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Does Early-Bird Policy Matter for Equity Crowdfunding Performance: The Moderation Roles of Entrepreneur Gender and Project Types

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1. INTRODUCTION AND RESEARCH QUESTIONS

Equity-based crowdfunding (EBC) is a form of internet fundraising in which entrepreneurs sell shares in their start-ups to obtain funding^[1]. It has become one of the most popular ways for start-ups to raise funds.

At present, the researches on EBC mainly concentrate on the fundraising and regulatory issues, particularly factors that influence the fundraising performance, including information about the entrepreneurs and project characteristics at the time of project initiation, as well as information that changes over time in project life cycle, such as project updates and investor opinion. Existing studies have explained the successful factors from multiple perspectives, but there are still some important factors remain to be explored, particularly the behavior of entrepreneurs and the quality signals through information disclosure.

In economic markets, operators often sell products at a discount in order to promote them. In EBC, many platforms provide similar "discount" offers, such as the "early-bird policy"(EBP) on Wefunder platform.

Entrepreneurs give preferences to early investors, so investors can get the same shares at a lower cost, just as operators giving some deals and discounts to consumers. Entrepreneurs hope to attract investors by discounts, but are they effective? No studies have answered this question yet. Therefore, in order to better understand the factors influencing EBC, we propose the following research questions: (1) Does EBP affect the outcome of EBC project? (2) Under what conditions does EBP amplify the impact on project performance? We use data from the Wefunder platform to explore the relationship between EBP, the gender of crucial entrepreneurs, product types and the performance of EBC.

2. THEORY AND RESEARCH FRAMEWORK

Based on the previous studies on antecedents of crowdfunding performance, the hypotheses and research framework are proposed herein (Figure 1).

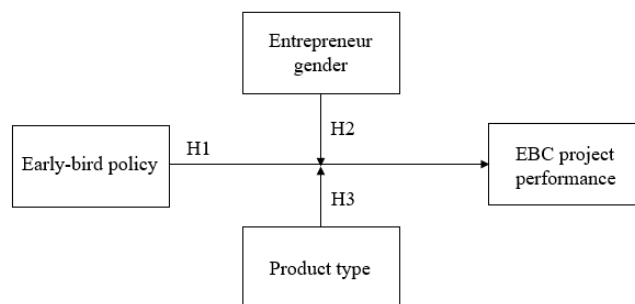


Figure 1. Research framework

The research sample for our study was drawn from the *Wefunder* platform (www.wefunder.com), a leading equity crowdfunding platform in the United States, which provides potential investors with detailed information of each fundraising project. We use the data of 427 equity-based crowdfunding projects published on the platform from August 2018 to February 2021. After eliminating 147 EBC projects with incomplete data, we finally obtained a sample containing 2,592 data from 280 enterprises. We adopt multiple analysis technologies to explore the relationship between the early-bird policy,

entrepreneurial gender, product type and the performance of EBC projects respectively.

3. RESULTS AND MAJOR FINDINGS

This study observed some valuable and interesting findings: (1) The coefficient of variable EBP is negative and significant. The average amount of EBC projects with an EBP is 18.6% lower than those without such a policy. (2) For EBC projects with EBP, the average amount of fundraising projects founded by female entrepreneurs is 70.5% lower than those founded by men. (3) For EBC projects with EBP, the fundraising amount of projects with tangible products is lower than that of projects without products. To sum up, we find that EBP has a significant negative impact on the crowdfunding performance of enterprises. Moreover, the negative effect of EBP on crowdfunding performance is exacerbated when the main founders are female or the enterprise has tangible products.

4. CONTRIBUTIONS

Taking the EBP as the entry point, we explore the relationship between EBP, entrepreneur gender, enterprise product, and EBC projects performance with data from the Wefunder platform.

Our study leads to the following conclusions: Firstly, EBP in equity-based crowdfunding will significantly negatively affect the fundraising performance, because EBP is regarded as an unreliable signal of the project. Secondly, the gender of entrepreneurs will mediate the relationship between EBP and fundraising performance. Thirdly, tangible product is a reliable quality signal. In equity crowdfunding, tangible product will affect the relationship between EBP and fundraising performance, tangible quality signals are influenced by both EBP and tangible products.

However, there may be other influencing variables for EBC performance we have not explored, such as corporate fundraising goal, fundraising period, number of founders, investor comments. And we haven't taken into account the differences across countries. We will improve the above issues in our follow-up study.

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