signals are cognitively transformed into investment intention, addressing a persistent limitation in prior crowdfunding research that assumes direct signal-to-behavior effects. The study further introduces the Participation Paradox as a conceptual extension, explaining the disconnection between strengthened institutional credibility and declining investor participation as a signal conversion failure rather than a signaling deficiency. Finally, by integrating financial literacy as a boundary condition within the Elaboration Likelihood Model, the study extends existing behavioral finance theory by demonstrating how cognitive processing capacity moderates the effectiveness of trust in driving investment intention in high-uncertainty digital investment environments.

4.2 Practical Contribution

This study provides mechanism-based implications for regulators, ECF platforms, and financial ecosystem designers in emerging digital investment markets. For regulators such as the Securities Commission Malaysia, the findings indicate that institutional strengthening alone does not ensure investor participation unless regulatory credibility is also cognitively visible and interpretable to retail investors. This highlights the importance of translating regulatory frameworks and co-investment schemes such as MyCIF into simplified, transparent, and cognitively accessible signals that can be effectively processed by non-expert investors. For platform operators, the results emphasize that participation outcomes depend not only on the presence of investment opportunities but on the perceived coherence of the platform's informational and structural environment, which directly shapes trust formation before investment decisions are made. At the investor level, the moderating role of financial literacy suggests that policy interventions should prioritize capability development, as financial literacy strengthens the effectiveness of trust in translating institutional credibility into actual investment behavior rather than merely increasing general participation propensity.

5. CONCLUSION AND DIRECTIONS FOR FUTURE RESEARCH

This study developed a unified Signal–Trust–Intention framework to explain the persistence of weak retail investor participation in equity crowdfunding despite strengthened institutional and regulatory development. The framework addresses this inconsistency through the Participation Paradox, conceptualizing the gap between institutional credibility and behavioral conversion as a breakdown in the transformation of signals into trust and subsequently into investment intention. By integrating signaling, trust, and cognitive-processing perspectives, the study conceptualizes how perceived platform quality, regulatory compliance visibility, and disclosure informativeness jointly shape retail investor trust, which in turn drives investment intention under the moderating role of financial literacy. The absence of empirical validation limits the ability to confirm causal relationships and assess the robustness of the proposed model across different equity crowdfunding contexts. In addition, the aggregation of institutional signals and the exclusive focus on retail investor cognition constrain the granularity and multi-actor scope of the framework. Future research should empirically test the model across diverse regulatory and cultural settings, employ longitudinal designs to examine how trust evolves over time, and refine the institutional signaling dimension by distinguishing between regulatory enforcement credibility and state-backed co-investment mechanisms. Further extensions may also incorporate additional behavioral mechanisms, such as perceived risk or social influence, to enhance explanatory depth in digital financial decision-making environments.

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Corresponding Author: Nur Amalina Zulkefli