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**FACTORS DETERMINING THE PROPENSITY TO
INVEST IN EQUITY CROWDFUNDING**

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SUMMARY

This doctoral dissertation examines equity crowdfunding as a rapidly growing form of entrepreneurial finance that operates at the intersection of digital platforms, investor psychology, and institutional trust. In contrast to traditional financing channels, equity crowdfunding allows a wide range of individuals to invest small amounts in early-stage ventures in exchange for ownership stakes. The work situates this phenomenon within the broader crowdfunding ecosystem, first explaining the forms of crowdfunding, including donation-based, reward-based, and lending, and then narrowing its focus to the specific features of equity crowdfunding. Particular attention is given to the risks inherent in this market, especially information asymmetry, investor uncertainty, platform dependence, and the regulatory challenges that shape market development in Europe and beyond.

The theoretical background is developed from two complementary perspectives: That of entrepreneurs, who initiate campaigns and must understand their motivations, the actions needed to attract investors, and the personal and communicative characteristics that enhance campaign credibility. It also considers the investor perspective, examining the diverse financial and non-financial reasons for participating in equity crowdfunding and, more importantly, the motivations that ultimately drive individuals to invest. It combines signalling theory, trust theory, structural assurance, cognitive evaluation theory, and self-determination theory to explain how investors interpret campaign information and form attitudes toward investment opportunities. The role of the fundraiser is presented as central: Entrepreneurs do not merely present projects, but actively signal credibility, competence, and commitment through the content and timing of their communication. On the investor side, the work highlights that financial motives are only one part of the decision process. Non-financial motives, such as identification with a project, community participation, learning, and personal values, also influence willingness to invest.

The empirical core of this dissertation is a questionnaire-based study conducted in Poland with 342 respondents and analysed using covariance-based structural equation modelling. The study was designed to identify the factors that shape propensity to invest in equity crowdfunding, with a particular focus on negative influences that are often underexplored in the literature. The findings show that disposition to trust significantly increases favourable investment attitudes, confirming that individuals who are generally

more trusting are more open to platform-based investment opportunities. Structural assurance also emerges as a strong positive predictor, indicating that institutional safeguards, security mechanisms, and platform reliability are highly important in reducing perceived uncertainty. In contrast, perceived risk has a negative effect on investment attitude, reinforcing the idea that equity crowdfunding remains a high-risk environment in which potential losses, illiquidity, and uncertainty matter greatly.

The study also offers an important contribution by testing social and informational influences that may deter investment. Herding behaviour was not found to be a significant predictor, suggesting that respondents relied more on their own evaluation and on trust-related cues than on imitation of the crowd. At the same time, the diagnosticity of founder responsiveness had a positive relationship with investment attitude, showing that investors value timely and informative communication from entrepreneurs. Conversely, the diagnosticity of negative comments had a negative relationship with attitude, indicating that critical peer commentary can substantially reduce willingness to invest when it is viewed as credible and informative. These two diagnosticity measures were highly correlated, suggesting that future research should examine whether they reflect a broader underlying sensitivity to credibility cues.

The study contributes to equity crowdfunding research by shifting attention away from success factors alone and toward the mechanisms that inhibit investment. It demonstrates that trust, institutional protection, perceived risk, and the informational value of communication jointly shape investor attitudes. The findings suggest that platform operators should strengthen safeguards and transparency, while campaign founders should maintain active, responsive, and credible communication throughout the campaign. The work concludes by identifying future research directions, especially longitudinal and experimental designs, deeper treatment of diagnosticity, and cross-cultural comparisons that could clarify how investors process negative commentary and founder silence in different crowdfunding environments.

Keywords: *equity crowdfunding, trust theory, signaling theory, self-determination theory, cognitive evaluation theory*

STRESZCZENIE

Ta rozprawa doktorska analizuje crowdfunding udziałowy jako dynamicznie rozwijającą się formę finansowania przedsiębiorczości, funkcjonującą na styku platform cyfrowych, psychologii inwestorów i zaufania instytucjonalnego. W przeciwieństwie do tradycyjnych źródeł finansowania, crowdfunding udziałowy umożliwia szerokiemu gronu osób inwestowanie w przedsięwzięcia na wczesnym etapie rozwoju za udziały właścicielskie. Praca ta rozważa to zjawisko w szerokiej perspektywie crowdfundingu, najpierw wyjaśniając jego formy, w tym modele oparte na darowiznach, nagrodach i pożyczkach, a następnie zawężając analizę do specyficznych cech crowdfundingu udziałowego. Szczególną uwagę poświęcono ryzykom właściwym temu rynkowi, zwłaszcza asymetrii informacji, niepewności inwestorów, zależności od platform oraz wyzwaniom regulacyjnym, które kształtują rozwój rynku w Europie i poza nią.

Tło teoretyczne zostało rozważone z dwóch komplementarnych perspektyw: Przedsiębiorcy muszą rozumieć swoje motywacje, działania przyciągające inwestorów oraz cechy budujące wiarygodność kampanii.. Uwzględniono także perspektywę inwestora, analizując różnorodne finansowe i niefinansowe powody uczestnictwa w crowdfundingu udziałowym, a przede wszystkim motywacje, które ostatecznie skłaniają jednostki do inwestowania. W ujęciu teoretycznym połączono teorie: sygnalizacji, zaufania, gwarancji instytucjonalnych, oceny poznawczej oraz samookreślenia, aby wyjaśnić, w jaki sposób inwestorzy interpretują informacje o kampanii i kształtują postawy wobec możliwości inwestycyjnych. Rola założyciela kampanii została przedstawiona jako kluczowa: Przedsiębiorcy nie tylko prezentują projekty, ale aktywnie sygnalizują wiarygodność, kompetencje i zaangażowanie poprzez treść oraz czas komunikacji. Po stronie inwestora podkreślono, że motywacje finansowe to tylko część decyzji. Motywacje niefinansowe, takie jak identyfikacja z projektem, uczestnictwo we wspólnocie, możliwość zdobywania wiedzy czy zgodność z wartościami osobistymi, również wpływają na gotowość do inwestowania.

Empiryczną część pracy stanowi badanie ankietowe przeprowadzone wśród 342 respondentów w Polsce i przeanalizowane przy użyciu modelowania równań strukturalnych opartego na kowariancji. Badanie miało na celu identyfikację czynników kształtujących skłonność do inwestowania w crowdfundingu udziałowym, ze szczególnym uwzględnieniem czynników negatywnych, które są często słabiej rozwinięte w literaturze. Wyniki pokazują, że skłonność do zaufania znacząco zwiększa

pozytywne postawy inwestycyjne, co potwierdza, że osoby ogólnie bardziej ufne są bardziej otwarte na możliwości inwestycyjne oparte na platformach. Instytucjonalna gwarancja strukturalna również okazała się silnym pozytywnym predyktorem, co wskazuje, że zabezpieczenia instytucjonalne, mechanizmy bezpieczeństwa oraz wiarygodność platformy mają bardzo duże znaczenie dla redukcji odczuwanej niepewności. Z kolei postrzegane ryzyko wywierało negatywny wpływ na postawę inwestycyjną, wzmacniając przekonanie, że crowdfunding udziałowy pozostaje środowiskiem wysokiego ryzyka, w którym potencjalne straty, brak płynności i niepewność odgrywają kluczową rolę.

Badanie wnosi również istotny wkład poprzez analizę wpływów społecznych i informacyjnych, które mogą zniechęcać do inwestowania. Efekt stadny nie okazał się istotnym predyktorem, co sugeruje, że respondenci częściej opierali się na własnej ocenie i sygnałach związanych z zaufaniem niż na naśladowaniu tłumu. Jednocześnie diagnostyczność responsywności założyciela kampanii była dodatnio powiązana z postawą inwestycyjną, pokazując, że inwestorzy cenią terminową i informacyjną komunikację ze strony przedsiębiorców. W kontraście, diagnostyczność negatywnych komentarzy była ujemnie powiązana z postawą, co wskazuje, że krytyczne komentarze innych uczestników mogą znacząco zmniejszać gotowość do inwestowania, jeśli są postrzegane jako wiarygodne i informacyjne. Oba te wskaźniki diagnostyczności były silnie skorelowane, co sugeruje, że przyszłe badania powinny sprawdzić, czy odzwierciedlają one szerszą, wspólną wrażliwość na sygnały wiarygodności.

Praca wnosi wkład do badań nad crowdfundingiem udziałowym, przesuując uwagę z samych czynników sukcesu ku mechanizmom, które hamują inwestowanie. Pokazuje, że zaufanie, ochrona instytucjonalna, postrzegane ryzyko oraz informacyjna wartość komunikacji wspólnie kształtują postawy inwestorów. Wyniki sugerują, że operatorzy platform powinni wzmacniać zabezpieczenia i transparentność, natomiast twórcy kampanii powinni utrzymywać aktywną, responsywną i wiarygodną komunikację przez cały okres kampanii. Praca kończy się wskazaniem kierunków dalszych badań, zwłaszcza badań podłużnych i eksperymentalnych, pogłębionego ujęcia diagnostyczności oraz porównań międzykulturowych, które mogłyby wyjaśnić, jak inwestorzy przetwarzają negatywne komentarze i brak komunikacji ze strony założyciela kampanii w różnych środowiskach crowdfundingu.

Słowa kluczowe: *crowdfunding udziałowy, teoria zaufania, teoria sygnalizacji, teoria samookreślenia, teoria oceny poznawczej*

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INTRODUCTION

The digital age has not only revolutionized how people communicate and consume, but also how they invest and fund innovation (Belleflamme et al., 2014). Crowdfunding embodies this shift – moving financial power away from institutional gatekeepers and toward a more decentralized, community-driven model (Mollick, 2014). Crowdfunding is the practice of raising money from many people, typically through online platforms, to fund a project. Unlike traditional financing, where access to capital is often restricted by stringent credit checks, geographic limitations or elite investor networks (Bruton et al., 2015), crowdfunding thrives on openness, leveraging the collective power of the crowd. This paradigm shift has enabled everything from indie films and tech gadgets to social enterprises and groundbreaking startups to secure funding directly from their future customers and supporters (Greenberg & Mollick, 2017).

Within this broader movement, equity crowdfunding stands out as a particularly transformative development (Hornuf & Schwienbacher, 2018). Here, backers are not merely supporters but shareholders, acquiring actual ownership in the ventures they fund (Vismara, 2016). This model blurs the line between “investor” and “enthusiast”, creating a unique dynamic where financial returns and personal interest often intertwine (Kuppuswamy & Bayus, 2017).

The appeal of equity crowdfunding lies in its dual promise: For entrepreneurs, it offers an alternative to venture capital, allowing them to retain more control while tapping into a diverse pool of small-scale investors. For backers, it presents an opportunity to invest in early-stage companies – traditionally an asset class reserved for the wealthy or well-connected (Hornuf & Schwienbacher, 2018). Yet, despite its growing popularity, equity crowdfunding remains a high-risk, high-reward space, shaped by factors such as regulatory constraints, market volatility and the unpredictable nature of startup success (Gai et al., 2025).

What makes this crowdfunding model especially intriguing is its social dimension. Unlike traditional stock market investing, where decisions are often driven by metrics and algorithmic trading, equity crowdfunding invites emotional and psychological engagement (Greenberg & Mollick, 2017). Investors may support a company not just for potential returns but because they believe in its mission, identify with its founder’s story or want to support a local business (Kuppuswamy & Bayus, 2017).

The growing prominence of equity crowdfunding as an alternative financing mechanism warrants scholarly attention for several compelling reasons. Firstly, equity crowdfunding emerges as a vital tool for democratizing entrepreneurial opportunity. Its expansion is expected to be substantial, with Fortune Business Insights projecting that the global crowdfunding market will increase from USD 1.41 billion in 2023 to USD 3.62 billion by 2030, reflecting a compound annual growth rate of 14.5% (Wanicki et al., 2025). Understanding investor motivations in this space is not merely academic, it holds practical implications for designing inclusive platforms and policies that bridge funding gaps. Secondly, the hybrid nature of equity crowdfunding – where financial objectives coexist with social and emotional drivers (Kuppuswamy & Bayus, 2017) – challenges conventional investment theories. Traditional finance paradigms often assume purely rational actors, yet early evidence suggests equity crowdfunding decisions are equally shaped by factors like trust, identity alignment and community participation (Vismara, 2016). This dissonance invites a re-evaluation of how investment behaviour is conceptualized in digital markets. Finally, the regulatory landscape governing equity crowdfunding is still evolving (Mazzocchi & Lucarelli, 2023). Policymakers struggle to balance investor protection with market growth, while platforms grapple with information asymmetry and campaign quality control. By unfolding the motivations behind investment choices, this research can inform stakeholders seeking to mitigate risks without stifling innovation.

While existing literature has extensively examined the factors driving investor participation in equity crowdfunding – such as financial returns, social motivations and trust-building signals (Mazzocchi & Lucarelli, 2023) – critical research gaps remain in understanding how negative influences deter investment or lead to campaign failure (Berliner & Gimmon, 2026). Most studies adopt an optimistic lens, emphasizing success factors like entrepreneur credibility, project innovativeness, and early-stage backing from professional investors (Löher, 2025). However, the asymmetrical focus on positive drivers overlooks the pivotal role of risk perception and negative social cues in shaping investor decisions (Reichenbach & Walther, 2021).

The objective of this study is to identify the factors that shape individuals' propensity to invest in equity crowdfunding campaigns. In doing so, the study draws on signalling theory (Spence, 1978), cognitive evaluation theory (Ryan, 1982), self-determination theory (Ryan & Deci, 2000), trust theory (Luhmann, 2000), the concepts of structural assurance (Kang et al., 2016) and herding behaviour (Herzenstein et al.,

2011).

A significant yet understudied gap concerns how perception of negative comments on equity crowdfunding platforms influence investor behaviour. Public criticism can trigger herd aversion, where backers withdraw support due to perceived project flaws or founder unreliability (Cumming et al., 2019, Mochkabadi & Volkmann, 2020). However, in equity crowdfunding – where investments entail long-term stakes – the effect of negativity may be more pronounced. These could be manifested through two mechanisms. Firstly, quality signalling, where negative comments (such as doubts about financial projections or team competence) amplify information asymmetry, deterring risk-averse investors. Secondly, herd behaviour reversal, unlike reward-based models, where early momentum attracts backers, equity campaigns may suffer from “negative cascades” where scepticism spreads rapidly among retail investors.

The lack of real-time engagement from entrepreneurs during campaigns constitutes a further contribution to the problem. While signalling theory highlights the importance of proactive communication (updates, responses to queries), little attention has been paid to the costs of silence. Investors may perceive inactive founders as less committed or transparent, raising red flags about post-campaign accountability. Further, failure to address concerns (regulatory risks, product delays) exacerbates uncertainty, particularly in sustainability-oriented ventures (Baldissarro et al., 2025) where trust is paramount (Gai et al., 2025). Emerging gaps also relate to platform-level dynamics. While Mazzocchi and Lucarelli (2023) note that ECF platforms act as intermediaries to reduce information asymmetry, their role in amplifying or suppressing negative signals remains under-explored.

This study focuses on the purpose of broadening the list of known factors that shape the willingness to invest in equity crowdfunding (Joshi et al., 2026). It does so by asking two pivotal questions that address critical gaps in equity crowdfunding research. First, it investigates how negative comments influence potential investors’ intention to participate in a campaign. While existing literature has extensively examined the positive signals that attract backers – such as entrepreneur credibility, social proof and early funding momentum – far less attention has been paid to how public criticism or scepticism shapes investor decision-making. Negative comments may amplify perceived risks, trigger doubts about the venture’s viability or even create a “reverse herding” effect, where potential investors withdraw interest due to visible scepticism from others. This question is particularly relevant in equity crowdfunding, where investments represent

long-term stakes rather than one-time rewards, making participants potentially more sensitive to risk signals.

The second research question explores how perception of lack of communication from entrepreneurs during campaigns discourages investment intentions. Active engagement – such as responding to questions, providing regular updates and addressing concerns – has been shown to build trust in reward-based crowdfunding. However, in equity crowdfunding, where the stakes are higher (Ma et al., 2026) and the relationships more enduring, the consequences of entrepreneurial silence may be more severe.

The novelty and impact of this research lie in its deliberate departure from the optimistic perspective that has characterized much of the crowdfunding literature to date (Joshi et al., 2025; Wanicki et al., 2025; Baldissarro et al., 2025), by mixing the positive and negative factors together – it breaks new ground by rigorously examining what does not work and why – an approach that yields both theoretical advancements and practical tools for improving market functionality. The study’s integrated perspective, which connects platform design features with behavioural responses and regulatory considerations, offers a more holistic view of equity crowdfunding ecosystems. This comprehensive approach not only advances academic discourse but also delivers immediately applicable insights that can help shape more robust and sustainable crowdfunding practices across the industry (De Mello et al., 2026).

Whereas previous research has emphasized how entrepreneurs can attract investors through proactive communication and credible signals, this study demonstrates how the absence of such signals, or the presence of openly negative ones, can derail campaigns. By doing so, it challenges conventional assumptions in digital finance literature (Buttice et al., 2026) that have largely ignored these deterrent effects.

On a practical level, the findings offer actionable insights for various stakeholders in the equity crowdfunding ecosystem. For entrepreneurs and startups, the research provides concrete evidence about the costs of inadequate campaign engagement, quantifying how response times and interaction quality correlate with funding success. Platform operators can use these insights to develop better tools for monitoring and managing campaign health, such as implementing sentiment analysis alerts or verification systems for entrepreneur responsiveness. The study also informs regulatory discussions by identifying current gaps in investor protection, particularly around requirements for transparency and engagement during live campaigns. Perhaps most importantly, the research equips investors with more nuanced frameworks for evaluating opportunities,

moving beyond traditional metrics to consider social signals and interaction patterns as indicators of potential risk. By shifting the analytical focus from success factors to failure mechanisms, this work provides a more balanced and comprehensive understanding of equity crowdfunding dynamics that benefits all participants in this growing market.

The empirical research conducted serves to validate the theoretical insights developed throughout the study. The purpose of the research was to identify the factors influencing the propensity to invest in equity crowdfunding. To achieve this, a questionnaire-based study (Lund, 2023) was conducted and the responses were then used to develop a structural equation modelling framework. The study was conducted in Poland, and a total of 342 respondents participated. The work aims to substantiate the proposed motivational and behavioural theories, offering a comprehensive understanding of the factors that drive investor engagement in equity crowdfunding. The study contributes to a nuanced view of the crowdfunding ecosystem (Joshi et al., 2026; Wanicki et al., 2025; Baldissarro et al., 2025), offering valuable insights for entrepreneurs, platform developers and policymakers seeking to enhance trust, transparency and investor protection within this rapidly growing field.

The paper is structured as follows. Chapter one presents the theoretical background and reviews the key models of crowdfunding. Chapter two discusses the role of the entrepreneur in equity crowdfunding, signalling theory and the role of communication in crowdfunding contexts. Chapter three discusses investor behaviour and pertains to financial decision making in the environment of information asymmetry. Chapter four presents the empirical results and chapter five concludes the study.

CHAPTER 1. THE CROWDFUNDING ECOSYSTEM

1.1. Understanding the core meaning and purpose of crowdfunding

1.1.1. Evolution and definition of crowdfunding

Crowdfunding is a financial model whereby a fundraiser seeks monetary support from a collective group of individuals, known as investors or backers, typically through online platforms (Mollick, 2014). The fundraiser, often an entrepreneur or project initiator, presents their idea or project to the public, detailing its objectives, scope and potential impact. In exchange for financial contributions, backers receive various incentives or rewards depending on the nature of the project and the amount of their investment (Adamska et al., 2025). These incentives may range from early access to products or services, exclusive merchandise, or acknowledgment in project credits (Shneor & Zhao, 2020).

From a scientific standpoint, crowdfunding operates on the principles of collective action and resource pooling, leveraging the power of the crowd to mobilize funds for diverse ventures spanning entrepreneurship, creative arts, social causes and more (Stanko & Henard, 2017). The model is an alternative source of financing, which democratizes access to capital, allowing individuals to directly support projects aligned with their interests and values. Fundraisers play a pivotal role in the crowdfunding model, acting as initiators and promoters of projects seeking financial backing (Schwienbacher & Laralde, 2010). They are responsible for crafting compelling pitches (Gallucci et al., 2025), engaging with potential backers, and managing the execution of the project once funded. Fundraisers must demonstrate transparency, credibility and a clear vision to instil confidence and attract support from the crowd (Di Pietro, 2020).

Investors or backers form the backbone of the crowdfunding ecosystem, providing financial contributions to projects in exchange for various incentives or rewards (Meyskens & Bird, 2015). These individuals, often driven by a combination of altruism, personal interest, and potential returns, evaluate project proposals and decide whether to invest based on factors such as feasibility, innovation, and alignment with their values. Backers play an active role in shaping the success of crowdfunding campaigns through their financial support and advocacy within their networks (Agrawal et al., 2015).

One of the earliest instances of contemporary crowdfunding occurred in the United States in 1885, amidst financial difficulties faced by the Statue of Liberty project on Liberty Island, New York. With conventional funding avenues proving ineffective, Joseph Pulitzer initiated a fundraising campaign through his newspaper, *The New York World*, to finance the construction of the statue's pedestal. In return for contributions, Pulitzer pledged to publicly acknowledge all donors in his publication, irrespective of the donation amount. Within approximately five months, over 160,000 individuals had contributed more than US \$100,000 towards the pedestal's construction. The majority of donations were modest, ranging from a few cents to one dollar (Parhankangas et al., 2019; Pitschner & Pitschner-Finn, 2014).

The expansion of crowdfunding as a novel supplementary and alternative means of financing is undeniable, showcasing its significant relevance to both domestic and international businesses (Farè & Vismara, 2025). As digitalization continues to advance and banking regulations become more stringent, alternative finance has emerged as a crucial component of contemporary financial markets (Kaminski et al., 2019). What is considered alternative today may very well become mainstream in the future. Hence, especially in light of ongoing transformations precipitated by digitalization and the escalating regulatory pressures, crowdfunding presents an interesting range of issues to analyse and to understand the factors that govern it, both for practical and scientific reasons (Ziegler, Shneor, et al., 2020).

Crowdfunding, at least for the present time, stands as one of the most notable illustrations of the gradual evolution of financial markets and fundraising catalysed by the rise of financial technology. Consequently, crowdfunding joins a distinguished cohort of innovations that have shaped and evolved financial markets over time, including credit cards, stocks, mutual funds, and online banking, each of which has served as influential innovations and disruptors within their respective eras (Kallio & Vuola, 2018).

Nevertheless, investment-based crowdfunding is not a novel phenomenon and analogous methods of financial access have been employed in previous (Chambers & Dimson, 2016)^[66]. Presently, crowdfunding is progressively solidifying its position as a fundamental component of the financial sector, particularly for start-up enterprises and nascent companies. Traditionally, such entities relied on funding from “family, friends, and fools” to initiate operations and garner initial interest. However, crowdfunding now offers these ventures opportunities to expand their reach and attract additional interest from sophisticated investors and venture capital funds through direct investments and

collaborative (Chambers & Dimson, 2016).

1.1.2. Innovativeness of crowdfunding

The practice of sourcing funds from the public is not a recent development. However, crowdfunding represents a contemporary financial service facilitated by advancements in digital technology. This technology holds the potential to connect investors with ventures and projects in need of financing, facilitating the growth and development of these endeavours (Brown & Davies, 2020). Crowdfunding involves aggregating small sums of capital from a potentially large pool of interested funders and supporters. Notably, this definition bears resemblance to that of an initial public offering (IPO). However, in an IPO, pooling is primarily driven by the marketing efforts of investment banks acting as “underwriters”, whereas in crowdfunding, it relies on the functionalities of digital online platforms. In recent years, hybrid models have emerged, wherein IPOs have been conducted through crowdfunding platforms as well (Dresner, 2015; Short et al., 2017).

A crowdfunding platform serves as an online application that connects project creators with potential backers, facilitating interactions between them through various business models (Leboeuf & Schwienbacher, 2018). These platforms function as intermediaries, bridging the gap between investors and companies (or other projects), and offering opportunities for investors to discover and support projects aligned with their interests. The primary value proposition of these platforms lies in reducing transaction costs and simplifying the process of launching a fundraising campaign. A mere twenty years ago, it was exceedingly challenging for early-stage ventures to reach tens of thousands of potential investors in a cost-effective manner (Shneor & Flåten, 2016).

Crowdfunding has experienced rapid proliferation during the past decade, driven by several key factors. Among these are the global financial crisis of 2008, which prompted heightened regulations on capital adequacy and solvency for financial institutions (Block & Sandner, 2009; Bradley, 2013). Additionally, the widespread adoption and accessibility of the Internet and social media have enabled cost-effective outreach to large audiences of potential funders. As a result, crowdfunding stands poised to emerge as an increasingly significant source of non-bank financing in the near future. Estimates suggest that the global crowdfunding market reached 18.4 billion USD in 2024, with growth projections up to a total of 46.4 billion USD by 2033 (Zahoor et al., 2026; Anglin et al., 2020). Crowdfunding is becoming increasingly entrenched within the finance

sector, particularly for start-ups and early-stage enterprises. Moreover, it offers a viable alternative to unsecured bank loans, which have traditionally served as a primary source of external financing for SMEs in certain jurisdictions, while being largely absent in others (Di Pietro & Buttice, 2020; Joinson et al., 2012; Short et al., 2017).

Commencing in 2007 with the overheated housing market in the United States and escalating in 2008, the financial crisis has brought about significant transformations in the operation of global financial markets (Bradley, 2013). Enhanced regulatory measures, particularly the tightening of capital adequacy requirements for banks, have necessitated the exploration of new avenues for business finance. Heightened regulation, notably the risk-weighted capital requirements, has constrained the capacity of banks to extend debt financing to a broader spectrum of companies, consequently elevating borrowing costs. Thus, it can be posited that to some degree, the aforementioned changes have diminished the ability of credit institutions to fulfil the financing needs of companies. Furthermore, a fragile and uncertain economic climate, which has only recently shown signs of improvement, has amplified the risk of credit defaults and consequently diminished banks' risk tolerance. This scenario has exerted a pronounced impact on European SMEs, which, owing to historical factors, have relied heavily on bank funding and thus turned to alternative financing sources (Belenzon et al., 2020; Bradley, 2013; Di Pietro & Buttice, 2020).

1.1.3. Influence of crowdfunding on small and medium enterprises

These circumstances significantly influenced the economy development observed between the years 2010 and 2020 (Capizzi et al., 2022). Specifically, alterations in the regulation of financial institutions may be perceived as constraining factors in the effective operation of financial markets for entrepreneurial financing and growth-oriented enterprises. The financial stability and accessibility of financing for growth-oriented enterprises and SMEs have undergone a degree of weakening on a global scale, especially during the Covid-19 crisis (Sulaeman, 2021). Consequently, companies have not always been successful in meeting the financial requirements for their projects from existing funding sources, resulting in instances of a financing gap. It is important to note that not all companies are eligible for financing through every means. Despite Europe's relatively favourable position compared to other continents, its condition has worsened since the financial crisis of 2008 (Capizzi et al., 2022). Structural deficiencies, excess capacity, low

or negative interest rates, and the absence of a pan-European banking regulatory authority have all likely contributed to the ongoing profitability challenges faced by European banks. In Europe, the percentage of SMEs citing access to finance as a primary concern, and thus feeling unable to pursue all potentially lucrative projects, has increased. These findings may suggest that both EU and national-level SME guarantee programs have not yielded the anticipated results. (Belenzon et al., 2020; Gredel et al., 2012; Sulaeman, 2021; Wasiuzzaman & Nurdin, 2019).

Drawing from business and investor surveys, it is evident that growth companies encountered impediments such as decelerated growth rates and elevated growth benchmarks. Consequently, as these businesses strived for expansion, they frequently faced challenges in securing financial resources and attracting new stakeholders through public listings. Limited access to alternative funding avenues, inadequate expertise, high listing costs, and negative owner sentiments collectively impede the growth trajectory of companies (Palmer, 2015).

Hence, from the perspective of growth-oriented enterprises, funding avenues that complement or serve as alternatives to traditional bank financing, such as equity and risk financing (bond markets, crowdfunding, venture capital), have gained significance (Srivastava, 2016). Equity crowdfunding holds particular importance in supporting the growth endeavours of technology-driven businesses and innovative enterprises overall. This becomes particularly pertinent when a company aims to explore new markets or embark on the development of novel products. According to Palmer's (2015) research findings, the cost associated with crowdfunding (i.e., associated expenses) is not the primary determinant influencing some companies' choice to utilize crowdfunding over conventional funding sources. Instead, Palmer suggests, that the principal reason companies opt out of bank-based financing is to circumvent the cumbersome bureaucracy associated with dealing with banks in the first instance (Palmer, 2015).

The market conditions of the past decade, characterized by relatively low interest rates, have compelled investors to explore alternative investment channels offering higher returns albeit with increased risks. Such avenues, not typically accessible through traditional sources like bank balance sheet financing or conventional capital markets, have become sought after (Lin, 2017). Both loan and investment-based crowdfunding present diverse opportunities for investors seeking varying return-to-risk ratios. From the investor's standpoint, crowdfunding also presents a novel means to diversify investment portfolios and pursue above-average returns with a higher level of risk compared to

conventional investment options. However, the centuries-old banking institution is unlikely to disappear anytime soon. On the contrary, there is substantial evidence indicating that certain leading commercial banks have forged successful partnerships with crowdfunding platforms and other fintech enterprises (Di Pietro, 2020; Srivastava, 2016).

The onset of the Fourth Industrial Revolution is apparent. Leveraging the pervasive internet technology, the Internet of Things emerges as the next pivotal advancement in realizing the connectivity potential of the Internet. Presently, it appears that artificial intelligence, machine learning, and IoT will exert the greatest influence on the financial sector (Khan et al., 2017). Digitalization is reshaping the financial market domain with unprecedented force. The ongoing disruption entails the potential abandonment of numerous existing policies while swiftly adopting new ones. This trend has become more pronounced following the onset of the COVID-19 pandemic, which has compelled governments, institutions, and companies to embrace new digitalized modes of operation (Chambers & Dimson, 2016; Sulaeman, 2021).

1.1.4. Crowdfunding as a response to the changing market conditions

Throughout its evolution, the financial market has encountered substantial economic and operational transformations, albeit with fundamental operational frameworks enduring relatively unaltered compared to sectors like industry and services. However, the advent of digitalization and technological progress has notably influenced human behaviour since the early twenty-first century (Joinson et al., 2012). The digital realm has permeated all facets of human existence, facilitated by modern devices and applications that enable constant connectivity. This integration has presented numerous opportunities for enhancing quality of life and time management but has also blurred the boundaries between work and leisure. Concurrently, social interaction is progressively shifting to the internet and its intricate social media platforms (Chambers & Dimson, 2016; Kallio & Vuola, 2018).

In line with these changes, individuals' demands from financial service providers have naturally evolved (Löher, 2025). This dynamic interaction significantly impacts financial markets, which are intricately linked to broader societal shifts. As consumers' expectations evolve, financial market participants are compelled to continually innovate to meet these escalating demands effectively (Ahsan et al., 2018; Ho et al., 2014; Shuiqing Yang & Wei, 2015). Emerging technologies present a plethora of new business prospects across all sectors. In the foreseeable future, the financial markets are poised to witness

the entry of major technology conglomerates like Amazon, Facebook, Apple, Google, Tencent, or Alibaba, which have already begun integrating expansive payment services into their existing offerings, potentially securing substantial market shares alongside traditional incumbents such as banks (Deloitte center for financial services, 2019).

Technological advancements are poised to augment the prominence of the Internet and other collaborative networks, thereby reshaping our socio-economic landscape. This transformation will inevitably extend to financial markets, ushering in novel service paradigms and financing mechanisms. While this evolution presents challenges for incumbent financial entities, particularly banks, it also heralds significant opportunities for disruptors, investors, and companies seeking capital (Hsu, 2007). Policymakers and regulatory bodies are confronted with complex tasks during these transformative times, recognizing that monumental advancements typically coincide with periods of rapid technological innovation. As these developments unfold, the role of central banks may undergo swift evolution (Campino et al., 2021; Wasiuzzaman & Nurdin, 2019).

For example, the European Central Bank is currently exploring the feasibility of creating a digital currency to serve as an alternative to physical cash (Macchiavello, 2022; Febrianti & Darma, 2023). In support of this initiative, a consortium comprising six central banks – the Bank of England, Bank of Canada, Bank of Japan, European Central Bank, Riksbank, and Swiss National Bank – along with the Bank for International Settlements, has been established. This consortium aims to exchange insights and evaluate the potential use cases for central bank digital currencies within their respective jurisdictions (Hu et al., 2019).

Fintech encompasses technological advancements within the realm of financial services, potentially ushering in novel business models, applications, processes, or products, thereby exerting a significant ancillary influence on financial markets and institutions, particularly in the provision of financial services (Allen et al., 2021; Kotarba, 2016). Throughout the history of financial markets, there have been numerous financial innovations, but their importance has surged with the acceleration of market transformation propelled by technological progress. These emerging technologies are reshaping the financial industry and altering the consumer and business landscape, offering opportunities for fintech-driven solutions that enhance access to finance and promote financial inclusion among digitally interconnected consumers (Wasiuzzaman & Nurdin, 2019).

In contemporary times, crowdfunding has emerged as a means to rapidly finance business expansion. Traditionally, it has been predominantly utilized during the early

stages of development, particularly by startups and small enterprises, securing funds from non-professional investors, often ranging from tens of thousands to a few million euros (Berns et al., 2021). Within financial circles, crowdfunding is typically viewed as a high-risk financing method, occupying a space between mezzanine financing, debt, and equity. However, the landscape appears to be evolving. Institutional interest in crowdfunding has begun to surface, potentially hastening the growth of this financing avenue. This shift is partly propelled by regulatory measures integrating crowdfunding into regulated financial markets, alongside ongoing government efforts to impose stricter regulations on existing financial entities (Ziegler, Shneor, et al., 2020).

1.1.5. Selected aspects of risk associated with crowdfunding

There exists a potential risk that successful platforms, particularly those demonstrating a robust track record in debt crowdfunding, may gradually marginalize non-professional investors. In such a scenario, while the credit rating models of platforms would have been validated by non-professional investors, ultimately, professional investors may dominate the scene (Colombo et al., 2016). Furthermore, the deepening deflationary trends in financial markets appear to be driving an increasing number of institutional investors towards alternative finance avenues to seek returns, which are becoming scarcer in traditional channels. However, recent studies indicate that institutional involvement across all crowdfunding models has, in fact, decreased. This decline encompasses funding from pension funds, mutual funds, asset management firms, and banks (Strohmaier et al., 2019).

Recent studies indicate also a rapid expansion in the size of the crowdfunding market, underscoring the increasing significance of this financing approach (Belenzon et al., 2020). The prevalence of crowdfunding transactions conducted digitally across diverse technological platforms reflects the profound impact of digitalization and innovative business models leveraging advanced technological solutions on financial accessibility. Consequently, these solutions play a pivotal role in directing and distributing society's finite resources to serve a broader spectrum of companies, investors, consumers, thus contributing to the overall welfare of society (Quesada, 2018).

However, crowdfunding is not immune to risks such as immorality, opportunism, and moral hazard, all of which have been observed in the financial sector since its inception (Lewis & Mackenzie, 2000a; Momtaz, 2021). While the systemic risk to the economy

at large may be relatively low, it is essential for all stakeholders in crowdfunding that governmental oversight is maintained at some level. Currently, it is reasonable to assert that there are no crowdfunding platforms that are “too big to fail”. The crowdfunding business model entails the potential for immediate profits at the expense of investors, such as by relaxing the platform’s customer selection criteria. This raises concerns that less-informed investors may assume risks that better-informed investors would avoid. Furthermore, crowdfunding platform operators, often startups themselves facing cash flow challenges, may feel pressured to onboard campaigns and investors with less scrutiny. Hence, there is a case for imposing reasonable minimum capital requirements to mitigate these risks (Goethner et al., 2021).

Ultimately, markets tend to self-correct as investors avoid crowdfunding platforms that inaccurately or negligently price the risks associated with their projects and operations (Coppey, 2016). However, for a nascent and evolving industry, solely relying on market-driven correction mechanisms may not be adequate. A single significant moral hazard incident can greatly undermine the industry’s overall reputation (Momtaz, 2021). This risk is particularly pronounced in the current environment, where competition for market share and customers is intensifying (Ziegler et al., 2020). The primary threat to the long-term success of the crowdfunding industry appears to be from within if it fails to heed these warning signs seriously enough (Chang, 2020).

The evolution of financial markets has been characterized by numerous innovations, ranging from the inception of money as a medium of exchange to the transition away from the gold standard and the rise of online payment systems. Crowdfunding represents another significant development in the ongoing history of financial markets. Over a relatively brief period, crowdfunding has established itself as a notable and accessible funding avenue within the global financial landscape, particularly for startups and small to medium-sized enterprises (Wasiuzzaman & Nurdin, 2019). It can be argued that crowdfunding has democratized the process of entrepreneurship and financing by broadening the participation in startup investment beyond traditional high-net-worth individuals, angel investors, or venture capital firms. This expansion of access has provided new avenues for companies seeking capital and has diversified the operations of established financial markets (Ziegler et al., 2020).

The progression of financial markets and corporate finance is ongoing and extends beyond the realm of crowdfunding. For instance, advancements in blockchain technology have the potential to introduce entirely novel business models capable of challenging

traditional corporate finance and current crowdfunding practices, provided they achieve sufficient scalability. Blockchain, along with other financial technology innovations, stands poised to exert a substantial influence on the future development of financial markets (Haddad & Hornuf, 2019). This intersects with broader concerns regarding cybersecurity and data privacy, issues of global significance that must be effectively addressed to fully leverage the benefits of digitization, not only for the advancement of financial markets but also for the broader societal good. Regulators face a significant challenge in this rapidly evolving financial landscape, requiring an approach focused on adapting and refining existing frameworks rather than discarding them entirely (Block & Sandner, 2009; Walthoff-Born, Vanacker, et al., 2018)

The escalating regulatory burden, primarily borne by established financial entities such as banks, may further disrupt the operations of financial markets and raise concerns among investors and the public, potentially yielding unprecedented impacts on today's financial landscape (Barsan, 2019). Significant shifts in the current financial paradigm could enhance the appeal of crowdfunding to institutional investors in the future. Investigating the relationship between institutional investors and crowdfunding platforms presents a compelling research avenue, with potentially profound implications for industry evolution and the preservation of grassroots ideals (Haddad & Hornuf, 2019). Additional research is warranted to explore the effects and implications of the crowdfunding industry on systemic risk, particularly if the industry continues its robust growth trajectory. It is also intriguing to monitor the agility and speed with which crowdfunding platforms incorporate fintech innovations into their daily operations compared to traditional banks, and the subsequent impact on the future positioning and service offerings of both platforms and banks. In burgeoning markets, there is mounting pressure for the consolidation of crowdfunding platforms and the expansion of their product portfolios, along with the adoption of new and more scalable business models (Campino et al., 2021; Hu et al., 2019).

In the ever-evolving landscape of finance, crowdfunding emerges as a compelling option amidst shifting market dynamics and technological advancements. As traditional funding avenues face challenges, such as increasing regulatory burdens and changing consumer behaviours, crowdfunding offers a novel approach to sourcing capital. Its digital nature harnesses the power of technological innovation to democratize access to funding, allowing entrepreneurs and businesses to reach a broader pool of potential investors (Cumming & Johan, 2013). Moreover, crowdfunding platforms provide a streamlined and

efficient means of connecting investors with promising ventures, facilitating transparent and direct transactions (Brown & Davies, 2020).

Furthermore, in the context of developing market conditions, crowdfunding serves as a vital catalyst for economic growth and innovation. Particularly in emerging economies, where traditional banking systems may be less accessible or adaptable, crowdfunding presents an inclusive solution that empowers entrepreneurs and fosters entrepreneurial ecosystems. By enabling individuals to invest in projects they believe in, crowdfunding promotes economic diversification and stimulates job creation, driving socio-economic development (Zhao et al., 2017). Moreover, technological advancements play a pivotal role in the evolution of crowdfunding. The advent of blockchain technology, artificial intelligence, and big data analytics not only enhances the efficiency and transparency of crowdfunding platforms but also opens up new possibilities for investors and entrepreneurs alike. These innovations enable more accurate risk assessment, personalized investment opportunities, and greater market liquidity, thereby amplifying the potential impact of crowdfunding on financial markets. In light of these considerations, equity crowdfunding emerges as a particularly intriguing subset of crowdfunding, offering investors the opportunity to acquire ownership stakes in early-stage companies (Ordanini et al., 2011; Ziegler, Shneor, et al., 2020).

1.2. Non-investment models: The donation and reward-based crowdfunding

1.2.1. The reward-based crowdfunding model

Building on the foundational understanding of crowdfunding as a diverse and constantly evolving method of raising capital, it is worth paying some attention to its main categories. Crowdfunding can be broadly divided into two main subgroups: investment crowdfunding and non-investment crowdfunding (Shneor et al., 2020). These categories are further differentiated into various models, including reward-based crowdfunding, donation-based crowdfunding, equity crowdfunding and debt-based crowdfunding (crowdlending). Among these, reward-based crowdfunding stands out as one of the most straightforward and widely recognized forms within the non-investment category. This model allows fundraisers to offer non-financial incentives, such as products, services or experiences, in exchange for contributions (Ziegler et al., 2020). It serves as a vital entry point for many entrepreneurs and creators seeking to engage with their audience while

testing market interest in a low-risk environment (Zheng et al., 2016).

Via reward-based crowdfunding, backers have the opportunity to financially support individuals, projects or organizations in exchange for non-monetary incentives, such as goods or services, while acknowledging the potential risk of non-fulfilment of campaign promises (Madrazo-Lemarroy et al., 2019). Beyond serving as a means of fundraising, reward-based crowdfunding can also function as a promotional tool and facilitate co-creation endeavours. Specifically, through mechanisms like pre-ordering, entrepreneurs can bolster early-stage sales upon the introduction of new products to the market. This approach also serves to gauge market interest and mitigate uncertainty regarding product viability. Moreover, involving customers in the product development process enables entrepreneurs to refine their offerings to better align with consumer preferences (Ordanini et al., 2011).

Reward-based crowdfunding stands out as perhaps the most widely recognized crowdfunding model, wherein supporters contribute to projects without anticipating monetary returns. Instead, they seek tangible and intangible rewards in exchange for their contributions (Kuppuswamy & Bayus, 2017). Reward-based crowdfunding campaigns commonly offer rewards falling into three main categories: pre-orders, services, and recognition. Pre-orders involve backers gaining early access to products offered by campaign creators. This mechanism allows contributors to assess the products and provide feedback to creators for potential improvements (Crosetto & Regner, 2018). Recognition, on the other hand, serves as an intangible reward, often extended to entry-level backers who contribute smaller amounts. This may include gestures such as personalized thank-you letters or acknowledgment on the campaign's website. Additionally, creators may offer services instead of physical products, such as private performances, educational experiences, or exclusive usage of services under development (Tomeczak & Brem, 2013).

Reward-based crowdfunding operates as a two-sided market, with distinct supply and demand sides. On the supply side, backers are individuals willing to contribute to crowdfunding campaigns in exchange for material or immaterial rewards. On the demand side, campaign creators seek funding for their projects by designing and launching crowdfunding campaigns (Roma et al., 2021). Typically, this market is facilitated by online intermediaries like Kickstarter. The decision-making process and strategic planning of crowdfunding participants predominantly rely on the content presented within crowdfunding campaigns. Thus, the campaign serves as the nucleus of the

framework. Project creators craft their crowdfunding campaigns in alignment with guidelines provided by crowdfunding platforms and other advisory sources, frequently emphasizing the criticality of information disclosure for achieving crowdfunding success (Schwienbacher & Larralde, 2010).

Initially, project creators must establish the funding objectives for their campaigns, encompassing all associated expenses required to fulfil the projects' goals. Here, "funding targets" refer to the monetary amount they aim to procure through the crowdfunding process. Subsequently, to present their projects to potential backers effectively, project creators are obligated to provide comprehensive descriptions of their projects, offering ample and accurate information through textual narratives, images, or videos. This information encompasses details about the project and its rewards, the creator's background, and the perceived risks associated with the future execution of the project (Thürridl & Kamleitner, 2016). Additionally, rewards play a crucial role in the process. Prior to launching their projects, project creators must devise their own reward structures. Within these structures, creators must explicate the benefits offered to backers at different contribution levels. Typically, a reward structure should encompass multiple tiers with varying prices associated with each tier. These tiers often include diverse offerings such as varying quantities or versions of products, opportunities for collaborative endeavours, experiential rewards, and commemorative items, contingent upon the level of contribution (Kraus et al., 2016).

1.2.2. Stages of a reward-based campaign

As campaigns are formulated and officially initiated online, backers must discern which campaigns merit their contributions and determine the appropriate amount to contribute based on the available information (Wang & Yang, 2019). Simultaneously, crowdfunding platforms furnish the technical infrastructure necessary for information dissemination, payment processing, and engagement with campaigns, aiming to streamline the crowdfunding process. Understanding the roles of creators and backers in crowdfunding projects is paramount for comprehending the dynamics of this fundraising mechanism. Upon delving into the motivations, behaviours, and interactions of both creators and supporters, valuable insights into the success factors and challenges inherent in crowdfunding endeavours can be found (Roma et al., 2017).

The term of fundraisers means individuals or entities possessing a project

necessitating financial backing, serving as the primary purveyors of information regarding said project and assuming accountability for fulfilling the commitments outlined in the campaign upon its culmination (Calic et al., 2021). Prior to commencing campaigns, creators must distinctly articulate their business concept by addressing inquiries such as the nature of the final product/service, the comprehensive scope, the overarching vision and the ultimate objective. Once clarity is attained on these aspects, creators can initiate the formulation of their campaigns. Crafting a crowdfunding campaign necessitates adherence to the specifications outlined by the crowdfunding platform and typically encompasses various multimedia components alongside a textual narrative illuminating fundamental aspects concerning the concept, the individuals involved and the project implementation strategy. Factors including legal considerations, launch timing and campaign duration should be factored in during the campaign design phase (Giudici et al., 2018).

Once the business concept is finalized and the campaign is structured, the crowdfunding stage commences with the official online launch of the campaign. The campaign spans from its initiation until the designated end date of the fundraising period. From the creator's viewpoint, the crowdfunding phase holds paramount importance as it directly influences the outcomes of the crowdfunding endeavours (Kraus et al., 2016). Therefore, creators must allocate time and effort to cultivate and sustain relationships with potential backers and niche communities to enhance awareness of their campaigns. Moreover, to facilitate fundraising activities, creators should engage in additional interactions with backers, undertake promotional efforts on social media platforms, share campaign updates and implement enhancements to the campaign (Mollick & Kuppuswamy, 2014).

The outcome phase commences upon the conclusion of the crowdfunding phase. In platforms employing the "all-or-nothing" model, the entire fundraising sum is transferred to the creator only if the campaign achieves success, meaning the final amount raised equals or surpasses the fundraising goal (Madrazo-Lemarroy et al., 2019). Prior to transferring funds to the creator, the platform deducts a commission fee from the total collected amount. Conversely, in platforms utilizing the "keep-it-all" model, the accumulated contributions are transferred to creators, net of the platform service commission fee, regardless of whether the fundraising targets are met. Irrespective of the fundraising model employed, creators bear the responsibility of executing the projects and fulfilling the pledged rewards within the campaign's stipulated timeframe subsequent

to receiving the raised funds (Pitschner & Pitschner-Finn, 2014).

Backers are individuals or entities that offer monetary contributions to crowdfunding campaigns with the expectation of receiving a specified reward. Prior to engaging in crowdfunding campaigns, supporters should acquaint themselves with the fundamentals of reward-based crowdfunding and ensure comprehension of its mechanisms, as well as its associated advantages and risks (Steigenberger, 2017). Throughout the crowdfunding phase, supporters must deliberate on whether and to what extent they should contribute to a campaign, basing their decisions on their assessment of the provided campaign details and the perceived level of risk associated with the campaign. Moreover, supporters might express interest in participating as co-creators of the campaigns they endorse (Crosetto & Regner, 2018). They could engage with campaign creators by posing inquiries pertinent to the campaign on the crowdfunding platform or by posting comments regarding campaign updates, with the aim of aiding creators in enhancing their products or services. Furthermore, with the integration of social media platforms, supporters can effortlessly disseminate campaign information and propel their preferred campaigns to viral status through their online social networks, as heightened social media exposure correlates positively with campaign success (Wymer & Rundle-Thiele, 2016).

For campaigns conducted on platforms employing the “all-or-nothing” mechanism, backers are eligible to receive their rewards solely upon the successful completion of a campaign, which occurs when the final amount raised matches or surpasses the predetermined fundraising goal. Conversely, in the event of a campaign failure, contributions will be refunded to the backers (Crosetto & Regner, 2018). However, in the case of platforms utilizing the “keep-it-all” approach, backers will obtain their rewards irrespective of the campaign’s outcome. However, it is common for backers to receive rewards not immediately, but within predetermined timeframes necessary for the completion of product development, manufacturing, and shipment processes (Zhao & Ryu, 2020).

1.2.3. The significance of platforms in reward-based crowdfunding

In the landscape of reward-based crowdfunding, platforms serve as pivotal hubs connecting creators with backers, facilitating the exchange of financial contributions for promised rewards (Shneor et al., 2022). Understanding the dynamics and functionalities

of these platforms is essential for both creators and backers participating in campaigns. These platforms not only host campaigns but also provide the infrastructure for information dissemination, payment processing and community engagement (Shahab et al., 2019). Therefore, delving into the intricacies of reward-based crowdfunding platforms is crucial for comprehending the mechanisms underlying campaign success, risk management, and the overall efficacy of the crowdfunding process (Kraus et al., 2016; Steigenberger, 2017).

In their role as information facilitators, platforms are encouraged to conduct educational sessions aimed at familiarizing the general public with crowdfunding. These initiatives are expected to foster the growth of a crowdfunding community, comprising potential backers and creators. Given the inherent risks associated with contributing to crowdfunding campaigns, particularly due to market uncertainty and information asymmetry, platforms should implement comprehensive campaign review processes (Roma et al., 2017). These processes are designed to assess whether campaigns meet the necessary criteria for online launch, including thorough information disclosure and verification of fundraiser identities. By doing so, platforms can mitigate the risk of hosting illicit or unethical campaigns, such as those involving fraudulent or criminal activities, money laundering, or terrorist financing. Additionally, platforms should offer guidance to creators on conceptualizing, developing, and presenting their business ideas effectively, thereby assisting them in crafting compelling crowdfunding campaigns. Furthermore, platforms should transparently communicate all fees associated with the campaign process to creators in advance, facilitating proper budget planning for their campaigns (Frydrych et al., 2014).

Throughout the crowdfunding phase, crowdfunding platforms play a pivotal role in facilitating communication between creators and backers through various channels. One strategy involves integrating instant messaging tools, third-party social network websites, and microblog links onto campaign webpages to foster extensive interaction between creators and backers (Petitjean, 2018). Additionally, platforms can aid in the promotion of campaigns through online marketing efforts. This may involve selectively promoting certain campaigns through features like “staff picks” recommendations or direct promotions to specialized interest groups within their user base. Furthermore, it is crucial for platforms to prioritize legal and ethical compliance during the crowdfunding phase. This includes implementing identity verification measures for backers to uphold ethical standards in contributions (Bi et al., 2017).

In the concluding phase, contingent upon the employed mechanisms (“all-or-nothing” or “keep-it-all”), platforms will transfer the total funds raised to the creators after deducting their service commission fee. Creators bear the responsibility to finalize their projects and fulfil promised rewards. However, given the inherent uncertainties in the post-crowdfunding process, reward-based crowdfunding platforms may caution backers if they detect potential issues with certain projects, such as delivery delays or non-delivery (Chan et al., 2020). Nevertheless, platforms do not assume legal liabilities regarding such matters, as it is the responsibility of backers to comprehend the risks and their legal consumer rights before engaging in crowdfunding activities. Nonetheless, a platform’s sustained viability hinges on users’ positive experiences, and its commitment to ensuring creators fulfil their promises is tied to its own long-term success. In such instances, platforms may follow up with creators to ensure compliance with their obligations. Additionally, potential refunds or alternative solutions to complete projects may be offered to backers. Finally, platforms should maintain relationships with new users drawn in by the campaign and continue to inform them about future campaigns of potential interest, provided they opt to receive such information (Crosetto & Regner, 2018; Shahab et al., 2019).

1.2.4. The donation crowdfunding model

While reward-based crowdfunding often appeals to backers seeking specific benefits or products in return for their contributions, donation crowdfunding shares a closer resemblance to philanthropy, where backers donate funds altruistically without expecting material compensation. That means a shift in focus from transactional exchanges to charitable giving, underscoring the altruistic motives behind supporting causes and projects that align with backers’ values and beliefs (Tanaka & Volda, 2016).

Reward-based crowdfunding primarily incentivizes contributions through tangible rewards or experiences, donation-based crowdfunding operates on a similar philosophical foundation – both models thrive on the collective goodwill and support of backers (Roma et al., 2017). However, in donation crowdfunding, contributors do not seek any material return but are instead driven by altruism, philanthropy, or a desire to support social causes. This form of crowdfunding shares the same communal spirit as reward-based models, where individuals rally around a project, but with the emphasis shifting from receiving rewards to making a direct impact (Giudici et al., 2018).

In the realm of corporate philanthropy, Yoon et al. (2006) observe that charitable giving serves as a strategy for attaining social standing, managing public perceptions, and acquiring other forms of external recognition. Such donations are perceived as a means to garner profit and social prestige, potentially surpassing other forms of investment. However, Ellen et al. (2006) argue that linking donations directly to sales can be interpreted as a self-serving tactic, diminishing the intrinsic value attributed to such acts by stakeholders. Moreover, it may erode the perceived societal support if stakeholders view it as less genuine. Contributions in the form of tangible actions, such as product donations or employee volunteerism, rather than monetary gifts, may lead to reduced intrinsic attribution and subsequently diminished stakeholder value. Consequently, individuals and entities engaging in donation-based crowdfunding typically do not anticipate financial returns on their contributions. Nevertheless, donors may receive online acknowledgments for modest donations or public recognition and personalized gifts for larger contributions (Thürridl & Kamleitner, 2016). This practice mirrors the traditional nonprofit sector, where donors receive various forms of acknowledgment based on their donation amounts. Previous studies on philanthropic motivations and small-scale donors demonstrate a willingness to support social causes through charitable contributions. The essence of crowdfunding transcends conventional charity campaigns, facilitating a direct connection between donors and project creators (Rijanto, 2018).

The practice of garnering small monetary contributions from a broad audience for charitable purposes is not novel within the realm of philanthropy. However, charitable crowdfunding introduces a distinctive framework that sets it apart from traditional forms of charity in several respects. Firstly, while traditional charity often aims at large-scale fundraising, charitable crowdfunding is geared towards specific and typically limited-scale charitable endeavours (Yang, 2013). Secondly, in charitable crowdfunding, numerous individuals make relatively modest donations over a fixed period, typically spanning a few weeks (Kuppuswamy & Bayus, 2017). Thirdly, charitable crowdfunding platforms offer real-time updates on communication among participants and the progress of individual projects, enabling potential donors to gauge the level of support from others and the remaining time to contribute (Choy & Schlagwein, 2015). Fourthly, many contributions in charitable crowdfunding come from individuals with minimal or no pre-existing social connections to the recipients of the funds (Belleflamme et al., 2014). Lastly, the advent of advanced information technologies, such as crowdfunding platforms and mobile payment systems, has substantially reduced the coordination and transaction

costs associated with charitable crowdfunding (Moissejev, 2013). Charitable crowdfunding has standardized the fundraising process by incorporating information, transaction, and communication tools, thereby challenging traditional explanations of donation behaviour in conventional charity practices (Agrawal et al., 2015; Choy & Schlagwein, 2015; Kuppuswamy & Bayus, 2017).

1.2.5. Advantages of donation crowdfunding in the world of philanthropy

In contrast to traditional methods of fundraising for charitable purposes, donation-based crowdfunding offers a means for potential donors to extend assistance to individuals in need irrespective of physical distances. Moreover, from the perspective of fundraisers, donation crowdfunding enables broader geographical outreach decreased transactional and coordination expenses, and fosters more frequent and engaging interactions with potential donors (Choy & Schlagwein, 2015; Tanaka & Volda, 2016). As a result, donation crowdfunding has found application in diverse contexts beyond conventional charity initiatives. It has been utilized to support endeavours such as independent journalism, independent documentary film productions, preservation of cultural heritage projects, educational initiatives, and scientific research endeavours (Gleasure & Feller, 2016; Jian & Shin, 2015; Oomen & Aroyo, 2011; Sørensen, 2012).

In comparison to traditional forms of charitable giving, crowdfunding utilizes information technology to markedly reduce the coordination and transaction costs associated with collecting donations. Furthermore, donation-based crowdfunding typically gathers small contributions from a large number of individuals, as opposed to soliciting large sums from a select group of affluent donors. Leveraging social network sites, initiators of donation-based crowdfunding campaigns can effortlessly disseminate their appeals to a broader pool of potential donors and foster social connections with these audiences (Choy & Schlagwein, 2016; Zhao & Ryu, 2020).

Internet-based crowdfunding platforms and social networking sites facilitate more extensive real-time interaction between donors and project initiators during and after the fundraising process (Kuppuswamy & Bayus, 2017). Leveraging targeted promotional campaigns through social network sites enables the dissemination of information to the public in novel and efficient ways (Kim et al., 2015), thereby enhancing the likelihood of fundraising success.

Other advantages include enhanced process efficiency. Firstly, donation

crowdfunding offers the possibility of reaching a broader geographical audience, allowing contributions from non-local donors without prior connections to the fundraisers, which would have been considerably more costly through other means (Agrawal et al., 2015). Secondly, the utilization of advanced information and communication technology tools can significantly reduce coordination and transaction costs associated with fundraising efforts. Thirdly, donation crowdfunding platforms also provide opportunities to engage more proactive donors actively seeking avenues to support causes on crowdfunding platforms rather than passively waiting for opportunities. This facilitates a lower threshold for their involvement and activism, requiring supporters to simply share the campaign with their networks, often through a single-button click (Choy & Schlagwein, 2016; Gleasure & Feller, 2016).

1.2.6. Altruism as a fundamental personality trait

Altruism, commonly invoked to explicate individuals' philanthropic conduct, refers to the inclination to aid others even at a personal cost. It entails a desire to enhance the welfare of others, in contrast to egoism, which prioritizes one's own welfare. Khalil (2004) describes two dimensions of altruism: interactional and self-actional. The interactional dimension posits that altruistic actions can be rationalized, often arising from delayed external rewards such as reciprocity, vicarious enjoyment, and evolutionary consequences. Conversely, the self-actional dimension of altruism is normatively grounded, driven by intrinsic attributes of altruistic behaviour like norms, cognitive structures, and cultural influences (Cox, 2004; Haidt, 2007; Kahneman & Miller, 1986).

In exploring altruism within the domain of donation crowdfunding, much of the literature appears to emphasize the self-actional dimension of altruistic behaviour. Andreoni (1990) categorizes the self-actional dimension into pure altruism, warm glow, and impure altruism. Pure altruism refers to situations where individuals donate to alleviate the plight of recipients, with their behaviour not motivated by external rewards such as hedonic benefits or warm-glow effects. Donors exhibiting pure altruism are outcome-oriented, primarily concerned with the merit of the cause they are supporting (Andreoni, 1990; Carpenter et al., 2008).

The warm-glow effect describes the phenomenon where individuals derive pleasure and satisfaction from aiding others. These feelings of mental gratification contribute to enhancing individuals' self-esteem, explaining why individuals with a

warm-glow mindset continue to engage in altruistic behaviours even when they could potentially “free-ride” and rely on others for assistance (Hoffman et al., 1999). Warm glow is rooted in empathy, with donors forming psychosocial connections with recipients through. This process involves empathy amplifying positive emotions from helping others or feelings of guilt when declining to offer assistance. Donors may experience compassion towards specific causes, as depicted in donation crowdfunding campaigns, thereby stimulating donation behaviours that enhance their sense of fulfilment and happiness in supporting these causes (Andreoni, 1990; Gerber & Hui, 2013).

While outcome-based pure altruism and empathy-driven warm glow have offered valuable insights into understanding individual charitable behaviour, some argue that altruistic giving is consistently motivated by impure altruism. Impure altruism denotes a scenario where a combination of both pure altruism and warm glow influences individuals’ behaviour (Crumpler & Grossman, 2008). When examining the limited literature on donor motivation and behaviour, particularly in the context of donation-based crowdfunding, it seems that authors frequently explain donor behaviour through the lens of impure altruism (Burtch et al., 2013; Choy & Schlagwein, 2016; Gerber & Hui, 2013).

Motivation serves as a driving force that directs and energizes human behaviour. It is considered the driving factor behind fulfilling physiological needs and measures the extent to which an individual is inclined to engage in a specific action. Theories categorize motivations into intrinsic or extrinsic, as well as individually or socially driven (Alam & Campbell, 2012; Deci et al., 1991; Vallerand, 1997).

One of the prominent theories concerning motivation is self-determination theory (SDT), which delves into an individual’s self-motivated or self-determined behaviour (Ryan & Deci, 2000a). This theory provides a comprehensive framework for distinguishing between intrinsic and extrinsic motivations, recognizing their interplay in influencing behavioural intentions. Intrinsic motivation arises from an individual’s inherent enjoyment of an activity, while extrinsic motivation is driven by external outcomes resulting from that activity. Due to its widespread acceptance, this classification has been utilized in vast literature on crowdfunding (Chen et al., 2014; Gerber & Hui, 2013; Wang et al., 2016).

Some research suggests that charitable giving may be motivated by extrinsic factors such as personal heroism satisfaction and the desire for personal redemption. However, evidence in the context of donation-based crowdfunding predominantly

indicates the prevalence of intrinsic motivations (Bretschneider et al., 2014; Gerber & Hui, 2013; Gleasure & Feller, 2016; Piliavin & Charng, 1990; Schwartz, 1973).

Particularly, individuals have been observed to engage in donation-based crowdfunding with the aim of aiding others, endorsing causes, or fostering a sense of community. These inclinations may arise from feelings of empathy, sympathy, nostalgia, reciprocity, or commemoration, which can amplify positive sentiments associated with contributing (Gerber & Hui, 2013; Sargeant, 2015). These positive emotions may serve as intangible incentives, providing a sense of satisfaction, competence, and autonomy. Such intrinsic motivators may illuminate donor actions that are devoid of material rewards. Additionally, a prior investigation by Zhao revealed that offering extrinsic incentives in philanthropic campaigns may reduce donors' intrinsic drive to contribute in the context of donation-based crowdfunding (Andreoni, 1990; Sargeant et al., 2004; Zhao & Shneor, 2020; Zhao & Vinig, 2017).

An alternative perspective on distinguishing between intrinsic and extrinsic motivations, as proposed by SDT (Ryan and Deci, 2000), underscores the social dimension of motivation beyond its individual aspect. Thus, categorizing motivations as either individually driven or socially driven can offer valuable insights into studies of contribution behaviour in the broader sharing economy including donation-based crowdfunding. Individual motivation arises from the internal desires of individuals regardless of social group affiliation. Conversely, social motivation originates from the presence of a social group, influencing individual actions. Moreover, by integrating the intrinsic vs. extrinsic dimensions with the individual vs. social dimensions of motivation, four sub-categories emerge: individual-extrinsic motivation, individual-intrinsic motivation, social-extrinsic motivation, and social-intrinsic motivation. At the individual level, extrinsic motivation pertains to achieving specific outcomes through actions, while intrinsic motivation relates to personal fulfilment derived from actions. At the social level, social-extrinsic motivation involves signalling compliance with group expectations through actions, while social-intrinsic motivation involves fostering a sense of belonging within a community of like-minded individuals (Alam & Campbell, 2012; Choy & Schlagwein, 2016; Kaufmann et al., 2011; Ryan & Deci, 2000a).

In the context of donation-based crowdfunding, donors' motivations, such as aiding others and backing causes, typically stem from individual drivers. For instance, individuals may contribute to donation-based campaigns due to their strong emotional connection to the causes. Additionally, some donors are influenced by social motives

They donate to foster a sense of social belonging and gain recognition from their peers. In this regard, donors contribute because they seek involvement in the charitable crowdfunding community and derive satisfaction from interacting and collaborating within the community (Alam & Campbell, 2012; Choy & Schlagwein, 2016; Gerber & Hui, 2013; Kaufmann et al., 2011). Although altruism is most strongly associated with donation-based crowdfunding, and is therefore especially important in this model, the specific nature of crowdfunding means that certain altruistic elements may also appear in investment-based or reward-based crowdfunding motivations.

While donation crowdfunding constitutes a minor fraction of the overall global crowdfunding volumes, it stands out as a distinctive model for bolstering various prosocial and charitable endeavours. This platform enables fundraisers to harness the advantages provided by information and communication technology solutions, facilitating more efficient and effective fundraising endeavours compared to conventional methods and channels (Kaufmann et al., 2011).

In the context of donation crowdfunding, fundraisers must focus on establishing ideological alignment with potential donors, utilizing emotional appeals to evoke empathy in their communications, and actively engaging with specific groups through social media platforms. Additionally, given that donors do not receive tangible rewards for their contributions, fundraisers should maintain consistent and transparent communication with donors regarding project updates, implementation, and outcomes throughout and beyond the campaign period. This serves to foster donor satisfaction over time and strategically cultivate enduring relationships with supporters, who may become future donors (Andreoni et al., 2017).

1.3. Lending crowdfunding as a modern example of alternative financing method

1.3.1. The foundations of peer-to-peer lending

Moving from non-investment crowdfunding to investment crowdfunding, a shared philosophy of philanthropy, underpinning both variants, can be observed. In donation crowdfunding model, contributors give out of a sense of altruism, seeking to support causes or individuals without expecting financial returns (Adamska & Mrzygłód, 2026). Similarly, in peer-to-peer lending, while financial returns are involved, the underlying motivation often remains philanthropic – offering financial assistance to those who are

unable to secure funding through traditional channels. Both approaches are driven by the desire to help those in need, by offering more accessible, people-driven loans.

The essence of crowdfunding has mostly made its way into mainstream consciousness over the period of the introduction of lending-based crowdfunding in the mid-2000s, marked by the emergence of two prominent platforms on both sides of the Atlantic. Zopa was founded in the UK in 2005, followed shortly by Prosper in the United States in 2006 (Ziegler & Shneor, 2020). These platforms innovated by facilitating connections between private lenders and borrowers through dedicated online portals, circumventing traditional financial institutions while generating revenue through transaction fees (Laia, 2025; Basha et al., 2021). This novel approach became known as Peer-to-Peer (P2P) lending. Since its inception, P2P lending has offered attractive returns for investors and reduced borrowing costs for borrowers (Tipaldi et al., 2026). This model enabled borrowers to secure loans without involving financial institutions and potentially obtain more favourable terms compared to traditional lenders. For lenders, this new model introduced fresh investment opportunities and portfolio diversification, where risk was assessed alongside loan credit ratings, resulting in potentially higher returns compared to other investment options (Laia, 2025; Basha et al., 2021; Hollas, 2013).

Peer-to-peer lending is a financial model wherein a cohort of individual or institutional investors extends a loan, which can be secured or unsecured, to either a consumer or a business borrower. In its conventional manifestation, the P2P lending platform functions as an intermediary marketplace, facilitating the connection between the borrower and investor(s), thereby shifting the financial risk of loan default from the platform to the investor. The nomenclature for this model may vary depending on the legal framework, being termed as Loan-based crowdfunding, Marketplace Lending, or Collaborative Financing in different jurisdictions (Shahab et al., 2019; Teo & Liu, 2007).

The phenomenon gained momentum following the global financial crisis due to the tightening of traditional financing options. This trend was part of the broader development within the financial technology sector, where technological advancements facilitated the emergence of novel practices and business models that disrupted conventional financial services (Bruton et al., 2015). This shift occurred against a backdrop of diminished trust in traditional institutions following the financial crisis. Additionally, alternative finance models held promise in providing access to capital for individuals and businesses previously marginalized by traditional lending practices. In the realm of crowdlending, both borrowers and investors benefit from enhanced

accessibility, with many platforms offering low entry barriers, such as minimum investments as low as \$1 and loan amounts spanning from small to large sums, ranging from a few dollars to millions. Consequently, crowdlending presents an opportunity to diversify funding sources for economies that have historically relied heavily on bank lending for economic growth (Haddad & Hornuf, 2019; Serrano-Cinca et al., 2015).

However, it is argued that FinTech solutions might both supplement existing funding channels (Farè et al., 2026) and address market demands from which traditional institutions have retreated. Recent empirical data indeed indicate that traditional financial entities actively engage in crowdlending and constitute a substantial portion of related activities (Haddad & Hornuf, 2019; Hollas, 2013; Ziegler, Shneor, et al., 2020).

As the inaugural P2P lending platform, ZOPA commenced operations in 2005, facilitating personal loans to British consumers funded by retail investors. Here, individual investors were paired with borrowers based on their own lending criteria and preferences, circumventing traditional lending procedures. Shortly thereafter, the US-based platforms Prosper and Lending Club were introduced, both targeting the consumer lending market and student loan refinancing (Macchiavello & Sciarrone Alibrandi, 2021). It is noteworthy to highlight critical contextual disparities in P2P lending practices in the United States. Firstly, the industry in the US commonly refers to itself as “marketplace lending” rather than “peer-to-peer”, primarily to denote the broader array of stakeholders using their services. Additionally, the US market heavily relies on selling full or partial loans to institutional or professional investors, rather than solely focusing on connecting retail individuals with borrowers. In this regard, these firms operate more akin to syndicates, establishing mechanisms for matching loan notes with interested investors (Milne & Parboteeah, 2016).

1.3.2. Global expansion and diverging models

As the marketplace rapidly expanded within the United States, concerns regarding the optimal regulatory framework also surfaced. By 2008, the Securities and Exchange Commission of the United States initiated the requirement for P2P lending firms (marketplace lenders) to register the loans facilitated on their platform as securities. Specifically, investors would acquire non-recourse notes representing fractional interests in specific underlying consumer loans. (Leboeuf & Schwienbacher, 2018).

By 2010, various examples of Peer-to-Peer lending FinTech companies began to

emerge worldwide, with some of the earliest instances focusing on lending to small and medium-sized enterprises or business borrowers. Funding Circle, established in 2010, stands out as one of the pioneering FinTech companies to implement the P2P lending model specifically for business loans. While consumer lending remains the predominant form of P2P lending, the scope of this asset class has significantly broadened over time, with companies now offering loans for businesses, real estate, mortgages, and a range of other debt facilities. In 2011, the UK's "Peer-to-Peer Finance Association" emerged as the first trade body specifically focused on P2P Lending (De Roure et al., 2016; Lee & Lee, 2012). Although this association has since ceased its operations, its establishment was pivotal in the development of the UK's P2P lending landscape. The association introduced a code of conduct, effectively establishing guidelines for self-regulation before formal regulation of the industry was implemented. In 2013, the UK's Financial Conduct Authority initiated its first consultation on Crowdfunding, encompassing digital lending activities referred to as "loan-based crowdfunding". Since 2014, the P2P lending market in the UK has fallen under the regulatory oversight of the FCA. By 2016, examples of proposed or existing regulations for P2P/Marketplace activities had become evident globally (Larrimore et al., 2011; Leboeuf & Schwienbacher, 2018). By the conclusion of the decade, crowdlending has evolved into a widespread and prevalent practice, with platforms operating in nearly all countries globally.

While the concept of individuals lending money directly is not novel, what distinguishes crowdlending as a new phenomenon is the execution of such transactions via the Internet through online platforms. Said platforms, known as non-deposit taking entities, facilitate online credit, offering either secured or unsecured loans to individuals or businesses. The capital is provided by either individual investors or institutional investors. Emerging as a response to gaps in the traditional credit market primarily dominated by banks, these platforms and their associated models exist outside the conventional debt ecosystem (Yang, 2013). Crowdlending, also termed as "FinTech Credit", encompasses all credit activities facilitated by platforms that connect borrowers with lenders (investors). This includes activities such as the explained P2P lending, and also "loan-based crowdfunding" or "marketplace lending" and may also encompass platforms that utilize their own balance sheet to facilitate transactions between borrowers and lenders, who don't know each other (Chen et al., 2017; Lin et al., 2017).

1.3.3. Evolution of crowdlending platforms: Technology and innovation

In the initial stages of P2P lending, investors would evaluate individual loan applications and decide whether to lend their funds based on their own assessments. In this scenario, the P2P lending firm acted solely as an intermediary, facilitating loans once matched by lenders themselves (Chen et al., 2018). However, as the model has evolved, it has become more common for lending platforms to automatically match individual lenders with pre-defined loan criteria. Nevertheless, the platform typically handles tasks such as communicating appropriate credit grades, establishing fixed interest rates (departing from the auction models prevalent during the early days of P2P lending), and managing the loan servicing process post-origination (Chen et al., 2017; Lin et al., 2017; Shahab et al., 2019). Balance Sheet Lending, however, pertains to a framework wherein a digital lending platform retains consumer or business loans, either in whole or in part, utilizing funds directly from the platform operator's balance sheet. Consequently, these platforms serve as more than mere intermediaries, as they both originate and actively finance loans, thereby assuming the risk of financial loss if the loan defaults lies with the platform operator. In this capacity, the platform operator resembles a non-bank credit intermediary (Basha et al., 2021; Lin et al., 2017).

While the aforementioned models constitute the majority of crowdlending volumes and are widely practiced, there has been an emergence of additional models such as Invoice Trading, Debt-based Securities, and Mini Bonds (Aktekin et al., 2018; Bradley, 2013). Invoice Trading, among the fastest-growing models, involves an online marketplace where businesses can sell either partial or entire receivables (invoices) at a discounted rate. Individual lenders or institutional investors may act as the counterparties in these transactions, thereby providing a new investment avenue to a broader spectrum of investors. This model holds particular significance for small and medium-sized enterprises seeking short-term debt financing by leveraging their outstanding invoices through individual or institutional investors (De Roure et al., 2016).

Lastly, debt-based securities encompass models wherein individuals or institutional investors acquire securities, typically bonds or debentures, offering a fixed interest rate. Mini bonds, on the other hand, involve individuals or institutions purchasing securities from companies in the form of an unsecured bond, designated as “mini” due to their smaller issue size compared to institutional capital market bonds (Aktekin et al., 2018). Mini Bonds may not always be transferable, either due to insufficient issue size

for secondary market liquidity or prospectus exemptions mandating investors to retain the bond until maturity. Despite this, other terms may closely resemble those of traditional corporate bonds, including provisions for early redemption if the issuer's prospects improve (Feng et al., 2015).

As financial technology credit markets evolve and the number of participants grows, expanded services and features become available. One example of such expansions can be seen in the rise of aggregator platforms, which are tools that gather data from various platforms to enable borrowers to discover appropriate loan products from multiple crowdlending platforms in a centralized hub. Aggregators provide lenders with the chance to compare loan products efficiently across platforms and gain insight into their various financing alternatives. Additionally, aggregators may serve as intermediaries and potentially earn commissions on referred transactions (Galak et al., 2011; Kuwabara et al., 2017).

Another type of expansion is linked to the establishment of secondary markets. In response to the generally illiquid nature of loan portions or tranches held by investors, some platforms (or third parties) have introduced secondary markets. In crowdlending, a secondary market functions as a platform that permits lenders to trade their loan portions before the loan matures (Berns et al., 2020). In this scenario, the buyer could be another lender or even the platform itself. Loans may be traded at a discount or premium, or they may be traded at par value, assuming the loan is amortizing or repaid according to the loan schedule. In cases where secondary markets are highly automated and the platform has discretion to execute trades on behalf of investors, it is typical for a standardized valuation algorithm to assign values to each loan in real-time, allowing the platform to ensure equitable exchanges. However, secondary markets for P2P loans are a relatively recent development, not all platforms provide secondary markets, and many secondary markets experience low liquidity (Gilbert, 2011; Leboeuf & Schwienbacher, 2018).

1.3.4. Challenges and risk management in crowdlending space

A fundamental challenge inherent in crowdlending is that of information asymmetry, particularly concerning the management of potential risks associated with assessing prospective borrowers. Basha et al. (2021) identify several critical factors that P2P lending firms must consider to address principal-agent problems, highlighting the financial attributes of the borrower as the primary indicator of creditworthiness.

Individuals participating as lenders through a P2P lending platform may not possess the necessary tools or expertise to thoroughly evaluate risk. Consequently, the platform typically conducts an assessment of potential borrowers, assigning them to appropriate risk categories before extending credit. Although individual investors still have to assess and determine their risk tolerance levels, the platform often determines the risks associated with specific borrowers (Basha et al., 2021; Leboeuf & Schwienbacher, 2018).

Although the specific methodologies employed by platforms for assessing loan risk internally are often undisclosed due to proprietary reasons and limited disclosure, they typically evaluate borrowers based on a set of predefined indicators (Schwienbacher & Larralde, 2010). These indicators commonly include the borrower's credit history (utilizing conventional credit scoring methods), available capital or collateral, debt-to-income ratio as a measure of repayment capacity, and adherence to specified conditions. In certain instances, platforms may utilize alternative underwriting processes integrating algorithmic-based credit scoring and unconventional data in addition to traditional methods to ascertain the risk level associated with the loan (Lin et al., 2017).

When evaluating an SME borrower for creditworthiness, the criteria for credit assessment are typically more stringent compared to individual borrowing scenarios (Wasiuzzaman & Nurdin, 2019). In such instances, a platform commonly imposes restrictions on lending to companies with less than three years of credit history and necessitates recent filed company accounts along with information on company management. Additionally, the platform may impose limitations on lending to companies based on a specified level of annual turnover (e.g., requiring a minimum annual turnover of over USD \$50,000; Gredel et al., 2012). Moreover, when underwriting a property loan, the platform ideally conducts an assessment of the underlying asset, including its location and sector, and obtains independent valuations on the property (Berns et al., 2020). It also ensures that appropriate permissions have been obtained for any planned development associated with the property and evaluates the proposed exit strategy (such as sale or refinance) for the property (Richards et al., 2008; Wasiuzzaman & Nurdin, 2019).

Crowdlending platforms often employ diverse and advanced credit assessment methodologies compared to traditional financial institutions. FinTech credit platforms have access to various types of borrower data, which may not typically be obtained and analysed by banks (Gubitta et al., 2016; Löher, 2017). Nevertheless, some conventional credit providers are beginning to integrate alternative credit analytics into their credit approval processes. These alternative data sources include location-based data, social

networking information, device data, online purchasing habits, and other online activities, as well as more generalized data on educational background and achievements, along with labour market profiles and performance. Lenders input available data into their algorithms to determine creditworthiness (Berns et al., 2020). Since algorithms are generally proprietary, it is challenging to discern which data points are utilized and how they are weighted in establishing a credit rating. However, there is generally more evidence of previously excluded borrowers being approved based on alternative data than of previously approved borrowers being declined. In this context, machine learning techniques can also be applied to analyse data collected during the credit assessment phase and to gather information on borrowers with limited credit history (Ge et al., 2017; Gilbert, 2011). Although instantaneous, automated credit approval is not yet universally available on most platforms, some can deliver loan approval and disbursement within a matter of hours. Efforts are underway by others to shorten approval times to just a few minutes. The integration of alternative credit analytics diminishes the necessity for manual case-by-case approval, thereby enhancing the efficiency of the loan approval procedure (Leboeuf & Schwienbacher, 2018; Lin et al., 2017).

Given that crowdlending predominantly operates online, it diminishes the operational expenses of credit intermediaries by eliminating the necessity for physical branches, enabling substantial or complete automation of loan application, credit risk assessment, and pricing procedures (De Roure et al., 2016). Moreover, these platforms are not dependent on legacy infrastructure like banks, which means pricing is not influenced by the typical considerations affecting traditional bank lenders. Additionally, these platforms may fall outside certain licensing or regulatory regimes, thereby reducing regulatory or compliance costs. Lending Club, a P2P lending platform for consumers and businesses in the United States, had an operating expense-to-total cost ratio of less than 2%, compared to 6% for the largest traditional lenders (Nyberg, 2019). Consequently, FinTech lending platforms may provide borrowers with lower interest rates and/or offer investors higher returns. Nevertheless, research findings vary, with some studies indicating minimal differences in borrower interest rates and investor returns given similar risk profiles. Comparing the two rates can sometimes be challenging due to a lack of equivalent loans (Ziegler et al., 2020).

Both individual or retail lenders/investors are non-professional individuals who generally fall into one of three categories: (1) Certified high-net-worth or sophisticated investors; (2) Ordinary investors who receive regulated advice (e.g., from a financial

advisor); (3) Ordinary investors who self-certify and invest within a regulated prescribed cap (a cap on the amount invested by an individual at a defined percentage of wealth or income, or a cap on the amount that can be invested in a single loan product) (Perrone, 2018).

1.3.5. Regulatory frameworks of crowdlending

Depending on the jurisdiction, individual lenders may also be categorized as accredited or unaccredited. In many countries, there are restrictions that limit participation in digital lending to accredited individuals. Accreditation allows individuals to purchase securities that are not registered with financial authorities or are publicly available. For crowdlending models to achieve success, the platform must efficiently pair suitable borrowers with lenders (Zhang et al., 2017). This can be accomplished through manual or automated methods, depending on investor preferences. Retail investors may opt to manually choose the loans they invest in, while institutional investors may set auto-investment criteria with the platform to streamline the process and reduce transaction time and costs. Platforms are motivated to automate loan selection to simplify the process and minimize transaction costs. Investors have various avenues for participating in digital lending platforms (Jian & Shin, 2015). In earlier P2P lending models, individuals could manually select specific loans or bid for loan parts in auctions. However, self-select and auction options are becoming less common, with automated loan selection gaining popularity. In this approach, lenders establish investment criteria, which the platform uses to automatically invest the lender's funds in loans that meet those criteria (Zhang et al., 2017; Ziegler, Suresh, et al., 2020).

The prevalent method of automation is referred to as “Automated Lender Diversification”, where lenders assume a passive role, matched with available loan parts or tranches aligning with their predetermined preferences regarding duration, risk tolerance, amount, interest rate, and so forth (Basha et al., 2021). The platform then spreads exposure to new loans across the loan portfolio that meet the investor's preset criteria. Another increasingly popular approach, particularly in the United States and the United Kingdom, is the “Managed Portfolio Approach”. Under this framework, lenders choose from a selection of two or three “managed” lending options, relinquishing control over selecting specific durations or interest rates (Kang et al., 2016). Instead, they become part of a portfolio offering a spectrum of acceptable returns, with the platform

diversifying lender funds across loans that fit the chosen “managed option”. To maintain consistency, the platform continually adjusts loans within the portfolio, ensuring it maintains the promised attributes. However, such automated allocation mechanisms may draw increased regulatory scrutiny, as they could be interpreted as providing investment advice, portfolio management, collective investment, or operating as multilateral trading facilities. Consequently, platforms offering this service may face restrictions or heightened licensing requirements (Larrimore et al., 2011).

The success of crowdlending is linked to the completion of loans, indicating that the desired loan amounts were successfully secured from potential investors. A recent review of literature by Shneor and Vik (2020) has identified nine consistent factors associated with the successful fulfilment of loans across various studies. Firstly, concerning borrowers, several risk indicators have been correlated with success. Previous research has demonstrated a positive correlation between credit scores and success, a negative correlation between debt-to-income ratio and success, and a positive correlation between previous successful loan acquisitions and success in subsequent loan acquisitions (Chen et al., 2017; Kuwabara et al., 2017). Furthermore, studies suggest that female borrowers exhibit higher success rates than males with this trend sometimes attributed to the tendency of females to request relatively smaller loan amounts (Barasinska & Schäfer, 2014; Larrimore et al., 2011; Pope & Sydnor, 2011; Shneor & Vik, 2020).

Certain loan terms were linked to greater success. As expected, research indicates that successful loans were characterized by lower amounts, shorter durations, and higher interest rates (Lee & Lee, 2012; Yum et al., 2012). Moreover, success was positively correlated with longer campaign durations and increased levels of engagement between borrowers and the crowd through comments and Q&A sessions on the platform (Galak et al., 2011; Kuwabara et al., 2017; Larrimore et al., 2011).

Crowdlending has emerged as the predominant model of crowdfunding across all regions, both in terms of its reach and magnitude. It is perceived as both a challenge and a complement to traditional credit institutions, offering opportunities for investment and lending to broader segments of society (Feng et al., 2015). For investors, it presents novel avenues for investment, often yielding superior returns compared to alternative investment options, while also enabling the inclusion of new small-scale investors who previously lacked access to such opportunities. For borrowers, it provides alternative channels to obtain credit, frequently under more favourable terms, and facilitates access

for groups that have historically been marginalized or underserved by traditional lenders (Kraus et al., 2016; Kuwabara et al., 2017).

Prospective borrowers, whether individuals or entities, should carefully evaluate the offerings provided by crowdlending platforms and compare them with other credit avenues before making a decision (Lin et al., 2017). Upon opting for such services, enhancing the likelihood of loan approval entails furnishing accurate and credible information that mitigates the associated risks of their loan applications (Ziegler & Shneur, 2020). Additionally, research indicates that seeking shorter-term loans and actively engaging with potential lenders through social and platform communication channels can be beneficial (Zheng et al., 2014).

Regarding lenders, potential investors ought to familiarize themselves with the offerings provided by different crowdlending platforms, the array of investment products accessible, and the associated risks. Although studies indicate that platform risk evaluations and ratings serve as reliable predictors of loan defaults, investors should also assess various risk indicators to enhance their decision-making process (Hwang et al., 2026; Pavlou, 2002). Moreover, in jurisdictions where automated loan assignment is permissible by regulations, investors should contemplate utilizing such mechanisms for portfolio diversification and risk mitigation across loans aligning with their preferences (Lin et al., 2017).

The literature also suggests, that the platforms should actively pursue ongoing education regarding advancements in service within the industry, particularly emphasizing process automation, streamlining, and the integration of advanced machine learning techniques in risk assessment and default prediction (Ge et al., 2017; Serrano-Cinca et al., 2015). Such efforts would optimize crowdlending FinTech platforms to fully leverage the cost efficiencies inherent in their operational model. Additionally, while there may be a temptation to onboard numerous loans, platforms must exercise caution regarding risky loans that could damage their reputation among potential investors and potentially lead to regulatory scrutiny, thereby impeding industry growth beyond necessary risk management measures (Campino et al., 2021; Kotarba, 2016).

1.4. Role of equity crowdfunding within the entrepreneurial finance landscape

1.4.1. Basic concepts of equity crowdfunding

Equity crowdfunding is another, more sophisticated form of the direct lending model, where instead of simply offering loans, investors are given the opportunity to acquire ownership stakes in the companies they support. Since equity crowdfunding is the main research area of this academic work, this model receives more attention in subsequent chapters as well as in the empirical study (Matoka et al., 2026).

Both direct lending and equity crowdfunding represent alternative financing options, diverging from conventional bank loans or venture capital (Alam & Buttice, 2026). While direct lending focuses on providing debt-based capital, equity crowdfunding allows individuals to invest in a company's long-term success by purchasing shares. These models share the common goal of democratizing access to finance, enabling both entrepreneurs and investors to bypass traditional financial intermediaries and engage directly.

In the contemporary financial landscape, equity crowdfunding stands out as a dynamic and innovative approach to capital formation, offering a unique avenue for entrepreneurs and investors to engage in early-stage investment opportunities (Wallmeroth, 2019). Unlike traditional forms of fundraising, which often rely on established financial institutions or accredited investors, equity crowdfunding democratizes access to capital by allowing individuals from diverse backgrounds to invest in promising ventures in exchange for ownership stakes (Vulkan et al., 2016).

Equity crowdfunding involves the issuance of securities, such as stocks or shares, to a large pool of investors through online platforms. These platforms serve as intermediaries, facilitating the connection between entrepreneurs seeking funding and investors seeking investment opportunities (Lukkarinen, 2020). By leveraging the power of technology and the Internet, equity crowdfunding platforms provide a transparent and efficient mechanism for capital formation, enabling entrepreneurs to access funding more quickly and at lower costs than traditional methods (Décarre & Wetterhag, 2014). The emergence of equity crowdfunding represents a paradigm shift in the way early-stage companies raise capital and how investors participate in the growth potential of these ventures. With the democratization of investment opportunities, equity crowdfunding has the potential to unlock previously untapped sources of capital, fuelling innovation and entrepreneurship across various industries and regions. Moreover, equity crowdfunding offers investors the opportunity to diversify their investment portfolios and participate in the success of high-growth startups and/or undeveloped economies. By investing in early-stage companies, investors can potentially realize substantial returns on their investments

if the ventures achieve success and experience significant growth (Shneor & Zhao, 2020).

It is challenging to establish clear correlations between gender, ethnicity, or geographic disadvantage (such as regions touched by poverty or political instabilities) and funding outcomes, as external factors often interfere with the finance and performance dynamics in general. Existing evidence regarding whether crowdfunding platforms provide easier access to funding for traditionally underrepresented groups is conflicting or insufficient. Many studies focus on specific aspects, such as gender (Wang & Prokop, 2025) or geography, particularly in the context of reward-based crowdfunding (Agrawal et al., 2015; Berns et al., 2021). However, equity-based crowdfunding presents intrinsic differences compared to reward-based crowdfunding. In equity crowdfunding, the fundraiser is typically a company, whereas reward-based campaigns are primarily initiated by individuals. The motivations for backing a reward differ from those for investing in a company's equity. In line with this, research by Vismara (2016) indicates that offering rewards to investors does not enhance the success likelihood of equity crowdfunding campaigns. The governance and organizational implications of raising equity capital through crowdfunding differ from those of pre-selling a product or service in reward-based crowdfunding. Similarly, prior studies on minority representation in crowdfunding predominantly utilize consumer theory (Ryu & Kim, 2016; Vismara, 2016).

The synergy between crowdfunding and early-stage private equity enhances the appeal for entrepreneurs to initiate crowdfunding campaigns, especially when there is limited participation from small investors. In traditional private equity, negotiations occur between the entrepreneur and a select group of capital providers. Entrepreneurs have the autonomy to select their partners and negotiate contract terms, including pricing and share allocation. In contrast, equity crowdfunding campaigns are open to the public. Once listed on the crowdfunding platform, the price is fixed, and the ownership structure is determined solely by investors' demand for shares (Ahlers et al., 2015; Rossi & Vismara, 2018; Walthoff-Born, Schwienbacher, et al., 2018a).

While traditional private deals typically involve a limited group of private investors, equity crowdfunding provides issuers with the opportunity to widely promote and market their securities to the general public, thereby expanding the pool of potential investors. Approximately two decades ago, online auction IPOs emerged as potential alternatives to the conventional book-building method of IPO underwriting. Despite aspirations for democratization and disintermediation, IPOs in traditional stock markets

serve as the closest benchmark for comparing equity crowdfunding offerings (Bruton et al., 2009).

However, equity crowdfunding also presents unique challenges and risks for both entrepreneurs and investors. For entrepreneurs, navigating the regulatory landscape and ensuring compliance with securities laws can be complex and time-consuming. Additionally, raising capital through equity crowdfunding may require significant effort in marketing and investor relations to attract and retain investors (Coakley et al., 2021). Similarly, investors face risks associated with investing in early-stage companies, including the potential for loss of capital if the ventures fail to achieve their growth objectives or face unforeseen challenges. Furthermore, the lack of liquidity in equity crowdfunding investments can make it difficult for investors to exit their positions and realize returns on their investments. Despite these challenges, equity crowdfunding continues to gain traction as a viable alternative to traditional forms of financing, offering both entrepreneurs and investors new opportunities for growth and financial success (Son Turan, 2015). The following section will explore the dynamics of equity crowdfunding in greater detail, examining its benefits, challenges, and implications for the broader financial ecosystem. Through a comprehensive analysis, the aim is to provide insights into the evolving landscape of equity crowdfunding and its role in shaping the future of finance (Kuti et al., 2017).

1.4.2. Legal and structural aspects of crowdfunding

The transition of corporate funding into the digital sphere, along with recent paradigm shifts, is forging novel pathways in the financial landscape. Equity financing emerges as a means for early-stage capital acquisition and bridging the funding chasm for burgeoning, innovative startups. These financial innovations present opportunities for startups to secure funding, even amid dysfunctional capital markets (Troise et al., 2022). Following the global economic downturn, business angels and venture capitalists have intensified their investment activities, increasingly favouring later-stage ventures. This shift underscores the relevance and potential of equity-based funding, stimulating avenues for exploration in international scholarly discourse (Block et al., 2018).

The equity-based crowdfunding is poised to pose significant challenges for business angels and venture capitalists (Coakley et al., 2025). ECF entails entrepreneurs publicly soliciting the sale of their equity shares via online platforms, aiming to attract a

broad investor base (Signori & Vismara, 2016). These solicitations and investments occur through digital platforms equipped with legal frameworks, pre-screening mechanisms, and financial transaction management tools. In the ECF model, investors acquire ownership stakes in the company through shares or share-like agreements, such as profit-sharing arrangements. As equity-based crowdfunding involves the issuance of securities, its dynamics are substantially influenced by the legal framework of the jurisdiction in which it operates (Bradford, 2012).

When considering the selection between conventional bank funding and crowdfunding, the latter presents financial advantages such as market feedback, product validation, and community impacts. The decision-making process for companies among the available crowdfunding business models is influenced by imperfect information and moral hazard (Bellavitis et al., 2019). In the context of equity-based crowdfunding versus donation-based crowdfunding, investors prioritize financial returns alongside the companies' future cash flow-generating potential. In reward-based crowdfunding, backers assess the ability of the project creator to develop and deliver the pre-purchased product. For extensive projects, initiating companies favour equity crowdfunding, with investors also considering long-term profitability. Conversely, achieving the minimum threshold may pose challenges in rewards-based crowdfunding for high-value campaigns, thus making this format more suitable for smaller-scale, high-quality projects. When a product has the potential to reach a broad customer base, reward-based crowdfunding, facilitating pre-purchases, is preferred, while profit-sharing models are favoured for unique niche products (Miglo & Miglo, 2019).

1.4.3. Information asymmetry and investor dynamics

The challenge of information asymmetry represents a pivotal concern within equity-based crowdfunding (Courtney et al., 2017). This asymmetry is often greater than in classical equity markets because investors in crowdfunding usually have far less access to detailed, verified, and ongoing information about the firm, while the issuers are typically young, unlisted startups with limited operating history, weak reporting structures, and fewer mandatory disclosure requirements than public companies. Researchers are actively exploring the relationships between information disclosure and successful fundraising outcomes. Startups convey different signals (Wasti & Ahmed, 2026) to angel investors and venture capitalists compared to individual investors. Individual investors typically

possess less financial acumen and experience relative to venture capitalists, who boast extensive insights into startups and the valuation of founding teams. Not every signal regarding startup quality effectively addresses information asymmetry. The efficacy of signals hinges on their perceptibility and cost, meaning the extent to which investors notice and comprehend them, and also whether the costs of generating the signals outweigh their benefits, ensuring that deceptive signals do not prevail (Leland & Pyle, 1977). Studies have inspected which project signals and attributes of entrepreneur quality most influence investors to pledge financial resources in equity-based crowdfunding. It was discovered that projects exhibiting higher entrepreneurial quality and tangible characteristics are more likely to secure funding. Less detailed information concerning the connection between the offered equity and financial projections, thus increasing uncertainty, prompts potential investors to be more cautious in their evaluation of the startup. Social capital and intellectual capital have minimal impact on campaign success. While investors discount the hard signals provided by entrepreneurs, the hard information from investors significantly shapes campaign outcomes. Moreover, soft information from both entrepreneurs and investors reinforces network effects (Kuti et al., 2017; Steigenberger & Wilhelm, 2018).

The portion of equity held by the entrepreneur or overcapitalization is commonly seen as an indication of entrepreneurial commitment and an enhanced fundraising opportunity. When the ultimate aim of fundraising is growth within the framework of equity crowdfunding, the startup must endeavour to maintain control throughout the issuance process. The proposed equity share is typically disclosed on the platforms. Maintaining equity can be construed as a visible signal. Entrepreneurs offering a greater portion of their startup through the platform are less likely to entice potential investors; however, those with larger social networks tend to have higher success rates, as this reduces uncertainty and enhances visibility (Signori & Vismara, 2016).

Researchers are delving into the realms of information asymmetry and geographical factors (Bansal et al., 2016; Bi et al., 2017; Courtney et al., 2017; Croson & Shang, 2008; Da Cruz, 2018; Dodds et al., 1991; Ge et al., 2017; Morse, 2015; Polzin et al., 2018; Sabherwal et al., 2006; Vismara, 2015; Wasiuzzaman, 2021). The trading of seed-stage equity and platform-based transactions across regions presents opportunities for startups, investors, and policymakers, facilitating more efficient capital allocation. Angel investments tend to be geographically localized, with early-stage investors concentrating on local deals. While equity-based crowdfunding exhibits a home bias akin

to that seen in business angel investments, diversified investors do not display such behaviour. The absence of remote angel investments is often attributed to information asymmetry. While the Internet mitigates certain information barriers, it cannot convey face-to-face interactions such as the perseverance, determination, interpersonal dynamics, and trustworthiness of the founding team. The personalized communication typical of angel investors and venture capitalists is supplanted on these platforms by pseudo-personal communication (Dorfleitner, 2017).

Equity-based crowdfunding syndicates composed of investors address the challenge of information asymmetry. These collaborative structures present opportunities to a wide array of potential backers and combine the face-to-face scrutiny and oversight typical of offline interactions with global online accessibility (Coppey, 2016). The AngelList platform, for example, enables individuals, angel groups and private equity funds to establish syndicates and has demonstrated a significantly higher success rate in syndicated transactions compared to non-syndicated ones. Consequently, venture capitalists often favour the syndicate approach to increase deal flow, enhance their brand reputation, and provide compelling arguments to key stakeholders when finalizing agreements. Syndicates essentially serve as a preliminary screening mechanism before subsequent non-syndicated investment stages. Syndicate leaders typically possess extensive networks in investment circles and business spheres, which can potentially create conflicts of interest with less experienced small investors seeking startup investments. Thus, there exists a trade-off in syndicated equity crowdfunding between deal access and conflicts of interest (Agrawal et al., 2016; Itenberg & Smith, 2017).

1.4.4. Market characteristics and post-campaign performance

Research has shown that investment rounds facilitated by syndicates tend to be riskier, yield slower returns, and exhibit poorer performance for startups in which a syndicate leader had previously invested. In equity-based crowdfunding, there is evidence of a counterselection phenomenon leading to an imperfect equilibrium, wherein the pricing and quantity of products and services within a market are altered because one party possesses information inaccessible to the other party at a reasonable cost. Agrawal (2016) contends, that neither typical investors nor startup founders can rectify information asymmetry within crowdfunding efficiently. Ordinary investors often lack the resources, time, and expertise required for the day-to-day management and oversight of the startups

they support. Conversely, startup founders possess better insights into their operations and market prospects but face limitations in disseminating information widely and preparing detailed financial reports due to resource constraints (Paschen, 2017). Moral hazard arises when one party bears a disproportionate share of the risks incurred. Following the conclusion of a crowdfunding campaign, backers lack effective mechanisms to compel startup founders to adhere to the pledged terms. At this juncture, the obtained equity becomes the property of the startup, altering the balance of bargaining power between opportunistic startups and investors, with ordinary investors assuming the risk of potential losses (Courtney et al., 2017).

The exploration of campaign updates has introduced a dynamic dimension to research, moving beyond static analyses of information asymmetry. Startups can enhance the likelihood of success in their equity-based crowdfunding endeavours by providing timely updates. Therefore, understanding the effectiveness of various update types is valuable. Updates regarding crowd investment volume and total funds raised positively influence campaign success with a slight delay of several days. Authors suggest that this influence amplifies with the length of the update text but diminishes with the frequency of updates. Notably, updates concerning team qualifications, business model details, co-creation efforts, and product development show diminished impact on campaign success (Beier & Wagner, 2015; Koch & Siering, 2015; Sabherwal et al., 2006; Shneor & Vik, 2020). Conversely, updates on new investments, business growth metrics like sales revenue increases and positive customer feedback, as well as promotional activities including social media networking, contribute positively. Businesses tend to release more updates during the funding phase compared to post-campaign periods, especially when facing funding shortfalls or nearing the campaign end. Dorfleitner (2017) notes the use of linguistic strategies in updates to foster group identity and cohesion, with update frequency increasing during periods of intense campaign competition.

Ralcheva and Roosenboom (2016) highlighted that businesses supported by professional investors such as business angels and venture capitalists, as well as those receiving grant funding or protecting their intellectual property through patents, trademarks, or copyrights, tend to have higher success rates. They also noted that businesses engaging consulting services, appointing non-executive directors, or intending to retain a larger ownership stake post-funding are more likely to achieve campaign success. Other studies suggest that pre-filtered campaign attributes and both private and public networks play significant roles in determining campaign success, with less

emphasis placed on the investment criteria of traditional venture capitalists and angel investors (Koch & Siering, 2015; Kromidha & Robson, 2016; Nitani et al., 2019).

Early supporters are pivotal for the success of crowdfunding campaigns across donation-based, reward-based, and debt-based platforms. However, empirical evidence of their impact in equity-based crowdfunding has been lacking. Unlike other platforms, equity-based crowdfunding platforms publicly disclose the names of individual investors, influencing the behaviour of future investors. Establishing momentum in the early stages is crucial, as future investors may be persuaded by the list of previous investments made by early supporters. Investors who choose to make their profiles public often possess higher qualifications, industry-specific experience, and a more extensive track record of platform investments (Nila Febrianti & Darma, 2023; Troise et al., 2022). Initially, these investors hold a larger share of the offering, which diminishes over time. The presence of investors with public profiles leads to the formation of information cascades, where the success of early investors attracts additional investors, a phenomenon known as “success brings more success”. This process aligns with the psychological concept of observation-based social learning, evident in financial literature as information cascades. Information cascades occur under conditions of uncertainty and sequentiality, particularly prevalent on the demand side of equity-based crowdfunding, where investors struggle to overcome information asymmetry. In such cases, the actions of subsequent investors carry significant weight, shaping the decisions of those who follow in the crowdfunding process (Goethner et al., 2021).

The dynamics of crowd investing exhibit distinct patterns depending on the operational mechanisms of the platforms involved. Platforms employing a “first come first served” approach demonstrate an L-shaped trend, while those utilizing a “sealed offer and secondary price auction” system display a U-shaped trend (Burtch et al., 2013; Goethner et al., 2021; Mohammadi, 2015). This observation lends support to the notion that investor decisions are influenced by updates provided by the entrepreneur, as well as by the investment behaviour and comments of fellow crowd investors. Factors such as campaign attributes, investor sophistication, funding allocation processes, herd behaviour, and stock market volatility collectively influence the valuation of cash flow rights associated with startup businesses. The extent to which crowd investors resemble small business angels varies; at times, they may invest alongside professional investors, while in other instances, they may act as competitors to business angels (Kuti et al., 2017).

In terms of their composition, crowd investors exhibit heterogeneity rather than

uniformity. Wallmeroth's (2019) findings suggest that strategic investors allocating a significant portion of their own assets are less inclined to reinvest on the platform subsequently, preferring investments in businesses with lower bankruptcy risk post-campaign. He posits that investors contributing substantial sums are likely to be sophisticated, professional investors, contrasting with a less sophisticated crowd making sporadic, small investments. Brown and Davies highlight key features of equity crowdfunding, including the "all or nothing" funding model, limited investor profit opportunities, and the absence of investor cooperation (Brown & Davies, 2015, 2020). In equity crowdfunding, non-financial incentives are less common compared to other models, and investors are more prone to retract their expressed financial commitment post-campaign compared to reward-based crowdfunding. The literature also examines performance metrics post-campaign. Businesses experienced increased revenues and sales growth rates one year after a successful campaign, correlating positively with a large investor base during the campaign, although overall profitability decreased. Décarre and Wetterhag (2014) note parallels with trends observed in venture capital investments, highlighting a public relations effect resulting from businesses leveraging campaigns for marketing and promotional purposes.

1.4.5. Regulatory frameworks and best practices in crowdfunding

Social networks and online platforms present novel avenues for business fundraising, facilitating direct investment from non-professional individuals without traditional financial intermediaries (Avgouleas & Marjosola, 2021). Leveraging Internet platforms, early-stage funding opportunities can be accelerated and scaled, while adhering to existing regulatory frameworks that balance capital formation with investor safeguards. These platforms serve as architectures that harness signals and network effects within a low-cost transactional environment. Effective equity crowdfunding interfaces must provide legal frameworks, business pre-screening, and facilitate financial transactions. Platform-mediated intra-group and inter-group moderation is feasible, serving as intermediary interfaces. ECF unfolds through multiple phases, necessitating targeted communication to present compelling business ideas and attract investors on the platform (Kuti et al., 2017).

As per Löher (2017), the intermediary role encompasses three crucial domains: (1) Project pre-screening involves leveraging platform networks to access deal offers,

aiming to minimize deal-seeking costs; (2) Implementing standardized contracts in compliance with legal frameworks; (3) Facilitating communication to mitigate information asymmetry and foster a consistent campaign strategy. These platforms primarily seek, evaluate, and organize investment prospects.

Brown (2020), on the other hand, articulated the following associations regarding crowdfunding and platform efficacy: (1) The equity-based crowdfunding platform must concurrently ensure lawful capital raising for entrepreneurs and lawful access to investment opportunities for investors; (2) It is less about naive investors simply following signals and making decisions based on mass wisdom, and more about sophisticated investors who are crucial for the platform's success.

Lesser quality businesses with limited social networks often resort to crowdfunding if they fail to secure funding from sources like friends, family, business angels, or venture capitalists through conventional early-stage financing channels. To mitigate adverse selection and moral hazard, alongside regulations, various platform regulations, self-regulatory measures, technical functionalities, and cultural norms have emerged, influencing the calibre and types of startups attracted to the platform. Measures such as investment caps, fundraising limits, minimal disclosure requirements, platform investments, crowd vetting, enhanced disclosures and performance transparency, and milestone-linked funding serve to minimize the risk of market failure. Distinguishing features of high-quality startups and reputable intermediary platforms may provide a solution to the Lemons Problem (Ibrahim, 2015).

The platforms facilitate investment flows through standardized contractual practices, offering various business arrangements for equity rights, profit sharing, and future equity capital (Hornuf & Neuenkirch, 2015). Non-equity securities offerings focus on short-term profit sharing without conferring shareholder privileges. Simultaneously, the platform outlines the timing of future investment rounds, aiming to prevent businesses from maintaining cumbersome, long-term relationships with numerous small investors. Rights to future equity securities, available on the platform, remain in effect until a future investment event occurs. These future equity capital offerings postpone the acquisition of shareholder rights until the startup experiences growth, such as acquisition, IPO, or venture capital financing, at which point crowd investors receive their ownership shares. During this interim period, crowd investors lack shareholder rights, avoiding associated risks and obligations. The linkage between early-stage startup financing features and transparent investor agreements is exemplified by instruments like the Simple Agreement

for Future Equity (SAFE), a deferred equity mechanism, and the Keep It Simple Security (KISS), akin to a convertible bond, where the startup promises capital repayment with interest. KISS converts into a proprietary right upon reaching specific milestones, such as acquisition, IPO, or venture capital involvement. Unlike SAFE, where investors may lose their capital if the investment is not converted, with KISS, investors recoup their investment through debt service (Löher, 2017).

In recent times, the inception of equity-based crowdfunding platforms followed the establishment of legislative and regulatory frameworks (Macchiavello, 2022; Ortolani & Louisse, 2021). Unlike other crowdfunding models, investors in these platforms are primarily motivated by financial gains, while entrepreneurs typically present larger investment ventures compared to those in reward-based crowdfunding. Several determinants of success have been recognized, including indications of strong entrepreneurial capabilities, the proportion of business equity offered, ownership retention, the availability of substantial investor information, the extent of entrepreneurs' social networks, and updates outlining future growth prospects.

When developing equity-based crowdfunding platforms, consideration must be given to the alignment of pre-screening procedures, deal offerings and standardized contract processes (Macchiavello, 2021). More importantly, careful attention must be paid to the EU crowdfunding framework established by Regulation (EU) 2020/1503, which lays down uniform requirements for crowdfunding services, platform organisation, authorisation, supervision, and transparency. Under this regime, only legal persons established in the Union and authorised as crowdfunding service providers may operate such platforms, and an authorisation granted by the competent authority in the home Member State can be used to provide services cross-border through the EU passport. The Regulation covers investment-based crowdfunding together with lending-based crowdfunding, while excluding consumer lending and offers above EUR 5 million over a 12-month period (Morello, 2025; Cicchiello et al., 2026). On the investor side, the legal framework does not require a separate licence to invest; instead, it relies on investor-protection safeguards. In particular, non-sophisticated investors must undergo an appropriateness assessment, including an entry knowledge test and a simulation of their ability to bear loss, and they benefit from a four-day pre-contractual reflection period during which they may withdraw without penalty. In this way, the new rules support platform expansion while also reducing information asymmetry and strengthening investor protection (Cicchiello et al., 2026). The framework also imposes a strong

disclosure duty: For each crowdfunding offer, investors must receive a key investment information sheet that is kept up to date throughout the campaign and presented in a clear, fair and not misleading manner. In addition, non-sophisticated investors benefit from specific safeguards, including an appropriateness assessment, a simulation of their ability to bear loss, and a four-calendar-day pre-contractual reflection period. ESMA has further clarified that the key investment information sheet must be made available before the investor becomes bound by the offer (Morello, 2025; Cicchiello et al., 2026).

1.5. The assessment and regulation of risk in equity crowdfunding

1.5.1. The role of platforms in mitigating the risks

Investors participating in equity crowdfunding encounter various risks, including capital loss, platform closure, fraud, dilution of shareholder value in subsequent financing rounds, absence of dividend declarations, lack of voting and monitoring rights, and illiquidity (Harrison, 2013). These risks differ based on the characteristics of the underlying assets, the business model, and compensation structure of the platforms. Investing in early-stage startups via equity crowdfunding introduces uncertainties regarding their future performance, management quality, business diversity and technological foundations, leading to production, marketing, funding, and insolvency risks (Lin, 2017). Additionally, the equity crowdfunding sector faces supplementary risks stemming from platform operations in the absence of regulatory frameworks. While platforms serve as intermediaries by disseminating information from fundraisers to investors and verifying fundraiser data, the extent of their verification role varies across jurisdictions due to differing policy objectives. Platforms expanding beyond their information dissemination function often encounter significant challenges, highlighting the complexities of their operational decisions (Chang & Fang, 2013; Claes & Vissa, 2020; Harrison, 2013; Kim et al., 2008; Pavlou, 2003).

The majority of platforms function as investment service providers similar to venture capital firms, offering fundraising, investment, and exit services to both fundraisers and investors. Their responsibilities typically include project selection, valuation determination, project publication, facilitation of negotiations between fundraisers and investors through roadshows and offline meetings, and occasionally, post-investment services such as providing alternative exit options and facilitating listings

on regional equity exchange systems (Stack et al., 2017). Platforms typically levy commissions, usually ranging from 3% to 5% of the raised amount, on successful fundraising projects, rather than imposing a flat fee. However, they do not charge commissions if fundraising efforts for a particular project fail. Additionally, some platforms charge service fees to fundraisers for offering advisory services in contract drafting, arranging offline meetings and conducting due diligence (Petitjean, 2018). Such compensation structures can lead to significant conflicts of interest, given that it is the fundraisers, not the investors, who directly pay the platforms. Consequently, platforms may be incentivized to increase the number of available projects to maximize profits, potentially compromising the quality of due diligence, which investors rely on for decision-making (Bélanger & Carter, 2008; Chen et al., 2016; Koch & Siering, 2015; Meer, 2014; Nikolaos & Yue, 2017; Ryu, 2014).

Secondly, platforms occasionally engage in parallel investments alongside the crowd investors in the target company and may even accept equity stakes in lieu of commission fees. There could be a motivation for platforms to manipulate the financial standing of these co-invested projects to inflate the total capital raised (Rossi & Vismara, 2018).

Thirdly, there exist platforms that invest in companies listed on the national over-the-counter. This can happen through three mechanisms: (1) The establishment of a specialized fund (structured as a limited partnership) by a lead investor (typically a private equity firm acting as the general partner) to raise capital from equity crowdfunding investors (the limited partners) through the platform; (2) The platform (acting as the general partner) raises capital from equity crowdfunding investors (the limited partners) through the platform and subsequently invests in pre-listed companies; (3) The platform directly invests in the listed or pre-listed companies and acquires equity stakes in these firms. In this business model, there may be an incentive for the platform to artificially promote later-stage or initial public offering projects on the platform to expedite returns following the listing of these projects (Nikolaos & Yue, 2017).

1.5.2. Agency costs and information asymmetry

Agency costs, encompassing both vertical and horizontal dimensions, are widespread within the equity crowdfunding landscape. Vertical agency costs pertain to the relationship between investors and entrepreneurs, where investors' limited access to

information and control creates opportunities for entrepreneurs to engage in self-serving behaviour and misuse of funds. An early instance of such agency costs emerged in China, involving a dispute over the selection and cost of business premises by an investee company, with investors alleging overpayment (Chorzempa, 2018; Zheng et al., 2014).

In contrast to venture capital, where vertical agency costs are mitigated through mechanisms like staged financing and oversight by venture capitalists as board members, similar safeguards are absent in the ECF domain. Staged financing in VC incentivizes continuous monitoring of portfolio companies' progress, prompting entrepreneurs to exert greater effort to secure subsequent funding. However, ECF platforms lack such staged financing mechanisms, leading to reduced monitoring of projects and increased risk of entrepreneurs neglecting their duties due to unverifiable cash flows and efforts (Coppey, 2016; Drover et al., 2017; Kleinert et al., 2022; Wallmeroth, 2019).

Moreover, control over portfolio companies is disproportionately concentrated in VC funds, granting VC investors significant influence over strategic decisions despite owning a minority of voting shares. Additionally, contractual agreements often require VC approval for critical business choices. In contrast, ECF investors and platforms lack such control rights, exacerbating agency costs within investee companies (Hsu & Ziedonis, 2013; Hsu & Fang, 2009; Troise et al., 2022).

Within the equity crowdfunding environment, horizontal agency costs can manifest due to the potential dilution of equity claims held by crowd investors in subsequent financing rounds, initiated either by the fundraiser or the lead investor in the syndicate model (Thies et al., 2018). Unlike venture capital funds and their investors, who often benefit from protective measures like pre-emptive rights, tag-along rights, and various anti-dilution provisions based on price and shares, ECF investors lack the expertise and direct interaction necessary to negotiate such contracts effectively for their protection (Kim et al., 2015; Rossi & Vismara, 2018; Thies et al., 2018).

1.5.3. The impact of disclosure and investor trust

Research on equity-based crowdfunding has predominantly centered on investigating investors' motivations for engaging in such projects and identifying the factors contributing to their success in securing funding from the broader public. Investigations into investor motivations have revealed a range of intrinsic and extrinsic factors, with financial returns and trust in fund utilization emerging as pivotal drivers (Allison et al.,

2015; Lo et al., 2026)). Studies examining the determinants of funding success in equity crowdfunding have highlighted that disclosing financial projections and providing voluntary updates about the project during the campaign increase the likelihood of funding success. Given the limited information and cognitive capacity of crowdfunding investors, they actively seek to mitigate investment uncertainty (Bock et al., 2012). Consequently, the provision of accurate and reliable information is crucial for building investor trust and confidence, thereby motivating investment in equity crowdfunding and ensuring the success of funding campaigns (Block et al., 2018; Cholakova & Clarysse, 2015; Dorfleitner et al., 2023; Kang et al., 2016).

In traditional equity markets, regulatory focus on information disclosure aims to enhance financial market quality and stability, impacting both market efficiency and traders' welfare. Information disclosure plays a vital role in mitigating adverse selection and moral hazard issues inherent in financial markets (Bellavitis et al., 2019). In crowdfunding markets, adverse selection arises from information asymmetries between project creators and backers regarding project quality and creator capability. Additionally, moral hazard occurs when backers cannot incentivize creator effort or ensure proper fund utilization (Vismara, 2015). Information disclosure by project creators serves as a means to address these challenges and signal project quality and creator capability. However, unlike in equity markets, where participants engage repeatedly, project creators in crowdfunding typically access the market only once, leading to less concern about safeguarding their reputation. Consequently, creators may exaggerate project potential or provide false information in extreme cases (Agrawal et al., 2014; Bell & Bryman, 2007; Bellavitis et al., 2019; Belleflamme & Schwienbacher, 2013; Vismara, 2015).

Research examining the impact of voluntary disclosure on investors' decisions in financial markets, whether regulated or unregulated, indicates that investors perceive disclosures as valuable aids in their investment choices. Investigations into alternative markets by Michels and Bourveau et al. (2022) reveal positive investor responses to information disclosure in peer-to-peer lending platforms and crypto-token markets, respectively. Similarly, Cascino et al. observe that investors consider disclosed information when deciding to pledge funds in reward crowdfunding campaigns, indicating a positive correlation between voluntary disclosure and project funding probability. However, Chung et al. (2019) suggest, that an increase in disclosure may lead to lower investor participation if it results in more complex or less comprehensible information, thus diminishing information quality (Bourveau et al., 2022; Cascino et al.,

2019; Chung et al., 2019; Michels, 2012).

Conversely, disclosing value-relevant information that reduces information asymmetry between creators and market participants can attract more investors to participate in the market (Da Cruz, 2018). Therefore, the focus should not only be on the presence of disclosure and its impact on investor decision-making but also on the quality of the disclosed information. This pertains to whether the disclosed information offers helpful insights for investors to make informed decisions. Accordingly, Mollick demonstrates that the quality of information provided by project creators in reward-based crowdfunding positively influences investor financing decisions. Moritz, Block, and Lutz (2015) highlight the critical role of investor communication in mitigating perceived information asymmetry between investors and new ventures in equity crowdfunding (Courtney et al., 2017; Mollick, 2014; Moritz et al., 2015).

1.5.4. Basic legal aspects of equity crowdfunding

The traditional perspective in law and finance suggests that while equity investors possess rights enabling them to claim returns on their investments, the extent of these rights largely relies on the legal frameworks of the jurisdictions where securities are issued (Ortolani & Louisse, 2021). Hence, securities regulations play a crucial role in ensuring robust investor protection, maintaining market integrity, and fostering market growth. Central to these regulations are rigorous disclosure requirements for security issuers, which help mitigate moral hazard and information asymmetry issues between issuers and investors. However, this traditional perspective primarily addresses large firms seeking public funding through share issuance (Bell et al., 2012; Cascino et al., 2019; Colombo et al., 2016; Dobliger et al., 2019; Fili & Grünberg, 2016; Hornuf & Schwienbacher, 2018; Islam et al., 2018).

Critics of equity crowdfunding regulations argue, that rules designed for large firms may not be easily applicable to small firms due to their differing characteristics. They contend that disclosure requirements incur substantial costs, potentially burdening small firms and dissuading them from seeking this funding avenue (Catalini et al., 2016). A key obstacle for small firms in accessing formal external financing is the lack of transparency in information. Consequently, imposing stringent disclosure and other regulatory requirements on equity crowdfunding for investor protection could undermine the essence of ECF, which aims to offer an alternative funding source to entrepreneurs

and small firms without imposing significant compliance burdens (Cascino et al., 2019; Catalini et al., 2016; Claes & Vissa, 2020; Goethner, Hornuf, et al., 2021).

Research exploring the motivations of backers in ECF reveals that financial gain is not the sole driver of investment. Crowdfunding supporters may be motivated by altruistic reasons, community involvement, and support for causes, expressing a desire to assist projects in their success. Therefore, ECF investors inclined to aid entrepreneurs in realizing their projects may perceive regulatory oversight as potentially discouraging for entrepreneurs (Cholakova & Clarysse, 2015; Nitani et al., 2019; Wasiuzzaman, 2021).

Advocates for regulatory oversight in equity crowdfunding contend that ECF investors typically lack the sophistication to accurately assess information or detect false information, necessitating protective measures. Despite project creators' voluntary information disclosure in equity crowdfunding, doubts persist regarding the credibility of disclosed information (Mohammadi, 2015). This scepticism arises from the absence of clear disclosure guidelines and the lack of an impartial third-party, such as an auditor, to validate the information. Therefore, regulations serve to bolster the credibility and reliability of information provided by project creators. This, in turn, enables backers to make more informed financial decisions and mitigates investment risk (Lin, 2017; Mohammadi, 2015; Son Turan, 2015; Vincentiis et al., 2019).

1.5.5. Investor protection and regulatory changes

The aspect of influencing the issue of risk in equity crowdfunding is viewed differently depending on the country being considered. While the US and the UK have permitted retail investors to participate in ECF, they have implemented investment caps restricting such investors to a certain percentage of their annual income or net worth over a specified period (Macchiavello, 2022). When determining the investor threshold, it is crucial to strike a balance between investor protection and fostering investment. High eligibility criteria may exclude retail investors, potentially undermining the inclusivity of crowdfunding. While investment caps and mandatory risk warnings can offer some protection, imposing large investment requirements for start-ups and SMEs on ECF platforms may limit investor diversification (Alharbey & Van Hemmen, 2021; Catalini et al., 2016; Lin, 2017; Mochkabadi & Volkmann, 2020; Mohammadi, 2015; Rossi et al., 2020; Son Turan, 2015; Wasiuzzaman, 2021).

However, investment caps may not fully address the inherent high risks of early-

stage businesses, as retail investors may underestimate these risks even with disclosed warnings (Gredel et al., 2012; Hervé et al., 2016; Srivastava, 2016; Wasiuzzaman & Nurdin, 2019). Investing in early-stage ventures demands not only high-risk tolerance but also the ability to assess venture viability. As ECF is accessible to retail investors, the modest investment amounts may give a false impression of low risk and high returns (Avgouleas & Marjosola, 2021). However, investors' risk tolerance is influenced by the availability of risk capital, and losses that may be insignificant to high net worth individuals can significantly impact ordinary households, especially without portfolio diversification (Dorfleitner et al., 2019; Moss et al., 2015; Yum et al., 2012).

Jurisdictions like the US and the UK have regulations prohibiting platforms from providing investment advice to investors, soliciting purchases or sales of securities, compensating individuals for such actions or managing investor funds or securities (Armour & Enriques, 2018). Platforms are also expected not to exploit their position for gaining investment opportunities, deceiving investors, or promoting crowdfunding projects to unverified individuals. Fundraisers are only allowed to promote their projects on the platform itself and not through any other public channels. However, the consultation draft overlooks the issue of financial promotion or project promotion on social media platforms such as blogs, microblogs, social networks, professional networks, forums, and image and video-sharing platforms (Dobliger et al., 2019; Lin, 2017; Rossi et al., 2020; Sørensen, 2012; Zhou et al., 2020).

Therefore, the literature implies, that in addition to refraining from offering investment advice, platforms should be obligated to monitor the ECF campaigns conducted by fundraisers online and via social media. It is also suggested, that the regulators should mandate platforms and their management to take reasonable measures to identify and mitigate potential conflicts of interest. If conflicts cannot be entirely avoided, they should be disclosed to clients, including fundraisers and investors. Specifically, platforms and their management, including directors, investment personnel, or individuals in similar roles, should be prohibited from having any financial stake in issuers using their services. Addressing the revenue model, regulators should implement rules to ensure that platforms do not impose variable fees based on the fundraising amount (Cascino et al., 2019; Lin, 2017; Michels, 2012; Mohammadi, 2015; Nitani et al., 2019; Wasiuzzaman, 2021).

It is also suggested, that the platforms should maintain adequate records of information and data concerning fundraisers and investors (such as financing records and

investor suitability) for at least a decade (Lin, 2017). This may be inadequate as certain information about startups is highly confidential, and competitors could exploit it if easily accessible to the public, resulting in adverse economic consequences for investors. In practice, some platforms even permit investors to download startup business plans before official registration on the platform. To address this, it is suggested that platforms should be legally obligated to ensure data protection and prevent intellectual property rights infringement, potentially through risk warnings (Siri & Zhu, 2019). Additionally, platforms can enforce confidentiality agreements for registered investors and tailor the disclosure of information based on visitor types. For instance, only registered investors may access and download certain information (such as business plans) about startups. The conflict of interests is evident (Alharbey & Van Hemmen, 2021; Harrison, 2013; Lin, 2017; Son Turan, 2015; Vincentiis et al., 2019; Wasiuzzaman, 2021).

1.5.6. Complexities of equity crowdfunding regulation

The legal characterization of crowdfunding platforms varies according to national legislation and the interpretation and application of EU law (Macchiavello, 2022). As a result, different regulatory frameworks have been applied to crowdfunding platforms across member states. Typically, a distinction is made between lending-based crowdfunding and investment-based crowdfunding. In the case of lending-based crowdfunding, the legal foundation is often derived from banking law or payment services regulations. Conversely, investment-based crowdfunding is subject to rules governing investment services, such as the MIFID II, prospectus regulation, and corresponding national laws (Avgouleas & Marjosola, 2021; Pierrakis & Collins, 2013).

However, even within these two categories, there are significant differences in regulatory approaches. Solutions have ranged from: (1) Prohibiting crowdfunding lending unless facilitated by a bank, as observed in Germany; (2) Imposing sanctions for breaches of banking law, as seen in Italy and Belgium, where project owners face penalties for collecting repayable funds from the public; (3) Applying regulations to crowd-lenders, such as in France, where the banking monopoly has historically extended to cover lending-only activities; (4) Regulating crowdfunding platforms as payment service providers or agents, a practice evident in countries like Italy, Poland, the Czech Republic, Denmark, and Sweden; (5) Classifying platforms as national credit intermediaries, as in Norway, Estonia, and Finland, particularly in the context of

consumer loans (Avgouleas & Marjosola, 2021; Barsan, 2019; Macchiavello, 2021).

In the context of investment-based crowdfunding, interpretations have varied in determining when and which investment services align with crowdfunding activities. These interpretations cover areas such as the reception and transmission of orders, execution of placements without firm commitment, provision of financial advice, and services exempt under MiFID (Ortolani & Louisse, 2021). There has also been debate over whether crowdfunding products qualify as transferable securities and over the thresholds for prospectus exemption. Several countries have introduced specific crowdfunding regulations, establishing a new category of financial intermediary. These intermediaries are subject to activity restrictions, simplified disclosure requirements, and conduct rules, including fairness, conflict of interest management, and, in some cases, investment limits for retail investors. Some countries have even developed unified regulatory frameworks that govern both lending-based and investment-based crowdfunding (Cumming et al., 2019; Macchiavello, 2021, 2022).

Regulators have increasingly raised concerns about financial return crowdfunding due to its potential negative impact on the core objectives of financial regulation, particularly in areas such as market stability, competition, and most notably, investor protection. Investments in startups and early-stage companies are inherently high-risk, a domain traditionally reserved for business angels, private equity, and venture capital funds, which are governed by legislation that typically sets high minimum investment thresholds to limit access for small retail investors. The removal of traditional financial intermediaries in crowdfunding platforms eliminates critical practices, such as pricing by underwriters, creditworthiness assessments by banks, and due diligence processes typically conducted by professional investors. This also reduces legal safeguards, including underwriters' due diligence, investment firms' conduct obligations, and protections such as deposit insurance or investor compensation schemes, which ensure transparent and liquid markets (Armour & Enriques, 2018; Walthoff-Borm, Schwienbacher, et al., 2018b).

Without these traditional mechanisms, investors may face heightened risks, including increased exposure to fraud, financial loss, and illiquidity. Despite these challenges, the market has responded with innovative alternatives, such as decision-making based on “soft” information, including candidate images, social network presence, early investment speed, and insider investment activity, also known as “rational herding” (Lee & Lee, 2012). Other strategies include lending groups led by individuals

conducting due diligence, platforms offering contingent funds or co-investing with professional investors, mandatory diversification, investor feedback, forums, and bulletin boards. While these methods offer novel solutions, they may still be seen as less robust compared to the traditional financial frameworks that offer stronger legal and procedural protections (Blaseg et al., 2021; Nitani et al., 2019).

Project owners in crowdfunding face considerable risks, including the challenges of governance and collective action, particularly in managing relationships with diverse owners or lenders. This can result in the inadvertent disclosure of sensitive corporate information without adequate protection. Additionally, crowdfunding poses risks to the broader financial system, notably regarding unfair competition between crowdfunding platforms and traditional financial intermediaries (Busch et al., 2021). These intermediaries often operate under more stringent regulatory frameworks, incurring higher costs, which may place them at a disadvantage. Furthermore, concerns have been raised over issues such as money laundering, data breaches, and cybercrime in the crowdfunding sector. While financial stability risks have garnered less attention thus far, they may become more prominent as the sector grows, becomes more integrated with traditional financial systems, and gains mainstream acceptance through increased interconnectivity (Macchiavello, 2022; Walthoff-Borm, Schwienbacher, et al., 2018).

1.5.7. Cross-border crowdfunding and harmonization in the EU

The development of a legal framework for crowdfunding emerged as part of the broader Capital Markets Union (CMU) Action Plan, particularly within the context of the Digital Finance Strategy. The objectives of the CMU align with several anticipated benefits of crowdfunding, primarily aiming to enhance European companies' access to capital markets – especially small and medium-sized enterprises, innovative firms, startups, and non-listed companies (Macchiavello, 2019). Additionally, it seeks to diversify funding sources while bolstering investor protection, concentrating on areas and categories most in need of such safeguards. A key aspect of this effort has been striking the right balance between expanding SME access to finance and simplifying their disclosure obligations. Given that the costs associated with compliance are a critical issue in crowdfunding, overly complex procedures could undermine the potential advantages crowdfunding offers to SMEs (Macchiavello, 2021; Perrone, 2018).

The ECSPR regulation appears to shift a portion of compliance costs onto

crowdfunding platforms and relies on the principle of proportionality. ESMA seems inclined to exclude crowdfunding from the scope of the European Single Access Point - a centralized electronic registry for financial and non-financial information in standardized, machine-readable formats – in order to mitigate compliance expenses. Other initiatives within the Digital Finance Strategy are also likely to affect the crowdfunding sector. For instance, the open-finance proposal seeks to extend the PSD II open-banking framework to additional financial services, such as investments and insurance, granting consumers greater control over their data. This reform, along with the introduction of specific regulations for Big Tech companies, could encourage crowdfunding platforms to diversify and expand their offerings, potentially leveling the playing field between tech giants, traditional financial institutions, and smaller FinTechs. Furthermore, the proposed integration of regulatory technology (RegTech) and supervisory technology (SupTech) into EU financial regulation, as well as the development of an EU-wide interoperable digital identity, could simplify compliance procedures for providers under the ECSPR. Additionally, the Digital Operational Resilience Proposal, though still under deliberation, is expected to apply to crowdfunding platforms, introducing harmonized and cross-sectoral cybersecurity protections (Colaert, 2021; Enriques, 2017; Macchiavello, 2022).

In recent years, EU financial regulation has been shaped by multiple influences, which the ECSPR must also address. Primarily, the EU has shifted towards integrating sustainability risks (Perotti et al., 2026) and considerations into financial regulation and supervision as part of its financing sustainable growth action plan (Macchiavello & Sciarrone Alibrandi, 2021). This includes the development of investment taxonomies and standards, reforms in the conduct and organizational duties of financial operators and the introduction of a supervisory mandate. Concurrently, the EU's SME strategy not only seeks to enhance market access for SMEs – partially through regulatory simplification and improved financing opportunities – but also aims to support SMEs in building competencies related to sustainability and digital transformation (Capolupo et al., 2025). This includes measures such as innovation hubs, access to data, capacity building, sustainability advisors, and networking opportunities. While the ECSPR does not contain explicit sustainability-related provisions, Article 45(2) grants the European Commission the authority to evaluate and potentially introduce future measures specifically designed to promote sustainable projects (Busch et al., 2021; Macchiavello, 2019; Siri & Zhu, 2019).

Initially, the European Union opted against intervening in the crowdfunding sector, despite the evident fragmentation across member states. This reluctance was due to the relatively small size of the market, its limited cross-border activity, and concerns that premature regulation might stifle its development. However, the European Commission soon recognized the risks posed to the internal market by the inconsistent national regulations governing crowdfunding platforms and the protection of their clients. As a result, in October 2017, it issued an Inception Impact Assessment, though uncertainty remained regarding the appropriate regulatory instrument and framework for crowdfunding. On March 8, 2018, the Commission formally proposed a regulation concerning European crowdfunding service providers for businesses. During subsequent trilateral negotiations, divergent views emerged among the Commission's proposal, the European Parliament's stance, and the Council's perspective. The final version of the ECSPR, on which a compromise was reached on December 19, 2019, differs significantly from the original proposal. It was formally adopted on October 7, 2020, and published in the Official Journal on October 20, 2020, as EU Regulation No. 1503/2020 (Busch et al., 2021; Macchiavello, 2022; Ortolani & Louisse, 2021).

1.5.8. Innovative investor protection mechanisms under ECSPR

The ECSPR establishes a unified regulatory framework for both business lending and investment-based crowdfunding within the EU, drawing inspiration from MiFID II, the prospectus regulation, and the PRIIPs framework, though in a simplified manner. The regulation differentiates organizational, prudential, and conduct requirements according to the type of service and its complexity. The scope of crowdfunding services covered by the ECSPR has been expanded to include not only core activities such as direct lending and investment but also pricing and loan portfolio management, while explicitly excluding reserved services like other investment services, payment services (unless authorized), and collective investment schemes (Busch et al., 2021; Macchiavello, 2021, 2022; Ortolani & Louisse, 2021).

Innovative investor protection measures are embedded in the ECSPR, aiming to balance safeguarding investors with maintaining access to funding. For non-sophisticated investors, these protections include tests, “loss simulations”, warnings when investment thresholds are exceeded, and a short reflection period, while sophisticated or professional investors are subject to a more streamlined regime. Initially, the Commission had

envisioned platforms as mere intermediaries, imposing strict limits on their services and product offerings. However, the final version of the regulation treats platforms, particularly lending-based ones, as gatekeepers, introducing higher stability and investor protection requirements, though still less stringent than those applied to traditional financial intermediaries. These rules restrict permissible activities but bring platforms closer to traditional intermediaries in regulatory scope. The framework is further solidified through provisions on cross-border service provider “passports”, the powers of national competent authorities, and mechanisms for coordination between different regulatory bodies, thereby enhancing the potential for EU-wide harmonization in the crowdfunding sector (Macchiavello, 2022; Macchiavello & Sciarrone Alibrandi, 2021; Ziegler & Shneor, 2020).

Initially, the European Commission proposed an optional regulatory framework for European Crowdfunding Service Providers (CSPs), essentially functioning as a certification or label. Under this proposal, CSPs interested in offering services across national borders could choose to adhere to the European regime and gain access to an EU-wide passport. Given that there was no obligation for physical or substantial cross-border operations, CSPs might have been motivated to adopt this framework merely to navigate and overcome national regulatory barriers. The proposed EU regime was designed to coexist with national regulatory systems – whether specifically tailored for crowdfunding or not – and with other existing EU regulations, such as those governing banks, investment firms, investment funds, and payment service providers. This approach was intended to strike a balance between establishing a European regulatory framework and preserving national crowdfunding regulations, offering a more politically feasible alternative to a mandatory system. It adhered to the principle of subsidiarity and could foster regulatory competition, potentially enhancing standards, although this was not guaranteed. This approach also aligned with a recent regulatory trend favoring the creation of incentives and certifications over prescriptive rules (Barsan, 2019; Zetzsche & Woxholth, 2022).

In the final iteration of the European Crowdfunding Service Providers Regulation, in response to certain criticisms – such as concerns over investor confusion arising from varying protections and remedies – and amendments suggested by the Council, the regulatory framework was made mandatory. Consequently, as of 10 November 2021, only entities legally established within the EU and authorized under the ECSPR can offer crowdfunding services within the EU (Avgouleas & Marjosola, 2021; Ortolani &

Louisse, 2021; Zetzsche & Woxholth, 2022).

1.5.9. Implications of the ECSPR for national regulations

The ECSPR does not clarify whether the term “national law” pertains solely to national-specific crowdfunding regulations or if it encompasses broader national legal frameworks, such as those applicable to operators providing crowdfunding services under MiFID II investment firms, commercial brokers or other national regulatory structures. It is also uncertain whether this term extends to scenarios where Crowdfunding Service Providers operate without any form of licensing or authorization (Macchiavello, 2022; Zetzsche & Woxholth, 2022).

Thus, the regulation is expected to eliminate several prior regulatory barriers to crowdfunding activities that arose from the fragmentation of national regulations. To facilitate the unobstructed provision of crowdfunding services in compliance with the ECSPR, it is reasonable to anticipate that member states will avoid imposing additional requirements on CSPs, except where explicitly stated in the ECSPR, despite the absence of a specific provision to this effect (Avgouleas & Marjosola, 2021; Macchiavello, 2022; Zetzsche & Woxholth, 2022).

However, the ECSPR’s Article 1, Paragraph 3 stipulates, that member states must not impose national banking requirements on crowdfunding service providers, project owners, or investors unless these entities are already authorized as credit institutions. Furthermore, member states should not mandate that crowd-borrowers or crowd-lenders obtain or apply for a banking license, individual exemption, or dispensation. This provision appears to address restrictive measures previously adopted in certain member states, where, for instance, banking regulations were interpreted to prohibit even non-professional individuals from receiving repayable funds from the public or engaging in lending activities (Macchiavello, 2019, 2021; Macchiavello & Sciarrone Alibrandi, 2021).

It is thus reasonable to anticipate that national crowdfunding regimes will be repealed if they regulate the same crowdfunding services and products as those covered by the ECSPR. These national regimes may persist only for crowdfunding services or products that differ from those addressed by the ECSPR, such as consumer credit crowdfunding or crowdfunding advisory services exempted under Article 3, Paragraph 1 of MiFID II. However, it remains unclear whether national regimes can truly be residual,

covering cases excluded from the ECSPR. Given the ECSPR's nature of maximum harmonization, it is likely that national regimes will not apply to services or products that fall under the ECSPR's scope (Macchiavello, 2021, 2022; Ortolani & Lousse, 2021).

CHAPTER 2. THE ROLE OF FUNDRAISER AND THE IMPACT OF TRUST IN CROWDFUNDING

2.1. Campaign fundraisers and their motivations

2.1.1. Entrepreneurial challenges and the impact of creativity

As the landscape of equity crowdfunding continues to evolve, it becomes increasingly clear, that the role of the entrepreneurs (fundraisers) is becoming a key factor in shaping the success of such ventures. While equity crowdfunding offers a unique platform for raising substantial capital, the effectiveness of this approach depends heavily on the entrepreneur's ability to navigate both the financial and relational aspects of the crowdfunding ecosystem. Therefore, the following chapter shifts focus from the broader crowdfunding model to a more detailed examination of the entrepreneur's role in the context of equity crowdfunding. It explores how entrepreneurs must strategically present their ventures, engage potential investors, and maintain control over their business trajectory, all while meeting the expectations of a diverse investor base. This chapter focuses on the challenges faced by entrepreneurs, particularly the aspect of perceived trust. Understanding this dynamic is essential to fully grasping the interplay between investors and the entrepreneurial ventures they aim to support (Yu et al., 2026).

Entrepreneurial endeavours often explore diverse avenues for securing funding (Brown et al., 2017; Hsu, 2007; Pierrakis & Collins, 2013). However, when the entrepreneurial endeavour hinges on technological innovation, accessing financing in an open and competitive market can be particularly challenging. This difficulty arises, especially when entrepreneurs are engaged in technological advancements, which tend to demand significant investment and involve high levels of uncertainty. Traditional bank loans are typically limited to a select few companies in such contexts. Alternative funding sources, such as business angels or venture capitalists, often provide larger sums of capital than what is necessary for new technological innovations. However, they usually require companies to relinquish ownership shares and frequently demand founders to cede portions of their autonomy and decision-making authority (Belleflamme et al., 2014).

Rapid advances in digital technologies are significantly reshaping equity crowdfunding, investor participation, and the way entrepreneurial opportunities are

presented and evaluated. These technologies reduce the distance between founders and potential backers, enabling more direct interaction, broader outreach, and faster dissemination of investment opportunities. In this environment, equity crowdfunding platforms function as digital communities in which entrepreneurs can present their ventures, receive feedback, and refine their pitches, while investors can compare opportunities, share insights, and support promising startups. Platforms such as these not only facilitate capital formation but also foster learning, validation, and network-building, all of which can strengthen campaign credibility and improve the quality of investment decisions (Douglas et al., 2021; Liu et al., 2021).

The influence of social networking services on creativity and its cultivation cannot be overstated. The extensive interactions occurring on these networks underscore their significant impact, both present and future. Digital technologies have virtually expanded the avenues for individual expression, allowing people to manifest their creativity without constraints and connect with audiences who share their interests (Davis et al., 2017). This phenomenon is prominently evident on platforms such as Medium, Instagram, and YouTube, where aspiring professionals, artists, and amateurs alike can showcase their talents and test the waters for potential future business ventures (Hu et al., 2018; Liu et al., 2021).

Creativity involves the innovative fusion and rearrangement of valuable information (Csikszentmihalyi, 1997). It envelops human capacities for thinking, adapting, discovering, and generating novel ideas. The ability to recognize and comprehend connections between ideas is crucial for exploring and capitalizing on new opportunities. This holds true in entrepreneurship, where entrepreneurs must creatively identify and leverage opportunities to initiate new ventures. Research on creativity underscores its pivotal role in the entrepreneurial journey (Ward, 2004). Individuals with heightened creative tendencies tend to maintain greater self-assurance and a positive outlook throughout the entrepreneurial process (Douglas et al., 2021; Hu et al., 2018; Liu et al., 2021; Schlaegel & Koenig, 2014).

Bandura's social cognitive theory posits, that entrepreneurial education enhances an individual's self-efficacy, providing them with the skills needed for various entrepreneurial tasks such as opportunity identification, business feasibility assessment, and business plan implementation (Bandura, 1992). Reflecting research in developed nations, scholars have explored the significance of entrepreneurial education, entrepreneurial mindset, and creativity in entrepreneurship. Some studies indicate that

individuals with higher levels of entrepreneurial education, entrepreneurial mindset, and creativity are more inclined to embark on entrepreneurial ventures. Moreover, researchers emphasize the importance of understanding entrepreneurial self-efficacy, particularly in the context of starting, managing, and growing a new business. Therefore, individuals perceiving high levels of self-efficacy are likely to possess greater cognitive readiness (Bandura, 1992, 2001; Douglas et al., 2021; Schunk & DiBenedetto, 2021).

2.1.2. Equity crowdfunding campaign strategies and execution

In the realm of equity crowdfunding, a fundraiser is typically the project owner – that is, any natural person or legal person that seeks funding through a crowdfunding platform, so the fundraiser may be either an individual or a company. In practice, this means that the project owner can be an entrepreneur acting personally, or a business entity such as a company. Existing literature has referred to these actors in different ways, but in the context of equity crowdfunding, more precise terminology is required to avoid confusion with reward-based models. Successful fundraisers can derive advantages not only from the capital acquired but also from the market validation that may result from strong investor interest and public support. This includes building relationships with potential investors, generating attention for the venture, and receiving feedback that can inform subsequent strategic or product-development decisions. (Ryu, 2014; Wang et al., 2013; Wang & Yang, 2019).

Prior to the commencement of the campaign and its launch for fundraising, fundraisers typically engage in campaign planning. This stage involves defining the campaign's objectives and financing goals, assessing available platforms, selecting one, preparing campaign materials such as textual content and visual media elements, devising promotional strategies, and outlining an execution plan with specific tasks and deadlines. In the EU context, these steps must also be aligned with the requirements of Regulation (EU) 2020/1503, which establishes the legal framework for crowdfunding service providers and sets out disclosure and investor-protection obligations, including the use of a key investment information sheet.

Subsequently, fundraisers proceed with campaign creation, during which materials are uploaded onto the chosen platform, a presence is established on social media platforms, and initial feedback is solicited from early viewers. Finally, the campaign review phase follows, during which the submitted materials undergo evaluation by the

platform to ensure compliance with the applicable legal rules, verify the identity of the fundraiser, and, where relevant, confirm that the required information is complete and properly presented before the offer is made publicly available and fundraising activities begin. (Ahlers et al., 2015).

Once the campaign receives the platform's approval, it becomes active, and throughout the designated campaign period, fundraisers engage in campaign management activities. These include promotional efforts conducted both offline and online, particularly via social media platforms, where network connections are mobilized and ongoing updates and new information are disseminated to current and potential investors. At this stage, fundraisers must also prioritize accessibility and responsiveness to comments, suggestions, and inquiries from the audience in order to convey reliability and maintain investor confidence. Thus, at this juncture, the decision-making process of investors is both initiated and facilitated (Gerber & Hui, 2013).

Research indicates that a fundraiser's track record and experience can contribute to the accumulation of social capital, facilitating successful fundraising in future campaigns. However, it is important to note that such social capital may also have limitations and could diminish over time if overused (Dorfleitner et al., 2019; Macht & Weatherston, 2015). To gain deeper insights into the entrepreneurs engaging in equity crowdfunding, it is essential to comprehend their underlying motivations. The spectrum of actors involved is diverse, encompassing various categories of founders and entrepreneurial teams (Chaney, 2019). The primary impetus behind initiating an equity crowdfunding campaign is to secure financing for a specific business project while simultaneously testing market interest and signalling venture quality to investors. For entrepreneurs, equity crowdfunding represents a means to access relevant capital without relying exclusively on traditional financial intermediaries. Consequently, equity crowdfunding emerges as a viable avenue for obtaining early-stage entrepreneurial finance. Through crowdfunding, founders can simultaneously reach a market while securing external funding. The significance of crowdfunding for entrepreneurs is underscored by the fact that a substantial number of highly funded campaigns on major platforms have been initiated by entrepreneurial ventures (Chaney, 2019; Kshetri, 2015).

The primary literature on crowdfunding underscores factors pivotal in determining the success of an equity crowdfunding endeavour, where in many cases, the logic can be analogous. Firstly, one line of inquiry reveals that the effective dissemination of information concerning entrepreneurs and their projects through the crowdfunding

platform is crucial for achieving crowdfunding success (Mollick, 2014). For instance, data on project quality and the social background of the creator serve as potent signals for potential investors (Ahlers et al., 2015). Moreover, furnishing comprehensive information about risks significantly impacts project success. Information pertaining to project progress within crowdfunding platforms also emerges as a pivotal factor. Investor engagement during the initial stages of a project is vital for signalling project quality and subsequently attracting additional investors (Agrawal et al., 2014; Burtch et al., 2013; Buttice et al., 2017). For instance, Kim and Viswanathan (2018) demonstrated that information regarding early investors possessing expertise distinctly influences subsequent investors. Additionally, it is established that peer effects stimulate demand for a crowdfunding project, indicating the impact of social influence on individual funding decisions (Bi et al., 2017).

Secondly, research indicates that various aspects of entrepreneurs' networks play a crucial role in influencing the success of equity crowdfunding endeavours. For instance, drawing from social capital theory, Buttice et al. (2017) investigated how project creators' ties within social networks, their experience in funding other projects, and the shared understanding between entrepreneurs and investors impact the success of crowdfunding campaigns. Specifically, the internal social capital cultivated within a crowdfunding community significantly contributes to initiating a "self-reinforcing mechanism" within a crowdfunding project, with the relationship between internal social capital and project success being fully mediated by investors and their funding contributions during the project's early stages (Colombo et al., 2015). Similarly, investors tend to favour projects initiated by entrepreneurs who share cultural similarities and are geographically close (Burtch et al., 2013). The geographical distance between a creator and potential investors plays a crucial role in explaining social influence. Local investors exhibit a higher propensity to pledge support during the initial stages of the funding period compared to distant investors. Additionally, they show less sensitivity to information regarding the cumulative funding amount (Agrawal et al., 2015; Lin & Viswanathan, 2016).

Existing research on crowdfunding has primarily examined various explicit factors concerning entrepreneurs and their projects that influence the success of crowdfunding campaigns, yet relatively little attention has been devoted to understanding the motivations driving entrepreneurs. Entrepreneurs initiate equity crowdfunding projects with diverse motivations. Beyond simply raising funds, they also value the attention generated by investors and the feedback received on their projects, and these

motivations operate in distinct ways. Despite the potential benefits, some entrepreneurs exhibit reluctance to launch projects on crowdfunding platforms. Gleasure (2016) investigated “non-adopters” of crowdfunding and identified that this resistance is influenced by entrepreneurs’ concerns regarding disclosure, fear of failure, and apprehensions about appearing desperate (Aleksina et al., 2019; Gerber & Hui, 2013; Gleasure & Feller, 2016).

2.1.3. Motivations driving entrepreneurs

While previous studies aimed to construct typologies based on explicit factors such as entrepreneurs’ backgrounds, other researchers have directed their attention towards distinguishing entrepreneurs based on internal characteristics like motivations and intentions (Bagheri et al., 2019; Bretschneider et al., 2014; Calder & Staw, 1975; Gerber & Hui, 2013; Harms, 2007; Hervé et al., 2016; Jian & Shin, 2015; Ryan & Deci, 2000a; Schunk & DiBenedetto, 2021; Segal et al., 2005; Wasiuzzaman et al., 2021). Accordingly, the entrepreneurs are classified into three types based on their motivations for initiating a new venture. “Self-actualizers” commence their business driven by achievement motivation, a desire for independence, and autonomy, while “discontented entrepreneurs” embark on startups due to limited career alternatives; the final type of entrepreneur is motivated by a strong sense of “family tradition”. Cassar (2007) examined four distinct personality types (personal achievers, real managers, expert idea generators, and empathetic super salespersons) and illuminated their relationship with the entrepreneurial activities of graduate business students. The findings revealed that individuals belonging to one or more of these types are more inclined to become entrepreneurs post-graduation; furthermore, the tolerance of risk, perceived feasibility, and net desirability significantly predict the intention to initiate a business (Segal et al., 2005; Stanko & Henard, 2017).

Motivation holds a central position across various academic disciplines as it explains the processes guiding actions, thereby contributing to the comprehension and prediction of individual behaviour. Within the realm of diverse motivational frameworks, much focus is put on two primary dimensions to categorize the motivations of equity crowdfunding founders: intrinsic versus extrinsic motivation and self-oriented versus others-oriented motivation (Ryu & Kim, 2016; Wasiuzzaman et al., 2021). The dichotomy between intrinsic and extrinsic motivation, derived from self-determination

theory, stands as one of the most prevalent frameworks in the motivation literature (Deci et al., 1991; Ryan & Deci, 2000a; Ryu & Kim, 2016). Initially, scholars contended that external factors such as rewards and incentives were necessary to stimulate behaviour. This concept, known as “extrinsic motivation”, denotes the inclination to exert effort to attain outcomes external to the behaviour itself (Frydrych et al., 2014). However, with evolving perceptions of human nature, researchers posited that behaviours could be driven by non-extrinsic motivations (Deci et al., 1991; Ryan & Deci, 2000a). Literature affirms that individuals may be motivated by intrinsic interest in or enjoyment of a behaviour or by internalizing the value of the behaviour. Alternatively, from an orientation standpoint, motivation can be categorized into self-oriented and others-oriented motivation (Hemetsberger, 2002). Self-oriented motivation entails a direct association between an actor and an object, such as a task or reward, while others-oriented motivation pertains to the actor’s social and emotional connections surrounding the object. Individuals exhibit either self-interested tendencies or demonstrate strong others-orientation in their nature (De Dreu & Nauta, 2009). For instance, personal initiative, job performance, and prosocial behaviour stem from individual-level attributes when there is a high level of self-oriented motivation, whereas they manifest as group-level attributes in the presence of heightened others-oriented motivation. Others-oriented individuals prioritize ensuring the comfort and happiness of others and demonstrate empathy, while self-oriented individuals tend to exhibit lower agreeableness (Holbrook et al., 1999).

As stated previously, the need for monetary resources serves as a pivotal motivator for many crowdfunding creators, particularly when there is an urgent requirement to secure financial support for a project. This motivation is prevalent across various fundraising scenarios (Gerber & Hui, 2013). Creators are inclined towards utilizing crowdfunding due to its structured approach in garnering financial backing from the public within a network. Crowdfunding proves especially beneficial for creators who encounter difficulties in obtaining funding from conventional sources, enabling them to accumulate similar amounts of funds through numerous investors, each contributing modest amounts (Gerber & Hui, 2013; Hsu, 2007).

On the other hand, prosociality motivation entails a voluntary inclination to benefit society (Allison et al., 2015; Berns et al., 2020; Galak et al., 2011). This motivation is centred on the objective of advancing the welfare of communities and society as a whole. It emerges in response to encounters with social issues necessitating communal involvement. While many creators are driven by personal achievement, some

are motivated by the desire to assist others, akin to philanthropic motivation. Such creators exhibit a strong inclination to aid others and are willing to prioritize communal welfare. Lastly, relationship-building motivation pertains to fostering connections with other individuals, particularly investors within the crowdfunding sphere. This motivation correlates with the social aspects of human behaviour, encompassing emotional engagement and social cohesion. Beyond fundraising objectives, creators are motivated to engage in crowdfunding to establish connections with individuals. Given that most crowdfunding platforms offer online communication features, creators can interact with investors during and/or after the project duration, addressing inquiries and providing updates on project progress (Hanjun Ko & Cho, 2006; Hervé et al., 2016; Scott Jr, 1976).

2.1.4. Motivation and project performance

Considering the established link between motivation and behaviour, the motivations of creators are expected to shape the design and preparation of their projects. This encompasses decisions such as selecting types of rewards or adjusting the degree of investor involvement (Jain et al., 2021). It is widely recognized that entrepreneurs play a significant role in shaping the cultures and operations of their ventures. As an individual attribute of each creator, diverse motivations can guide the actions within a crowdfunding project and influence the execution of deliberate and planned activities. Motivations serve as a significant factor distinguishing the various characteristics of crowdfunding projects. Specifically, each motivation may influence the corresponding project attributes by influencing creators' dedication to specific project aspects (Backes-Gellner & Werner, 2007; Stanko & Henard, 2017).

While the relationship between creator motivations and project characteristics is intricate and influenced by external factors, potential connections can be hypothesized based on existing studies (Bapna, 2019; Busenitz et al., 2005). For instance, the presence of achievement motivation is anticipated to enhance the credibility of creators and their projects in the eyes of investors. When creators value projects highly, reflecting personal aspirations and goals, they are likely to pursue projects with increased sincerity, potentially leading investors to perceive them as more reliable. The impact of creators' monetary needs on project characteristics is evident and straightforward. Creators driven by financial necessity are inclined to invest significant efforts in their projects, akin to entrepreneurs with ambitions for high-growth ventures who allocate more resources to

their businesses. Creators with pronounced financial needs are expected to attract more backers by addressing potential risks associated with their competence and experience. Prosocial motivation may lead creators to incorporate more elements in their projects that benefit communities and society, thereby fulfilling their altruistic drive (Brüggen et al., 2011; Wiklund et al., 2003; Yang & Hahn, 2015).

A parallel relationship can also be observed between prosociality and credibility. Given that prosocial motivation is rooted in a concern for others, investors are more inclined to view such projects as trustworthy (Schlaegel & Koenig, 2014). Finally, when creators are motivated by relationship-building, they are likely to structure their projects in a manner that facilitates connections among investors or between investors and themselves. These projects are often characterized by a strong emphasis on community-building and social networking. Consequently, potential backers may perceive creators in this category as more committed to project delivery and better attuned to their needs (Stanko & Henard, 2017; Wiklund et al., 2003; Yang & Hahn, 2015).

The motivations of founders serve as crucial predictors of a startup's performance. Previous research has explored the relationship between these motivations, growth intentions, and subsequent growth achievements. Additionally, given the heterogeneity of motivations driving startup initiation, the association between founder motivations and startup performance varies across different motivational profiles (Kang et al., 2016). Similarly, in the realm of crowdfunding, creator motivations may exert a comparable influence. Firstly, founder motivations can be explicitly communicated to potential investors through various channels. Some founders articulate their motivations for launching crowdfunding projects by delineating their objectives and anticipated outcomes. Secondly, project characteristics can serve as intermediaries in the relationship between creator motivations and project performance. Potential investors evaluate project characteristics when deciding whether to support a project, and the success hinges on the level of investor participation rather than solely meeting the predetermined funding goal (Cassar, 2007; Gerber & Hui, 2013; Bretschneider et al., 2014).

The drive for achievement, which involves realizing personal visions and tackling challenging tasks, can find fulfilment through the superior performance of a crowdfunding project (Sewaid et al., 2021). Within the crowdfunding environment, personal growth opportunities are contingent upon the complexity of the challenges encountered. Given that achieving success in crowdfunding projects is inherently challenging, particularly due to the management of unforeseen circumstances or crises,

creators prioritizing goal achievement are more inclined to undertake successful crowdfunding ventures. Monetary necessity significantly motivates creators to pursue crowdfunding projects of superior quality, as economic incentives strongly drive creators with a robust desire for growth. A successful crowdfunding endeavour presents creators with the opportunity to secure substantial funds for project continuation and development. Others-oriented motivations wield considerable influence and may surpass anticipated economic incentives in fostering higher performance (Rauch et al., 2009; Wiklund et al., 2003; Yang & Hahn, 2015).

Prosociality motivation serves as another primary driver for creators aiming for superior performance. If contributing to communities holds significance for the creator and the communities value the project, the creator is likely to undertake crowdfunding projects with high potential, given the significant impact of increased crowdfunder participation. This is underscored by the active involvement of crowdfunders, who not only support projects but also share them within their social networks (Berns et al., 2020). Conversely, relationship building motivation may contribute to superior performance in two ways. Firstly, crowdfunding success typically leads to expanded connections. Creators prioritizing benefits such as broadening networks are more likely to initiate crowdfunding projects with greater performance potential. Secondly, heightened crowdfunding success entails increased resource demands, potentially diverting efforts away from building strong relationships. Particularly, highly successful crowdfunding projects are prone to resource shortages and require prompt attention and action to address unforeseen crises (Mollick, 2014; Stanko & Henard, 2017; Yang & Hahn, 2015).

2.2. Theories of signalling and information asymmetry

2.2.1. The foundations of signalling theory in entrepreneurship

The motivations driving entrepreneurs, whether task-oriented or reward-focused, not only influence their behaviour but also shape the overall success of their ventures. This link between motivation and outcomes is crucial in understanding how entrepreneurs navigate challenges and seize opportunities. In this context, signalling theory becomes highly relevant (Mataigne et al., 2025). Entrepreneurs, motivated to achieve their goals, consciously or unconsciously send signals to potential investors, partners, or customers through their actions, decisions, and the way they present their ventures. These signals,

such as competence, commitment, and the potential for success, help external stakeholders interpret the entrepreneur's intentions and capabilities, directly affecting their willingness to support or invest in the business. Hence, motivations and signalling are deeply intertwined, as the former guides the latter in shaping perceptions and influencing outcomes in the entrepreneurial landscape (Wang et al., 2026).

The utilization of signalling theory (Spence, 1978), which posits that high-quality ventures manifest their hidden quality through observable actions or traits that are costly and challenging for low-quality ventures to replicate, is experiencing a rapid surge in popularity within entrepreneurship research (Tzur & Segev, 2025). This trend is not surprising given the capacity of signalling theory to address a primary hurdle encountered by nascent ventures – mitigating significant information asymmetries among crucial stakeholders such as prospective customers, strategic allies, and investors (Ahlers et al., 2015; Connelly et al., 2011; Hallen & Eisenhardt, 2012; Kleinert et al., 2020; Luo et al., 2020).

The bedrock of entrepreneurship signalling inquiry lies in the theory's foundational constructs, which are conceptual abstractions representing categories not directly observable. For instance, the construct of signal strength illuminates the relationship between a signal and the concealed quality of a new venture. Such well-defined constructs are pivotal for the advancement of theory and for fostering theoretical contributions in entrepreneurship signalling research (Buttice et al., 2017; Tumasjan et al., 2021; Vanacker et al., 2020).

Originally from the realm of economics, but then “taken over” by the field of psychology, signalling theory, pioneered by Spence, presents a remedy for the informational asymmetries prevalent among participants in uncertain markets. For instance, in the labour market, job seekers possess superior knowledge about their productivity compared to prospective employers (Jang et al., 2009). Due to the job seekers' inclination to present themselves favourably, employers may harbour doubts regarding the accuracy of their claims. Consequently, employers encounter difficulties in identifying competent candidates, rendering the hiring process an investment fraught with uncertainty. To mitigate the occurrence of inefficient market outcomes, individuals possessing superior information (signallers) can emit signals containing reliable information about their otherwise concealed attributes. These signals enable other participants lacking such insights (receivers) to receive and interpret them, facilitating more informed evaluations.

Signalling theory encompasses several fundamental principles. Firstly, signals must comprise observable traits or actions that are modifiable. Unlike immutable characteristics (e.g., gender), signals can be manipulated by the individuals transmitting them (Bonvino et al., 2025). Secondly, signals must entail costs inversely correlated with the quality of the individuals. Consequently, individuals of lower quality must expend more resources to generate a signal and are less likely to replicate signals emitted by higher-quality counterparts. This mechanism provides receivers with a degree of confidence in the credibility of the signals conveyed. Thirdly, over time, signallers surpass non-signallers in performance, while receivers accumulate experience and data enabling them to ascertain the validity of the signals (Bergh et al., 2014; Spence, 1974, 1978)

Given its intuitive appeal and efficacy in mitigating information asymmetries, signalling theory finds widespread application in examinations of organizational domains characterized by interactions among parties with varying levels of information (e.g., strategic management, human resource management, entrepreneurship). It is also frequently applied in equity crowdfunding, where entrepreneurs rely on signals to reduce uncertainty and attract investors. Initially centred on a handful of distinct constructs (e.g., signal cost), its scope has substantially broadened, reflecting its frequent utilization. Connelly et al. (2011) even explain the advancements in management disciplines through a comprehensive classification of the principal components of signalling theory: signaller, signal, receiver, environment, and feedback. However, among diverse areas of management research, entrepreneurship emerges as the primary focus of signalling theory applications. The theory's pertinence in this domain arises from the pronounced and challenging information asymmetries encountered, fledgling ventures heavily rely on signals to persuade critical stakeholders, such as investors or early adopters, of their capabilities (Vismara, 2015; Mazzocchi & Lucarelli, 2023; Backes-Gellner & Werner, 2007; Hoenig & Henkel, 2015; Momtaz, 2021).

Before delving into the intricacies of signalling theory, it's essential to understand its fundamental components. The theory revolves around four key elements: the signaller, the signal itself, the receiver, and the environment in which signalling occurs. Each element plays a crucial role in the transmission and interpretation of signals, ultimately influencing decision-making processes and outcomes (Liao, 2021; Spence, 1978).

2.2.2. Internal and external signallers in new ventures

In entrepreneurial settings, signallers possess privileged knowledge concerning the underlying quality of a nascent venture. Leveraging this insight, they invest resources in crafting elaborate signals that convey pertinent information to external stakeholders, including prospective investors or employees, who lack access to such information. While the signaller is typically identified as the nascent venture, alternative signallers may also exist. Ambiguity persists in entrepreneurship signalling research regarding the identity of the signaller (Huynh, 2016).

An internal signaller denotes emerging ventures possessing undisclosed quality traits that transmit signals. They incur expenses to generate these signals, as seen when a startup invests resources in research and patent applications to establish a patent signal (Arthurs et al., 2009). This internal signaller may encompass individuals or organizations. Individuals typically include entrepreneurs or managers who act as representatives of the venture. They possess private information regarding their personal competencies, which they can convey to external parties through signals such as educational background or professional experience. An entrepreneur also holds private information regarding their dedication and may signal heightened commitment levels to enhance the likelihood of securing early-stage funding (Goethner et al., 2021; Yang et al., 2020).

As startups progress from early to growth stages, management boards often emerge, potentially replacing founders as company leaders. In these transitions, individual managers and management teams assume significance as internal signallers; a management team may highlight its members' diverse experiences and backgrounds to convey a signal regarding robust human capital (Moss et al., 2015). However, entrepreneurship research typically concentrates on signals from the organization as a whole, rather than individual member. A fledgling venture might signal the quality of its innovative product with a functional prototype; a mature venture could showcase its potential by emphasizing substantial employment growth to potential acquirers; and an IPO firm may underscore its quality by increasing investments in research and development (Audretsch et al., 2012; Bell et al., 2008; Lanahan et al., 2022).

An external third-party signaller operates outside the sphere of a new venture with undisclosed quality traits; this entity may include venture capitalists, alliance partners, or media institutions. Such third-party signallers may also possess private information, effectively functioning as insiders (Scheaf et al., 2018; Scheaf & Wood, 2022). For

instance, underwriters and venture capitalists conduct extensive due diligence to acquire private information regarding a new venture's economic potential. When these third-party signallers emit signals, they incur signalling costs, often associated with their valuable reputations, which they put at risk by associating with a new venture. Entrepreneurship research frequently focuses on third-party signallers as they help offset the new ventures' lack of established reputation (Xu et al., 2026). Hence, prestigious university partners, renowned venture capitalists and underwriters, or reputable strategic partners can leverage their reputation resources to signal the new venture's quality to external parties (Arthurs et al., 2009; Berns et al., 2021; Scheaf & Wood, 2022; Spence, 1974)

Besides lending reputation resources, third parties may engage in other signalling activities, such as venture capitalists converting preferred shares into common equity, thereby exposing themselves to the risk of relinquishing control and incurring high costs. With the advent of digitization, novel forms of third-party signallers have emerged, such as when Twitter users retweet announcements from an IPO firm, customers share product experiences online, or small backers support crowdfunding campaigns, signalling their confidence in the new venture. These digital third-party signallers appear to be gaining significance as their signals are highly observable and can influence the opinions of large audiences (Arcot, 2014; Bruton et al., 2009; Chan et al., 2020).

Within the domain of entrepreneurship and crowdfunding research, signals play a pivotal role in transmitting confidential information from a signaller to a receiver. A wide array of signals has been scrutinized, including product certifications, philanthropic contributions, withdrawals made by affiliated venture capitalists, and the rhetoric employed by entrepreneurs (Giudici et al., 2012; Tanaka & Volda, 2016).

2.2.3. Signal characteristics: Message, cost and intentionality

The characteristics of signals encompass fundamental attributes inherent to the signals themselves. It is possible to distinguish three categories of signal characteristics: message, cost, and intentionality. The message of a signal pertains to the information it conveys to receivers (Kleinert et al., 2020). Spence's original framework cites education as a signal conveying information about the unobservable productivity of job applicants. The signal messages may relate to intentions or societal impacts, but predominantly focus on the economic quality of the new venture. An important consideration is the breadth or specificity of the message; as noted by Bruton et al. (2009, p. 911), "signals are not

universal in addressing all issues”. Economic quality may encompass product, market, team, or financial attributes; some signals offer narrow insights into individual dimensions, while others provide broader information spanning multiple dimensions. For instance, sales agreements solely indicate market quality as narrow messages, while a functional prototype exclusively signifies product quality (Saluzzo & Alegre, 2021). In contrast, broad messages may include venture capital backing, as investments from sophisticated investors who have conducted due diligence likely ensure high standards of quality across various dimensions, such as team and financials (Audretsch et al., 2012; Bapna, 2019; Bruton et al., 2009; Hoenig & Henkel, 2015; Lim & Busenitz, 2020; Signori & Vismara, 2016; Spence, 1974, 1978; Vismara, 2016; Wang & Yang, 2019).

Signal costs refer to the expenses associated with acquiring and transmitting a signal. These costs can manifest as upfront implementation expenses or subsequent penalty costs, both of which deter low-quality ventures from mimicking signals, thus aiding receivers in distinguishing between high and low-quality firms (Gomulya et al., 2019). Implementation costs of signals may encompass monetary, temporal, or psychological expenditures that signallers must invest to convey the signal. For instance, new ventures seeking to signal their quality through ISO certification must allocate resources and time to establish reliable production facilities and processes (Baum & Silverman, 2004). Similarly, founders pursuing educational degrees must dedicate effort and endure psychological costs. On the other hand, penalty costs arise post-signal transmission when the signal is found to be false. Reputational damage to signallers is a common form of penalty costs. In their empirical investigation, Gomulya et al. (2019) discovered, that venture capitalists providing reputational signals to a new venture that subsequently defaults experience damaged reputations, impeding their ability to secure further funding. However, penalty costs may also entail subsequent financial and temporal commitments; if an IPO firm’s claims regarding organizational integrity are disproven, investors may redirect their investments or demand changes to the management team. Given that receivers can often discern fabricated or false signals, both internal and third-party signallers risk severe penalties for transmitting them (Bapna, 2019; Bergh et al., 2014; Hsu, 2007; Momtaz, 2021; Spence, 1974, 1978).

Lastly, signal intentionality denotes the degree to which signals are consciously transmitted. Entrepreneurship research often assumes that new ventures intentionally take steps to convey their positive attributes to external parties, such as recruiting top-tier executives for their management team, acquiring and safeguarding patents, maintaining

larger ownership stakes, or strategically employing entrepreneurial rhetoric. However, it was recognized that signallers may not always be aware of the signals they emit, thus, signals can be unintentional (Berns et al., 2021; Calic et al., 2021; Gomulya et al., 2019; Vismara, 2016; Zhou et al., 2020).

When entrepreneurs undertake actions with uncertain future consequences, resulting signals may be unexpected, even if not planned. For instance, establishing a successful company later on serves as a credible signal of the entrepreneur's skills and capabilities. Nevertheless, unintentional signals can also lead to adverse outcomes. For example, when a manager engages in earnings manipulation, it inadvertently signals the organization's lack of trustworthiness, or when a venture capitalist withdraws previous investment due to dissatisfaction with a new venture, it unintentionally conveys pessimism regarding the venture's growth prospects. These unintended consequences pose a significant threat to new ventures, as the signals are often "at least partially beyond the entrepreneur's control" (Backes-Gellner & Werner, 2007; Hsu, 2007; Saluzzo & Alegre, 2021).

2.2.4. Optimizing signals: Strength, quantity and timing

The efficacy of a signal in mitigating information asymmetries hinges on three crucial mechanisms, as indicated by previous studies: strength, quantity, and timing. Signal strength denotes the degree to which a signal aligns with the quality of the new venture. When signals exhibit a strong correlation with underlying quality, they tend to be more effective in alleviating information asymmetries. Entrepreneurship literature theoretically differentiates between strong and weak signals. For instance, partnerships with reputable entities constitute strong signals that unambiguously signify the robust economic quality of a new venture, as reputable firms would not align with low-quality ventures (Backes-Gellner & Werner, 2007; Baum & Silverman, 2004; Colombo et al., 2015; Roma et al., 2021; Tumasjan et al., 2021; Vanacker et al., 2020)

Conversely, intricate logos, meticulously crafted crowdfunding campaign videos, or naming the company after its founder represent weak signals. While they may provide some pertinent information, they exhibit a relatively weak correlation with the new venture's quality. Furthermore, such signals are more widely accessible, rendering them inherently more ambiguous. Receivers typically favour strong signals; however, when strong signals are not yet available, weak signals may be the only recourse. Specifically,

Vanacker et al. (2020) establish, that investors prefer to glean insights into new ventures' realized performance (strong signal) rather than potential performance (weak signal). Nonetheless, if new ventures lack any realized performance data, their potential performance becomes more consequential (Belenzon et al., 2020; Chan et al., 2020; Vanacker et al., 2020).

Signal quantity refers to the number of signals that yield the greatest impact. A new venture may possess numerous or few patents, alliances, or experienced managers. Some signals exhibit linear effects: for instance, having more prestigious directors for IPO firms is generally advantageous (Calic et al., 2021). Each additional director brings a unique background, thereby contributing valuable expertise. However, most signals reach peak effectiveness at an intermediate level, beyond which their efficacy diminishes, primarily due to two reasons. Firstly, higher quantities may become uninformative; for instance, the difference between affiliating with three venture capitalists versus four may offer marginal additional, or potentially redundant, insights into the new venture's quality. Likewise, the informative value of additional updates during a crowdfunding campaign diminishes as the quantity increases, rendering the signal less effective (Chen et al., 2016). Secondly, new ventures allocating their limited resources to a single signal excessively may appear inefficient. Maintaining an excess of patents is inefficient due to the high costs associated with application, renewal, and monitoring for potential infringements. Similarly, an abundance of alliances may reduce a venture's flexibility and escalate management costs associated with overseeing various relationships (Block et al., 2018; Gomulya et al., 2019; Hoenig & Henkel, 2015; Thies et al., 2018).

Signal timing refers to the optimal moment when a signal yields the greatest impact. Entrepreneurship research suggests that signals should be transmitted promptly after their creation because conditions in the entrepreneurial landscape evolve rapidly, diminishing the informational value of signals over time. For instance, the expertise gained by venture capitalists may be pertinent today but obsolete tomorrow due to market dynamics, resulting in a decline in the efficacy of experience as a signal over time (Islam et al., 2018). However, some signals are only effective when there are longer intervals between them. Lengthier gaps between signals can heighten information asymmetries for external parties. Private equity placements, for instance, can better mitigate information asymmetries between ventures and equity investors if substantial time has elapsed since the issuance of the last placement. Furthermore, the effectiveness of certain signals varies throughout the venture's life cycle, declining as information asymmetries decrease and

firms mature. For example, entrepreneurs' prior founding experiences may be more impactful in the initial funding round of a new venture but lose effectiveness in subsequent rounds of funding (Hoenig & Henkel, 2015; Hopp & Lukas, 2014; Nahapiet & Ghoshal, 1998; Ragozzino & Blevins, 2021).

2.2.5. Interacting signals: Amplification, complementarity and conflict

Various signals often interact and mutually influence each other, impacting their individual effectiveness. The concept of signal portfolios has become increasingly relevant in entrepreneurship signalling research, particularly over the last decade. Three primary mechanisms illustrate these interactions: signal amplification, signal complementarity, and signal conflict (Edelman et al., 2021; Hoenig & Henkel, 2015).

Signal amplification refers to the degree to which signals enhance the visibility of other signals within the same portfolio. In entrepreneurial contexts, numerous startups vie for resources from a limited number of key stakeholders. This can result in stakeholders being inundated with a plethora of signals, potentially leading to some signals being poorly understood or overlooked. Signal amplification operates in two main ways. Firstly, potent signals (e.g., affiliation with an accelerator) may enhance the significance of another, weaker signal, such as the introduction of a new product, which might otherwise go unnoticed when presented alone. Similarly, media coverage can elevate the prominence of weaker signals to the extent that they may even surpass the effectiveness of strong signals. Secondly, rhetorical and emotive language signals have the capacity to draw attention to strong signals, such as prototypes, thereby increasing their prominence (Edelman et al., 2021; Hoenig & Henkel, 2015; Huang et al., 2022; Vanacker et al., 2020).

Signal complementarity refers to the extent to which multiple signals convey distinct information. When signals within a portfolio complement each other, they typically interact positively; however, if they convey redundant or overlapping information, they may interact negatively. For instance, granted patents and successful crowdfunding campaigns offer different pertinent insights. Consequently, these complementary signals alleviate dual uncertainties regarding a new venture's product and market risks. Distinct information may also stem from internal versus third-party signallers. For instance, entrepreneurs' expertise can signal credibility, and this may be complemented by third-party signals, such as positive consumer feedback on discussion platforms. Moreover, a signal may compensate for the absence of another signal if they

both provide similar information. For example, government grants could compensate for the lack of patents. However, a portfolio containing multiple signals conveying overlapping information might yield adverse effects. If receivers encounter two signals conveying information about the same product characteristics, they may react negatively to the need to process redundant information, perceiving it as unnecessary effort (Islam et al., 2018; Roma et al., 2017; Steigenberger, 2017).

Signal conflict emerges when one signal contradicts others within a portfolio, typically diminishing the overall signalling efficacy. For instance, the presence of a founder CEO serves as a signal, while a higher proportion of non-founder directors on the board represents another signal. When combined, these signals present inconsistencies, suggesting a risk that the founder may clash with non-founder directors, potentially leading to a lack of group consensus (Krause et al., 2021; Rauch, 2020).

Other instances of conflicting signals include scenarios where a new venture's entrepreneurial orientation conflicts with managers' external board activities. This combination of signals indicates that the venture's reliance on resources and attention may clash with the high resource and attention demands of ventures with strong entrepreneurial orientations. However, some studies propose that conflicting signals could be advantageous, such as when an entrepreneur's combined experiences of failure and success imply that the founder has learned from past failures and gained credibility (Baumgardner et al., 2015; Huang et al., 2022).

2.2.6. Receiver dynamics: Capability and identity

Receivers, who lack proprietary information concerning the quality of a venture, actively seek such information to facilitate well-informed evaluations (Vanacker et al., 2020). Entrepreneurship research delineates diverse categories of receivers, encompassing investors, employees, directors, financial institutions, suppliers, buyers, governmental bodies, partners, and potential acquirers. Each receiver cohort exhibits distinct tendencies in attending to and construing signals (Ahlers et al., 2015; Connelly et al., 2011; Luo et al., 2020; Ragozzino & Blevins, 2021; Zhou et al., 2020).

Receiver capability pertains to the degree to which recipients are adept at perceiving and comprehending signals (Yang et al., 2025). Their capacity to respond hinges on their ability to detect and interpret signals, a skill that varies among individuals due to their distinct knowledge, backgrounds, and experiences. Firstly, disparities emerge

in receivers' capacity to gather and analyse available signals, reflecting differences in cognitive resources (Dao et al., 2026). For instance, investors' level of education and experience influences the breadth of signals they can process, with less knowledgeable investors constrained in their ability to assess a wide array of signals (Edelman et al., 2021). Similarly, investors lacking prior coaching experience may overlook signals indicating the coachability of entrepreneurs. Secondly, receivers may perceive a signal but struggle to discern its intended significance. For instance, debt and equity investors, with their financial expertise, are likely to grasp the signalling value of industry-specific experience held by venture capitalists, whereas employees may lack the specialized knowledge necessary to interpret this signal (Capizzi et al., 2022). Nonetheless, even within a cohort of investors, disparities exist in their comprehension abilities. Equity crowdfunders, lacking familiarity with a particular industry, may fail to comprehend critical signals regarding entrepreneurs' industry-specific expertise (Buttice et al., 2017; Edelman et al., 2021; Vanacker et al., 2020).

Receiver identity pertains to the resemblance between recipients and signallers and its impact on their interpretation of signals. Similarities typically foster favourable perceptions and lead to more positive interpretations (Claes & Vissa, 2020). Specifically, receivers tend to view signals from similar individuals as more credible, as they hold a more favourable perception of members within the same group and consider them more trustworthy. Consequently, business angels are inclined to consider signals from fellow angels as more valuable and informative compared to those from crowd investors. Similarly, venture capitalists perceive signals as more credible when they originate from counterparts with whom they have previously engaged in joint deals. Furthermore, receivers may actively seek out signallers who exhibit similarity to expedite the formation of trust and foster productive working relationships. For instance, prestigious boards are inclined to seek out esteemed new directors, while prestigious investors seek out firms with distinguished boards (Claes & Vissa, 2020; Hopp & Lukas, 2014; Lanahan et al., 2022).

Regarding receiver objectives, it was observed, that the influence of receivers' institutional logic on their interpretation of signals. Diverse institutional logics give rise to varied needs, values and expectations, leading receivers to form different objectives that shape their interpretation of signals. Firstly, they may only respond to signals that align with their own institutional logic. For instance, if receivers adhere to an economic return logic, they prioritize signals indicating return potential, such as financial forecasts

or patents, while those embracing a community logic might disregard such signals. A social impact logic, typical of impact accelerators and microfinance investors, emphasizes signals related to entrepreneurs' social credentials over signals indicating economic quality. Secondly, receivers with different institutional logics may interpret the same signal differently. The varied institutional logics of underwriters, venture capitalists, institutional investors, and retail investors lead to divergent conclusions regarding corporate philanthropy signals. Those with long-term expectations view corporate philanthropy positively, whereas those prioritizing short-term returns perceive it as a signal of inefficient resource utilization (Anglin et al., 2020; Goethner et al., 2021; Kleinert et al., 2020; Luo et al., 2020; Scheaf & Wood, 2022; Yang et al., 2020; Zhou et al., 2020).

Receiver irrationality refers to the extent to which receivers' cognitive biases influence their interpretations of signals. Biased interpretations often stem from receivers' prejudices or stereotypical thinking about a signaller, which can undermine the impact of signals from certain groups. For example, receivers may view management experience as advantageous for male founders of technology ventures but not for female entrepreneurs (Link, 2017). Receivers also commonly rely on heuristics to process information more efficiently, which can result in less rational interpretations. Consumers often use cognitive shortcuts to evaluate product features, such as considering the purchasing decisions of other consumers. Additionally, biases may arise from emotions and non-economic rationales; for example, firm owners who have owned a company for decades may become emotionally attached to it, leading them to discount credible quality signals about potential successors (Belenzon et al., 2020; Epure & Guasch, 2020; Kackovic & Wijnberg, 2022; Luo et al., 2020; Post et al., 2020; Yang et al., 2020).

2.2.7. Environmental factors in signalling: Uncertainty, norms and noise

The signalling environment refers to the contextual setting in which signallers transmit signals and receivers perceive and analyse them. This encompasses various aspects such as industries, regulations, cultural norms, and other environmental conditions that shape the signalling dynamics (Bell et al., 2012; Epure & Guasch, 2020; Zhou et al., 2020).

Environmental uncertainties encompass contextual factors that influence the information imbalances between fledgling ventures and their recipients. These uncertainties are often characteristic of dynamic, intricate environments where new

ventures operate, thereby impacting the extent of information asymmetry. In nascent industries like the emerging clean-tech sector or during the dot-com boom of the 2000s, entrepreneurs grappled with considerable operational and commercial uncertainties, underscoring the significance of signals such as prior entrepreneurial experience or licensing agreements compared to firms in established sectors. Moreover, disparities related to national contexts play a role; in countries with less developed markets, such as Brazil, information asymmetries may be more pronounced, heightening the relevance of quality signals (Doblinger et al., 2019). These country-specific environmental uncertainties pose particular challenges when ventures opt for foreign IPOs, where they may encounter distinct uncertainties related to their home country. For instance, the level of economic freedom in the venture's home country significantly influences information asymmetries, emphasizing the importance of insider ownership signals. Lastly, the proximity between signallers and receivers also influences environmental uncertainties. When acquirers, business partners, or IPO investors operate in industries closely aligned with the venture's domain or are geographically close, environmental uncertainty tends to decrease, potentially diminishing the importance of quality signals (Bell et al., 2012; Berns et al., 2021; Doblinger et al., 2019; Huang et al., 2022; Lanchimba et al., 2021; Ragozzino & Blevins, 2021).

Environmental norms represent the expectations shaped by specific contexts and enforced upon signals. Generally, adherence to industry, regulatory, or cultural norms enhances the effectiveness of signals. For instance, Khoury et al. demonstrate, that social capital signals from a new venture should align with established practices within the industry. Deviating significantly from the social capital standards set by industry peers often leads to unfavourable reactions from IPO investors (Jia & Zhang, 2014). Regulatory norms also shape expectations regarding investor protections. For instance, in the United Kingdom, where transparency and listing standards are lower compared to the United States, investors expect signals indicating investor protections, such as board independence, whereas U.S. investors do not. Additionally, cultural norms can result in divergent interpretations of signals. For example, Jia and Zhang (2014) highlight a stigma in China surrounding philanthropic donations, which are viewed positively in other cultural contexts. Moreover, despite the unintentional signalling of managerial risks associated with CEO power, in cultures where unequal power distributions are widely accepted, such as in certain contexts, CEO power can have positive effects (Bell et al., 2008, 2012; Jia & Zhang, 2014; Khoury et al., 2013; Krause et al., 2021).

Environmental noise encompasses all the diverse contextual factors that can hinder the clear observation of signals. This noise frequently arises when receivers are inundated with an overload of information from numerous startups concurrently issuing signals, such as those found on crowdfunding platforms. Consequently, receivers may struggle to accurately process or interpret the available signals. At times, even strong signals may go unnoticed, necessitating entrepreneurs to devise strategies to enhance signal visibility. Similarly, in active IPO markets, investors may find themselves overwhelmed by the extensive information related to the multitude of new ventures going public simultaneously. In such environments, new ventures require highly visible signals to capture attention (Gulati & Higgins, 2003; Plummer et al., 2016; Steigenberger & Wilhelm, 2018).

2.3. Trust as the key aspect of crowdfunding

2.3.1. The foundations of trust

The interplay between signalling theory and information asymmetry highlights how entrepreneurs must carefully communicate their value to potential investors to bridge gaps in information (Huang et al., 2022). This concept naturally leads to the critical role of trust, particularly in crowdfunding environments, where most interactions take place online and direct personal relationships are often absent. In situations where information asymmetry exists, trust becomes the cornerstone for investors' decisions (Courtney et al., 2017). Trust plays a crucial role in crowdfunding platforms, where the lack of face-to-face interaction amplifies the importance of signals that build credibility. Trust mitigates concerns about hidden risks, encouraging individuals to invest in projects despite uncertainties (Agrawal et al., 2016).

Trust can be defined as the conviction held by one party regarding the predictability of the behaviour of another party (Luhmann, 2000). There are two pivotal components of trust from the perspective of a central party towards the other party: (1) the acknowledgment of uncertainty and susceptibility by the central party when engaging with the other party; (2) the anticipation that the other party will act in the best interest of the central party or with benevolent intentions.

It is important to recognize that the perception of uncertainty and risk may not be universally shared. For instance, Mayer et al. (1995) introduce a model where perceived

risk serves as a moderator in the correlation between trust and risk-taking. Trust has been the subject of extensive examination across various disciplines including accounting, communication, computer science, information systems, management, marketing, philosophy, psychology, and political science since the 1950s. Although each field may offer its own definitions, they have collectively contributed to a deeper comprehension of trust as a broader concept (Luhmann, 2000; Mayer et al., 1995; Rousseau et al., 1998; Shankar et al., 2002; Whitener et al., 1998).

Two categories of trust, relevant to the context of equity crowdfunding and especially relevant to this academic research, can be distinguished. The first is termed offline trust, which means the offline operations of the enterprise, encompassing direct interactions such as sales or communication, transactions and its affiliations with clientele and other stakeholders (Barbi & Mattioli, 2019; Yu, 2015). The second category is online trust, which pertains to the business dealings of the enterprise in the digital realm, particularly through its website. While online trust shares similarities with offline trust in several aspects, there are notable distinctions. In offline trust, the focus of trust typically revolves around a human or an entity (organization). Conversely, in online trust, the technology itself, primarily the Internet, or in case of crowdfunding, the platform, is often the primary object of trust. Thus, a firm's website serves as its sales representative tasked with cultivating trust with its clientele. Nonetheless, there exists a degree of overlap in trust components and the transference of trust between the online and offline domains. These overlapping areas may encompass facets such as product quality and reputation, which are key influences in the context of crowdfunding (Jarvenpaa & Leidner, 1999; Marcella, 1999).

2.3.2. Trust transference and structural assurance in crowdfunding platforms

Drawing from trust transference theory, research in the realm of e-commerce has demonstrated the substantial influence of trust in the intermediary (e-marketplace, platform) on trust in online sellers. It is reasonable to hypothesize a similar relationship in the context of crowdfunding. The literature implies, that it is reasonable to assume, that the individuals who have confidence in the crowdfunding platform may transfer this sentiment to the unfamiliar creators operating within it (Alharbey & Van Hemmen, 2021; Barbi & Mattioli, 2019; Doney & Cannon, 1997; Hong & Cho, 2011).

In an online mediated setting like crowdfunding platforms, an individual's confidence or lack thereof in the environment comprises their trust or distrust in the entities operating within the platform (particularly project creators as a collective) and their trust or distrust in the intermediary (the crowdfunding platform itself). Research (Strohmaier et al., 2019; Chang & Fang, 2013) indicates that the impact of distrust on an individual's actions may surpass that of trust, contingent upon the specific circumstances. For example, it was found that distrust in the e-vendor is a more reliable indicator of an individual's purchase intention than trust in B2C e-commerce (Benamati et al., 2006; Chang & Fang, 2013; McKnight et al., 2017).

Individuals' perceptions of trust and distrust in a crowdfunding platform are closely linked to how secure they feel about the platform's rules, safeguards, and transaction environment (Chang & Fang, 2013). In crowdfunding, this is especially important because investors usually have limited direct contact with fundraisers and must rely on the platform's institutional protections, such as verification procedures, disclosure requirements, payment security and dispute-handling mechanisms. Within the institution-based trust literature, the concept of structural assurance refers to users' beliefs that formal rules, norms, regulations, and technical safeguards reduce transaction risk and make investment participation more reliable. In crowdfunding settings, structural assurance can therefore strengthen investor trust not only in the platform itself but also in the ventures listed on it (Stevenson et al., 2025). Prior research suggests that such safeguards may also reduce distrust by reassuring users that the platform operates within a credible and controlled environment (Bock et al., 2012; McKnight et al., 2002, 2017; Pavlou, 2002; Sha, 2009).

2.3.3. Crowdfunding investor profiles and institutional logics

Alford and Friedland (1985) introduced the term "institutional logics" to explain, how contradictory practices and beliefs inherent in various institutions within Western society (capitalism, state bureaucracy and political democracy) influence individuals' behaviours (Alford & Friedland, 1985). Subsequently, the institutional logics can be defined as "socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality". There, the behaviours of different groups of individuals are intertwined with the practices,

assumptions, values, beliefs and rules prevailing in their respective environments. In the context of crowdfunding, various groups of investors may base their investment decisions on distinct institutional logics. The crowdfunding literature typically distinguishes between two investor groups: professional and nonprofessional, with their engagement in crowdfunding activities contingent upon the crowdfunding model employed by the platform through which they invest their funds (Alford & Friedland, 1985; Bretschneider et al., 2014; Cumming & Johan, 2013; Fisher et al., 2017; Strohmaier et al., 2019; Thornton et al., 2012; Vismara, 2019).

Again, crowdfunding platforms are categorized into two main groups: community-based crowdfunding, which includes donation and reward-based crowdfunding, and financial-return crowdfunding, which encompasses equity and lending-based crowdfunding (Kirby & Worner, 2014). From the investors' standpoint, a significant distinction between these groups lies in the potential to generate monetary returns when participating in financial-return crowdfunding, whereas contributing to community-based crowdfunding is typically perceived as either a donation or compensated with non-monetary rewards. Consequently, financial-return crowdfunding platforms attract both professional and non-professional investors, whereas community-based crowdfunding platforms tend to attract primarily non-professional investors. Building on this distinction, Fisher et al. (2017) suggested, that the backers of reward-based crowdfunding platforms are predominantly influenced by community logic. These backers operate within a framework of cooperative capitalism, supporting creators and their projects for the betterment of the community. They place trust in reciprocity, adhere to community values and ideology, and establish emotional connections with creators and their projects. The same underlying mechanism can be reasonably extended to equity crowdfunding, where investors face comparable decision-making conditions (Agrawal et al., 2011; Fisher et al., 2017; Kirby & Worner, 2014; Leboeuf & Schwienbacher, 2018; Thornton et al., 2012).

In this context, successful creators likely possess traits that convey trustworthiness and can establish emotional bonds with their community of backers. Previous research offers empirical support for the notion that social connections and the corresponding social capital play pivotal roles in determining the success of crowdfunding endeavours. The significance of social capital is further investigated in the study by Buttice et al. (2017), demonstrating that the creator's track record of past successful projects impacts the likelihood of success for the current project, with social capital acquired from prior

ventures moderating this effect. Zhang et al. (2017) identified the dissemination of project progress as a critical factor positively affecting funding success. Josefy et al. (2017) delved into how cultural factors influence crowdfunding outcomes, revealing that the composition of the supporting “crowd” significantly influences project success. Drawing from signalling theory (cf. Spence 1978), Vismara outlined signals in crowdfunding, developed a signal taxonomy, and presented an overview of how different signals can either enhance or diminish success across donation, equity, lending, and reward-based crowdfunding campaigns. While proponents can transmit signals to backers, Vismara underscored the platform’s capacity to influence backers’ pledge decisions (Rossi & Vismara, 2018; Vismara, 2015, 2019).

2.3.4. The role of platforms in establishing trust

Research in the domain of crowdfunding success factors investigated the impact of platforms on crowdfunding outcomes. Rossi (2018) formulated a framework aimed at enhancing the alignment between backers and creators on crowdfunding platforms. The framework advocates for platforms to implement rigorous project securitization measures to diminish project failure rates. Within this context, the significance of crowdfunding platform due diligence, encompassing procedures like background checks, credit evaluations, and project monitoring, is underscored in the study by Agrawal et al. (2014). Their findings indicate a positive correlation between crowdfunding platform due diligence and both the success rate of platform projects and the amount of funds raised. Rossi and Vismara explored how specific platform services offered to support proponents before, during, and after the investment phase impact the success rates of campaigns. Their results reveal that post-campaign services are associated with a higher prevalence of successful campaigns (Rossi & Vismara, 2018).

On the contrary, prospective investors are dissuaded from participating in crowdfunding due to apprehensions regarding potential fraudulence. This reluctance stems from two primary factors. Firstly, unlike professional investors such as angel and venture capital investors, non-professional investors lack comprehensive insight into both the project and the entrepreneur beyond the content presented on the crowdfunding page. Secondly, given that crowdfunding activities are conducted online, individuals may harbour concerns about relinquishing control over their personal data, including sensitive information like credit card details, and the adverse repercussions associated with such

data breaches. In this context, findings by Nikolaos and Yue (2017) indicate that individuals contemplating investment in crowdfunding platforms are deterred by the potential for either platforms or the creators operating on them to engage in fraudulent activities. Additionally, through interviews with 83 individuals, Gerber and Hui (2013) concluded, that the primary deterrent to becoming a backer stems from the apprehension that creators might mishandle funds or lack the capability to utilize them judiciously (Gerber & Hui, 2013; Kirby & Worner, 2014; Nikolaos & Yue, 2017; Stack et al., 2017).

Prospective investors may find projects by creators who align with the principles, beliefs, and norms of community logic more appealing. Creators can attract potential investors by employing various signalling strategies, which positively impact the success of their projects in securing funding, thus increasing the overall number of successful projects on platforms (Huang et al., 2022). Typically, platforms establish rules governing which offers may be listed, what information must be disclosed, and how campaigns are presented to investors, while also monitoring compliance with those rules. In the EU, this is no longer merely a matter of internal platform policy: Regulation (EU) 2020/1503 lays down uniform requirements for the provision, organisation, authorisation and supervision of crowdfunding services, and it requires crowdfunding service providers to select projects in a professional, fair and transparent way, maintain effective internal rules to prevent conflicts of interest, and operate effective and transparent complaint-handling procedures. The framework also requires a key investment information sheet for each offer, while the delegated technical rules specify that the information provided to investors must be accurate, reliable and regularly updated. In addition, crowdfunding service providers may not pay or accept remuneration, discounts or non-monetary benefits for routing investors' orders to a particular offer, which limits preferential promotion and directly shapes how creators can structure and market their campaigns on the platform.

According to Mayer et al. (1995), individuals are more likely to engage in risky behaviour if they perceive sufficient trust as compensation. Conversely, distrust has been identified as a factor that heightens individuals' perceptions of risk. As mentioned earlier, individuals may hesitate to pledge due to concerns about potential fraudulence on the part of either platforms or the creators operating on them (Ahlers et al., 2015; Cumming et al., 2020; Mayer et al., 1995; McKnight et al., 2002; Rossi & Vismara, 2018).

Continuing research has persisted in debating whether trust and distrust should be regarded as similar concepts. Early scholarship, such as that of Deutsch, posited that both

terms could be defined through a single concept. For instance, Deutsch (1960) defined trust as the firm conviction that the other party will adhere to their commitments, rooted in an understanding of the other party's intentions and capabilities. Consequently, Deutsch viewed distrust as the belief that the other party would act contrary to expectations. Empirically, a substantial body of literature has bolstered the differentiation between trust and distrust (Benamati et al., 2006; Chang & Fang, 2013; Komiak & Benbasat, 2008; McKnight et al., 2002, 2017).

2.3.5. The stance of trustworthy crowdfunding platforms

The crowdfunding platforms like Kickstarter, Indiegogo, Manafa, Vision Bakery, RocketHub or Patreon serve as platforms where founders showcase their project ideas and services, allowing backers to securely pledge funds for these projects. These platforms establish both procedural and overarching rules (Löher, 2017; Rossi & Vismara, 2018). Procedural rules address issues such as whether funds are retained by the creator if the pledging period ends without meeting the goal or if they are returned to backers. The latter set of rules delineates the criteria for project creation and the requirements projects must meet, thus shaping the shared values of the platform community (Dziuba, 2018; Gazzaz, 2019).

Additionally, platforms implement monitoring and reporting systems to ensure creators adhere to these rules. Three institutional mechanisms commonly employed by crowdfunding platforms to safeguard backers' interests, were previously identified: Platform regulations, monitoring, and pledge security. In this context, drawing on institutional trust, structural assurance refers to an individual's perception that protective measures are in place, enhancing the likelihood of transaction success. Zucker (1986) suggests that when an intermediary (such as a specific crowdfunding platform) is involved, trust between parties without prior personal interaction is heavily influenced by institutional mechanisms like regulations, norms, or enforcement measures. Moreover, McKnight et al. found that structural assurance also diminishes distrust. Hence, backers' trust and distrust in creators and the platform are likely shaped by their perception of these institutional mechanisms (McKnight et al., 2002).

Platform rules play a pivotal role in defining the parameters for projects by outlining the essential criteria creators must adhere to. These regulations serve as a guidebook, offering creators a clear understanding of the objectives and ethos of the

crowdfunding platform. Consequently, platform rules serve as a tool for creators to assess whether their project idea aligns with the specific platform's ethos. For instance, Kickstarter specifies that projects cannot solicit funds for charitable purposes directly; however, it welcomes non-profit organizations to initiate campaigns. Therefore, a successfully funded project on Kickstarter must explain its underlying principles and generate an outcome that could serve a charitable purpose indirectly without directly fundraising for charity (Gleasure & Feller, 2016; Sargeant, 2015).

Nonetheless, platform regulations also serve as directives for creators, delineating their responsibilities and conduct throughout the project lifecycle. These directives establish criteria and standards applicable to all projects, including the duration of pledging periods and the obligation for creators to specify delivery timelines for rewards. Platforms may also set forth guidelines tailored to projects within specific categories. For instance, Kickstarter mandates that creators in the "Design and Technology" category furnish a manufacturing plan and functional prototype, aiming to encourage transparency and information dissemination (Agrawal et al., 2014; Rechtman & O'Callaghan, 2014).

The fundamental framework of a crowdfunding platform is delineated by its platform regulations, which establish the principles, guidelines, criteria, and protocols that creators must follow to safeguard backers against opportunistic conduct and enhance the probability of transaction success. Research conducted by Chen et al. (2017) underscores the significance of such regulations, demonstrating that values and norms can mitigate the likelihood of opportunistic behaviour. As platform regulations are typically articulated in accessible language rather than legal jargon, they may allow for interpretation. Consequently, perceived platform regulations refer to an individual's understanding of the established principles, guidelines, criteria, and protocols adhered to by creators (Chen et al., 2017; Zucker, 1986).

Compared to trust and distrust in creators, platform regulations hold significant importance as they facilitate the establishment of mutual values between backers and creators and incentivize creators to share pertinent information. Within the realm of crowdfunding, mutual values are recognized as pivotal for fostering trust, delineated as shared convictions between two parties regarding the significance of certain behaviours, objectives, and ethical standards. Consequently, platform regulations promote trust and mitigate distrust in creators by cultivating a secure environment wherein backers can trust that creators will adhere to predefined protocols and uphold similar principles and beliefs. Moreover, findings from Doney and Cannon's (1997) examination of buyer-seller

relationships suggest that increased information sharing by sellers correlates with heightened trust from buyers. In the context of the backer-creator relationship, information sharing assumes paramount importance in shaping backers' trust and distrust in creators, as it unveils creators' genuine intentions. For instance, if platform regulations mandate creators to showcase a functional prototype during the pledging phase, backers may be assured of creators' genuine intentions. Consequently, platform regulations can foster perceptions of shared values, reinforcing the core belief in creators' adherence to commitments. This, in turn, bolsters backers' confidence in creators' integrity and goodwill while mitigating suspicions of opportunistic or malevolent behaviour (Doney & Cannon, 1997; Zhao et al., 2017).

Whether an individual develops a favourable or unfavourable inclination toward a specific behaviour hinges on their beliefs concerning whether engaging in said behaviour will yield the desired outcomes. Trust and distrust are construed as an individual's positive or negative convictions, respectively, regarding the attributes and behaviours of an entity. An individual who trusts an entity harbours the conviction that the entity possesses the capability, integrity, and benevolence, thereby demonstrating the ability and willingness to uphold previously made commitments (Fishbein & Ajzen, 1977; Mayer et al., 1995; McKnight et al., 2002).

These convictions are inherently linked to an individual's stance toward engaging in transactions with a commercial partner. In the context of equity crowdfunding, an individual who believes that both the platform and the fundraiser exhibit capability, integrity, and benevolence will cultivate a favourable disposition toward pledging, as they perceive an increased likelihood of attaining the anticipated outcomes from the transaction. Empirically, equity crowdfunding research shows that trust in both the crowdfunding platform and the fundraiser positively affects investors' intention to invest, and that trust in the platform can also transfer to trust in the entrepreneur; studies further show that high-quality project information helps strengthen this trust and reduce perceived risk (Alharbey & Van Hemmen, 2021).

2.3.6. Interpersonal trust and distrust in crowdfunding transactions

In the realm of online transactions, including equity crowdfunding, users' trust and distrust can be understood as four distinct but related forms: interpersonal, intermediary, institutional, and dispositional trust or distrust (Awad & Ragowsky, 2008). Among these,

interpersonal trust is particularly important in crowdfunding, because backers and creators usually interact without prior personal contact and must rely on limited signals. Interpersonal trust refers to a party's willingness to depend on another party based on the belief that the other will act reliably, honestly, and in good faith. In practical terms, it is the expectation that the trustee will fulfil commitments, avoid opportunistic behaviour, and act in a way that respects shared norms and obligations. In commercial settings, such as those between backers and creators, interpersonal trust is formed when the trusting party perceives the other party as competent enough to deliver what was promised, benevolent enough to care about the other side's interests, and principled enough to act honestly and ethically (Hong & Cho, 2011).

Interpersonal distrust is the counterpart of this process. It arises when the other party is perceived as unreliable, self-serving, deceptive, or incapable of meeting expectations. In this sense, distrust is not simply the absence of trust, but a distinct evaluative judgement shaped by negative beliefs about the other party's competence, integrity, or motives. In crowdfunding, interpersonal distrust may develop when backers suspect that a creator is exaggerating project quality, withholding information, or failing to show sufficient commitment to the campaign. It may also emerge when communication is inconsistent, overly vague, or unresponsive, all of which can weaken confidence in the creator's intentions (McKnight et al., 2017).

Numerous studies have underscored the significance of interpersonal trust as a predictor of users' online conduct. Investigations into both interpersonal trust and distrust concur that distrust serves as a notable predictor of users' behavioural intentions, with plenty highlighting that, depending on the situational context, distrust may even surpass trust in predicting behavioural intentions (Deutsch, 1960; Gefen et al., 2003; Gefen & Straub, 2004; Hong & Cho, 2011; Hosmer, 1995; McCole et al., 2010; McKnight et al., 2017; Schurr & Ozanne, 1985).

2.3.7. Trust as a determinant of investor participation

Pavlou and Gefen (2004) demonstrated, that within an online setting, the trust established between two specific parties (a one-to-one relationship) can extend to an individual's trust in the collective group of a well-defined entity (a one-to-many relationship; in this case, an individual's trust in project creators). This adaptation is particularly significant in the crowdfunding landscape, as an individual's overall perceptions of trust and distrust in

creators (as a collective group) significantly influence their inclination to pledge to crowdfunding projects. The establishment of dyadic trust between a potential backer and a specific creator only becomes pivotal when an individual harbours a positive attitude toward pledging and opts to pledge to a particular project. Hence, adopting this perspective, interpersonal trust and distrust are delineated as one-to-many relationships between an individual and project creators. In essence, interpersonal trust in creators entails an individual's beliefs dictating their confidence that online transactions with creators will yield outcomes aligned with their positive expectations of creators' actions. Consequently, interpersonal distrust encompasses an individual's beliefs shaping their conviction that online transactions with creators will lead to outcomes that align with their negative expectations regarding creators' actions (Pavlou & Gefen, 2004).

Another form of trust or distrust pertains to the intermediary involved in facilitating online transactions between two parties. When individuals engage in online transactions, various intermediaries may play a role in facilitating the process. For example, buyers and sellers utilize online marketplaces, which in turn rely on online banking institutions for payment processing, potentially utilizing security services as well. In the context of this study, the intermediary refers specifically to the crowdfunding platform facilitating interactions between investors and founders (Strohmaier et al., 2019). Intermediary trust refers to the belief that the crowdfunding platform is competent in providing a secure online environment, operates in the best interests of its users, and has benevolent intentions. Conversely, based on logical reasoning and insights from the literature on distrust, intermediary distrust refers to an individual's conviction that the intermediary lacks benevolent intentions and may act opportunistically or in a self-interested manner (Gefen et al., 2003; McKnight et al., 2017).

Several studies have underscored the significant impact of intermediary trust on online users' behaviour, however, limited research has delved into the role of intermediary distrust. McKnight et al. (2002) investigate into B2C e-commerce, highlighting that intermediary distrust may be as influential as trust in consumers' decisions to make online purchases. Arguably, in the realm of reward-based crowdfunding, distrust in the specific platform would likely negatively influence backers' attitudes toward pledging to projects and consequently serve as a significant deterrent to their pledging intentions. For instance, if a potential backer harbours distrust toward the intermediary, perceiving the platform to operate opportunistically, it would be illogical for this individual to pledge support to any project. These findings can be cautiously

generalized to equity crowdfunding, as both contexts share similar informational and behavioural dynamics (Gefen, 2000; Hong & Cho, 2011; Jarvenpaa et al., 2000; McKnight et al., 2002; Pavlou & Gefen, 2004).

Institutional trust pertains to individuals' beliefs regarding specific contexts and frameworks. It encompasses the perceived security individuals feel due to structured mechanisms such as regulations or oversight. These institutional mechanisms are typically established by intermediaries and may not directly influence individual behaviour; however, they are influenced by individuals' trust or distrust in other parties or the intermediary (Schurr & Ozanne, 1985). In the realm of crowdfunding, the perception that institutional mechanisms are in place to ensure creators adhere to their commitments may foster trust and diminish distrust in creators. Moreover, perceptions of institutional mechanisms may enhance trust and diminish distrust in the intermediary by reinforcing individuals' beliefs in the intermediary's competence, integrity, and benevolence, while reducing their concerns about its malevolence, deceitfulness, or incompetence (Mayer et al., 1995; McKnight et al., 2017; Shapiro, 1987).

Disposition to trust or distrust denotes an individual's intrinsic predisposition that influences their inclination to trust or distrust others. The former characterizes an individual's overall tendency to place confidence in others and adopt a trusting demeanour. In contrast, disposition to distrust is defined as an individual's consistent inclination or reluctance to depend on or expose themselves to others. It is also characterized as an individual's general scepticism towards humanity (Kim et al., 2008; Luhmann, 2000; Rotter, 1980; Rousseau et al., 1998).

2.4. The influence of personal characteristics on fundraising success

2.4.1. Age, gender dynamics and ethnicity in crowdfunding

The discussion of institutional trust and general disposition to trust or distrust provides an important foundation for understanding fundraising outcomes, because these broader perceptions do not operate in isolation from the characteristics of the entrepreneur. In crowdfunding, investors do not evaluate a campaign solely on the basis of platform safeguards or their own general tendency to trust, but also on cues linked to the fundraiser's identity and background. Personal characteristics such as age, gender, ethnicity, education, and prior experience may shape how credible, competent, and

trustworthy a fundraiser appears to potential backers (Beevi & Shehnaz, 2026). For this reason, the following section examines how individual traits influence fundraising success and how they interact with investors' perceptions and decision-making in crowdfunding markets.

Several studies have examined particular individual traits of entrepreneurs, including gender and race (Agrawal et al., 2014, 2015; Catalini et al., 2016; Kleinert & Mochkabadi, 2021; Liao, 2021; Link, 2017; Mohammadi, 2015; Vismara et al., 2017). Gender disparities in capital markets are evident. While there is no clear evidence of discrimination in terms of approval or rejection rates, women tend to apply for debt capital less frequently, and when they do, they often face higher interest rates on loans or stricter collateral requirements compared to men. Gender imbalances are particularly notable in accessing external equity, with women receiving a substantially smaller proportion of venture capital financing than men (Kleinert & Mochkabadi, 2021). These differences in access to capital can be attributed to various factors, including disparities in human capital, social capital, and growth aspirations between men and women, as well as differences in the characteristics of ventures led by each gender (Hellmann et al., 2026). Women are also less likely to have prior entrepreneurial or managerial experience and to participate in networks with high-net-worth individuals (Liao, 2021). Stereotypically masculine traits associated with leadership emergence may attract venture capitalists, as they often expect funded ventures to experience rapid growth in terms of sales and profits. Additionally, the dominance of men among VCs and traditional investment practices favouring male-dominated industries contribute to the gender bias observed in entrepreneurial finance (Alsos & Ljunggren, 2017; Awad & Ragowsky, 2008; Barasinska & Schäfer, 2014; Chen et al., 2017; Link, 2017; Vismara et al., 2017; Yang et al., 2020).

Gender research in crowdfunding views it as a more inclusive form of financing, particularly compared to traditional seed investors like business angels. In crowdfunding, women have a higher likelihood of successfully raising capital compared to male founders, all other factors being equal. It was observed, that women constitute approximately 35% of project leaders and 44% of investors on the Kickstarter platform. Through a laboratory experiment, Greenberg and Mollick (2017) demonstrated, that women are more likely to achieve success in reward-based crowdfunding campaigns, especially when they propose technological projects (Greenberg & Mollick, 2017).

Some of the rationales supporting the aforementioned studies are more applicable to reward-based crowdfunding than to equity crowdfunding. Men tend to be driven by

agentic objectives, focusing on personal achievement, while women are guided by communal objectives, placing greater importance on fostering interpersonal relationships (Liao, 2021). Additionally, women often exhibit stronger concerns than men regarding ethical matters related to disclosure. The social role theory of leadership suggests that female leaders tend to prioritize caring for people, whereas male leaders are more inclined towards traits that promote competition. This perspective aligns with decisions to donate or contribute small amounts of money to pledge rewards. The motivations for participation in reward-based crowdfunding are likely more associated with ethical considerations than those in entrepreneurial financial markets (Chen et al., 2017; Vismara et al., 2017).

Hence, the equity crowdfunding realm provides an amalgamation of entrepreneurial and consumer finance viewpoints. However, current evidence presents a mixed picture. Research on the UK platform Crowdcube by Vismara et al. (2017) reveals that female investors are twice as likely to invest in female-led businesses compared to male-led ones. Meanwhile, Wang and Yang, analysing projects on crowdfunding platforms, observe that equity crowdfunding campaigns launched by women tend to attract fewer investors and receive lower funding amounts compared to those initiated by men (Vismara et al., 2017; Wang & Yang, 2019).

Bill Gates established Microsoft in 1975 at the age of 19, mere four years after legislation in the relevant state lowered the age of contractual capacity from 21 to 18. Similarly, Mark Zuckerberg co-founded Facebook at the age of 19. These instances underscore the significance of youth entrepreneurship. On one hand, as individuals age, their entrepreneurial intentions tend to decline due to the increasing opportunity cost of time. Conversely, entrepreneurial opportunities tend to increase with age due to the accumulation of physical, social, and human capital. Consequently, studies have yielded mixed findings regarding the relationship between age and entrepreneurial propensity (Gedajlovic et al., 2013; Levesque & Minniti, 2006; Maurer, 2001). While some research indicates, that entrepreneurial propensity increases with age, others suggest a decline. Zhang and Acs (2018) argue, that the age-entrepreneurship relationship varies depending on the type of entrepreneurship, as novice and non-novice entrepreneurs possess different skills, competencies, and information. They find, that the entrepreneurial propensity of novice entrepreneurs follows a U-shaped age trend, declining around age 60, while the propensity of full-time entrepreneurs declines starting in their 30s (Fairlie & Robb, 2007; Lee & Vouchilas, 2016; Levesque & Minniti, 2006; Manes & Andrews, 1993; Zhang &

Acs, 2018).

Research on equity crowdfunding rarely focuses on the influence of proponents' age. On one hand, the founders' level of experience may be viewed favourably by external investors. In a quasi-equity crowdfunding setting, Herzenstein et al. (2008) demonstrate, that entrepreneurs' prior entrepreneurial experiences significantly enhance their success in equity crowdfunding. However, crowdfunding has the potential to expand the pool of individuals seeking external equity, including individuals of varying ages. It's also suggested, that teenagers are well-positioned to take advantage of this emerging opportunity, indicating that securities crowdfunding could emerge as a significant avenue for young entrepreneurs (Herzenstein et al., 2008; Levesque & Minniti, 2006; Younkin & Kuppuswamy, 2019; Zhang & Acs, 2018).

The role of ethnicity in entrepreneurship and the underrepresentation of minorities in funded ventures has garnered increasing attention. Fairlie and Robb (2007) demonstrate that the availability of startup capital is influenced by race. Similarly, the argument for gender bias posits that this underrepresentation is due to resource providers being biased against minority founders, a bias that can also stem from pre-entry constraints. The theory of statistical discrimination suggests that prospective supporters may use race as a proxy for unobservable traits associated with a higher likelihood of investment failure. Conversely, taste-based discrimination suggests that prospective supporters reject minority founders, regardless of their qualifications, due to their own aversion to minorities in general (Arrow, 1998; Fairlie & Robb, 2007; Morse, 2015). However, findings from equity crowdfunding research suggest a more nuanced picture. In particular, crowdfunding may help alleviate financing barriers for entrepreneurial teams with a pronounced immigrant presence, especially when these teams succeed in raising substantial amounts of capital. The evidence indicates that the share of immigrants in entrepreneurial teams is related to equity crowdfunding outcomes in a non-linear way: mixed teams tend to perform better in fundraising than homogeneous teams composed mainly of immigrants or mainly of natives. At the same time, while ventures founded by teams with a high share of immigrants may face a somewhat higher risk of failure, this effect is weakened when campaigns raise larger sums, suggesting that successful equity crowdfunding can partially offset the survival disadvantages associated with undercapitalisation (Lazos & Shneor, 2026).

2.4.2. Cultural factors through the prism of platforms and individuals

Crowdfunding redistributes the decision-making power in funding away from a select group of experts to a wider range of potential contributors. While crowdfunding platforms are expected to mitigate some of the racial disparities in entrepreneurship by improving access to capital, some research indicates that minority founders still encounter significant bias on these platforms. Herzenstein et al. (2008) suggest, that peer-to-peer lenders exhibit less racial bias compared to traditional banks, yet racial biases have been identified on platforms like Prosper.com by Pope and Sydnor (2011). Duarte et al. (2012) demonstrate, that P2P lenders often rely on superficial impressions, such as appearance, when making lending decisions. Crowdfunding platforms prominently display the founder's race, which may influence the behaviour of potential backers. Younkin and Kuppuswamy observe that minority founders encounter price discounts due to assumptions about their commitment and aspirations. Utilizing experimental data, Younkin and Kuppuswamy find persistent bias against African American founders on crowdfunding platforms, a phenomenon they attribute to consumer discrimination (Duarte et al., 2012; Pope & Sydnor, 2011; Younkin & Kuppuswamy, 2019).

There are significant pressures within countries to establish and sustain a shared cultural identity. Cultural disparity pertains to the degree to which the communal norms and values of one nation deviate from those of another, often assessed through six dimensions: power hierarchy, aversion to uncertainty, individualism versus collectivism, masculinity versus femininity, long-term versus short-term orientation, and indulgence versus restraint (Alsos & Ljunggren, 2017; Vismara et al., 2017). Online crowdfunding typically involves transactions or interactions across borders, engaging with diverse societal value systems. Moreover, as reward-based crowdfunding platforms are examined for creative or artistic concepts, backers' motivations to support others in realizing their creative ideas, rather than financial gain, hold greater importance. Backers select projects based on their perception of the innovation, creativity, or artistic merit of the proposed products, among other project indicators. Consequently, the cultural backgrounds of both the creators and backers play a significant role in funding decisions, determining whether and to what extent, a creative idea receives funding. Even though this behaviour has been primarily studied outside equity crowdfunding, it shows strong parallels within equity-based models (Hanjun Ko & Cho, 2006; Liao, 2021; Oomen & Aroyo, 2011).

However, the discourse surrounding cultural disparity in crowdfunding literature

remains limited. Notably, Burtch et al. (2013) illustrated, that cultural distinctions significantly hinder crowd funders' decision-making processes. They interpret this as an "awareness effect", suggesting that cultural differences only influence backers when they are conscious of them. Although Mollick (2014) primarily addresses geographical distance, his suggestions regarding its favourable impact on crowdfunding success imply that culture may play a crucial role, particularly for projects that embody the cultural elements of specific geographic regions. These existing studies indicate either a positive or negative influence, mirroring situations observed in international business research (Burtch et al., 2013; Greenberg & Mollick, 2017; Mollick, 2014).

Cultural familiarity theory posits, that companies are less inclined to invest in nations with significant cultural differences, and such disparities hinder the performance of multinational enterprises when investing in culturally distant countries. Additionally, high levels of cultural distance have been linked to lower rates of joint venture failure. In summary, relevant literature highlights a double-edged effect of cultural disparity in cross-border business, which can similarly be observed in the context of crowdfunding (Lee et al., 2008; Park & Ungson, 1997; Reus & Lamont, 2009).

Multiple studies have investigated the impact of geographic distance on funding decisions, yielding varied results. The phenomenon of backers preferring fundraisers closer to their location, known as home bias, is observed in both equity-based crowdfunding platforms like Prosper and reward-based platforms like SellaBand. However, Mollick (2014) and Kang et al. (2017) have uncovered a positive relationship between geographic distance and crowdfunding success, suggesting that crowdfunding not only mitigates geographical limitations but also activates additional mechanisms. Mollick illustrates this positive association when crowdfunding projects align with the cultural products inherent to specific geographic regions. Similarly, Kang et al. argue, that greater geographic distance may expand entrepreneurs' reach to broader and untapped markets, with their research indicating that increased distance correlates with higher funding. Overall, existing research has not definitively determined the extent to which geographic distance influences crowdfunding success. While the evidence originates from different crowdfunding forms, analogous investor responses are likely present in equity crowdfunding (Kang et al., 2017; Lee et al., 2008; Luo & Peng, 1999; Mollick, 2014; Berns et al. 2021).

Given the Internet's role in facilitating instantaneous and cost-effective communication across vast distances, the significance of geographic distance between

project creators and backers in crowdfunding initiatives has diminished in the era of online commerce and globalization. Platforms like Kickstarter boast a global user base comprising individuals interested in or familiar with cultural and artistic creative endeavours. Cultural and artistic projects possess inherent cultural attributes, narratives, and sentimental value, making them appealing to backers worldwide. Consequently, projects with captivating or innovative concepts can transcend geographic barriers and garner enthusiastic support from a diverse group of backers across the globe (Agrawal et al., 2011, 2015).

The venture capital literature frequently highlights that the probability of investing in a venture decreases as the geographic distance increases. This is attributed to factors such as higher due diligence costs and ongoing monitoring efforts (Berns et al., 2021; Kang et al., 2017). In the context of crowdfunding, the low or zero-cost access to online platforms should simplify exposure, enhance familiarity, and facilitate access to information about entrepreneurial projects for investors, effectively reducing the significance of geographic distance. Consequently, policymakers view crowdfunding as a promising tool to bridge geographical barriers cost-effectively. They aim to alleviate some of the economic frictions related to distance apparent in the early-stage VC market through internet-based funding platform, as highlighted by Lin and Viswanathan (2016). Agrawal et al. (2011) suggest, that online platforms indeed alleviate certain distance-related economic frictions, such as monitoring progress, providing input, and acquiring information (Agrawal et al., 2011; Lin et al., 2013; Lin & Viswanathan, 2016).

2.4.3. The role of social networks and geographic proximity

Equity crowdfunding is anticipated to broaden access to financing for individuals who are situated in remote areas or have fewer social connections. However, social networks often operate within local spheres, both physically and socially. A vast literature illustrates the importance of personal interaction in relationship banking, indicating that social network connections between investors (Cai & Polzin, 2025) and entrepreneurs hold value in both reward-based and equity crowdfunding contexts. Thus, the necessity for real-world connections constrains the extent of information advantages within the crowd (Barbi & Mattioli, 2019; Kaminski et al., 2019; Lukkarinen, 2020; Vismara, 2015).

Moreover, challenges related to investment protection may arise when investing outside one's home country. Despite the intention of equity crowdfunding to overcome

geographical barriers, initial evidence suggests that geographical proximity remains influential. Agrawal et al. observe that investors in reward-based crowdfunding often reside in the same geographical area as the project creators. Additionally, Burtch et al. confirm a preference among P2P lenders for borrowers who share cultural similarities and are geographically close (Agrawal et al., 2015; Burtch et al., 2013; Guenzi & Georges, 2010).

While an increasing body of research delves into the intricacies of crowdfunding and its diverse online platforms, scholarly inquiry in this domain is burgeoning. The prevailing anticipation is that crowdfunding democratizes entrepreneurial finance, thus enhancing the prospects for underrepresented groups to secure funding. Gender, age, ethnicity, and geographic location are among the foremost factors influencing the ability to access external capital. This issue persists across both debt and equity financing, wherein female, minority, and rural entrepreneurs may encounter bias from external funding entities (Block et al., 2018; Catalini et al., 2016; Moritz et al., 2015).

CHAPTER 3. PSYCHOLOGICAL AND STRATEGIC DRIVERS OF INVESTORS IN CROWDFUNDING

3.1. Motivation in equity crowdfunding: Theoretical background

3.1.1. Self-determination theory

The literature on equity crowdfunding investor motivation draws on several complementary theories. Self-determination theory (SDT) is especially prominent, because it distinguishes intrinsic motives such as enjoyment, curiosity, trust, and identification with the venture from extrinsic motives such as financial return. Empirical studies in equity crowdfunding show that investors are not driven only by wealth maximization; in some samples, financial motive is insignificant, while emotional value, novelty, and trust matter more, and willingness to support can be explained through the theory of reasoned action and the theory of planned behaviour (Wasiuzzaman, 2021). Signalling theory adds another layer by explaining how entrepreneurs' disclosures, quality cues, and risk information reduce uncertainty and shape investors' perceptions. For that reason, SDT provides a useful framework for examining why investors participate beyond purely economic considerations.

Self-determination theory represents an empirically grounded framework expounding human motivation and personality within social contexts, depicting motivation along the spectrum of autonomy and control (Deci & Ryan, 1980). Its inception traces back to investigations into the impact of extrinsic rewards on intrinsic motivation. Over the span of four decades, Edward Deci and Richard Ryan have developed five sub-theories within self-determination theory to explain related aspects of human motivation. These sub-theories examine how social environments affect intrinsic motivation, how extrinsic motivation can become more self-directed through internalization and integration, how people differ in their general motivational tendencies, how basic psychological needs support growth and well-being, and how different goal orientations influence performance and well-being (Ryan & Deci, 2022). This theoretical framework has guided extensive research across various domains, including cross-cultural studies on motivation and well-being, interpersonal relationships, energy and vitality enhancement or depletion, and the roles of mindfulness and unconscious

processes in behavioural regulation. While much of SDT's foundation stems from laboratory experimentation, its validity is reinforced by applied research spanning field studies and clinical trials addressing pressing societal concerns. Noteworthy applications encompass health behaviour modification, educational practices, psychotherapeutic interventions, workplace motivation strategies, athletic performance, and altruistic behaviours (Deci & Ryan, 2012; Ryan et al., 2002; Ryan & Deci, 2000b, 2022; Ryan & Vansteenkiste, 2023).

In the context of crowdfunding, campaign creators are motivated by their need for autonomy, as they seek to independently pursue their projects and ideas without external constraints. Competence comes into play as creators strive to showcase their skills and capabilities by successfully executing their campaigns and delivering on promises to backers. Relatedness is evident in the interactions between creators and backers, as both parties form a sense of community and mutual support throughout the crowdfunding process (Pitchay et al., 2022; Bagheri et al., 2019).

For backers, the principles of self-determination theory also play a crucial role. They may be motivated to support crowdfunding campaigns that align with their values and interests, thereby satisfying their need for autonomy in choosing where to invest their resources. Additionally, backing successful campaigns can provide backers with a sense of competence, as they contribute to the realization of creative projects and innovations. Furthermore, engaging with creators and fellow backers fosters a sense of relatedness, as individuals come together around shared goals and interests (Bagheri et al., 2019; Harms, 2007; Hervé et al., 2016). These motivations will be described in more detail and depth in the following parts of this chapter.

Numerous social psychological theories have historically viewed learning – encompassing the acquisition of attitudes, values, motivations, and behaviours – mainly through the lens of social environments shaping individuals' cognitive and behavioural patterns. This perspective, often referred to as the “standard social science model”, portrays human nature as relatively malleable, influenced by social contexts. Notably, social learning theory in developmental psychology highlights modelling and reinforcements as primary learning mechanisms. Similarly, in domains such as social psychology, social cognition, and cultural relativism, these models are frequently employed to elucidate contextually influenced cognitions and behaviours (Heider, 2013; Ryan & Deci, 2022; Ryan & Vansteenkiste, 2023; Tooby & Cosmides, 1992).

According to SDT, grounded in extensive empirical research spanning decades,

there exist at least three fundamental psychological needs – namely, the needs for competence, autonomy, and relatedness – that are indispensable for optimal development and functioning. Unlike certain evolutionary perspectives, these needs are perceived as foundational to the adaptive organization of behaviour and are supported by numerous individual adaptations, rather than being viewed as functionally specific or modular “add-ons” (Ryan & Deci, 2000b).

Conversely, the social psychology of self-determination theory approaches these issues from a distinct standpoint, emphasizing the role of social environments in shaping attitudes, values, motivations, and behaviours across developmental stages and present circumstances. However, SDT posits a fundamentally different perspective. It contends that humans are inherently active, intrinsically motivated beings evolutionarily predisposed to natural development through integrative processes. These innate qualities are not acquired but rather intrinsic to human nature, although they evolve over time, profoundly impacting learning processes and influenced by social contexts (Ryan & Deci, 2000b, 2022).

To facilitate effective operation of the innate processes of intrinsic motivation and integration, crucial nourishments – both biological and psychological – are necessary for human beings. Without adequate provision of these nourishments, these innate processes may falter, leading to suboptimal experiences, development, and behaviours. While self-determination theory primarily focuses on psychological nourishments and their interplay within social contexts, biological supports and inherent individual differences also hold significant importance (Ryan et al., 2002; Ryan & Deci, 2000b).

The SDT emerged from investigations into the impact of extrinsic rewards on intrinsic motivation. Initial studies, notably Deci (1971), involved compensating college students for engaging in intrinsically interesting puzzles, revealing that monetary rewards diminished their intrinsic motivation for the task. Subsequent to these seminal findings, over 100 similar studies corroborated this contentious notion, demonstrating that rewards do not invariably stimulate sustained persistence; rather, they can erode intrinsic motivation. While incorporating the attributional concept of perceived locus of causality to illuminate this effect and other alterations in intrinsic motivation, SDT also connects intrinsic motivation and its social-contextual influences to the fundamental human needs for competence and self-determination, also known as autonomy. Intrinsic motivation is regarded as an innate aspect of human nature and is construed as emblematic of psychological freedom or self-determination (Deci & Ryan, 2012; Heider, 2013; Ryan et

al., 2002; Ryan & Vansteenkiste, 2023).

Its potency can be either undermined or augmented contingent on whether the social milieu facilitates or hinders the fulfilment of competence and self-determination needs. Instances where external events, such as monetary rewards, threats, or competition, were anticipated to impede these basic needs were projected to engender an external perceived locus of causality, thereby diminishing intrinsic motivation (Deci & Ryan, 2012). Conversely, when events were expected to support these basic needs, an internal perceived locus of causality was anticipated, bolstering intrinsic motivation. Monetary rewards, threats, and competitive contexts were forecasted to hinder autonomy, consequently undermining intrinsic motivation. Also, positive feedback and choice were predicted to enhance feelings of competence and self-determination, fostering heightened intrinsic motivation, a proposition consistently upheld by empirical evidence (Deci & Ryan, 2012; Ryan & Deci, 2000b; Ryan & Vansteenkiste, 2023; Zuckerman et al., 1978).

As the research advanced, it became increasingly imperative to examine the dynamic interaction between autonomy and competence needs within social settings to decode the progressively intricate experimental phenomena. For instance, the discovery that performance contingent rewards, bestowed for exemplary task performance, were less detrimental than task-contingent rewards, granted for task completion or performance, underscored the need for a nuanced understanding (Ryan et al., 1983).

3.1.2. Cognitive evaluation theory and the impact of external factors on motivation

Consequently, the prior work of Deci and Ryan (1980) entailed a comprehensive review of existing literature and introduced a formal mini-theory termed cognitive evaluation theory (CET) to delineate the impact of extrinsic factors on intrinsic motivation. The CET characterised two processes through which intrinsic motivation can be influenced. Firstly, events like rewards that foster an external perceived locus of causality and impede autonomy or self-determination needs are poised to diminish intrinsic motivation; conversely, events such as choice that engender an internal perceived locus of causality and bolster autonomy needs are inclined to augment intrinsic motivation. Secondly, events such as positive feedback that nurture perceived competence by fulfilling the competence need are apt to enhance intrinsic motivation, whereas events like negative feedback that evoke perceived incompetence tend to undermine it. However, for positive

feedback to enhance intrinsic motivation, it must be directed towards an autonomously motivated activity or within an autonomy-supportive environment (Deci & Ryan, 1980; Pritchard et al., 1977; Ryan, 1982).

Cognitive evaluation theory delineates that social-environmental factors like rewards or feedback possess dual aspects pertinent to intrinsic motivation (Ryan, 1982). Firstly, there is a controlling aspect that imposes pressure on individuals to think, feel, or act in certain ways, thereby eliciting an external perceived locus of causality, impeding autonomy, diminishing intrinsic motivation, and rendering motivation predominantly controlled rather than autonomous. Secondly, there is an informational aspect that communicates competence information within an autonomy-supportive context. When this aspect validates individuals' competence in an autonomously pursued activity, it reinforces the competence need and to some extent the autonomy need, thereby augmenting intrinsic motivation (Ryan et al., 1983). Conversely, if it evokes perceived incompetence and undermines the competence need, it diminishes intrinsic motivation. In fact, if the competence information is sufficiently negative, suggesting individuals' incompetence in achieving desired outcomes, it could undermine both intrinsic and extrinsic motivation, rendering individuals amotivated (lacking intention or motivation toward the activity). The impact of an event on intrinsic motivation hinges on the relative prominence of these two aspects. The proposition of CET regarding the dual aspects of rewards offers an explanation for phenomena such as tangible rewards diminishing intrinsic motivation and verbal rewards (positive feedback) enhancing it. Furthermore, it decodes why performance contingent rewards, despite significantly reducing intrinsic motivation, are less detrimental than task-contingent rewards: Because the controlling aspect is equally salient in both types of rewards, but the informational aspect is more pronounced in performance-contingent rewards than in task-contingent rewards (Pitchay et al., 2022; Deci et al., 1981; Eisenberger & Cameron, 1996; Ryan et al., 1983).

The investigation into the effects of rewards sparked significant controversy from its inception, and to some degree, this controversy persisted for decades. Those sceptical of the discovery that tangible rewards have a tendency to diminish intrinsic motivation contended that there were confounding factors in the methodologies, that behavioural explanations of the phenomena were more valid than the cognitive-motivational ones proposed by CET, and that the findings did not offer sufficient grounds to abstain from using rewards as a primary motivational approach in education and other domains (Deci et al., 1999). These criticisms prompted a meta-analysis of 128 experiments investigating

the impacts of extrinsic rewards on intrinsic motivation. The meta-analysis robustly affirmed what had long been asserted, specifically that: (1) Positive feedback enhances intrinsic motivation; (2) Tangible rewards undermine intrinsic motivation; (3) Both task-contingent rewards and performance-contingent rewards diminish intrinsic motivation, while unexpected rewards and rewards that do not necessitate completing the target task do not diminish intrinsic motivation for it. Furthermore, CET offered a comprehensive explanation of the intricate array of findings derived from the meta-analysis (Calder & Staw, 1975; Deci et al., 1999; Eisenberger & Cameron, 1996; Scott Jr, 1976).

Another significant set of findings arose from cognitive evaluation theory research, indicating that the overall interpersonal atmosphere of a setting, such as a classroom or a workplace, can be delineated as either supportive of autonomy or controlling. For instance, it was discovered, that when elementary school teachers fostered an autonomy-supportive classroom environment, their students exhibited heightened intrinsic motivation and a greater sense of competence satisfaction compared to when the teachers fostered a controlling atmosphere. This was attributed to the students feeling empowered to cultivate their own sense of competence in the former context. Additionally, they revealed that when managers exhibited more autonomy support, their subordinates reported higher levels of satisfaction and trust compared to when managers displayed more controlling behaviours (Deci et al., 1981, 1989).

Laboratory experiments manipulated the social environment to investigate the impacts of various external events when administered in autonomy-supportive versus controlling contexts. For example, Ryan (1982) observed, that when positive feedback was delivered within an autonomy-supportive environment, it tended to augment intrinsic motivation, consistent with previous findings. However, when provided within a controlling environment, positive feedback decreased intrinsic motivation, corroborating the notion that positive feedback enhances intrinsic motivation only when accompanied by some level of autonomy support. Similarly, Ryan et al. (1983) noted that when performance-contingent monetary rewards were administered in a controlling manner, they diminished intrinsic motivation, as previously observed. Conversely, when administered within an autonomy-supportive context, they bolstered intrinsic motivation relative to scenarios with no rewards and no feedback. Nonetheless, these rewards still resulted in lower intrinsic motivation compared to scenarios involving solely positive feedback similar to what was implicit in the performance-contingent rewards (e.g., “you performed better than 80 percent of other participants”). Koestner et al. further

determined that when limits were imposed on children in an autonomy-supportive environment, they had a positive impact on subsequent motivation. Conversely, when set in a controlling environment, these limits had a detrimental effect (Koestner et al., 1984; Ryan, 1982; Ryan et al., 1983). These findings are particularly relevant to equity crowdfunding, where investors typically make decisions in a highly autonomous, online environment and are exposed to campaign information that can either support or undermine their sense of choice. A crowdfunding platform and the fundraiser can shape motivation through the way information is presented, how updates are communicated, and how much freedom investors feel in evaluating an offer. Clear disclosure, transparent communication, and non-pressure-based persuasion are more likely to support autonomous decision-making, whereas overly forceful messages, artificial urgency, or incomplete information may create a more controlling atmosphere and weaken investors' motivation to engage. This helps explain why, in equity crowdfunding, not only financial rewards but also the surrounding social and informational environment can influence whether potential investors decide to support a campaign.

3.1.3. Cross-cultural perspectives and universal psychological needs

Self-determination theory strongly asserts that the satisfaction or thwarting of the three fundamental psychological needs universally impacts the psychological well-being of individuals (Deci & Ryan, 2012; Ryan & Vansteenkiste, 2023). This proposition holds two key implications. Firstly, it necessitates compatibility with an evolutionary standpoint, and secondly, it mandates confirmation of the relationship between need satisfaction or thwarting and well-being across diverse cultures with varying economic, political, and cultural backgrounds. Through an article by Ryan and Deci (2000b), an argument was presented supporting the notion that the proposition of universal psychological needs for competence, relatedness, and autonomy aligns with an evolutionary perspective. Moreover, several studies have since supported the cross-cultural relevance of this proposition. Within psychology, the concept of a need for relatedness (or belongingness or love) enjoys wide acceptance, with little contention regarding its relevance across cultures. Similarly, the idea of a need for competence resonates with various prominent theories, and its pertinence to multiple cultural contexts remains uncontested. However, the concept of a fundamental, universal psychological need for autonomy sparks considerable debate. Some cross-cultural theorists, such as

Markus et al. (1996), argue that individuals acquire their needs from their respective cultures, suggesting that East Asian cultures prioritize relatedness and interdependence over autonomy and independence. Consequently, they posit that the SDT concept of autonomy applies primarily to Western cultures that value individualism, implying that autonomy is not universally inherent. From the perspective of SDT, autonomy should be evident across cultures in two ways. Firstly, autonomy represents an intrinsic motivation inherent to human nature, thus expected to manifest regardless of culture. Secondly, autonomy should be observable in all cultures through behaviours driven by well-internalized extrinsic motivations. Much of the cross-cultural research has focused on the latter aspect (Ryan & Deci, 2022).

However, from observational evidence, it becomes apparent that intrinsically motivated learning and play are widespread among young children across various cultures. While the level of support for these activities and the opportunities to engage in intrinsically motivated behaviours may vary among different cultures, the phenomenon of being self-motivated to engage in activities such as movement, laughter, and play can be observed wherever it has not been suppressed. Moreover, certain educational research suggests that intrinsic motivation is influenced by the degree of autonomy support versus control within the social context and that intrinsic motivation correlates with more effective learning outcomes not only in the United States but also in Japan, China, Korea, and other collectivist societies (Bao & Lam, 2008; Jang et al., 2009; Kage & Namiki, 1990).

In a cross-cultural study on autonomy, Chirkov et al. (2001) highlighted that autonomy, whether within Western or Eastern cultures, can stem from the full internalization of relevant values. For instance, individuals in an Eastern culture may exhibit autonomy while adhering to collectivist cultural values, just as individuals in a Western culture may demonstrate autonomy while embracing individualist cultural values if they have fully internalized those values. Chirkov et al. (2001) surveyed students from Russia, Turkey, South Korea, and the United States, who completed a self-regulation questionnaire assessing their motives for engaging in various cultural practices. The results indicated that the extent to which participants had internalized (and displayed greater relative autonomy in enacting) values and regulations associated with different practices predicted their level of psychological well-being. This finding confirmed that autonomy was equally essential for psychological wellness in Korea as it was in the United States and the other countries included in the study.

Additionally, no gender moderation effect on the relationship between autonomy and well-being was found. This finding is significant because theorists like Jordan (1997) have argued, that autonomy is a characteristic primarily associated with males and may have little relevance to women's experiences. However, the study by Chirkov et al. (2001) indicated, that autonomy was relevant for both women and men across all cultures examined. The researchers suggested, that the discrepancy in viewpoints stemmed, in part, from the tendency of authors such as Markus et al. and Jordan to conflate autonomy (volition) with independence (non-reliance), rather than distinguishing between these distinct constructs as has been done in SDT research and theory (Chirkov & Ryan, 2001; Jordan, 1997; Markus et al., 1996; Ryan & Deci, 2000b).

A study conducted by Deci et al. (2001) investigated employed individuals in the United States, which operates under a capitalist economic system, and Bulgaria, where the majority of companies were still state-owned under a central planning economy at the time of data collection. The researchers observed that the extent to which workers in both countries perceived their managers as supportive of autonomy positively correlated with the satisfaction of autonomy, competence, and relatedness needs in the workplace. In turn, the fulfilment of these needs was associated with increased engagement and psychological adjustment at work. This study, along with the research by Chirkov and Ryan (2001) and numerous other recent studies utilizing diverse methodologies, has provided evidence supporting the notion that the satisfaction of basic psychological needs, particularly the need for autonomy, plays a crucial role in psychological well-being across various cultures, irrespective of their emphasis on individualism or collectivism (Chirkov & Ryan, 2001; Deci et al., 2001; Lynch et al., 2009; Ryan & Deci, 2001).

The inspirations and foundational concepts of self-determination theory stem from various psychological traditions. The notion of intrinsic motivation emerged within experimental psychology when the drive theory failed to adequately explain the exploratory behaviours of animals such as rats and monkeys. White (1959) synthesized this research and introduced the concept of competence as a fundamental motivation and basic need. Building upon these foundations, SDT has remained firmly grounded in empirical research since its inception. The attribution theory facilitated the empirical exploration of intrinsic motivation at a time when the field of motivation within psychology was largely stagnant. While SDT has empirical origins in experimental social psychology, its theoretical underpinnings draw from broader psychological traditions such as organismic psychology, ego-psychology, and existential-phenomenological

approaches. These traditions emphasize the significance of human experience and meaning in shaping behaviour, as well as the biologically innate tendencies toward integrated functioning (Deci et al., 1999; Harlow, 1950; Hartmann, 1951; Pfänder, 1967).

Within the psychoanalytic paradigm, the psychologists transitioned away from prioritizing psychosexual developmental stages and shifted towards emphasizing conflict-free ego energy as the primary theory of normative development. This notion of independent ego energy, as proposed by White (1963), aligns with the concept of intrinsic motivation and serves as a motivational foundation for the maturing ego and a healthy sense of self. In self-determination theory, intrinsic motivation, driven by the psychological needs for autonomy, competence, and relatedness, fuels the organismic integration process. This integrative process, considered a natural and inherent developmental mechanism, involves the internalization and integration of attitudes, values, motivations, and emotional regulatory processes. SDT, while not a stage theory itself, shares commonalities with these organismic theories in acknowledging a natural inclination towards development, which does not necessarily require environmental programming, although supportive environments are essential for effective integration processes. Additionally, humanistic theories (Rogers, 2008) propose an inherent developmental process often referred to as self-actualization, further emphasizing the innate drive towards personal growth and fulfilment.

Self-determination theory acknowledges age-related shifts in motivation, although our primary focus lies in three key aspects: (1) The core integrative process that operates throughout an individual's lifespan; (2) The essential psychological needs for autonomy, competence, and relatedness that drive the innate developmental process; (3) The various regulatory mechanisms, which, while exhibiting differences in the extent to which they represent mature regulation, do not necessarily progress through age-related stages sequentially (Ryan & Deci, 2022).

In contrast to stage theories, SDT posits that adults are influenced to some extent by intrinsic motivation as well as by each form of extrinsic motivation – external, introjected, identified, and integrated. Moreover, individuals' motivational patterns may fluctuate over time, but not strictly in a linear fashion. Lastly, while SDT revolves around human needs and their association with integrated functioning, it diverges from Maslow's hierarchy of needs by proposing that the three fundamental needs remain relevant across the lifespan. SDT stands as a psychological macro-theory primarily concerned with delineating the impact of social-contextual elements on human motivation, behaviour,

and personality (Lynch et al., 2009; Ryan & Deci, 2022; Ryan & Vansteenkiste, 2023). In this setting, the decision to invest in equity crowdfunding is not driven solely by expected financial return, but also by whether the platform environment supports autonomy, competence, and relatedness. Investors are more likely to engage when they feel free to evaluate equity crowdfunding campaigns independently, when the information provided helps them feel competent in assessing risk and opportunity, and when they experience a sense of connection with the entrepreneur, the project, or the broader investor community. Equity crowdfunding platforms can foster participation not only through economic incentives, but also by creating a motivational environment in which investors perceive the campaign as understandable, trustworthy, and personally meaningful. This makes SDT a valuable framework for explaining why some investors participate enthusiastically, while others remain passive despite similar financial opportunities.

3.2. Financial and non-financial motives in equity crowdfunding

3.2.1. Financial motivation in equity crowdfunding investments

Upon discussing the personal characteristics of fundraisers and the role of trust in crowdfunding, it becomes evident, that the dynamics between project owners and their investors are closely intertwined. The success of a crowdfunding campaign not only hinges on the traits and strategies employed by entrepreneurs but also on understanding the diverse motivations and behaviours of the investors who choose to back these ventures. Undoubtedly, one primary motivator frequently observed in equity crowdfunding is financial remuneration (Roma et al., 2017). The following chapter shifts focus toward investors, examining the factors that drive their participation in crowdfunding. While financial return remains a key motivator, it is not the sole influence guiding investment decisions. The interplay of monetary and non-monetary incentives, alongside personal values and goals, shapes how investors engage with crowdfunding platforms (Lukkarinen et al., 2016). By studying these qualities and motivations, a more comprehensive view of the ecosystem can be obtained, highlighting the reciprocal relationship between fundraisers and their supporters, which ultimately determines the outcome of crowdfunding initiatives. Importantly, the empirical study in Chapter 4 will further address this issue.

Recent equity crowdfunding research suggests that financial motivation is important, but not uniform across the crowd. In Malaysia, a survey-based SEM-PLS study found that the financial motive was not statistically significant in explaining willingness to support equity crowdfunding, whereas trust, aesthetic value, novelty and emotional value were more influential (Wasiuzzaman et al., 2021). By contrast, a 2024 study of investors in the largest equity crowdfunding platform in Mexico showed that professional investors attach greater weight to financial aspects of the project, and the authors explicitly note that investors seek future financial returns even when other motives are also present (Olivares & Rivera, 2023). A 2024 Thai PLS-SEM study likewise shows that investment intentions in equity crowdfunding are shaped by perceived usefulness and ease of use, with platform quality, platform characteristics and social influence affecting decisions indirectly through these beliefs, which suggests that financial considerations are filtered through how usable and credible the platform appears (Panitkulpong et al., 2024). More recent investor-segmentation work further indicates that some equity crowdfunding investors are strongly financially oriented and respond to financial projections, while other crowd segments place more emphasis on non-financial cues (Berliner et al., 2025).

The inclusion of monetary incentives is widely acknowledged as a crucial factor in attracting substantial participation within various contexts (Capizzi et al., 2022; Coppey, 2016; Rasmussen & Sørheim, 2012). This significance is particularly notable among individuals with lower levels of intrinsic motivation. However, studies indicate that escalating the monetary reward does not invariably lead to a proportional increase in participation rates. Individuals may perceive higher monetary incentives as indicative of tasks demanding greater effort or time investment. Nonetheless, the mere presence of monetary compensation was not found to outweigh the importance of non-monetary motivations. Financial incentives have also been associated with the quality of contributions, often eliciting more innovative and daring ideas. Conversely, in micro tasking scenarios, the accuracy of unpaid labour has been found to be comparable to or even surpass paid work (Deci & Ryan, 1980; Leland & Pyle, 1977; Scott Jr, 1976).

3.2.2. Personal values, learning opportunities and community involvement

In the literature, motivations related to career advancement have been recognized as one of the influential factors in attracting more participants, particularly in skill-oriented

crowdsourcing contexts (Vallerand et al., 1992; Bretschneider & Leimester, 2017). In crowdfunding, this motive may be especially relevant because the financial barrier to participation is usually relatively low, meaning that even individuals with limited disposable capital can take part and gain experience through small investments. The pursuit of learning is deemed valuable for professionals, investors, or entrepreneurs seeking to enhance their expertise. Learning also serves as a motivator for amateur participants aspiring to engage in creative endeavours and enhance their technical, cognitive, and business skills, either for personal growth or to prepare for future career opportunities (Brabham, 2008; Bretschneider & Leimester, 2017; Hsu & Lin, 2008; Vallerand et al., 1992; Wasiuzzaman et al., 2021).

Investors in equity crowdfunding are often motivated not only by potential financial returns, but also by the opportunity to learn about emerging ventures, new markets, and innovative business models. In this context, participation can provide informational value and a sense of personal involvement in the entrepreneurial process, especially when investors follow campaign updates, compare projects, and observe the decisions of other backers. Some investors also derive satisfaction from supporting ventures that align with their interests or values, which can create a sense of engagement beyond the expected financial payoff. In addition, interacting with founders and other investors may reinforce confidence in the investment process and make participation feel more rewarding and meaningful. Individual characteristics of investors may therefore shape their willingness to engage with campaigns, particularly when they are interested in gaining experience, exploring opportunities, or contributing to ventures they find promising (Agrawal et al., 2011; Bretschneider et al., 2015; Frydrych et al., 2014; Kotha & George, 2012).

3.2.3. Non-financial motivation in equity crowdfunding

The crowdfunding platforms have been recognized for offering users a range of supplementary services beyond monetary gains. It was observed that these platforms encompass a diverse array of functions beyond mere fund transfer between parties, actively facilitating discovery, communication, and contribution throughout the process (Agrawal et al., 2011, 2015; Belleflamme et al., 2014; Gerber & Hui, 2013; Belleflamme & Schwienbacher, 2013).

Social interaction and community involvement have been identified as factors that

enhance participation. Additionally, in mobile crowdsourcing, they are associated with the most active participants (Beier & Wagner, 2015). Membership in a community aids in better understanding, learning from others' experiences, and finding support. Interestingly, the social aspect of crowdsourcing remains significant even in paid micro tasking, which is primarily individual, lacking social learning opportunities. Working in the presence of others has been shown to enhance workers' accuracy and engagement. Conversely, in activities related to individual innovation, there is concern, that social facilitation may diminish innovation outcomes due to peer influence and the homogenization of contributions (Leeson & Heaven, 1999; Lewis & Weigert, 1985; Lu et al., 2014; van der Have & Rubalcaba, 2016).

Further insights into motivations have been provided by researchers like Wasiuzzaman (2021), who have dissected each stage of the crowdfunding process. In the context of equity-based crowdfunding, they discovered that platforms accommodate additional value propositions desired by users across all seven identified stages – application, screening, contracting, the “roadshow”, subscription, holding and exit. The organizational structure, whether cooperative or stock-based, thus significantly influences the ease of incentivizing participation and mitigating disincentives, shaped by unique psychological constructs and ownership frameworks inherent to each organizational form. In this discussion, particular emphasis is placed on these factors, especially concerning asymmetry of information/trust, interaction frequency, and the level of patron homogeneity (Wasiuzzaman et al., 2021).

As a broad concept, “non-financial capital” means various non-monetary assets that individuals or organizations can possess, control and exchange (Madrazo-Lemarroy et al., 2019). This category encompasses a diverse array of resources beyond financial assets, including but not limited to: expertise, competencies, knowledge, social networks, interpersonal relationships, and psychological attributes such as hope, optimism, self-efficacy and resilience. In alignment with the notion of value addition, the concept of non-financial capital has also gained attention in the realms of business angels and venture capital: Investors contribute non-financial resources to their investees as part of value-enhancing initiatives, with some of these activities fostering the development of non-financial assets within the investees, such as learning from the experiences of their investors (Bretschneider & Leimeister, 2017; Madrazo-Lemarroy et al., 2019; Meyskens & Bird, 2015; Wijbenga et al., 2003).

Similar to many non-financial assets, human capital is intangible and is possessed

by individuals, teams, or businesses. Human capital encompasses both explicit knowledge and experience (“know-what”) as well as tacit knowledge related to skills and abilities (“know-how”). Individuals can transfer their human capital to others, who can then enhance their own human capital by acquiring new skills and knowledge through the learning process. In the context of crowdfunding, it’s evident that funders possess their own human capital, which they can impart to fund-seekers, for instance, by offering feedback (Fehrer & Nenonen, 2020). Moreover, fund-seekers can enhance their human capital by actively seeking feedback or gauging interest in their campaign. Therefore, entrepreneurs and businesses leveraging online crowdfunding platforms have the opportunity to enrich their human capital alongside their financial assets (Davidsson & Honig, 2003; Lehner, 2014; Wahyuni, 2012).

Social capital encompasses various definitions but fundamentally denotes the advantages individuals and organizations derive from the social structures and memberships within their networks. It resides in the relationships established among individuals and is crucial for one person’s human capital to complement or enhance that of another. Essentially, social capital pertains to the interactions among network actors, fostering common goals, trust, and cohesion (Coleman, 1988).

In the context of interactions between crowdfunders and fund-seekers, Colombo et al. (2015) depicted crowdfunding platforms as hubs of social interaction, illustrating the development of social capital in the crowdfunder-entrepreneur relationship. Similarly, other studies have recognized the cultivation of social capital through crowdfunding, highlighting its role in building networks, communities, and trust bonds. Moreover, crowdfunding enables fund-seekers to leverage their funders’ networks through word-of-mouth referrals and promotions (Ashourizadeh et al., 2014; Barney et al., 2001; Dragojlovic & Lynd, 2014; Luthans et al., 2004; McGowan et al., 2015)

Expanding upon the notion of non-financial capital, psychological capital aims to broaden the scope beyond the previously discussed “people-related” forms of capital. Luthans suggested the four primary components of psychological capital as follows: self-efficacy, hope, optimism, and resilience (Luthans et al., 2004, 2010).

Self-efficacy denotes an individual’s confidence and belief in their capability to perform effectively in professional settings. Hope signifies a more generalized positive motivational state, reflecting the determination to achieve desired outcomes, whereas optimism pertains specifically to individuals’ responses to positive and negative circumstances. Finally, resilience encompasses an individual’s capacity to bounce back

from adversity (Butts et al., 2009; Maurer, 2001).

Avey (2014) advocated for research illuminating various methods through which individuals can cultivate psychological capital. In response, Lee et al. (2019) discovered that psychological capital fully mediated the correlation between ambidextrous organizational culture and job performance. Additionally, De Clercq et al. (2017) illustrated the positive influence of personal resilience on organizational citizenship behaviour, underscoring the necessity of gaining a deeper understanding of how psychological capital can be nurtured among employees. However, within the context of crowdfunding, there is a dearth of studies explicitly addressing psychological capital. The few existing studies merely touch upon the utilization of language in crowdfunding campaigns and the consequent opportunity for fund-seekers to leverage language to attract investment (Anglin et al., 2018; Rego et al., 2012).

Empirical investigations have also concentrated on individual investment behaviours. Vismara demonstrates the impact of information cascades on the investment process. Block et al. (2018) present findings indicating that updates provided by founders influence investment dynamics during a campaign. Hornuf and Schwiendbacher (2018) find that the investment decisions and feedback from other crowd investors influence investors' willingness to contribute funds. Belleflamme et al. (2014) suggest, that fostering a community can significantly contribute to the success of an equity crowdfunding campaign, suggesting that investment motives in equity crowdfunding extend beyond purely financial returns (Belleflamme et al., 2014; Block et al., 2018; Block & Sandner, 2009; Vismara, 2015).

In addition to financial considerations, equity crowdfunding investors are often motivated by a desire to support entrepreneurship and innovation, especially when they identify with the entrepreneur's story, the venture's mission, or the sector in which the project operates. Many also value the opportunity to learn about new markets and emerging business models, which makes participation appealing as an informational and intellectually engaging activity. For some investors, backing a campaign also provides a sense of involvement and satisfaction from helping promising ventures grow, particularly when the project has local or community relevance. These non-financial motives complement financial expectations and help explain why investors contribute even when immediate monetary returns are uncertain. Similarly, Kleinert et al. (2020) reveal that discussions on equity crowdfunding platform forums drive investments. Consequently, campaign creators frequently appeal to emotional and non-financial factors to garner

support from the crowd. Research on the sustainability orientation of crowdfunding campaigns has, until recently, predominantly centred on reward-based crowdfunding. An early notable exception was Vismara (2019), who provided evidence that sustainability-oriented investors often adhere to a community logic, prioritizing community values and endorsing trust and reciprocity within the community. These findings were re-examined by several other researchers (Calic et al., 2021; Kleinert et al., 2020; Vismara, 2019). Even more recent works related to sustainability in equity crowdfunding have shown the importance of sustainability related goals and focus, on equity campaign success (Gai et al., 2025; Capolupo et al., 2025; Perotti et al., 2025; Carè et al., 2025; Barone et al., 2026).

Many individual investors in retail lack familiarity with startup finance and do not avail themselves of professional investment guidance. Unlike institutional entities such as banks, angel investors, or venture capitalists, crowd investors do not typically possess the level of expertise associated with professional investors (Mason & Stark, 2004). They seldom employ complex credit risk models or sophisticated tools to manage the risk and return of their investment portfolios (Feeney et al., 1999). For instance, they are less likely than professional investors to develop their own internal risk models for guiding portfolio decisions. Considering their relatively modest investments, they would incur significantly higher transaction costs to thoroughly assess startup ideas and founder teams compared to angel investors and venture capitalists. It is economically impractical to dedicate several weeks to due diligence for a new venture when the investment amount is comparatively small. Consequently, crowd investors may face significant challenges if a default occurs, as they do not routinely calculate expected default rates (Bottazzi et al., 2016; Cholakova & Clarysse, 2015; Feeney et al., 1999; Mason & Stark, 2004; Nila Febrianti & Darma, 2023).

Dorfeitner et al. (2017) discovered that crowdlending investors experience a default shock, leading to a decreased inclination to further diversify their investment portfolios. He hypothesized that a similar default shock may manifest in equity crowdfunding due to investors' pursuit of financial returns through risky investments. However, the literature states, that the default shock in equity crowdfunding might be somewhat attenuated. Unlike in crowdlending, where investors receive periodic payments immediately following a successful loan campaign, equity crowdfunding investors must wait several years for their initial repayments. Consequently, investors in equity crowdfunding seldom witness repayments, potentially diminishing the immediacy of their financial commitment after the fundraising period concludes. As a result, it may take

a substantial loss or multiple instances of insolvency before equity crowdfunding investors exhibit a default shock akin to that observed by Dorfeitner in the crowdlending market (Ge et al., 2017; Lin et al., 2017).

3.2.4. The presence of environmentalism in equity crowdfunding

In parallel, environmental factors have emerged as a significant element motivating modern investors in equity crowdfunding (Carè et al., 2025; Allison et al., 2015). With increasing awareness of environmental issues and sustainability concerns, investors are placing greater emphasis on the environmental impact of their investment choices. Environmental sustainability has become a key consideration (Del Sarto & Bellavitis, 2025) for many investors, who seek investment opportunities that align with their values and contribute positively to addressing environmental challenges (Allison et al., 2015; Chen et al., 2019; Messeni Petruzzelli et al., 2019; Vismara, 2019).

Equity crowdfunding has emerged as a platform facilitating investments in firms across diverse industries and with varied business models (Brown et al., 2017). While early platforms primarily targeted startup financing, the market has recently diversified to encompass sustainability-oriented ventures and real estate campaigns. Sustainability-oriented crowdfunding initiatives are backed by firms with diverse business models, albeit most prioritize making a Social, Environmental, and Economic contribution while also ensuring profitability and offering financial returns to investors (Adamska-Mieruszevska et al., 2023; Messeni Petruzzelli et al., 2019). In traditional financial markets, investors exhibit variability in their commitment to sustainability-oriented investment products. Some socially conscious investors may allocate their entire portfolio to such products, whereas others maintain a smaller proportion of ethical holdings. Consequently, it remains uncertain how frequently and to what extent sustainability-oriented investors participate in crowdfunding campaigns focused on sustainability (Adamska-Mieruszevska et al., 2025). However, given the limited availability of sustainability-oriented campaigns at any given time and the absence of secondary markets for share trading in equity crowdfunding, sustainability-oriented investors may need to commit larger sums to individual sustainability-focused issuers (Brown et al., 2017; Capizzi et al., 2022; Fili & Grünberg, 2016; Kaminski & Hopp, 2020).

Calic et al. (2016) examined technology and film/video campaigns on Kickstarter, where backers receive perks or pre-purchase products still under development. They

discovered, that the sustainability orientation of a campaign positively influences funding success. The reasons behind the heightened success of sustainability-oriented campaigns in reward-based crowdfunding remain unclear; it's possible that backers pledge larger amounts or that these campaigns attract more backers. Although Calic et al. don't delve into these aspects, they demonstrate that the success of sustainability-oriented campaigns on Kickstarter is partly linked to campaign creativity and third-party endorsements.

Furthermore, the investigation delves into the investment behaviour of sustainability-oriented investors following an insolvency event. The inquiry, prompted by Dorfeitner et al. (2019), seeks to ascertain whether socially inclined crowd investors exhibit heightened reactions to insolvencies. Experimental research suggests that the interplay between investment returns and personal values influences the investment decisions of sustainability-oriented investors (Calic & Mosakowski, 2016; Chen et al., 2019; Messeni Petruzzelli et al., 2019).

This observation aligns with arguments presented by Lewis and Mackenzie, indicating that investors tend to decrease their sustainability-oriented holdings upon discovering lower returns. Mackenzie and Lewis illustrate that while investors may maintain their sustainability-oriented holdings with returns two percentage points lower, a reduction occurs when returns drop by five percentage points, affecting over one-third of these investors (Lewis & Mackenzie, 2000a, 2000b; Mackenzie & Lewis, 1999).

Given the negligible recovery rates post-insolvency in equity crowdfunding due to minimal net asset values of startups and the subordination outlined in many funding agreements, insolvency significantly impacts crowd investors (Hornuf & Schwienbacher, 2018). Therefore, sustainability-oriented investors might react even more severely to insolvencies than typical crowd investors.

Also, Levitt and List (2007) posit that the utility function of economic agents is influenced not solely by profit motives but also by moral and ethical considerations. Specifically, sustainability-oriented investors are likely to exhibit both profit-oriented and pro-social tendencies (Levitt & List, 2007).

Theoretical and empirical investigations demonstrate that profit calculations and pro-social attitudes play pivotal roles in determining investors' propensity to allocate funds to Socially Responsible Investment funds (Busch et al., 2021). Furthermore, individuals are more inclined to engage in activities addressing social issues if they perceive that their actions contribute to resolving those issues, a phenomenon often termed perceived consumer effectiveness. In the realm of equity crowdfunding, the

resolution of Social and Environmental issues is typically entrusted to the firm seeking funding on the platform. In the event of failure of a sustainability-oriented firm, personal investments no longer contribute to resolving the SEE problem at hand. Consequently, apart from the financial loss, insolvency undermines another key investment motive (Berns et al., 2020; Crane & Glozer, 2016).

Secondly, research indicates that Socially Responsible Investing portfolios demonstrate comparable risk-adjusted performance to conventional investments. However, what often influences investors is not the actual risk and performance metrics of an investment, but rather their perceived risk and performance in sustainability-oriented investments (Messeni Petruzzelli et al., 2019). The perception of low risk and strong financial returns can heighten the likelihood of investment. It was discovered that a majority of sustainability-oriented investors anticipate lower risk and higher returns from their investments compared to other options. Consequently, if sustainability-oriented crowd investors initially view their investments as less risky, an insolvency event that subsequently elevates their perception of risk could significantly impact their investment inclination (Harrison, 2013; Kim et al., 2008; Nikolaos & Yue, 2017).

One could posit, that investors engaging in sustainability-oriented equity crowdfunding anticipate returns commensurate with the market risk associated with their investment. However, an insolvency event within the portfolio of a sustainability-oriented crowd investor could also introduce an additional objective risk. This is because the limited number of issuers in equity crowdfunding makes it challenging to diversify firm-specific risks. As mentioned earlier, this limitation arises from the scarcity of equity crowdfunding campaigns seeking funds simultaneously, the absence of a secondary market, and the lack of share trading post-funding period. Additionally, since not all platforms prioritize sustainability, the pool of sustainability-oriented campaigns is even smaller. If the number of sustainability-oriented issuers is insufficient or if these firms are too alike, investors face difficulties in diversifying campaign-specific risk, leading to increased costs in hedging otherwise diversifiable firm-specific risk (Kim et al., 2008; Kim & Viswanathan, 2018; Vismara, 2019).

Consequently, following a firm's failure within the portfolio, hedging the firm-specific risk may prove prohibitively expensive for investors to maintain market exposure. Moreover, sustainability-oriented investors often favour passive investments, where fund managers select suitable Socially and Environmentally Engaged stocks on their behalf and filter out unsuitable ones (Lewis & Mackenzie, 2000b; Mackenzie &

Lewis, 1999).

However, some investors may believe that professional investment strategies and governmental actions are insufficient, and they may perceive a personal responsibility to take financial actions themselves to contribute to societal improvement. If sustainability-oriented crowd investors choose their own investment targets, which subsequently experience insolvency, they may more readily attribute the realized loss to themselves, potentially leading to a cessation of investment activity or a shift from equity crowdfunding to more passive forms of SEE investments (Estrin et al., 2018; Feeney et al., 1999; Roma et al., 2017).

Investors of SRI-profiled mutual funds frequently align Social and Environmental Engagement motives with conventional investment objectives (McCann et al., 2003). Non-financial motivations in equity crowdfunding encompass a diverse range of factors beyond monetary gain (Wald et al., 2019). Investors are often driven by personal interests, seeking opportunities that align with their passions or values. Additionally, social interaction and community involvement play a significant role, as investors value the sense of belonging and collaboration within crowdfunding communities. Furthermore, the pursuit of human capital development, including the acquisition of new skills and knowledge, serves as a key motivator for investors looking to enhance their personal and professional growth through participation in equity crowdfunding campaigns (Levitt & List, 2007; Lewis & Mackenzie, 2000a; McCann et al., 2003; Michelson et al., 2004; Nilsson, 2008; Sparkes, 2001).

3.3. Decision making process of equity crowdfunding investors

3.3.1. The role of information asymmetry in decision points prevailing in the equity crowdfunding

One of the key distinctions of equity crowdfunding lies in its online nature, which offers a unique opportunity to observe the decision-making processes of small investors and identify factors that capture their interest (Bapna, 2019). Traditionally, scholars in entrepreneurial finance have relied on classical signalling theory, assuming that potential investors are rational and adept at interpreting signals from firms seeking funding. However, research in management suggests, that investors may struggle to process and interpret multiple signals accurately. Exploring videos, images, and other visual cues

could yield valuable insights into how investors perceive signals and which signals they prioritize. Drawing on research methodologies from fields like psychology and marketing may prove beneficial in this regard (Bapna, 2019; Galak et al., 2011; Moysidou & Spaeth, 2016).

Due to the digital nature of interactions facilitated by online platforms, the likelihood of crowdfunding investors directly meeting the issuers from whom they acquire securities is extremely low (Kang & Kim, 2006). This stands in stark contrast to the hands-on approach commonly employed by venture capitalists and angel investors, who typically engage in multiple interactions with entrepreneurs to conduct due diligence and negotiate deal terms. In equity crowdfunding, however, individual investors base their investment decisions on a wealth of information disclosed online (Bi et al., 2017; Kang & Kim, 2006; Lukkarinen et al., 2016).

As a result of the digitalization of entrepreneurial finance, entrepreneurs are required to provide extensive information accessible through various online channels such as websites, emails, and social media platforms. The abundance of available information may overwhelm investors, leading to information overload, as attention is considered a limited resource. Faced with numerous signals of varying strength, prospective investors may experience difficulty in processing all available information, leading them to adopt a satisficing behaviour by filtering out relevant signals to streamline decision-making processes (Da Cruz, 2018).

While most founders furnish information to potential investors, only a fraction of the presented facts undergo validation by the crowdfunding platform or another third party. Certain platforms verify basic financial details such as credit scores, personal income or business plans. However, a majority of the information remains unverified, often being unverifiable. This information may include ostensibly concrete data such as revenue figures, project advancements, monthly disposable income for repayment, or more subjective disclosures like promises or self-descriptions. Consequently, the relationship between founders and investors is characterized by significant levels of information asymmetry (Kontogiannidis et al., 2017; Thüridl & Kamleitner, 2016; Wu et al., 2010).

When investors endeavour to weigh potential rewards against risks, these information asymmetries give rise to classical agency scenarios. Within the principal-agent relationship, the founder (acting as the “agent”) solicits funding from the investor (acting as the “principal”) and endeavours to convey their eligibility and intentions. The

investor must place trust in the signals and the good intentions of the founder (Ardichvili et al., 2002; Busenitz et al., 2005; Cooper et al., 1994; Drover et al., 2017). While deciding about committing funds to a venture, investors encounter several tasks, including identifying compelling opportunities on various platforms, gathering and analysing investment-related information, and ultimately making decisions regarding whether and how much to invest (Ahlers et al., 2015).

Similar to traditional investment solutions, crowdfunding investments are typically made amidst uncertainty, where investors lack the ability to accurately forecast the future trajectory of a business or the financial stability of a borrower (Kromidha & Robson, 2016). Due to the scarcity of reliable data, investors resort to proxies and alternative assessment methods to inform their investment decisions. Consequently, each piece of available information undergoes scrutiny, and every signal conveyed by the founder is analysed. For instance, information stemming from social interactions, emotional response, or seemingly inconsequential factors such as skin complexion are taken into consideration. Moreover, contextual cues play a significant role in shaping decisions, including how information is presented or perceived. As a result, human investors consider factors that a purely rational investor would typically disregard (Blumberg & Letterie, 2008; Gedajlovic et al., 2013; Kang et al., 2016; Kromidha & Robson, 2016; Pope & Sydnor, 2011).

Another significant attribute unique to equity crowdfunding is the transience of information within crowdfunding campaigns. In comparison to conventional sources of entrepreneurial finance, participants in equity crowdfunding, including entrepreneurs, investors, and platforms, possess the ability to modify the information available to potential investors by adding, removing, or revising existing information. Entrepreneurs can update the content of their campaigns, thereby altering the information accessible to investors. Previous study has demonstrated that updates in the form of information disclosure can provide credible insights into the quality of startups, thereby influencing investment dynamics. Namely, research by Hornuf and Schwienbacher (2018) revealed that posting updates by entrepreneurs leads to increased subsequent investments, particularly on the following day. However, these studies have primarily focused on the frequency of updates, leaving a gap in understanding how the content of updates affects investment dynamics (Alharbey & Van Hemmen, 2021; Brown & Davies, 2015; Mochkabadi & Volkmann, 2020).

Furthermore, equity crowdfunding presents an intriguing feature – the option to

withdraw investments without consequences, known as the cooling-off period. This provision allows online investors and consumers to reconsider their investment decisions within a few days, affording entrepreneurs, investors, and platforms the opportunity to influence funding dynamics at no additional cost (Morse, 2015). Given the significance of information cascades in equity crowdfunding, early investments by entrepreneurs, investors, or platforms can trigger a success-breeds-success dynamic, potentially influencing other investors and contributing to campaign success. It was previously shown that platform members frequently invest in offerings listed on their portal and are more inclined to withdraw than the average crowdfunding investor. Their investments primarily target low-quality offerings and impact the trajectory of the campaign. This withdrawal option can be leveraged to manipulate the information available to investors, underscoring the need for research into how entrepreneurs, investors, and platforms shape the online information presented in equity crowdfunding campaigns (Méric, Maque & Brabet, 2016; Voelker & McGlashan, 2013).

Various literature reviews have explored different facets related to investor decision-making in crowdfunding, albeit without a specific focus on decision-making comprehensively across different types of crowdfunding. For example, Basha et al. (2021) conducted a review solely on lending-based crowdfunding, briefly discussing determinants of success such as financial metrics, demographics, and social dynamics, drawing from prior research. Similarly, the peer-to-peer lending was compared in the US and China, examining a limited number of articles and highlighting factors influencing investment decisions, including both quantitative (financial information) and qualitative (social behaviour) aspects. Through the examination, various reviews revealed the depth of decision-making processes, while also including the peer-to-peer lending domain, allowing for broader insights into other crowdfunding models (Barasinska & Schäfer, 2014; Berns et al., 2021; Chemin & De Laat, 2013; Emekter et al., 2015; Lin et al., 2017).

Moritz et al. (2015) offer a succinct overview of literature pertaining to communication channels among founders, investors, and third parties, laying the groundwork for their qualitative study. They focus on specific facets of decision-making. In contrast, other reviews encompass crowdfunding holistically, exploring diverse areas such as development crowdfunding, regulatory frameworks, and economic ramifications (Belleflamme et al., 2014; Block et al., 2018; Moritz et al., 2015; Belleflamme & Schwienbacher, 2013).

3.3.2. Signals, campaign strategies and investor behaviour

Investors participating in equity crowdfunding encounter significant information disparities, compounded by the risk of moral hazard and adverse selection, particularly as firms seeking funding often lack essential data such as sales or revenue records (Aleksina et al., 2019). Nonetheless, crowdfunding enterprises endeavour to furnish comprehensive information about their projects, encompassing various aspects such as firm attributes, project objectives, managerial expertise, fundraising targets, and post-crowdfunding prospects (Koch & Siering, 2015). These details serve as signals of quality to investors and serve to distinguish their offerings amidst the plethora of alternatives on crowdfunding platforms (Kleinert & Vismara, 2025). Many previous studies have scrutinized signals indicating project or organizational intricacies, capital configuration, and managerial proficiency. They remain pivotal in informing investor decisions and mitigating information asymmetry in equity crowdfunding (Courtney et al., 2017; Da Cruz, 2018; Kromidha & Robson, 2016; Leland & Pyle, 1977; Nitani et al., 2019; Spence, 2002).

The research annotates, that firms seeking equity crowdfunding, confronted with substantial information asymmetries, are increasingly employing measures to signal their quality to investors and distinguish their offerings amidst the multitude on crowdfunding platforms. These signals, identified in prior studies and explained in detail throughout the previous chapters, carry potential significance as they may reveal both overt and latent, yet possibly imperceptible, firm characteristics. Such signals encompass indicators relating to project or organizational intricacy, capital structure, and managerial proficiency (Ahlers et al., 2015; Colombo et al., 2016; Cumming et al., 2019; Ralcheva & Roosenboom, 2016).

Existing literature concerning equity crowdfunding predominantly centres on illuminating the impact of various factors or campaign strategies on investor behaviour and fundraising outcomes. For instance, Ahlers et al. (2015) conducted the inaugural empirical investigation into the efficacy of signals utilized by entrepreneurs to procure funding from crowdfunding investors, discovering that retaining equity and providing comprehensive risk disclosures correlate with fundraising success. Vismara (2016) observed that higher levels of social capital possessed by entrepreneurs correlate with increased probabilities of success. Hornuf and Schwienbacher (2018) unveiled that investors base their decisions on information gleaned from the investment behaviours of

fellow crowd investors. Additionally, Vismara (2018) demonstrated that investors with public profiles enhance the appeal of offers among early investors, thereby attracting late-stage investors. Piva and Rossi-Lamastra (2018) disclosed that the human capital of an entrepreneur serves as a suite of quality signals for startups. Furthermore, Vismara (2019) found that startups emphasizing sustainability attract a larger number of restricted investors. Recent findings by Johan and Zhang (2020) underscored a positive correlation between the length of qualitative business descriptions and fundraising outcomes. Rossi et al. (2020) meticulously examined equity crowdfunding offerings in the U.S. and U.K., confirming that higher equity retention by original entrepreneurs positively influences the success rates and capital raised in both markets. Another noteworthy discovery by Rossi et al. (2020) indicates, that entrepreneurs in financial hubs set higher fundraising targets in the UK markets.

Relevant discoveries furnish capital-seeking entrepreneurs with an initial framework to enhance their likelihood of securing funding once they gain access to multiple investors. Particularly for innovative startups seeking external funding, mitigating the notably high information asymmetries with potential investors presents a formidable challenge (Backes-Gellner & Werner, 2007). This challenge is exacerbated in crowdfunding scenarios, characterized by significant geographical distances between project initiators and potential funders. Insights gleaned from research on established early-stage financing mechanisms shed light on effective strategies for ventures to alleviate these asymmetries (Brush et al., 2012; Edelman et al., 2021). Consequently, investors evaluate various facets in their assessments, with the relative importance of these facets fluctuating throughout the evaluation process. Therefore, it appears crucial, that entrepreneurs present and articulate their investment proposition in alignment with the investment criteria of a specific funding source (Agrawal et al., 2015; Brush et al., 2012; Cassar, 2004; Hsu et al., 2014; Mitteness et al., 2012; Rasmussen & Sørheim, 2012).

3.3.3. Factors influencing decisions

Initial studies examining success factors in equity crowdfunding primarily concentrated on the interplay between the venture and the investor, exploring how diverse forms of hard and soft information effectively mitigate asymmetries within these novel contexts. Ahlers et al. (2015) found that furnishing more risk-related information, particularly in

terms of financial projections, aids in retaining ownership post-funding, while higher levels of human capital positively influence funding success. Similarly, Vismara (2016) demonstrated that retained ownership and heightened levels of human capital enhance funding success rates. Moritz, Block, and Lutz (2015) illustrated the decisive role of an entrepreneur's personality in investor decisions. Thus, attributes such as perceived likeability, openness, and trustworthiness diminish information asymmetries, with pseudo-personal communication via videos or social media platforms serving as substitutes for face-to-face interactions. These findings offer a valuable insight into investor expectations (Tyebjee & Bruno, 1984).

The examined investment procedures of business angels (BA) and venture capitalists (VC) decode the methodologies employed by established external capital providers in identifying and selecting investments (Cooper et al., 1994). While BAs and VCs often follow analogous steps in their processes, their behaviours diverge due to differing circumstances. Prior to committing their own financial resources, BAs solicit investment proposals from informal networks comprising friends, VCs, banks, tax advisors, investment clubs, or through personal searches (Kleinert et al., 2022). Their selection process is frequently characterized as informal and reliant on intuition. Given their often active involvement in the subsequent development of ventures, investment criteria frequently revolve around the management team and their compatibility within the team. When they perceive a business as promising, their due diligence checks tend to be ad hoc and less sophisticated. Additionally, contract terms are comparatively less intricate. However, recently, they have increasingly organized into angel investment groups, which offer various benefits, including transaction cost reduction and investment pooling (Fried & Hisrich, 1994; Gubitta et al., 2016; Kleinert et al., 2022; Mrkajic et al., 2019; Reitan & Sorheim, 2000).

In contrast, VCs serve as intermediaries between the businesses they finance and their limited partners, such as pension funds, investment banks, or insurance companies (Alford & Friedland, 1985). Generally, their investment processes are characterized by meticulousness. Apart from referrals from their networks, they employ a proactive deal origination strategy. The characteristics of the entrepreneur and their team play a central role in their investment decisions (Chava & Jarrow, 2004). However, compared to BAs, the business's economic potential holds greater significance. Furthermore, VCs are renowned for their extensive due diligence procedures prior to investment (Paul et al., 2007). They utilize detailed contracts to manage potential agency conflicts that may arise

over time. Consequently, they employ a variety of instruments, including convertible securities, syndicated investments, and staged capital injections (Alford, 1992; Haines Jr et al., 2003; Hsu et al., 2014; Kelly & Hay, 2000; Löher, 2017; Waring, 1996).

Investors and individuals typically do not make decisions in isolation but rather update their expectations through social processes by observing others (Akter et al., 2025). Herding behaviour tends to occur more frequently in situations with outcome uncertainty and sequential information production, both common in the context of equity crowdfunding (Galak et al., 2011). Having previously discussed the uncertainties in valuation, often coupled with a lack of expertise among small investors in evaluating new firms. Given this uncertainty, investors are likely to consider the decisions of others, especially when there's little incentive to conduct due diligence. This tendency might cause small investors to overlook some tangible information about a firm that could have been obtained through careful screening of the campaign details. To simplify decision-making and conserve cognitive resources, equity crowdfunding investors might rely on cues from herding behaviour, observing others' decisions (Fried & Hisrich, 1994; Galak et al., 2011; Rossi & Vismara, 2018; Shahab et al., 2019; Troise et al., 2022; Vismara, 2015, 2016).

Sequentially, information cascades occur through updated reports on the website, including the funded amount, number of prior investors, and public profiles of previous investors. Additionally, backers can sort projects based on funding received, facilitating herding by making well-funded campaigns more visible. The literature provides ample evidence supporting the relevance of this phenomenon (Chan et al., 2020; Herzenstein et al., 2011; Lee & Lee, 2012).

There's growing support for the idea that a higher number of early contributors increases the likelihood of success in crowdfunding campaigns across various types, such as donation-based, reward-based, lending-based, or equity-based crowdfunding (Lee & Lee, 2012). Some studies delve into more nuanced aspects of herding (Jo & Kim, 2026), exploring the type of information acquired through observational learning and whether herding is rational or irrational. For instance, herders might consider not only the percentage funded or the number of previous contributors but also important cues such as the identity of the backers/investors (Itenberg & Smith, 2017). Public profiles of funders can contain valuable information about investors' identities and investment history, contributing to early momentum and thus explaining its role in equity campaign success (Bapna, 2019; Cholakova & Clarysse, 2015; Cumming et al., 2019; Itenberg & Smith,

2017; Löher, 2017; Vismara, 2015).

Regarding rationality, irrational herding occurs when individuals passively follow others' choices, without engaging in observational learning. If backers simply replicate others' backing decisions, they may overlook how others arrived at those decisions and ignore project/firm/listing characteristics presented in the campaign. On the other hand, if investors are observational learners, their inferences from observing others' funding decisions should be influenced by publicly observed attributes such as project quality certificates (Croson & Shang, 2008). For example, lenders engage in active observational learning, inferring the creditworthiness of borrowers by observing peer-lending decisions, thus amplifying (or dampening) herding based on borrower credit grades or favorable characteristics (Croson & Shang, 2008; Simonsohn & Ariely, 2008; Zhang & Liu, 2012).

Even when firms provide ample information, the robust advancement of the equity crowdfunding market is not assured if prospective investors lack the ability to evaluate risks based on the available web-based information (Nitani et al., 2019). If crowd investors cannot differentiate between inferior and superior projects, it becomes futile for companies with promising ideas to disclose their information, especially if there are risks associated with the potential misappropriation of these ideas. There is a growing apprehension regarding investor rationality in the context of equity crowdfunding, particularly due to its accessibility to non-accredited investors and the offering of very early-stage investment prospects (Milkman et al., 2015). Equity crowdfunding democratizes access to high-risk investment ventures, traditionally reserved for accredited investors, to a broader audience. Consequently, ongoing discussions revolve around whether investors engaging in equity crowdfunding possess the necessary acumen to evaluate available investment avenues, comprehend the inherent risks of early-stage investments, and adequately shield themselves from such risks (Ralcheva & Roosenboom, 2020). It is contended, that participants in equity crowdfunding markets often lack experience in early-stage investment and may face challenges in assessing investment opportunities and safeguarding their investments effectively. Regulatory bodies, such as the SEC in 2013, have expressed concerns regarding investor rationality and have mandated platforms to furnish educational materials aimed at enhancing the decision-making capabilities of crowd investors and fostering a deeper understanding of the risky nature of these investment opportunities. Proponents like Jain et al. (2021) advocate, that behavioural biases is a multidimensional phenomenon that significantly affects investors' decisions (Bourveau et al., 2022; Chung et al., 2019; Jain et al., 2021;

Milkman et al., 2015; Mohammadi, 2015; Nitani et al., 2019; Ralcheva & Roosenboom, 2020; Wasiuzzaman, 2021; Zhang & Liu, 2012).

3.3.4. Entrepreneurial experience and innovation

Preceding industry experience pertains to the familiarity of new entrepreneurs with related industries and markets (Capizzi et al., 2022). Within the literature, this type of experience is consistently examined as a determinant of success for new ventures. It serves as a standard criterion for evaluating investment decisions made by both business angels and venture capitalists. These studies suggest that industry experience, acquired through employment at various levels within a company, is a reliable signal of venture quality. Entrepreneurs who have accumulated substantial experience in a particular sector possess a specialized knowledge base and an extensive network of contacts with other stakeholders (Fili & Grünberg, 2016). Such entrepreneurs are intimately familiar with the business landscape, enhancing their ability to identify and capitalize on opportunities within the industry. Prior industry experience augments entrepreneurs' capacity to efficiently manage their projects. Several studies have demonstrated, that the duration of experience in related industries positively impacts the performance of new ventures (Brettel, 2003; Cabrera & Cabrera, 2005; Capizzi et al., 2022; Edelman et al., 2021; Fili & Grünberg, 2016; Freear et al., 1994).

Entrepreneurs who possess prior startup experiences (acquired through involvement in the entire entrepreneurial process, spanning from identifying entrepreneurial opportunities to launching the startup in the market) are more adept at navigating the entrepreneurial journey, thereby reducing the likelihood of errors and preempting challenges encountered in new ventures (Campopiano et al., 2026). These entrepreneurs are expected to possess a deep understanding of the “technology of entrepreneurship”, i.e., effective management of entrepreneurial processes (Kim & Viswanathan, 2018). Startup experiences significantly contribute to elevating the quality of entrepreneurs' businesses and increasing the value of the ventures compared to those founded by entrepreneurs lacking such experiences (Cappa et al., 2021). Prior startup experiences positively influence the ability to recognize entrepreneurial opportunities and mobilize external resources efficiently (Luo & Peng, 1999). Through prior entrepreneurial endeavours, entrepreneurs acquire fresh insights, establish personal and social networks, and develop specific skills or competencies. Entrepreneurs who have

previously established ventures are more likely to have gleaned valuable lessons from their past experiences, thereby potentially possessing stronger negotiation positions regarding valuation and greater entrepreneurial and business management acumen. Conversely, founders lacking experience may struggle to navigate new ventures and may lack a track record to demonstrate their quality to external investors (Baird et al., 2012; Balboa & Marti, 2007; Cappa et al., 2021; Kim & Viswanathan, 2018; Luo & Peng, 1999; Moradi & Badrinarayanan, 2021; Rauch et al., 2005; Rauch & Rijdsdijk, 2013).

In the context of online equity crowdfunding, investors may perceive entrepreneurs' years of experience as indicative of venture quality, as it showcases their knowledge, skills, and potential for success (Gedda et al., 2016). The more entrepreneurs can draw upon their previous industry experiences, the greater their credibility becomes to investors. Therefore, by highlighting their prior industry experiences in online solicitations (such as entrepreneurs' descriptions, CVs full of previous experiences, charismatic pitches, offering documents), entrepreneurs can mitigate the information asymmetries faced by investors, thus fostering positive outcomes for campaign success. Investors are more inclined to invest in projects presented by entrepreneurs with substantial industry experience, as opposed to those with limited or no prior industry exposure (Audretsch et al., 2016; Baron, 2008; Drover et al., 2017; Gedda et al., 2016; Hopp et al., 2019; Khan et al., 2017).

Considering the context of online equity crowdfunding, this track record could be interpreted as a credible positive attribute of entrepreneurs (particularly when compared to inexperienced ones) by non-accredited investors. The research cited above shows, that this signal is likely to mitigate information asymmetries between entrepreneurs and crowdfunders, as the latter can enhance their assessments based on this objective information. Previous startup experiences equip entrepreneurs with significant skills that crowdfunders can readily recognize as indicators of startup quality (Steigenberger & Wilhelm, 2018).

Numerous researchers define structural capital as the internal assets of a venture. These assets encompass various elements, including intellectual property rights, technologies, infrastructure assets (such as organizational models, culture, and processes), research and development efforts, innovation activities, and new products/services. Structural capital represents the internalized knowledge of the company (Moradi & Badrinarayanan, 2021). It originates from the conversion of the human and relational capital of the companies into knowledge. This reservoir of

knowledge is owned by the company and remains within it, regardless of the status of its employees, even if they depart from the venture in the future. A significant body of previous research underscores the importance of intellectual property and product innovation in the decision-making process of equity crowdfunding investors (Dumay, 2009; Hanna Hottenrott & Czarnitzki, 2016; Hsu & Fang, 2009; Moeller, 2009; Rice, 2002; Zheng et al., 2010).

Innovation signifies a firm's inclination toward developing new products characterized by novelty or improved quality. Typically, innovativeness is viewed as the firm's capacity to create and introduce novel products (Polzin et al., 2018). Product innovation, in this regard, serves as a measure of the venture's innovative endeavours and is often integrated into the structural dimension of intellectual capital. It plays a crucial role in enhancing a venture's competitiveness, particularly in emerging markets (Dumay, 2009; Hsu & Ziedonis, 2013; Hsu & Fang, 2009; Ralcheva & Roosenboom, 2020; Vuolle et al., 2009).

Crowdfunders frequently participate in online equity crowdfunding campaigns to support entrepreneurs in bringing their innovative ideas to market and tend to favour ventures with higher potential for innovation. It can be argued that product innovation serves as a suitable signal for crowdfunders, demonstrating the ventures' innovative capabilities (Cholakova & Clarysse, 2015). Crowdfunders may opt to invest in ventures with plans to develop new innovative products. In equity crowdfunding campaigns, ventures can convey signals to crowdfunders regarding their innovative initiatives, plans and competencies, indicating their intent to introduce new products/services to their customers (Lukkarinen, 2020; Lukkarinen et al., 2016). This could yield positive outcomes in equity crowdfunding, serving as a signal of the company's innovation capacity, which aids in mitigating information asymmetries inherent in the online environment characterized by limited personal interactions (Ho et al., 2014; Huang et al., 2022; Lukkarinen, 2020; Troise et al., 2022; Walthoff-Borm, Vanacker, et al., 2018).

Intellectual property serves as the predominant indicator of intellectual capital (Siegel et al., 1993). Emerging ventures utilize intellectual property rights to safeguard their innovative endeavours or establish barriers to entry for prospective market rivals. Intellectual property is regarded as a favourable indicator of venture quality and resilience. It enables emerging ventures to alleviate information asymmetries by furnishing investors with insights into their innovation capabilities. These capabilities and innovative outputs serve as signals for nascent companies to attract funding or secure

loans (Gredel et al., 2012; Greenberg, 2013; Hoang & Antoncic, 2003; Hormiga et al., 2011; Siegel et al., 1993; Stuart et al., 1999).

As noted in existing literature reviews, current research on this aspect within equity crowdfunding is experiencing hectic growth. In the context of equity crowdfunding, showcasing intellectual property protections may be crucial for mitigating information asymmetries and influencing investor decision-making. As highlighted by Ahlers et al., (2015) “patent ownership can act as a deterrent against potential market entrants, which could be construed as a positive indication of a company’s strength and quality”. For enterprises, the absence of intellectual property rights could present a limitation, potentially dissuading investors from participating due to the associated risks and lack of protection (Colombo & Grilli, 2005). Conversely, projects possessing intellectual property may enhance their likelihood of securing financial backing from the crowd by demonstrating added value to their business and operations (Coakley et al., 2021). Companies holding patents can showcase their technological or innovative prowess and convey technical details to potential investors that would otherwise be challenging to communicate (such as specific developmental stages or market positioning) (Allen et al., 2021; Block et al., 2018; Donovan, 2021; Konhäusner et al., 2021; Moeller, 2009; Philippi et al., 2021; Ralcheva & Roosenboom, 2020; Stuart et al., 1999).

3.3.5. Relational capital and third-party endorsements

Relational capital constitutes the third dimension of intellectual capital, originating from a venture’s external relationships. Firms are significantly influenced by their environmental context, and relational capital encompasses the value derived from interactions with stakeholders (Hormiga et al., 2011). Ventures strive to forge partnerships and establish networks to access resources and knowledge essential for enhancing their competitiveness. Relationships cultivated with stakeholders represent an added value – they serve as a qualitative asset for nascent companies, aiding them particularly in their initial stages (Gredel et al., 2012; Greenberg, 2013; Hormiga et al., 2011).

Partnerships represent a recurring element within the literature on relational capital in intellectual capital research. Partnerships signify the relational prowess of a venture and facilitate access to various resources, including funding, suppliers,

customers, information, and knowledge. Additionally, these affiliations can enhance future prospects for the venture (Gulati & Higgins, 2003; Hopp & Lukas, 2014; Vuolle et al., 2009).

The establishment of partnerships enhances the validation of the venture and serves as a quality indicator, particularly when observable by external parties. This represents a significant and valuable signal, especially within the online realm of equity crowdfunding platforms, where entrepreneurs can utilize this information to augment crowdfunders' understanding of the company and its relational endeavours (Baum & Silverman, 2004; Hopp & Lukas, 2014; Stuart et al., 1999).

Several researchers have noted that third-party endorsement arises from the prestige or recognition that new ventures garner within their initial months or years of operation (Wymer & Rundle-Thiele, 2016). A significant challenge for new ventures is establishing affiliations with reputable entities, such as large corporations or business incubators. Entrepreneurs can communicate the quality of their ventures to the market by aligning with well-known third parties. Selective endorsers choose companies to support, so being chosen conveys a positive signal externally. Particularly in the early stages, new ventures can associate with reputable endorsers to bolster their own reputation and demonstrate their quality. The reputation of endorsers can also signal technology quality for startups, especially if the endorser is a major innovative company. Hormiga et al. (2011) suggested, that reputation is a fundamental aspect of relational capital, playing a pivotal role in the legitimacy of new ventures. A strong reputation assists new ventures in securing funding and resources that may be inaccessible without this intangible asset (Baum & Silverman, 2004; Hoang & Antoncic, 2003; Hormiga et al., 2011; Kang & Kim, 2006; Plummer et al., 2016; Wymer & Rundle-Thiele, 2016).

In the virtual realm of equity crowdfunding platforms, third-party endorsement could mitigate information asymmetries between entrepreneurs and crowdfunders (Plummer et al., 2016). Given the limited knowledge of crowdfunders about venture quality, the presence of prominent entities could have a positive impact and help narrow the information gap. An esteemed endorser validates the efforts of the company to develop and expand. Thus, entrepreneurs' ability to affiliate with reputable entities could serve as a quality signal and significantly influence investment decisions. Crowdfunders anticipate that companies endorsed by third parties will possess more credibility than those without such endorsements. In the online sphere, entrepreneurs can leverage third-party endorsements within their crowdfunding campaigns (through specific imagery,

logos, or links to endorsers) to enhance the effectiveness of their endeavours and thereby alleviate information asymmetries faced by crowdfunders (Décarre & Wetterhag, 2014; Horniga et al., 2011; Hsu & Ziedonis, 2013; Johan & Zhang, 2020; Walthoff-Borm, Schwienbacher, et al., 2018).

CHAPTER 4. PREDICTORS OF PROPENSITY TO INVEST IN EQUITY CROWDFUNDING: EMPIRICAL STUDY

4.1. Hypotheses development

Unlike traditional financing models, equity crowdfunding is distinguished by its reliance on digital platforms, its ability to pool resources from a diverse audience and its unique blending of financial and non-financial motivations among stakeholders. This rapidly growing field offers rich opportunities for academic exploration, particularly in understanding the factors that drive investor decision-making.

The following research is grounded on an exhaustive analysis of prior studies and literature reviews (Mazzocchi & Lucarelli, 2023; Mochkabadi & Volkmann, 2020) that have sought to uncover the nuances of equity crowdfunding. Said reviews collectively highlight a need for deeper inquiry into specific domains, including trust, signalling mechanisms, regulatory impacts and investor motivation. Furthermore, the literature reveals significant gaps in the study of cognitive biases and demographic influences on investment behaviour. Addressing these gaps provides an opportunity to advance scholarly understanding and contribute to the development of a comprehensive model that explains potential investors' intention to engage in ECF. One of the most prominent themes emerging from the literature is the critical role of trust in shaping investor decisions (Alharbey & Van Hemmen, 2021; Kontogiannidis et al., 2017; Kang et al., 2016). Investors in equity crowdfunding operate in an environment characterized by high information asymmetry and uncertainty, as explained in chapters both two and three. Without traditional financial intermediaries to validate the quality of opportunities, trust in the platform, as well as in the project creators, becomes paramount. Previous chapters have underscored the importance of regulatory mechanisms in fostering this trust, yet questions remain regarding the specific pathways through which trust operates to mitigate perceived risks and enhance investor confidence.

Another focal point of inquiry lies in signalling theory, which has been widely applied to entrepreneurial and equity crowdfunding contexts (Mazzocchi & Lucarelli, 2023; Ralcheva & Roosenboom, 2016). In the absence of complete information, investors rely on signals provided by entrepreneurs and platforms to assess the quality and reliability of opportunities. These signals may take various forms, such as endorsements,

detailed financial disclosures and frequent updates, all of which aim to reduce uncertainty. These concepts were previously explained in chapter three. However, as explained in previous chapters, the effectiveness of these signals is contingent upon several moderating factors, including investor characteristics and biases.

The theoretical background also emphasizes the need to investigate investor motivation and values, particularly the interplay between financial and non-financial incentives, in accordance to the content of chapter three. While traditional investment decisions are often driven by expected financial returns, equity crowdfunding appeals to a broader spectrum of motivations, including intrinsic drivers such as social value alignment and environmental consciousness.

The regulatory environment is a critical determinant of investor confidence and engagement in equity crowdfunding. Regulatory frameworks and platform governance mechanisms play a crucial role in addressing perceived risks and ensuring transparency, both of which are essential for fostering trust and participation. While some studies (Zhao et al., 2017; Estrin et al., 2018; Macchiavello, 2022) have explored the impact of regulations on crowdfunding outcomes, there remains a need to examine how specific regulatory mechanisms interact with trust and signalling to influence investment propensity.

An additional research gap identified in prior literature reviews (Mazzocchini & Lucarelli, 2023; Mochkabadi & Volkmann, 2020) focuses on the need to investigate the factors contributing to campaign failure in equity crowdfunding. While much of the scholarly attention has been directed toward understanding the drivers of successful campaigns, the inverse – why certain campaigns fail – remains underexplored. This imbalance in the literature creates a critical blind spot, as understanding failure is essential not only for academic completeness but also for practical implications. Insights into failure factors can guide entrepreneurs in avoiding pitfalls, inform platform design to mitigate risks and help investors make more informed decisions. Failure in equity crowdfunding campaigns often stems from a complex interplay of variables, including inadequate signalling, insufficient trust, poor regulatory adherence and mismatched investor expectations. Previous authors (Mazzocchini & Lucarelli, 2023; Mochkabadi & Volkmann, 2020) have highlighted, that unsuccessful campaigns are often marked by low levels of transparency, weak communication with investors and the absence of credible signals such as endorsements or clear financial projections. Despite this, there is limited empirical evidence addressing how these factors interact to provoke failure, particularly

when considered alongside investor demographics and behavioural biases. Addressing these gaps requires a more nuanced analysis of failure mechanisms, integrating theoretical perspectives such as signalling theory and information asymmetry.

Campaign failures not only deter potential investors but may also discourage entrepreneurs from utilizing crowdfunding platforms. This underscores the importance of identifying systemic issues, such as regulatory inadequacies or inherent biases within the platform ecosystem, that may contribute to repeated failures (Lukkarinen et al., 2016). Entrepreneurs often lack the financial expertise or resources to navigate the complexities of equity crowdfunding effectively. Research focusing on failure could provide actionable insights for entrepreneurs, such as how to optimize signalling strategies, align their campaigns with investor values or build trust through transparency. These insights could also inform training programs and tools designed to empower entrepreneurs to create robust and attractive campaigns (Putz et al., 2026).

In addition to market and entrepreneur support, examining failure factors holds implications for platform governance. For instance, poorly designed algorithms for promoting campaigns or insufficient screening processes for project credibility can create systemic risks (Mazzocchi & Lucarelli, 2023). Similarly, failure factors may be linked to broader issues such as cognitive biases, where investors misjudge project quality due to a lack of information or biased decision-making.

Building on the above considerations, the following hypotheses were proposed:

The theoretical backbone for the first hypothesis is provided by the Theory of Reasoned Action and its extension, the Theory of Planned Behaviour, which together posit that an individual's evaluative stance toward a behaviour is a primary antecedent of their behavioural intentions (Fishbein & Ajzen, 1977; Ajzen, 1991). Attitude, conceptualised as the overall favourable or unfavourable judgement about performing a specific action, shapes motivation by influencing the perceived desirability and expected outcomes of that action. Empirical research across digital and financial contexts consistently demonstrates that more positive attitudinal evaluations translate into stronger intentions to act (Ajzen, 1980; Ming-Shen et al., 2007; East, 1993).

Applied to equity crowdfunding, this theoretical expectation is persuasive because attitude aggregates cognitive appraisals (expected financial return, perceived informational transparency) and affective responses (enthusiasm for the project, trust in

founders). When potential backers evaluate investing in an equity campaign positively – whether because they view the project as credible, innovative or aligned with their goals – they are more likely to form a concrete intention to allocate funds (Lin & Viswanathan, 2016).

Beyond attitude, the Theory of Planned Behaviour further posits that behavioural intention is also shaped by subjective norms and perceived behavioural control (Ajzen, 1991). Subjective norms capture the perceived social pressure to engage or not engage in a given behaviour – such as the influence of peers, online communities or broader societal approval regarding participation in crowdfunding. Perceived behavioural control, in turn, reflects individuals’ assessment of their capacity to perform the behaviour, including factors like financial resources, platform literacy and confidence in evaluating project information (Kallio & Vuola, 2018). These components jointly determine whether a favourable attitude translates into an actionable investment intention. For instance, even when individuals hold positive attitudes toward a campaign, weak perceived control (uncertainty about financial risk) or unsupportive social cues may attenuate their willingness to invest.

Prior studies in online purchasing and trading contexts show analogous mechanisms: Favourable attitudes toward the platformed activity predict investment or purchase intentions (Ming-Shen et al. 2007; East, 1993), while crowdfunding-specific work finds that positive evaluations of pledging behaviour increase the likelihood of intending to contribute (Lin & Viswanathan, 2016; Yulandreano & Rita, 2023; Sarfraz et al., 2023). The predictive validity of intention for subsequent behaviour is well established in information systems and behavioural literature, reinforcing why attitude-driven intentions are meaningful proxies for eventual investment (Ajzen, 2011).

H1: There is a positive relationship between attitude towards investing in equity crowdfunding and intention to invest in equity crowdfunding.

Based on the foundations discussed in section 2.3, the hypothesis, that trust positively influences the attitude towards investing finds strong support in the theoretical and empirical literature on trust in online environments. Crowdfunding operates in a high-risk and high-uncertainty context. In such environments, trust becomes a cornerstone of investor behaviour. As Pavlou and Gefen (2004) highlight, trust can operate on multiple

levels, including interpersonal trust (one-to-many relationships between individuals and creators) and intermediary trust (trust in the crowdfunding platform itself). These dimensions of trust play a critical role in reducing perceived risk, fostering confidence and encouraging participation in crowdfunding.

In addition to trust in the platform and creators, individuals' disposition to trust also shapes their attitude towards investing. As Kim et al. (2008) and Luhmann (2000) suggest, individuals who exhibit a higher intrinsic tendency to trust others are more likely to engage in transactions characterized by uncertainty and risk. Crowdfunding inherently requires backers to extend a level of trust in the absence of guarantees. Individuals with a higher disposition to trust are therefore more inclined to view crowdfunding positively, enhancing their attitude towards investing in equity crowdfunding. Empirical evidence further supports the role of trust in influencing crowdfunding behaviour. Studies by McKnight et al. (2002) and Hong and Cho (2011) demonstrate that trust in both the intermediary and transaction partners significantly predicts users' willingness to participate in online transactions. These findings align with Pavlou and Gefen's (2004) assertion that trust reduces the perception of uncertainty and risk in digital environments, creating a foundation for positive investment intentions.

H2. There is a positive relationship between disposition to trust and attitude towards investing in equity crowdfunding.

Based on the foundations discussed in section 2.3.5, structural assurance is closely tied to institutional trust, as both constructs emphasize the importance of frameworks and mechanisms in mitigating risks and increasing perceptions of security. While institutional trust pertains to beliefs in the integrity and accountability of platforms and creators as a whole, structural assurance provides concrete evidence of these attributes through visible safeguards. Research by Mayer et al. (1995) and McKnight et al. (2002) highlights that such mechanisms – be they secure payment systems or clear regulatory policies – diminish investor concerns about potential malfeasance or platform incompetence.

The impact of structural assurance on investment behaviour is reinforced by empirical evidence. For instance, Zucker (1986) argues that institutional mechanisms, such as detailed platform rules and enforcement protocols, serve as trust-enhancing measures, especially in environments characterized by high uncertainty. In crowdfunding, platforms that prominently display their structural assurances – such as

guarantees for fund reimbursement in case of project failure or mandatory project vetting – signal their competence and commitment to protecting investors. These signals act as strong motivators for backers, reassuring them that their investments are safeguarded and increasing their willingness to invest. Importantly, the perception of structural assurance operates not just at a rational level but also at an emotional level. When backers perceive that a platform has robust measures in place, they experience a sense of security and reduced vulnerability, which increases their willingness to engage. This aligns with findings by Chen et al. (2017), who demonstrated that structural assurances mitigate distrust and foster positive engagement in digital financial ecosystems. Furthermore, platforms with visible structural assurance mechanisms encourage repeat investments, as investors come to view them as reliable and supportive intermediaries.

H3. There is a positive relationship between perception of structural assurance and attitude towards investing in equity crowdfunding.

The positive influence of structural assurance on investment propensity becomes particularly relevant when considered in the context of herding behaviour, which can further amplify the impact of perceived assurance. Herding behaviour, or social proof, serves as an additional mechanism for reducing uncertainty and perceived risk (Dao et al., 2024). When potential backers observe that a campaign has already attracted significant support, they interpret this as an implicit endorsement of the project's credibility and viability. This interplay between structural assurance and social proof creates a reinforcing cycle: platforms with strong structural assurances not only attract initial investors but also establish the conditions for social proof to emerge, which in turn enhances the likelihood of subsequent investments, as discussed in section 2.3.4.

The relationship between structural assurance and herding behaviour is also deeply psychological. Backers rely on observable cues, such as the success of previous investors or the visibility of platform safeguards, to form judgments about the safety and attractiveness of investing (Stevenson et al., 2025). Platforms that actively communicate their structural assurance mechanisms – such as regular project updates or visible funding milestones – strengthen these perceptions and create the conditions for herding behaviour, where the actions of earlier backers influence subsequent investors.

Building on the content of section 2.3.4, the hypothesis that perception of social proof – commonly addressed as herding behaviour – positively influences the attitude

towards investing in crowdfunding is grounded in well-established behavioural and psychological theories, as well as empirical evidence from the domain of crowdfunding. Social proof, broadly defined as the phenomenon where individuals look to others' behaviours to guide their own attitudes and decisions, plays a critical role in reducing uncertainty and simplifying decision-making in contexts characterized by high ambiguity, such as equity crowdfunding (Galak et al., 2011). The sequential and transparent nature of crowdfunding platforms further amplifies the impact of social proof by providing real-time information on backer participation and funding progress.

Investors in equity crowdfunding often face significant challenges in evaluating projects due to limited information, lack of direct interaction with creators and the technical complexity of assessing early-stage ventures (Kleinert & Vismara, 2025). These factors heighten uncertainty, leading investors to seek cues from the behaviour of others to guide their attitudes and decisions. Herding behaviour, where individuals align their choices with those of others, is particularly prevalent in such uncertain environments. As Fried and Hisrich (1994) and Vismara (2016) emphasize, investors simplify decision-making by observing the number of backers, total funding progress and the visible profiles of early contributors, which act as signals of project credibility and viability. The mechanisms through which social proof operates are further enhanced by the design features of crowdfunding platforms. Platforms frequently display sequentially updated information, such as the percentage of the funding goal achieved, the number of backers and even public profiles of investors. This creates information cascades, where early backers' actions significantly influence the behaviour of subsequent investors (Chan et al., 2020). Campaigns with a higher number of initial backers gain momentum, as potential investors interpret this visible support as validation of the project's quality or market appeal. This perception drives further investment, reinforcing a virtuous cycle of increased engagement and funding success (Rossi & Vismara, 2018).

Studies by Itenberg and Smith (2017) and Bapna (2019) highlight the importance of the identity and credibility of early backers. Public profiles that reveal the experience or reputation of initial investors can amplify the positive effects of social proof by signalling, that credible individuals have already vetted the campaign. This observational learning process not only reduces perceived risk but also increases trust in the project, further encouraging participation.

While social proof often operates as a rational heuristic, there are instances of irrational herding, where investors follow others' decisions without engaging in critical

evaluation of project details (Croson & Shang, 2008). In such cases, the number of backers or total funding progress may override other important considerations, such as the quality of the business plan or the creator's track record. However, even in its irrational form, herding can create momentum that benefits campaigns, as greater visibility and perceived popularity attract further participation (Herzenstein et al., 2011; Vismara, 2015). The perception of social proof is not merely an outcome of platform transparency but is also intricately tied to investor psychology. In the absence of direct knowledge about a project's quality, individuals are influenced by what others have already endorsed. This aligns with the findings of Simonsohn and Ariely (2008) and Zhang and Liu (2012), who demonstrate that investors use cues from others' actions to infer project quality, particularly in contexts where due diligence is costly or impractical.

H4: There is a positive relationship between herding behaviour and attitude towards investing in equity crowdfunding.

As per section 3.3.3, the hypothesis that higher perceived risk reduces favourable attitudes toward investing in equity crowdfunding is grounded in both theoretical considerations of investor-founder problems and the empirical realities of online asymmetric-information environments. Equity crowdfunding is marked by pronounced information gaps and limited verifiability of founder disclosures, which amplifies moral hazard and adverse-selection concerns (Ahlers et al., 2015; Kontogiannidis et al., 2017; Kromidha & Robson, 2016). When investors perceive that founders can opportunistically exploit unverifiable information, their trust and willingness to commit capital decline (Ardichvili et al., 2002; Busenitz et al., 2005; Cooper et al., 1994). Thus, greater perceived risk stemming from information asymmetry should, *ceteris paribus*, lower the attractiveness of equity crowdfunding opportunities.

Behavioural and information-processing mechanisms further reinforce a negative association. The digitalisation of entrepreneurial finance produces voluminous, rapidly changing information across multiple channels; investors facing cognitive constraints therefore satisfice and may discard complex or ambiguous signals (Da Cruz, 2018). Transient disclosures (frequent updates, editable campaign content) and structural features such as cooling-off/withdrawal rights create additional uncertainty and avenues for strategic manipulation, which can heighten perceptions of unreliability and fragility (Hornuf & Schwienbacher, 2018; Méric, Maque & Brabet, 2016; Voelker & McGlashan,

2013; Mochkabadi & Volkmann, 2020). Because many platforms do not verify all claims and some verified actions (platform or insider investments) have been associated with low-quality offerings, observable social cues may sometimes increase, rather than reduce, perceived risk for cautious investors (Blumberg & Letterie, 2008; Gedajlovic et al., 2013).

Empirical findings on signalling and disclosure imply boundary conditions but are consistent with the hypothesis: While credible disclosures can mitigate risk and improve outcomes, the baseline prevalence of unverifiable information and the prevalence of early-stage, illiquid investments means that perceived risk remains a salient deterrent for many backers (Ahlens et al., 2015; Hornuf & Schwienbacher, 2018; Dorfleitner et al., 2023). Consequently, across the heterogeneous crowd – especially among less sophisticated or risk-averse retail investors – an increase in perceived risk is expected to translate into a less favourable attitude toward investing in equity crowdfunding, although this relationship may be moderated by investor segment, the quality of observable signals and platform verification practices.

While much of the existing research on equity crowdfunding has centred on the factors contributing to campaign success, an equally critical yet underexplored area involves understanding the determinants of campaign failure. The analysis of literature reviews reveals a notable research gap in this domain, with many studies neglecting the causes of failure despite their profound implications for market development and entrepreneurial support.

H5: There is a negative relationship between perceived risk and attitude towards investing in equity crowdfunding.

The relationship between entrepreneurs and investors in equity crowdfunding is highly interactive, requiring creators to maintain open channels of communication with potential backers. This interaction builds trust, reduces uncertainty and enhances the perceived reliability of the campaign. Research emphasizes, that responsiveness to comments, questions and suggestions from investors fosters a sense of engagement and transparency, both of which are critical to encouraging participation (Gerber & Hui, 2013). When entrepreneurs fail to interact with investors, they miss opportunities to clarify uncertainties, address potential concerns and demonstrate their commitment to the campaign. This lack of interaction heightens perceptions of risk and can signal disinterest or unpreparedness on the part of the entrepreneur. Investors, particularly in ECF, rely on

consistent updates and active communication to evaluate a campaign's legitimacy and viability. As Crosetto and Regner (2018) note, supporters often view themselves as co-creators, contributing not only funds but also ideas and feedback to improve the campaign. If entrepreneurs are absent or unresponsive, this collaborative dynamic is disrupted, leading to reduced investor confidence and lower intentions to invest. Furthermore, studies by Kuwabara et al. (2017) and Larrimore et al. (2011) highlight the importance of engagement through comments and Q&A sessions, noting that higher levels of interaction are positively correlated with online campaign success. Conversely, a lack of engagement alienates potential backers, leaving them uncertain about the entrepreneur's capabilities and commitment.

The comments and feedback provided by fellow investors serve as valuable social signals that influence attitudes towards investment decisions. Negative opinions and comments on crowdfunding platforms can act as deterrents, amplifying perceptions of risk and casting doubt on the campaign's credibility. When potential investors observe unfavourable feedback or critiques of the campaign, they may interpret these as indicators of poor preparation, flawed execution or lack of legitimacy, which can significantly impact their decision-making process (Burtch et al., 2013). Investor behaviour in ECF is shaped not only by the attributes of the campaign but also by the actions and sentiments of other participants (Goethner et al., 2021). The presence of negative comments disrupts the positive momentum needed for campaigns to build trust and attract backers. According to Mohammadi (2015), investor engagement and feedback directly influence how others perceive the campaign, making it critical for fundraisers to address concerns and counteract negative opinions promptly. If negative feedback is left unaddressed, it reinforces doubts among potential investors, further reducing the likelihood of participation.

Additionally, equity crowdfunding operates in a transparent environment where the visibility of comments and updates allows investors to form opinions based on collective sentiment. As Gerber and Hui (2013) explain, maintaining a positive narrative and managing feedback are essential elements of campaign management. Entrepreneurs who fail to manage or respond to negative opinions risk creating an impression of indifference or incompetence, which can lead to a decline in investor confidence and attitudes towards investment. Negative comments, therefore, not only affect the perception of the campaign itself but also influence the overall environment in which investors shape their attitudes.

H6: There is a positive relationship between perceived diagnosticity of entrepreneur's lack of interaction with the investors and attitude towards investing in equity crowdfunding.

H7: There is a positive relationship between perceived diagnosticity of negative opinions and attitude towards investing in equity crowdfunding.

Indirect effects

The following set of hypotheses proposes that the influence of various factors on the intention to invest in equity crowdfunding operates indirectly via attitude towards investing in equity crowdfunding. In other words, each antecedent is expected to shape investors' evaluative stance towards equity crowdfunding and those attitudinal changes in turn drive intentions to participate. The mediation hypotheses are stated collectively below:

H2b: Attitude towards investing in equity crowdfunding mediates the relationship between disposition to trust and intention to invest in equity crowdfunding.

H3b: Attitude towards investing in equity crowdfunding mediates the relationship between perception of structural assurance and intention to invest in equity crowdfunding.

H4b: Attitude towards investing in equity crowdfunding mediates the relationship between herding behaviour and intention to invest in equity crowdfunding.

H5b: Attitude towards investing in equity crowdfunding mediates the relationship between perceived risk and intention to invest in equity crowdfunding.

H6b: Attitude towards investing in equity crowdfunding mediates the relationship between perceived diagnosticity of entrepreneur's lack of interaction with the investors and intention to invest in equity crowdfunding.

H7b: Attitude towards investing in equity crowdfunding mediates the relationship between perceived diagnosticity of negative opinions and intention to invest in equity crowdfunding.

Collectively, these mediation hypotheses assert that attitude functions as the proximal psychological mechanism translating informational, interpersonal and platform-

level inputs into concrete investment intentions.

The final structure of the model is best understood as a multitheoretical framework, rather than as a model grounded in a single theory. Its design reflects the fact that investor behaviour in equity crowdfunding is shaped by several overlapping explanatory lenses. Signalling theory helps explain how information disclosed by fundraisers serves as quality cues under conditions of uncertainty and information asymmetry (Usman et al., 2025). Self-determination theory adds the motivational dimension by showing that investors may be influenced not only by financial expectations, but also by intrinsic and socially oriented motives such as curiosity, identification, and perceived involvement (Akter et al., 2025). At the same time, the literature on trust and distrust provides a basis for understanding why platform credibility, fundraiser credibility, and perceived integrity matter for investment behaviour. This is further reinforced by structural assurance and legal safeguards, which reduce uncertainty by creating a safer institutional environment and strengthening investor confidence.

Risk-related theories are equally important, because perceived risk is one of the central mechanisms through which investors evaluate whether a campaign seems trustworthy and attractive. The theory of planned behaviour is mentioned only as a broad background reference for the distinction between attitudes and intentions, but it is not developed as the central explanatory framework of the paper. For that reason, the model is organised around the determinants of attitude towards investing in equity crowdfunding, rather than directly around intention to invest. The model brings together several theoretical streams to explain how trust, signalling (through perceived diagnosticities of entrepreneur's actions), motivation, legal protection, and risk perception jointly shape investors' evaluative stance toward the idea of investing in equity crowdfunding.

Figure 1 presents the conceptual model with the hypotheses assumed for the means of this research.

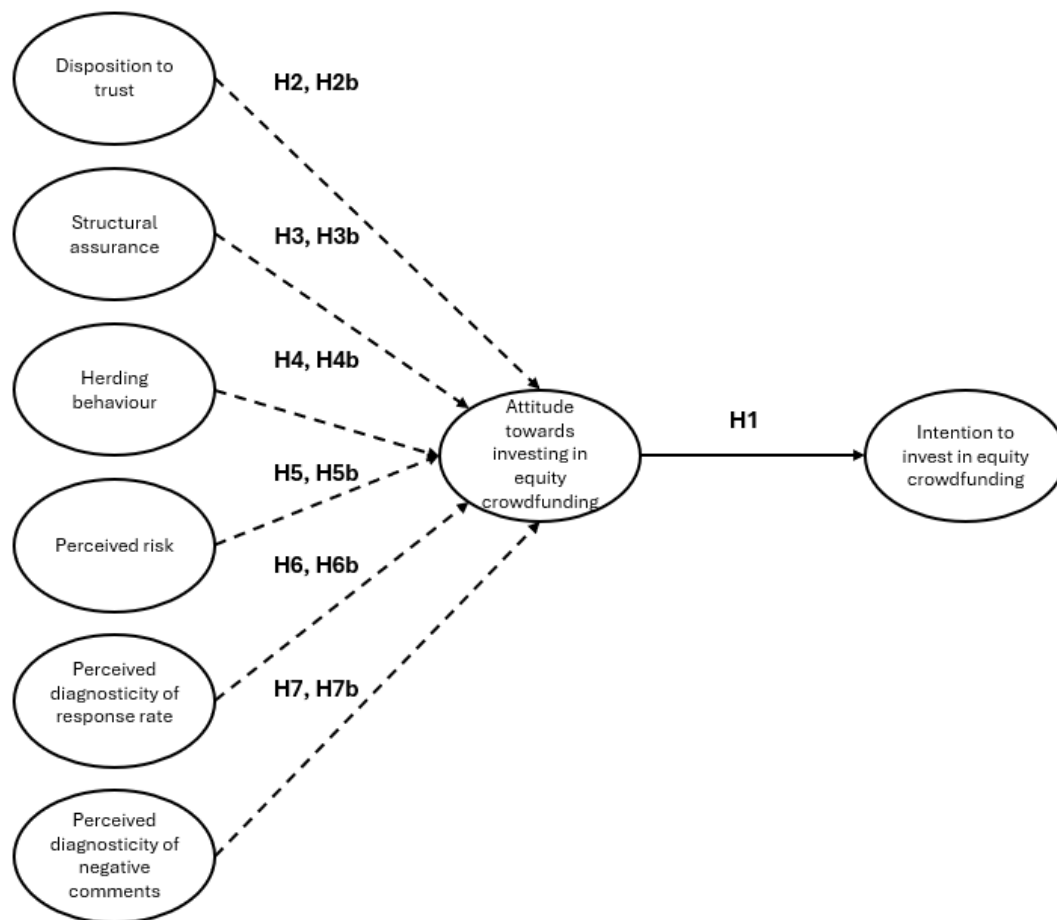


Figure 1. The conceptual model.

Source: Own elaboration.

4.2. Data collection method and sample characteristics

4.2.1. Data collection method

Probability-based sampling, wherein individuals are selected at random and each has a known, non-zero probability of inclusion, remains the methodological gold standard in survey research due to its strong inferential power. It enables researchers to generalize findings from a sample to the broader population with statistical confidence. However, such inferences are only as robust as the sampling frame is accurate in representing the target population and they further depend on the assumption that individuals' likelihood of responding is unrelated to their characteristics – meaning the response behaviour is nondifferential (Smith & Jensen, 2016; Stern et al., 2014).

In the domain of equity crowdfunding, especially when studying investment

propensity among individuals already acquainted with the crowdfunding ecosystem, these ideal conditions are rarely met. This specific group constitutes a small, hard-to-reach subset of the population and no comprehensive sampling frame exists that designates its boundaries. As such, probability sampling is often infeasible, which necessitates the use of nonprobability methods and sparks ongoing efforts to refine inferential techniques that can compensate for the resulting limitations (Schneider & Harknett, 2022).

Compounding this challenge is the broader, field-wide decline in the effectiveness of traditional probability sampling approaches. Even in contexts where such methods were once routinely used – such as in general public opinion polling – emerging obstacles have diminished their practical utility (Couper, 2017). The widespread abandonment of landlines, growing resistance to unsolicited outreach and technological tools that filter communication (call blockers and email filters) have contributed to a steep decline in response rates. For instance, at Pew Research Center, survey participation fell dramatically from 36% in 1997 to just 9% by 2016 (Keeter et al., 2017).

In equity crowdfunding research, these issues are particularly acute. Given the specialized nature of the population of interest – experienced or informed users of crowdfunding platforms – it is likely that those who respond to surveys differ in meaningful ways from those who do not, in terms of their risk preferences, financial literacy or platform engagement. This raises legitimate concerns about selection bias and total survey error, suggesting that even so-called probability samples may no longer behave as truly random reflections of the population. In turn, this underscored the need for methodological innovations that could support credible inferences in the absence of classical sampling assumptions (Dutwin & Buskirk, 2017; Kohut et al., 2012).

The utilization of Facebook as a recruitment channel for survey data collection represents a marked deviation from conventional probability-based sampling paradigms, prompting legitimate methodological scrutiny (Goel et al., 2015; Nunan & Knox, 2011). A central point of contention concerns the adequacy and representativeness of the Facebook user base as a *de facto* sampling frame. Historically, both internet accessibility and engagement with platforms like Facebook were skewed toward demographically narrow segments of the population, particularly individuals with comparatively higher socioeconomic status (Best et al., 2001).

This historical digital divide raises valid concerns when studying phenomena such as equity crowdfunding investment behaviour, which may already be concentrated within

socioeconomically advantaged groups. For instance, limited home internet access and broadband connectivity persist disproportionately among low-income individuals and communities of colour (Billari et al., 2016; Zagheni & Weber, 2012). Despite these disparities, empirical evidence suggests that Facebook usage itself exhibits relatively modest demographic stratification compared to other online environments, potentially mitigating concerns about exclusion bias in platform-based recruitment (Goel et al., 2015; Wang et al., 2015; Zagheni & Weber, 2015). Moreover, Facebook implements identity verification mechanisms that distinguish it from more anonymous digital platforms. These procedures are designed to ensure that each account corresponds to a unique, traceable individual, thereby enhancing data integrity and reducing the risk of fraudulent or duplicate responses – an important consideration when investigating sensitive behaviours.

Facebook's advertising infrastructure is underpinned by a sophisticated data architecture that captures granular information about users, enabling highly refined audience segmentation and targeted content delivery. This precision targeting forms a core component of the platform's commercial model. The user-level data comprise conventional sociodemographic variables – such as age, gender and geographic location – as well as psychographic indicators, expressed interests, and detailed educational and occupational histories (Schneider & Harknett, 2022).

Of particular relevance to studies on equity crowdfunding investment behaviour is the platform's capacity to filter and target users based on their employment affiliations. This feature permits researchers to direct recruitment efforts toward individuals employed at specific firms, thereby facilitating the construction of datasets that reflect the workplace context – an often critical factor in understanding financial behaviour, peer influence or exposure to entrepreneurial culture (Dutwin & Buskirk, 2017; Reis & Brownstein, 2010). When the research objective involves generating sizable and diverse subsamples of individuals across multiple organizational environments, Facebook's microtargeting functionality represents a strategically valuable tool. It enables researchers to access otherwise hard-to-reach populations, such as early tech adopters, startup employees or professionals in finance-adjacent sectors who may exhibit elevated propensities for alternative investment mechanisms.

From a methodological standpoint, Facebook offers a compelling platform for conducting empirical research, particularly when rapid, cost-efficient and demographically nuanced data collection is required. The platform's scale, interactivity

and targeting capabilities align well with the unique demands of studying a niche and digitally engaged population such as potential ECF investors.

First, the economic and temporal efficiencies associated with Facebook-based recruitment are substantial. Disseminating surveys via targeted advertisements or by posting within thematically relevant interest groups drastically reduces both monetary and logistical burdens typically associated with traditional recruitment strategies. Compared to in-person or phone-based methods, which incur substantial labour and infrastructure costs, Facebook enables researchers to reach hundreds or thousands of potential respondents within hours, often at a fraction of the expense. This efficiency is especially advantageous in exploratory studies or when repeated waves of data collection are necessary to observe behavioural trends over time (Kosinski et al., 2015; Wilson et al., 2012; Baker, 2013; Niu, 2019).

Second, Facebook's user base – exceeding one billion active users worldwide – constitutes an unparalleled reservoir of potential respondents. More importantly, this population is not only vast but also structurally diverse, allowing researchers to target users across a wide array of sociodemographic, geographic and psychographic dimensions. This means researchers can hone in on high-relevance segments such as members of startup communities, financial enthusiast groups or followers of specific crowdfunding platforms. These digitally organized communities act as gateways to otherwise diffuse and hard-to-identify populations who are more likely to possess familiarity with crowdfunding and exhibit the behavioural traits of interest (Kosinski et al., 2015; Wilson et al., 2012; Baker, 2013; Niu, 2019).

Third, the interactive and socially embedded nature of Facebook enhances participant engagement and potentially boosts response rates. The platform's design facilitates real-time exposure to survey invitations through mechanisms such as notifications, comment threads and peer endorsements (likes, shares), thereby increasing the visibility and perceived legitimacy of the research. When survey links are distributed within affinity groups – such as tech innovation forums or entrepreneurial networks – users are more likely to interpret participation as aligned with their social identity, thus increasing motivation and compliance. This sense of communal relevance can be particularly effective, where social signalling, trust and peer dynamics are known to influence attitudes towards investment decisions (Kosinski et al., 2015; Wilson et al., 2012; Baker, 2013; Niu, 2019).

Despite its practical advantages, the use of Facebook as a data collection

instrument introduces several methodological and ethical limitations that warrant careful scrutiny. Foremost among these is the issue of self-selection bias, a concern that significantly undermines the internal and external validity of findings derived from Facebook-based samples. Because participation is voluntary and contingent upon individuals' exposure to and willingness to engage with survey content, the resulting sample is not randomly drawn, but instead shaped by participants' preexisting motivations, interests and behavioural tendencies. This can produce an overrepresentation of particularly enthusiastic or highly financially literate individuals, thereby distorting observed patterns of investment propensity and limiting the generalizability of the results to the broader population of potential or marginal investors. Second, the ethical landscape of conducting research via Facebook remains fraught with complexity, particularly concerning informed consent and data privacy (Kosinski et al., 2015; Wilson et al., 2012; Baker, 2013; Niu, 2019).

Researchers operate within an ecosystem largely controlled by a third-party platform, which governs user data practices in ways that are often opaque. While Facebook provides sophisticated targeting tools, it does not offer researchers granular control over the backend data infrastructure, raising concerns about how user information is processed, stored or potentially cross-referenced by the platform during or after survey exposure. These concerns are magnified in studies dealing with financial behaviours, where respondents may be asked to disclose sensitive personal attitudes or socioeconomic information. Ensuring compliance with ethical research standards such as GDPR or institutional review board guidelines becomes considerably more complex in such a mediated environment. Lastly, the lack of precise control over the sampling frame constitutes a notable methodological limitation. While Facebook allows for targeting based on user characteristics, the actual composition of the audience that sees a survey is influenced by Facebook's proprietary ad delivery algorithms, which optimize reach based on engagement metrics rather than strict demographic quotas. This introduces opacity into the recruitment process and impedes the researcher's ability to define, delimit or replicate the study sample. Consequently, it becomes difficult to verify who was actually exposed to the study invitation, who was eligible but chose not to participate and whether key population segments were inadvertently underrepresented or excluded altogether (Kosinski et al., 2015; Wilson et al., 2012; Baker, 2013; Niu, 2019; Mazzocchi & Lucarelli, 2023).

To operationalize the survey, Facebook was used as the primary recruitment

channel. The questionnaire was shared in more than 50 Facebook groups dedicated to crowdfunding, survey research, online business, investing, and business innovation, allowing the study to reach a broad but still relevant audience with potential familiarity with equity crowdfunding. This approach made it possible to collect responses efficiently and at low cost, which was particularly important given the study's resource constraints. Although additional respondent profiling strategies were considered, they were ultimately not implemented because of financial limitations. As a result, group membership served as the main inclusion criterion for dissemination, and Facebook functioned as the practical infrastructure through which the survey was distributed and completed.

Survey design

At the beginning of the survey, respondents were presented with concise definitions of crowdfunding and equity crowdfunding to ensure a common understanding of the key concepts and to reduce potential interpretive bias. Following this introduction, participants were asked to evaluate a series of statements corresponding to the latent constructs under investigation. The survey was approved by the research ethics committee of the University of Gdansk, before data collection began. No personal data was collected, and participation was entirely voluntary. Respondents were informed that they could discontinue completing the questionnaire at any point without providing a reason and without any negative consequences.

All latent constructs in the model were assessed using validated and conceptualized multi-item scales derived from prior research and subsequently refined and adapted to fit the equity crowdfunding context. Self-reported instruments were employed, as they are considered the most appropriate means for capturing individual perceptions. Responses were collected using a seven-point Likert scale, ranging from 1 ("strongly disagree") to 7 ("strongly agree").

4.2.2. Sample characteristics and basic descriptive statistics

The survey was conducted on a sample composed almost entirely of Polish respondents, which makes the study particularly relevant for the Polish equity crowdfunding context. This is an interesting case because the Polish market is still relatively young, has developed unevenly, and remains shaped by early-stage financing needs, regulatory

change, and a still-limited exit environment (Pauka et al., 2023; Trzebiński, 2022). The Polish literature shows that equity crowdfunding emerged as a response to the equity gap faced by start-ups and SMEs, especially in the earlier phases of development (Gemra, 2019), and that it can function as a bridge toward more advanced forms of external financing. Krupa and Żołądkiewicz (2017) emphasize its role in financing early-stage projects, while Łukowski and Zygmanski (2019) find that it can reduce the equity gap among Polish early-stage firms. Motylska-Kuźma (2018) and Ziobrowska-Sztuczka (2023) further show that the market has been evolving alongside legal and institutional changes, particularly in the 2020–2022 period, when new opportunities and barriers became more visible. Kozioł-Nadolna (2024) likewise notes that access to capital remains a key challenge for Polish SMEs, which makes Poland a meaningful setting for examining investor attitudes and behavioural determinants in equity crowdfunding.

The sample consisted of 342 respondents. A slight majority were female (51%), while 46% identified as male and 3% as other. In terms of age distribution, the largest group comprised participants aged 19-35 years (52%), followed by those aged 36–65 years (38%), with 10% aged over 65. Regarding occupational status, nearly half of the respondents were employed (48%), 32% were students, 12% were retired, and 8% were unemployed. Overall, the sample represents a relatively young and professionally active population. The survey included two attention checking questions and no wrong answers were given to them. Therefore, no observations were deleted. All observations were full and complete, due to the fact that questions of the survey were marked as mandatory to answer. The characteristics are presented in tables 1-3.

Table 1. Characteristics of the sample – sex.

Sex	Total number	Percentage of the total
Female	173	51
Male	159	46
Other	10	3

Source: Own elaboration based on the survey results.

Table 2. Characteristics of the sample – age.

Age	Total number	Percentage of the total
19-35	178	52
36-65	129	38

Over 65	35	10
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Source: Own elaboration based on the survey results.

Table 3. Characteristics of the sample – status.

Status	Total number	Percentage of the total
Student	109	32
Employed	164	48
Unemployed	28	8
Retired	41	12

Source: Own elaboration based on the survey results.

The respondents were asked for their experience with crowdfunding in general, with reward-based crowdfunding and with equity crowdfunding. The questions were based on the ability to recall the fact of donating, sending or investing money in each of the three models considered. Most of the surveyed individuals reported having prior, practical experience with crowdfunding in general. Out of the total of 342 respondents, 198 reported being experienced in that matter. In case of reward-based crowdfunding, 40 respondents answered affirmatively, while only 9 out of 342 reported having previously invested in an equity crowdfunding project. Table 4 presents the experience of the sample.

Table 4. Crowdfunding experience of the sample.

Experience	Crowdfunding in general	Reward-based crowdfunding	Equity crowdfunding
Yes	198/342	40/342	9/342
No	144/342	302/342	333/342

Source: Own elaboration based on the survey results.

4.2.3. Common method and response bias

Prior to initiating statistical analysis, potential threats to data integrity – specifically response bias and common method bias were systematically evaluated. To assess response bias, the sample was divided into two temporal cohorts: the first 171 respondents and the final 171 respondents. Comparative analyses were conducted across key demographic and one experiential variables, including age, sex, employment status, and previous exposure to crowdfunding. As summarized in Table 5, no statistically significant

differences emerged between the groups. These findings suggest that response bias is unlikely to compromise the validity of the study's results.

Table 5. Response bias check.

	Mean first group	Mean second group	T	df	<i>p</i> Value
Age	2.55	2.61	-.775	340	.439
Sex	1.56	1.57	-.073	340	.942
Status	2.00	2.01	-.057	340	.955
CF experience	1.41	1.43	-.253	340	.800

Source: Own elaboration based on the survey results.

Given that all variables were collected using a single survey instrument and from the same respondents, the potential for common method bias was also examined. In line with established methodological practice, Harman's single-factor test was employed as a post hoc diagnostic technique (Podsakoff et al., 2003). An exploratory factor analysis without rotation was conducted on all measurement items. The results indicated that a single factor accounted for 46.5% of the total variance, which falls below the commonly accepted threshold of 50%. This finding suggests that common method bias is unlikely to represent a significant threat to the robustness and validity of the study's results (Howard et al., 2024; Rodriguez-Ardura & Meseguer-Artola, 2020).

4.3. Analysis method

Structural Equation Modelling (SEM) is not a single technique but a family of approaches that differ in their underlying estimation logic. The method presented below belongs to the tradition of covariance-based SEM. This approach focuses on testing how well a hypothesised covariance structure – derived from theory – reproduces the observed covariance matrix in a dataset. CB-SEM is therefore confirmatory in nature: it begins with an explicit theoretical model and evaluates whether the data are consistent with it, using global model fit indices and statistical inference (Byrne, 2016).

Subsequent analyses will concentrate on covariance-based SEM, because: (1) it is an appropriate solution considering the proposed hypotheses and the theory behind them;

(2) SEM has been frequently applied to study motivation in equity crowdfunding and/or crowdfunding in general (Alharbey & Van Hemmen, 2021; Makki & Van Hemmen, 2022).

SEM is a statistical framework for testing theories about relationships among observed and unobserved variables. Unlike traditional regression, which deals only with measured variables, SEM incorporates latent constructs – variables that are not observed directly but inferred from multiple indicators, such as psychological traits or attitudes (Byrne, 2016). SEM therefore integrates aspects of factor analysis, path analysis and regression into one coherent system for assessing how well a hypothesized model aligns with empirical data. Two central components define SEM. The first is the measurement model, which specifies how observed variables serve as indicators of latent constructs. This part of SEM corresponds to confirmatory factor analysis (CFA), where the goal is to assess whether a proposed structure of factors fits the data. The second is the structural model, which sets out directional relations among latent variables themselves, often representing causal or predictive hypotheses. Together, these two models provide a comprehensive test of both how constructs are measured and how they relate to one another (Byrne, 2016; Kock, 2019).

An important conceptual foundation of SEM is the notion that data can be expressed as the sum of two parts: the model and the residual. The model embodies the researcher's theoretical expectations, while the residual captures the discrepancies between theory and observation. The task of SEM is therefore to estimate the parameters of the model and assess whether the residuals are acceptably small, given sampling error (Hair et al., 2025).

In SEM, variables are typically divided into exogenous and endogenous categories. Exogenous variables are predictors not explained by other variables in the model, whereas endogenous variables are outcomes that are influenced by other constructs within the system. This distinction mirrors independent and dependent variables in regression, but with the added complexity that both can be latent rather than observed. The SEM is primarily a confirmatory approach. This means that models are usually specified a priori based on theory and the analysis tests whether the hypothesized relationships can be supported. This distinguishes SEM from exploratory methods, such as exploratory factor analysis, which search for underlying patterns without strict theoretical constraints. Byrne emphasizes that although model modification indices can suggest improvements, extensive post-hoc changes risk shifting the analysis from

confirmatory to exploratory, thereby weakening its theoretical grounding (Byrne, 2016).

Although software such as AMOS offers a user-friendly interface for structural equation modelling, the analytic procedure follows a set of conceptual steps. Byrne (2016) describes SEM as an iterative process of specification, estimation, evaluation and re-specification, each serving a distinct analytical purpose.

The process begins with model specification, where theoretical assumptions are translated into a formal structure by defining latent constructs, their observed indicators and the hypothesized relationships among them. These relationships are often illustrated through path diagrams, using rectangles for observed variables, ellipses for latent constructs and arrows to denote regression or covariance paths (Hair et al., 2025; Sarstedt & Hwang, 2020). After specification, the model's identification must be verified to ensure that unique parameter estimates can be obtained. This requires assigning a scale to each latent construct – typically by fixing one loading to 1 – and confirming that the number of unique data points equals or exceeds the number of parameters (Byrne, 2016; Hair et al., 2021). Once identified, model parameters are estimated, most commonly through maximum likelihood, which finds values that maximize the likelihood of the observed data given the model. Alternative methods, such as generalized least squares or Bayesian estimation, may be used for non-normal or categorical data (Ali et al., 2018; Byrne, 2016).

During estimation, SEM software produces parameter estimates (factor loadings, regression weights, variances and covariances) along with their standard errors and statistical significance levels. Standardized estimates are often reported for interpretability, since they allow comparison across parameters measured on different scales (Sarstedt & Hwang, 2020).

The evaluation stage involves examining how well the model fits the observed data. Byrne notes that no single fit index is sufficient; rather, she states that researchers should consider a range of indices. Commonly reported measures include the chi-square test of exact fit, the Comparative Fit Index, the Tucker-Lewis Index, the Root Mean Square Error of Approximation and the Standardized Root Mean Square Residual. Together, these indices provide information about absolute, incremental and residual-based fit. Beyond global fit, it is stated that researchers must also inspect parameter estimates for plausibility. This includes verifying that loadings are substantial, residuals are small and variances are positive. Standardized residuals and modification indices can highlight sources of misfit. However, Byrne cautions that respecification based purely on statistical suggestions risks undermining the confirmatory nature of SEM (Byrne, 2016).

If the evaluation reveals poor fit, researchers may consider modifying the model. Modification indices provide statistical guidance about which parameters, if freely estimated, would most improve fit. For example, a modification index might suggest allowing an error covariance between two items (Byrne, 2016; Hair et al., 2021; Sarstedt & Hwang, 2020).

It is important to note that every structural model rests on the quality of its measurement model. In SEM, the measurement model specifies how observed indicators reflect latent constructs, and this is tested through Confirmatory Factor Analysis (CFA). Without a well-fitting CFA, the structural part of SEM cannot be interpreted with confidence, since any apparent relationships among latent variables may simply reflect weaknesses in measurement (Hoyle, 2000).

Confirmatory Factor Analysis is the formal, theory-driven method used to assess whether a set of observed measures behaves as indicators of one or more latent constructs. CFA requires the researcher to declare in advance which observed variables are indicators of each latent factor and which cross-loadings are constrained to zero. This pre-specification converts measurement testing into a confirmatory, hypothesis-testing exercise rather than a data-driven search (Byrne, 2016; Hoyle, 2000). The model the researcher specifies becomes the explicit hypothesis that the analysis evaluates. CFA separates the portion of an item's variance that reflects the latent construct from the portion that is unique to the item (measurement error or uniqueness). The primary parameters of interest in CFA are factor loadings: they quantify how strongly each observed item reflects its latent factor. Reliable interpretation of constructs depends on substantial and interpretable loadings; weak or nonsignificant loadings indicate problems with measurement and call for revision of items or theory. A well-fitting CFA provides the measurement foundation needed before building structural models or testing hypotheses about relations among latent variables. Validating the measurement model first prevents conflation of measurement artefacts with substantive structural effects (Byrne, 2016; Hair et al., 2021).

CFA matters because measurement quality determines the credibility of any empirical conclusions about latent constructs. If indicators do not reliably reflect the intended factors, then estimates of relationships among constructs will be biased or uninterpretable. These features make CFA indispensable for scale validation and for constructing defensible latent-variable models (Byrne, 2016; Hoyle, 2000).

4.4. Findings

4.4.1. Initial analysis of the empirical model

The first step of the analysis was the CFA. The Confirmatory Factor Analysis proved the model to be of good fit. This is backed by the ratio of chi-square (874.834) and degrees of freedom (287), which equals 3.048. A widely-cited rule-of-thumb is that χ^2/df below 5.0 is acceptable (Hooper & Coughlan, 2008; Nagy et al., 2017; Schumacker & Lomax, 2004; Wheaton et al., 1977). Further, the other measures of model fit also met the requirements: The Normed Fit Index (NFI), Tucker Lewis Index (TLI) and Comparative Fit Index (CFI) showed 0.940; 0.949 and 0.959 respectively, which are above the recommended level of 0.90 (Bentler, 1990). The Root Mean Square Error of Approximation (RMSEA) of 0.078 lays below the recommended value of 0.08 (Hu & Bentler, 1999). All of the above prove the acceptable level of support for the model.

Table 6. Survey items, measurement properties and sources.

Latent construct (Cronbach alpha)		Measurement items	Factor loadings	Source(s)
Intention to invest in equity crowdfunding $\alpha = .982$	IECF1	I intend to invest in equity crowdfunding campaigns in the future.	.955	Pavlou & Gefen, 2004 Bruckner et al., 2023
	IECF2	I am willing to participate in equity crowdfunding campaigns.	.963	
	IECF3	I am likely to make future investments in equity crowdfunding.	.957	
Attitude towards investing in equity crowdfunding $\alpha = .985$	ATTD1	I like the idea of investing in an equity crowdfunding project.	.969	Strohmaier et al., 2019
	ATTD2	Investing in an equity crowdfunding project is appealing.	.968	
	ATTD3	Investing to an equity crowdfunding project is a good idea.	.961	
	ATTD4	I am positive towards investing in an equity crowdfunding project.	.977	
Structural assurance $\alpha = .945$	STRU1	The Internet has enough safeguards to make me feel comfortable using it to transact personal business.	.913	McKnight et al., 2002
	STRU2	I feel confident that encryption and other technological advances on the Internet make it safe for me to do business there.	.893	
	STRU3	In general, the Internet is now a robust and safe environment in which to transact business.	.931	
Herding behaviour	HERD1	I am more likely to invest in a project that already has many backers.	.900	Ahmad et al., 2022

$\alpha = .895$	HERD2	My disappointment after losing money on an investment diminishes a little if others have also experienced the same loss.	.917	Prosad et al., 2015
	HERD3	I feel extremely disappointed if I take a contrarian position (opposite to the general trend) and lose while my friends make profits by following the crowd.	.781	
Disposition to trust $\alpha = .954$	TRST1	I believe that most people would tell a lie if they could gain by it.	.924	Strohmaier et al., 2019
	TRST2	I believe that most people pretend to care more about one another than they really do.	.940	
	TRST3	I believe that most people are usually out for their own good.	.941	
Perceived diagnosticity of negative comments $\alpha = .959$	NEG1	The negative reviews improve my ability to make a decision as to whether or not to finance a project.	.955	Le & Ha, 2021
	NEG2	The negative reviews provide me with insights into whether or not I would like to support a campaign.	.932	
	NEG3	The negative reviews contain useful information about a campaign.	.942	
Perceived diagnosticity of response rate $\alpha = .946$	LACK1	In crowdfunding, the fundraiser should respond to all of the negative comments.	.900	Le & Ha, 2021
	LACK2	All negative reviews should be addressed by the fundraiser in crowdfunding.	.935	
	LACK3	The crowdfunding fundraiser should make a good effort to respond to all negative reviews.	.942	
Perceived risk $\alpha = .904$	RISK1	The finished project may be different from that shown in the crowdfunding platform.	.946	Kim et al., 2019
	RISK2	If I invest in the crowdfunding platform, I may suffer monetary loss due to fraud.	.952	
	RISK3	If I support a project from the crowdfunding platform, I would be concerned about whether the project is successful.	.719	

Source: Own elaboration based on the analysis.

1. Number of observation is 342 for all measurement items.
2. Model fit: $\chi^2 = 874.834$; NFI = 0.940; TLI = 0.949; CFI = 0.959; RMSEA = 0.078

Table 7. Discriminant validity, CR and AVE.

	CR	AVE	RISK	HERD	STRU	IECF	TRST	NEG	LACK	ATTD
RISK	0.909	0.773	0.879							
HERD	0.901	0.754	0.691	0.868						
STRU	0.937	0.833	-0.499	-0.228	0.912					
IECF	0.983	0.920	-0.558	-0.244	0.799	0.959				
TRST	0.954	0.874	-0.521	-0.449	0.463	0.502	0.935			
NEG	0.960	0.889	-0.517	-0.194	0.651	0.608	0.241	0.943		
LACK	0.950	0.864	-0.491	-0.152	0.622	0.664	0.245	0.921	0.929	
ATTD	0.984	0.939	-0.549	-0.262	0.812	0.979	0.510	0.605	0.664	0.969

Source: Own elaboration based on the analysis.

Further analysis confirmed that the resulting factor structure was consistent with the proposed conceptual framework. All construct reliability estimates met the threshold value of 0.70 (Bagozzi & Yi, 1988), and the Average Variance Extracted (AVE) values were higher than 0.50. In addition, Cronbach's alpha values for all but one construct were above 0.900, which indicates excellent internal consistency and suggests that the items within each construct measured the same underlying concept very strongly. Likewise, composite reliability (CR) values for all constructs exceeded 0.900, which is also considered a very high level of reliability and confirms that the constructs were measured with substantial precision and consistency. The next stage was to assess discriminant validity using Fornell and Larcker's (1981) test, which compares the square root of each construct's AVE with its correlations with other latent variables. This criterion is met when the square root of the AVE for a given construct is greater than the squared correlations between that construct and the remaining constructs in the model (Cheung et al., 2024; Vuković et al., 2024; Ghanbar, 2024). Following Fornell and Larcker's (1981) criteria, discriminant validity was confirmed for most of the constructs, as the AVE for most constructs exceeded the squared correlations among the latent variables, as shown in Table 7. A very high correlation was found between IECF and ATTD. This could have been due to the statements being very similar and the fact, that the survey did not ask about a specific campaign, but about the respondent's opinions in general. Therefore, high similarity in perception of attitude towards investing and intention to invest was found without greater surprise. It is possible, that the respondents understood the statements from these two constructs very similarly, also due to their literal resemblance. A barrier consisting of language differences could have played a role in similar understanding of these constructs as well – the survey items were in English, and the vast majority of respondents were Polish.

Considering the very high empirical overlap between ATTD and IECF in the study, combining them into a single attitudinal-intention construct is methodologically defensible. In crowdfunding research, attitude is commonly treated as a proximal antecedent of investment intention, and recent work reports a positive association between attitude and investment intention in investment-based crowdfunding, which suggests that the two constructs are closely related in practice (Baber, 2021; Shneor & Munim, 2019). Therefore, a decision was made to further estimate the model with combined constructs of IECF and ATTD – further called the attitudinal intention to invest in equity crowdfunding (ATINT). Although attitude towards investing in equity

crowdfunding and intention to invest in equity crowdfunding are theoretically distinct constructs, the empirical results of this study suggest that respondents interpreted them in highly similar ways. Where two reflective constructs are highly correlated and their indicators overlap semantically, combining them into a higher-order or composite construct can improve parsimony without forcing an artificial distinction (Alkhadim, 2022). In this study, the very strong association between ATTD and IECF, together with the literal resemblance of the items and their likely similar interpretation by respondents, justifies estimating a combined attitudinal-intention construct ATINT rather than maintaining two empirically overlapping variables. The combined construct may be understood as a unified evaluative orientation toward equity crowdfunding, capturing both how positively a respondent assesses investing in it and how willing they are to act on that assessment. It differs from a pure attitude construct, which reflects a favourable or unfavourable evaluation, and from a pure intention construct, which reflects a readiness or plan to perform the behaviour. Following this adjustment, the hypotheses were reformulated so that the examined factors no longer predict attitude alone, but the broader attitudinal intention to invest in equity crowdfunding. The substantive meaning of the hypotheses remains unchanged, since the same theoretical arguments still apply. The factors were previously assumed to influence attitude directly, with attitude then exerting an indirect effect on intention to invest. In the revised model, both aspects are captured jointly within the combined construct. The revised hypotheses, conceptual model, discriminant validity, CR and AVE are presented below:

H2. There is a positive relationship between disposition to trust and attitudinal intention towards investing in equity crowdfunding.

H3. There is a positive relationship between perception of structural assurance and attitudinal intention towards investing in equity crowdfunding.

H4: There is a positive relationship between herding behaviour and attitudinal intention towards investing in equity crowdfunding.

H5: There is a negative relationship between perceived risk and attitudinal intention towards investing in equity crowdfunding.

H6: There is a positive relationship between perceived diagnosticity of entrepreneur's lack of interaction with the investors and attitudinal intention towards investing in equity crowdfunding.

H7: There is a positive relationship between perceived diagnosticity of negative

opinions and attitudinal intention towards investing in equity crowdfunding.

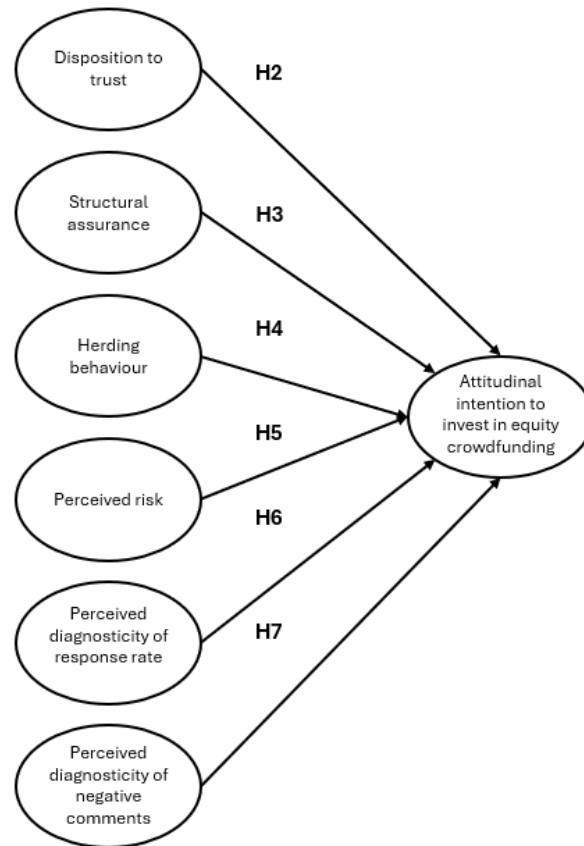


Figure 2. The revised conceptual model.

Source: Own elaboration.

The revised model was subjected to an initial validation procedure, and the results were highly satisfactory. The reliability indicators showed strong measurement quality, with all key thresholds exceeded and internal consistency remaining excellent. Discriminant validity was then assessed with the Fornell-Larcker criterion, confirming that the constructs were sufficiently distinct from one another.

Table 8. Discriminant validity, CR and AVE of the revised model.

	CR	AVE	RISK	HERD	STRU	TRST	NEG	LACK	ATINT
RISK	0.909	0.773	0.879						
HERD	0.870	0.693	0.627	0.832					
STRU	0.937	0.832	-0.500	-0.186	0.912				
TRST	0.954	0.874	-0.522	-0.426	0.464	0.934			
NEG	0.960	0.889	-0.518	-0.159	0.650	0.242	0.942		

LACK	0.950	0.864	-0.495	-0.118	0.624	0.249	0.920	0.929	
ATINT	0.982	0.933	-0.160	0.076	0.537	0.140	-0.420	0.589	0.965

Source: Own elaboration based on the analysis.

4.4.2. Structural model evaluation and hypotheses testing

The final model estimation showed a ratio of chi-square (932.265) and degrees of freedom (301) equal to 3.09. The Normed Fit Index (NFI), Tucker Lewis Index (TLI) and Comparative Fit Index (CFI) showed 0.930; 0.938 and 0.951 respectively. The Root Mean Square Error of Approximation (RMSEA) equalled 0.078. The values lay within the acceptable levels cited in the literature (Hooper & Coughlan, 2008; Nagy et al., 2017; Schumacker & Lomax, 2004; Wheaton et al., 1977). The explanatory power of the model, the R-square of the latent outcome variables, showed that the SEM model explains 77.2% of the variance of attitudinal intention to invest in equity crowdfunding.

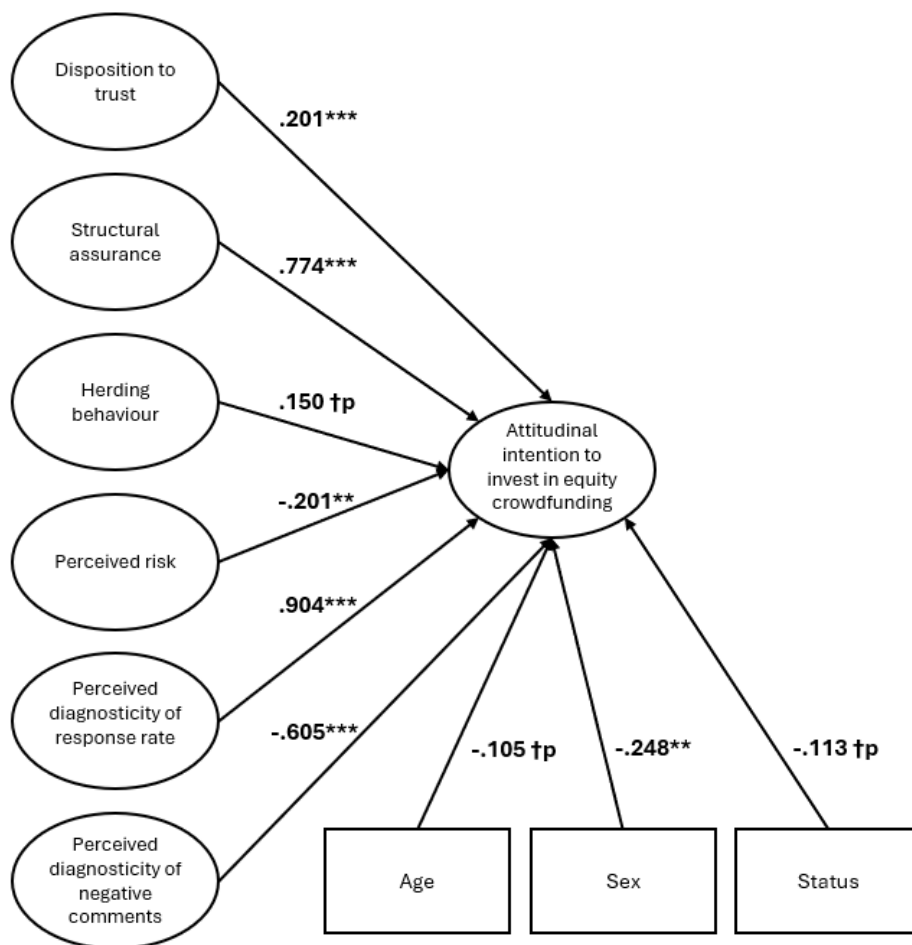


Figure 3. The estimation model.

Source: Own elaboration based on the analysis.

1. P values below 0.001 are shown as “***”, P values $0.001 < P < 0.01$ are shown as “**”, P values over 0.01 are shown as “†p”.

Table 9 presents the estimation results of the revised model, along with the results of each hypothesis. The modification of the constructs in the model meant that the hypothesis H1 no longer exists. Support for hypothesis H2 was found, suggesting that disposition to trust is positively correlated with attitudinal intention towards investing in equity crowdfunding. The hypothesis H3 was supported, suggesting that the structural assurance plays an important role in shaping attitudinal intention towards investing in equity crowdfunding. The hypothesis H4 was found to be insignificant. The hypothesis H5 was supported, suggesting that the perception of risk is negatively correlated with attitudinal intention towards investing in equity crowdfunding. Hypothesis H6 was supported, which considered the relationship between perception of diagnosticity of entrepreneur’s response rates and attitudinal intentions towards investing in equity crowdfunding. A surprising and significant result was found in relation to hypothesis H7. The model showed an opposite result to the one previously hypothesized, a negative instead of positive correlation was found. Due to the revised model structure, no mediation effects are tested in the final analysis. The hypothesised relationships are therefore examined as direct effects on the combined attitudinal intention construct. The model was controlled for age, sex and status. Whereas the results for age (std. estimate of -.105 and p-value of .413) and status (std. estimate of -.113 and p-value of .230) were insignificant, the result for sex was significant, with the standard estimate of -.248 and p-value of .007. This result could suggest that males are more likely to take risk in relation to attitudes in the domain of financial decisions.

Table 9. Estimation results.

Hypothesis	Relationship	Std. estimate	S.E.	C.R.	P Label	Results
H2	TRST --> ATINT	.201	.058	3.484	***	Supported
H3	STRU --> ATINT	.774	.076	10.134	***	Supported
H4	HERD --> ATINT	.150	.088	1.716	.086	Not supported
H5	RISK --> ATINT	-.201	.066	-3.042	.002	Supported

H6	LACK --> ATINT	.904	.152	5.958	***	Supported
H7	NEG --> ATINT	-.605	.148	-4.089	***	Not supported (Opposite)

Source: Own elaboration based on the analysis.

1. Number of observation is 342 for all measurement items.
2. Model fit: $\chi^2 = 932.265$; NFI = 0.930; TLI = 0.938; CFI = 0.951; RMSEA = 0.078
3. P values below 0.001 are shown as “***”.

4.5. Discussion of the findings

Overall, the results show that the proposed model effectively captures the main factors that influence the attitudinal intention towards the financial contribution in equity crowdfunding. The analysis provides new insights into how negative or limiting factors affect individuals' intentions to invest in equity crowdfunding – an area that has so far received little research attention.

The positive and significant path from disposition to trust to investment attitude indicates that individuals who are generally more trusting also hold more favourable attitudes toward equity crowdfunding. This finding is consistent with the broader trust literature, which treats disposition to trust as a stable, relatively enduring tendency to approach others with confidence rather than suspicion (Kim et al., 2008; Luhmann, 2000; Rotter, 1980; Rousseau et al., 1998). In the context of equity crowdfunding, such a disposition appears particularly relevant because investors must evaluate ventures under conditions of limited face-to-face interaction, high information asymmetry, and substantial uncertainty. As a result, those who are dispositionally more trusting may be more willing to interpret campaign information positively, accept incomplete signals as sufficient, and form a more favourable attitude toward investing. This result also aligns with prior studies showing that trust is an important antecedent of equity crowdfunding intentions and that trust can reduce uncertainty in digital transactions (Alharbey & Van Hemmen, 2021; Teo et al., 2021; Zhang et al., 2023; Sendra-Pons et al., 2024). In practical terms, the finding suggests that equity crowdfunding is more attractive to individuals who are already inclined to rely on others and perceive online exchange as manageable despite its risks. It also helps explain why trust-building mechanisms in crowdfunding platforms may be especially effective for such users: Their general disposition makes them more

responsive to signals of credibility, platform security, and perceived integrity, which in turn supports more positive investment attitudes.

As predicted, stronger structural assurances were associated with higher investing attitude. This finding aligns with the theoretical framework proposed by Rossi (2018), which suggests that rigorous project securitization measures are essential to align the interests of backers and creators while diminishing project failure rates. By providing a robust “safety net”, platforms effectively cultivate the investor confidence necessary to navigate the complexities of equity crowdfunding. The prominence of structural assurance as a predictor of attitude is also consistent with the findings of Agrawal et al. (2014), who underscored the positive correlation between platform due diligence, including credit evaluations, project monitoring, and the overall success of funding campaigns. This result is further explained by the inherently high risk and information asymmetry prevalent in the equity crowdfunding market. The psychological deterrent of potential fraudulence, as highlighted by Nikolaos and Yue (2017) and Kirby and Worner (2014), explains why investors place such high value on these safeguards. By implementing procedural rules, such as requiring functional prototypes or establishing clear delivery timelines platforms create a secure environment that mirrors the “community logic” and shared values described by Chen et al. (2017). The large standard estimate implies that perceived security measures are especially influential. This supports the idea that robust institutional safeguards cultivate investor confidence. Indeed, given the inherently high risk of equity crowdfunding investing, prospective investors expect platforms to provide strong security and authentication. Because of the potential for high perceived risk, their security and safety measures such as authentication, fraud safeguard and escrow services should be the platform’s primary concern. Therefore, when structural safeguards are prominent, people are likely to feel safer about investing, which raises their attitude toward funding equity crowdfunding campaigns.

The non-significant path between herding and attitudinal intention to invest in equity crowdfunding stands in contrast to studies by Lee and Lee (2012) and Chan et al. (2020), which argue that information cascades – facilitated by visible metrics such as the funded amount and the number of prior investors – are fundamental to shaping participant behaviour. Typically, the presence of early contributors creates a momentum that signals project quality, theoretically leading to a positive shift in the attitudes of subsequent observers (Vismara, 2015; Bapna, 2019). However, the results of this study suggest that individuals may be evaluating their investment intentions based on the intrinsic merits of

a proposal or their own independent analysis, rather than engaging in the irrational herding described by Simonsohn and Ariely (2008), where backers simply replicate others' decisions while ignoring tangible project characteristics. The emergence of this non-significant score may be attributed to the nature of the data collection and the absence of specific situational cues. In real-world scenarios, herding is often triggered by observational learning where investors infer creditworthiness or project quality from public profiles or the identity of existing backers (Itenberg & Smith, 2017; Löher, 2017). Because this research surveyed respondents regarding their general attitudes and intentions rather than their reactions to a live, specific campaign, the “active” elements of herding, such as the ability to sort projects by funding received or observe early momentum (Vismara, 2016; Cumming et al., 2019), were not present to stimulate a response. This non-significant result may indicate that this issue could be considered in future studies, better suited to measuring the phenomenon described.

As predicted, the empirical analysis confirms that perceived risk exerts a significant negative influence on investment attitude. This finding is highly consistent with classic risk-aversion theory and aligns with a broad corpus of prior research suggesting that as the perception of potential hazards increases, an individual's favourable disposition toward attitudinal intention to invest in equity crowdfunding proportionately declines. This result reinforces the foundational work of Harrison (2013) and Lin (2017), who categorized the multifaceted nature of risk in this sector. The negative correlation observed here suggests that investors are keenly aware of the “structural” and “asset-specific” dangers inherent in the market, such as capital loss, illiquidity, and the absence of dividend declarations (Harrison, 2013). Furthermore, the significance of this result echoes the findings of Pavlou (2003) and Chang and Fang (2013) regarding the role of trust and risk in electronic commerce, where the lack of physical presence and regulatory maturity heightens the fear of secondary risks like platform closure or fraud.

The negative relationship between risk and attitude in this study can be attributed to several factors identified in the preceding chapters: (1) Investors are evaluating startups characterized by a lack of historical performance and high technological uncertainty. As Lin (2017) notes, concerns regarding management quality and insolvency risks loom large. When investors cannot clearly verify a fundraiser's data, their attitude toward the investment becomes defensive; (2) A primary reason for the high risk-perception score lies in the intermediary model itself. Because platforms often charge success-based commission rather than flat fees, they may be incentivized to prioritize the quantity of

projects over the quality of due diligence (Petitjean, 2018; Ryu, 2014). Investors, aware of these conflicts of interest (Meer, 2014; Koch & Siering, 2015), likely perceive the platform not as a neutral protector, but as a profit-seeking entity that may compromise on project vetting; (3) The possibility of platforms engaging in parallel investments or manipulating financial standings to expedite returns (Rossi & Vismara, 2018; Nikolaos & Yue, 2017) adds a layer of “agency risk”. This suggests that respondents’ negative attitudes are not just a reaction to the startup’s potential failure, but to the potential for opportunistic behaviour by the platform itself.

The empirical results demonstrate a robust and statistically significant positive relationship between the perceived diagnosticity of the entrepreneur’s communication – specifically imagined through founder responsiveness – and the investor’s overall attitudinal intentions. This suggests that when prospective investors perceive the founder’s communication as highly informative and timely, they develop a more favourable disposition toward the investment opportunity. This finding is theoretically consistent with the core tenets of CET as formulated by Deci and Ryan (1980). Within the framework of CET, communication from a founder can be interpreted as a social-environmental factor that possesses dual aspects: A controlling aspect and an informational aspect (Ryan, 1982). The significant positive coefficient observed in this study indicates that investors likely perceive high responsiveness as a dominant “informational aspect”.

According to Ryan et al. (1983), when feedback provides competence-related information within an autonomy-supportive context, it bolsters the individual’s perceived competence and satisfies their need for autonomy. In the high-stakes environment of equity crowdfunding, the founder’s diagnostic communication serves as a form of positive feedback that affirms the investor’s ability to evaluate the project effectively. This aligns with the meta-analysis by Deci et al. (1999), which robustly affirmed that positive feedback enhances intrinsic motivation, whereas communication perceived as controlling or insufficient tends to undermine it. By being highly responsive, founders foster an internal perceived locus of causality (Pritchard et al., 1977), making investors feel more self-determined and competent in their decision-making process. The high score for diagnosticity in this model can be explained by the relative prominence of the informational over the controlling aspect of the interaction (Deci et al., 1981). Furthermore, the lack of responsiveness or poor communication functions as negative feedback, which Deci and Ryan (1980) identify as a primary driver of perceived

incompetence. In the absence of diagnostic responses, investors may feel unmotivated lacking the intention or motivation to act, because the incompetence information (the silence of the founder) suggests they cannot achieve the desired outcome of a secure investment. This result means that the perceived quality of the interaction is not merely a matter of politeness but a fundamental cognitive bridge that satisfies the investor's psychological needs for competence and autonomy. As suggested by Pitchay et al. (2022), the informational value of performance-related cues (responsiveness) is more pronounced than mere task-completion. Thus, the entrepreneur's ability to provide diagnostic, high-quality feedback is a critical determinant of whether an investor views the crowdfunding activity as a self-determined, positive pursuit or a risky, uncertain venture.

Lastly, a strong negative relationship between perceived diagnosticity of negative comments and investment attitude was found. This finding implies that as the perceived informativeness and utility of critical feedback increases, the prospective investor's attitude towards funding the equity crowdfunding project significantly declines. Such a result is notably surprising within the context of this study's specific framework, as it stands in opposition to the initial hypothesis which anticipated a higher degree of investor independence. According to Burtch et al. (2013), negative opinions and peer critiques on crowdfunding platforms act as powerful signals that amplify perceptions of risk and cast immediate doubt on a campaign's credibility. When investors find these comments to be "diagnostic", meaning they perceive the critiques as valid indicators of poor preparation, flawed execution, or a lack of legitimacy, their favourable disposition toward the venture is disrupted. This aligns with the findings of Goethner et al. (2021), who argue that investor behaviour is fundamentally shaped by the sentiments of other participants, which can outweigh the primary attributes of the campaign itself.

However, the surprising nature of this result, suggests a conflict between the hypothesized resilience of investors and the reality of collective sentiment. While the literature, such as Gerber and Hui (2013), emphasizes that maintaining a positive narrative is essential for campaign success, the strength of this negative relationship indicates that investors may be more sensitive to social proof than previously assumed. As suggested by the internal logic of this study, the result may imply that respondents are not merely succumbing to blind trust or irrational herding. Instead, they demonstrate an objective analysis of the content. When negative feedback is perceived as diagnostic (factually grounded and informative), the potential investor utilizes their ability to assess the situation independently, leading to a rational downward adjustment of their attitude.

This result signifies that in the transparent environment of equity crowdfunding, the visibility of critical updates and peer reviews allows investors to form a collective intelligence that can be highly damaging to campaign momentum if the feedback is perceived as diagnostic. This resonates with the non-significant results found in the herding behaviour hypothesis. While potential investors might not blindly follow a crowd's actions, they are highly attuned to the informational value of the crowd's critiques.

Taken together, these findings highlight the central role of trust-related cues in equity crowdfunding attitudes. Hypotheses H2 and H3 both tap into trust foundations: A trusting personality and reliable institutional safeguards each bolster positive attitudes toward investing in equity crowdfunding. In line with prior work on thin-trust and technology-mediated finance, it is seen that general trust reduces uncertainty and that formal protections should further reassure investors. These trust constructs stand in contrast to perceived risk, which undermines attitudes. Thus, trust-enhancing factors such as disposition to trust elevate attitudes, whereas risk perception pulls them down. This interplay underscores that equity investors weigh trust cues heavily: Greater personal trust and stronger platform assurances jointly encourage investment.

Another theme is social and informational signals. Herding behaviour represents one such signal, but it proved non-influential. Instead, the two diagnosticity measures – founder responsiveness and peer negativity – form a coherent information-cue cluster. Notably, these two constructs were almost interchangeable statistically: They correlate at about 0.92. Such a high correlation suggests they may reflect the same underlying dimension – perhaps a general “attention to trustworthiness cues” or an “information sensitivity” factor. It means that respondents who find negative reviews highly diagnostic also find founder communication highly diagnostic. One interpretation is that both cues serve as redundant indicators of credibility. Paying close heed to any project signals (whether negative peer reviews or founder replies) may reflect an underlying scrutiny or scepticism trait. Because their correlation is so strong, these items might effectively load on a single latent trait (like overall trust evaluation). Given this, it may not be that two different phenomena are at play, but rather one fundamental evaluative stance toward project information.

This suggests a nuanced picture. Investors rely on trust and information signals rather than following the crowd. Robust security measures and personal trust predispositions encourage investment and conversely, negative social feedback sharply

lowers intent. Although herding per se was not significant, how investors interpret informational cues is clearly crucial. The results emphasize that in equity crowdfunding it is the quality and credibility of information – and general trust in that information – that drive attitudes.

These findings build on prior theoretical insights. For instance, confidence in investing is known to rise when trust overcomes uncertainty and investor caution is well-documented in response to negative feedback. The findings on structural assurances echo evidence that investors value platform security in risky settings. Meanwhile, herding's lack of effect matches broader observations that not all markets exhibit blind following. Together, the evidence provides a detailed picture of how trust, risk and informational cues interplay in shaping equity crowdfunding attitudes.

4.6. Theoretical contributions

From a theoretical standpoint, the study contributes to the literature on equity crowdfunding by showing that investment intention is shaped by multiple, interacting layers of trust rather than by trust in a single actor alone. Prior evidence indicates that investor intention depends on both trust in the platform and trust in the fundraiser, and that trust in the intermediary can transfer to the fundraiser, which makes the institutional architecture of the platform a substantive determinant of decision-making rather than a neutral backdrop (Alharbey & Van Hemmen, 2021). Related research further demonstrates that platform rules, monitoring, and pledging security affect both trust and distrust (Usman et al., 2025; Akter et al., 2025; Stevenson et al., 2025), while fundraisers reduce informational asymmetry most effectively when they provide high-quality, substantive project information.

The argument also suggests that investors do not process social cues in a purely imitative manner. Empirical work on crowdfunding shows that information cascades and correlations among adjacent pledges can emerge (Vismara, 2015; Crosetto & Regner, 2018), but these effects are conditional and compatible with rational information aggregation rather than simple herd imitation. More recent evidence on herding in equity crowdfunding (Åstebro et al., 2024) reports that the estimated causal effects are not statistically different from ordinary least squares estimates, which weakens any strong claim that herding is a universal mechanism in this market. By inference, negative social feedback may therefore carry disproportionate weight because distrust itself is a

meaningful determinant of behaviour in crowdfunding settings, and unfavourable cues may function as diagnostic information about campaign quality, execution risk, or founder credibility. At the same time, transparent founder engagement appears to reduce uncertainty by making the venture more observable and accountable: studies show that comment quantity, sentiment, reply length, and reply speed are positively associated with crowdfunding success, and that active entrepreneur engagement on-platform significantly improves equity crowdfunding outcomes (Strohmaier et al., 2019).

The findings indicate that equity crowdfunding decisions are better explained by the conjunction of institutional trust, information quality, and credibility-enhancing interaction than by popularity alone (Zhu et al., 2023). This interpretation is consistent with research showing that heuristic cues can improve crowdfunding performance, while their effectiveness depends on platform context, competition intensity, and demand potential.

4.7. Practical implications

Practical implications follow directly from the evidence. For platform operators, the core challenge is not simply to host campaigns, but to institutionalize trust by making risk-reducing safeguards visible and credible to prospective investors. Prior research on equity crowdfunding shows that both trust in the platform and trust in the fundraiser significantly influence investor intention, and that trust in the intermediary can transfer to trust in the fundraiser (Ferreira et al., 2022; Strohmaier et al., 2019). In parallel, institutional mechanisms such as platform rules, monitoring, and pledging security strengthen trust and reduce distrust. Comparative analyses of crowdfunding platforms also show that trust is generated through multiple organizational layers, including the platform, the project, the users, and crowdfunding as a broader system (Trzebiński & Kołodziejczyk, 2025). On that basis, authentication procedures, fraud-prevention systems, escrow arrangements, and other verifiable controls should be treated as central design features rather than back-office functions, because technical protection and formal safeguards operate as signals of reliability, legitimacy, and investor protection.

For campaign founders, the implications are equally direct. Communication should be understood as a governance mechanism that reduces uncertainty, not merely as promotional activity (Sun et al., 2026). Empirical work indicates that campaign updates, comments, replies, and rapid responses can improve fundraising outcomes by narrowing

the information gap and improving the accuracy of investor judgments, while high-quality information disclosure strengthens trust in the venture (Hornuf & Schwienbacher, 2018). Accordingly, founder communication ought to be timely, transparent, and substantively informative throughout the campaign lifecycle, especially when clarifying project milestones, explaining deviations from the original plan, or addressing questions that may otherwise intensify uncertainty (Moritz et al., 2015). Transparent engagement is therefore not ancillary to campaign performance. It is one of the principal means through which legitimacy is constructed in an information-asymmetric financing environment.

The treatment of negative commentary requires particular attention. Crowdfunding research shows that distrust is an independent and behaviourally important construct, and that negative sentiment is associated with weaker funding outcomes; thus, adverse commentary is likely to be interpreted as diagnostic evidence about project quality, governance capacity, or execution risk rather than as noise (Strohmaier et al., 2019). This suggests that reputational damage can accumulate quickly when negative feedback is left unanswered. Proactive reputation management is therefore essential. Founders should monitor discussion threads continuously, correct misinformation without delay, and respond in a manner that is factual, respectful, and evidence-based (Torabi & Mirakhor, 2018). Such responsiveness can prevent isolated criticisms from developing into broader reputational deficits and can help preserve investor confidence in contexts where uncertainty is already high.

4.8. Limitations and future research directions

Future research should move beyond cross-sectional intention measures and adopt longitudinal and experimental designs that can observe how stated willingness translates into actual funding behaviour over time. This is important because crowdfunding studies often use intention as a proxy for participation, yet intention and behaviour do not always coincide, and the relationship may vary with market maturity, campaign stage, and the salience of informational cues (Kim & Hall, 2019). Longitudinal evidence would allow future researchers to trace how investor beliefs evolve as new disclosures, updates, and peer reactions accumulate, while experiments would make it possible to identify causal effects by manipulating communication frequency, message content, or response timing (Sun et al., 2026). This agenda is particularly well supported by prior work showing that progress-presentation designs can significantly alter backers' perceptions and intention

to fund, and that starter responses can reduce information asymmetry while signalling favourable campaign qualities (Lee et al., 2021; Lo et al., 2026). Taken together, these findings indicate that the central empirical task is no longer simply to ask whether communication matters, but to determine precisely which forms of communication alter real investment choices, under what conditions, and through which psychological mechanisms.

A further refinement concerns the concept of diagnosticity. Rather than treating information diagnosticity as two separate constructs, future work should aggregate it into a cognitive component and test whether a higher-order “information sensitivity” factor better captures the combined effects of founder responsiveness and peer commentary. This would be theoretically consistent with trust research in crowdfunding, which distinguishes cognitive trust and shows that said trust and relationship trust can both shape investment intention (Kang et al., 2016; Lee et al., 2021; Sun et al., 2026). It is also compatible with experimental evidence that diagnostic campaign cues influence backers’ perceptions and funding intent, suggesting that investors do not merely process information quantitatively, but also evaluate it affectively in terms of reassurance, credibility, and relational warmth (Moysidou & Hausberg, 2020). A better model of information sensitivity could therefore explain why some investors react strongly to prompt founder replies, while others place greater weight on the tone, consistency, and substantive detail of discussion-thread exchanges. Such a framework would also help clarify whether responsiveness functions primarily as a signal of competence, integrity, and control, or whether it additionally reduces emotional uncertainty and strengthens perceived legitimacy in digitally mediated financing environments (Sun et al., 2026).

Cross-cultural comparisons and platform-specific investigations would also be especially valuable for clarifying when herding emerges as a driver of investment. Comparative evidence from the United States and South Korea indicates that crowdfunding communication is shaped by cultural context, including differences in collectivism, power distance, and uncertainty avoidance, which implies that the interpretation of social cues is unlikely to be uniform across settings (Cho & Kim, 2017). At the same time, field evidence from a leading European equity crowdfunding platform shows that pledge size and timing are influenced by recent investment activity in ways that are inconsistent with naïve herding and more compatible with rational information aggregation (Åstebro et al., 2024). Crowd effects appear to be contingent rather than universal, and may depend on the platform’s institutional architecture, disclosure regime,

and local investor norms. This thesis therefore advances the literature by isolating key determinants of investment intention in equity crowdfunding and by showing that trust, institutional assurances, perceived risk, and information diagnosticity operate jointly rather than independently (Strohmaier et al., 2019; Kang et al., 2016). The broader implication is that future inquiry should focus less on whether credibility cues matter in the abstract and more on how different categories of investors process those cues across platform types, regulatory environments, and cultural contexts. Such work would deepen understanding of how legitimacy is constructed in entrepreneurial finance and would refine theory on investor judgment in online capital markets, such as equity crowdfunding.

CHAPTER 5. CONCLUSION

This thesis addressed a central question in digital entrepreneurial finance: Which factors shape individuals' propensity to invest in equity crowdfunding campaigns, with particular attention to two underexplored deterrents of investment intention. First, it examined how negative comments posted on campaign platforms influence potential investors' willingness to participate, especially when such commentary is interpreted as a credible signal of project weakness, execution risk, or reduced legitimacy. Second, it investigated how the perceived absence of entrepreneurial communication during the campaign discourages investment intentions, on the premise that silence, lack of updates, or delayed responses may intensify uncertainty and weaken trust. The study was motivated by the observation that equity crowdfunding is not simply a financing channel, but a hybrid environment in which economic reasoning, social influence, and credibility assessment intersect (Moritz et al., 2015; Block et al., 2017). In this setting, investment decisions are shaped not only by the expected attractiveness of the venture, but also by the perceived trustworthiness of the platform, the reliability and responsiveness of the founder, the informativeness of campaign communication, and the interpretive value of peer-generated signals (Alharbey & Van Hemmen, 2021). This framing is consistent with prior equity-crowdfunding research showing that investor intentions are affected by trust in both the platform and the fundraiser, that information quality is central to trust formation, and that investor communication is a mechanism for reducing information asymmetry rather than a purely promotional activity (Dorfleitner et al., 2023; Iurchenko et al., 2023; Alharbey & Van Hemmen, 2021; Block et al., 2017).

The thesis contributes to the literature by integrating behavioural and institutional perspectives into a single explanatory account of investment intention. Rather than treating crowdfunding investors as fully rational actors or as purely socially driven followers, the study assumes that they process signals through a layered, multitheoretical, evaluative framework. Dispositional trust operates as a personal predisposition that lowers psychological barriers to action, while structural assurance works as an institutional cue that reduces uncertainty by making the platform appear orderly, monitored, and credible (Strohmaier et al., 2019; Block et al., 2018; Dorfleitner et al., 2023). This interpretation is strongly aligned with existing work on crowdfunding trust, which distinguishes between trust in the intermediary and trust in the founder, and shows

that institutional protective mechanisms such as platform rules, monitoring, and pledging security shape both trust and distrust (Strohmaier et al., 2019; Block et al., 2018; Alharbey & Van Hemmen, 2021). It also aligns with research on investor communication in equity crowdfunding, where updates and founder disclosures have been shown to influence crowd participation, especially when they contain substantive information about project development, business progress, or new financing.

The empirical findings of the thesis support this broader conceptualisation. First, the results indicate that generalised trust is not an abstract personality trait detached from financial judgement, but a meaningful antecedent of favourable attitudes toward equity crowdfunding. Individuals who are more predisposed to trust others appear more willing to interpret a platform-based investment opportunity as acceptable despite its inherent uncertainty (Barbi & Mattioli, 2019; Kang et al., 2016). Second, perceptions of structural assurance emerge as especially powerful, suggesting that investors attach considerable importance to institutional reliability, formal safeguards, and the sense that the platform itself is designed to reduce opportunism and protect participants (Wasiuzzaman et al., 2021). This is consistent with the literature showing that trust in the platform can have a direct effect on intention and can also transfer to the fundraiser, thereby shaping evaluation at both the institutional and interpersonal levels (Bi et al., 2017; Olivares & Rivera, 2023; Sun et al., 2026). The thesis therefore reinforces the view that investors do not evaluate campaigns in isolation. They read them through the prism of platform legitimacy and procedural security (Lukkarinen et al., 2016; Usman et al., 2025; Akter et al., 2025; Stevenson et al., 2025).

At the same time, the thesis confirms that perceived risk remains a central inhibitory force in equity crowdfunding decision-making. This is theoretically important because it shows that the appeal of entrepreneurial participation does not eliminate the logic of loss aversion, but rather, potential investors weigh opportunity against uncertainty and are sensitive to cues that imply financial, operational, or informational fragility (Wang et al., 2022). The broader literature supports this interpretation: Studies of crowdfunding consistently show that online finance is structured by information asymmetry, and that risk perceptions are closely tied to whether campaign information appears credible, complete, and sufficiently diagnostic (Moritz et al., 2015; Alharbey & Van Hemmen, 2021). The thesis adds evidence that risk is not merely a background condition of equity crowdfunding, but a core cognitive filter through which all campaign signals are interpreted.

One of the most important contributions of the thesis lies in its treatment of social influence. The absence of a significant herding effect (Dao & Andrikopoulos, 2024; Åstebro et al., 2024) in the empirical model cautions against assuming that crowd behaviour is automatically governed by imitation. This finding is especially valuable because much of the crowdfunding literature tends to treat social proof as a universal mechanism, whereas the evidence is more nuanced. Work on equity crowdfunding shows that prior pledges can shape later pledges, but often in a way that is consistent with rational information aggregation rather than blind imitation (Block et al., 2018; Shneor & Zhao, 2020; Lukkarinen, 2020). Herding may be stage-dependent, appearing more strongly later in the campaign or under conditions of multidimensional uncertainty. The thesis therefore advances the debate by showing that, in a general attitudinal setting, investors may rely more heavily on credibility cues, evaluative reasoning, and institutional signals than on simple popularity indicators.

The thesis also makes a more fine-grained contribution to the literature on information processing. The positive role of perceived diagnosticity attached to founder responsiveness indicates that communication is not valuable merely because it increases the volume of information, but because it reduces ambiguity and makes the venture easier to assess. This is closely aligned with prior findings that updates increase crowd participation, particularly when they contain fresh, substantive, and easily interpretable information about the venture's development (Block et al., 2018). Likewise, the negative association between the diagnosticity of adverse peer commentary and investment attitude shows that negative commentary is not treated as noise; rather, it is interpreted as evidence that may reveal hidden weaknesses, unresolved doubts, or higher execution risk (Iurchenko et al., 2023). Research on online reviews in crowdfunding supports this logic, showing that sentiment in comments can become more negative as financing progresses and that antecedent comments carry predictive power for fundraising outcomes (Wang et al., 2022). In addition, work on discussion boards in equity crowdfunding finds a robust causal effect of discussion threads on fundraising dynamics, confirming that peer commentary is part of the informational architecture through which investors evaluate opportunities (Kleinert & Volkmann, 2019).

From the perspective of the entire thesis, the core conclusion is therefore broader than any single coefficient or hypothesis test. The study shows that equity crowdfunding is best understood as a digitally mediated market for credibility in which investment intention arises from the combined effects of personal trust orientation, institutional

assurance, perceived risk, and the diagnostic value of founder and peer communication (Moritz et al., 2015; Lukkarinen et al., 2016; Bi et al., 2017; Olivares & Rivera, 2023). The research questions were designed to examine not only why investors are attracted to the idea of funding campaigns, but also how negative commentary and communicative silence can deter participation. The results demonstrate that both of those deterrents matter conceptually and practically: When founders fail to communicate, they allow uncertainty to persist (Miglo & Miglo, 2019). When negative commentary is perceived as informative, it can substantially weaken attitudes toward investing. That contribution is theoretically important because it shifts attention away from a purely success-oriented reading of crowdfunding and toward a more balanced account that explains both attraction and rejection.

At the same time, the thesis opens several productive avenues for future research. First, longitudinal and experimental designs would help connect stated intentions to actual funding behaviour and identify causal mechanisms more precisely (Stevenson et al., 2024; Perotti et al., 2025; Capolupo et al., 2025). Second, future work should consider whether diagnosticity is better represented as a higher-order construct combining affective and cognitive sensitivity to credibility cues (Kleinert & Vismara, 2025; Joshipura et al., 2025). Third, cross-cultural comparisons are needed because trust, silence, criticism, and social proof may not be interpreted uniformly across institutional settings (Ryan & Vansteenkiste, 2023). Finally, platform-specific investigations could clarify when and where herding emerges, since the evidence suggests that herd effects are contingent on campaign stage, platform design, and the structure of available information rather than being universally present (Usman et al., 2025; Cho & Kim, 2017).

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LIST OF APPENDICES

Appendix 1. Survey questionnaire

Welcome and thank you for taking part in this research study on crowdfunding and equity crowdfunding.

Crowdfunding is a method of raising capital by collecting small contributions from a large number of people, typically via online platforms. Equity crowdfunding is a specific form in which contributors invest money in exchange for shares or ownership stakes in a business.

Your participation in this survey is entirely voluntary and anonymous. You may withdraw from the survey at any time. All data collected will be used solely for academic purposes and treated with strict confidentiality. By continuing, you confirm that you understand these conditions and agree to participate.

Thank you for your valuable contribution.

1. Please state your age

Below 18

19-35

36-65

Over 65

2. Please state your sex

Female

Male

Other

Prefer not to say

3. Please state your status

Student

Employed

Unemployed

Retired

4. Have you ever donated money to any crowdfunding project?

Yes

No

5. Have you ever supported a crowdfunding project in return for a reward?

Yes

No

6. Have you ever invested money for company equity through crowdfunding?

Yes

No

Please rate the statements using the following scale.

1 – Strongly Disagree

2 – Disagree

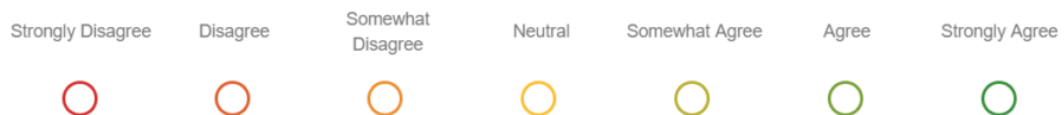
3 – Somewhat Disagree

4 – Neutral

5 – Somewhat Agree

6 – Agree

7 – Strongly Agree



1. I intend to invest in equity crowdfunding campaigns in the future.
2. I am willing to participate in equity crowdfunding campaigns.
3. I am likely to make future investments in equity crowdfunding.
4. Given the opportunity, I intend to invest in equity crowdfunding.
5. Given the chance, I predict that I would consider investing in equity crowdfunding in the future.
6. The crowdfunding platforms are trustworthy.
7. The crowdfunding platforms keep promises and commitments to its users.

8. I believe the crowdfunding platforms act in my best interest.
9. The crowdfunding platforms are reliable when handling my investments.
10. I believe the crowdfunding platforms operate with integrity.
11. The Internet has enough safeguards to make me feel comfortable using it to transact personal business.
12. I feel confident that encryption and other technological advances on the Internet make it safe for me to do business there.
13. In general, the Internet is now a robust and safe environment in which to transact business.
14. I am more likely to invest in a project that already has many backers.
15. The investments of other people influence my willingness to invest.
16. I believe that investment decisions of others reflect the quality of a project.
17. My disappointment after losing money on an investment diminishes a little if others have also experienced the same loss.
18. I feel extremely disappointed if I take a contrarian position (opposite to the general trend) and lose while my friends make profits by following the crowd.
19. In crowdfunding, the fundraiser should respond to all of the negative comments.
20. All negative reviews should be addressed by the fundraiser in crowdfunding.
21. The crowdfunding fundraiser should make a good effort to respond to all negative reviews.
22. The crowdfunding fundraiser should NOT want to respond to the negative reviews. (OPPOSITE)
23. The negative reviews improve my ability to make a decision as to whether or not to finance a project.
24. The negative reviews provide me with insights into whether or not I would like to support a campaign.
25. The negative reviews contain useful information about a campaign.
26. Assessing the competency of a new fundraiser and fundraising project is an important part of the crowdfunding selection process.

27. I believe that the crowdfunding platforms should undertake a thorough screening process to determine who is allowed to fund there.
28. I believe that the crowdfunding platforms should make a substantial effort to assess a fundraising project's real competence.
29. The finished project may be different from that shown in the crowdfunding platform.
30. If I invest in the crowdfunding platform, I may suffer monetary loss due to fraud.
31. I would be concerned about whether the crowdfunding platform appropriately manages funders' private information.
32. If I support a project from the crowdfunding platform, I would be concerned about whether the project is successful.
33. I like the idea of investing in an equity crowdfunding project.
34. Investing in an equity crowdfunding project is appealing.
35. Investing to an equity crowdfunding project is a good idea.
36. I am positive towards investing in an equity crowdfunding project.
37. I believe that most people would tell a lie if they could gain by it.
38. I believe that most people pretend to care more about one another than they really do.
39. I believe that most people are usually out for their own good.
40. I am familiar with crowdfunding platforms such as Kickstarter.
41. I am familiar with searching for crowdfunding projects on crowdfunding platforms.
42. I am familiar with pledging to crowdfunding projects on crowdfunding platforms
43. Funding a crowdfunding project would arouse positive feelings in me.
44. The actual process of supporting a crowdfunding project would give me pleasure.
45. I would have fun supporting a crowdfunding project.
46. I invest in investment projects for the pure enjoyment of it.
47. I enjoy the feeling of belonging to a community of other backers.

48. I find it gratifying to see myself on the list of supporters for a project.

49. I like to interact with the online community of backers and offer my advice about the project

50. I am willing to take high financial risks in order to realize higher average yields.

51. I like taking big financial risks.

52. I am willing to take high financial risks when selling my assets, in order to realize higher average yields.

53. Choose the option “potato”.

Potato

Tomato

Cucumber

Pumpkin

54. Choose the answer “A”.

A

B

C

D