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## WISDOM OR LEARNING? THE IMPACT OF KNOWLEDGE DISTRIBUTION AND LEARNING IN EQUITY CROWDFUNDING INVESTMENTS (INTERACTIVE PAPER)

Samuel L. Clarke

*Shidler College of Business, University of Hawaii at Mānoa, USA, sclarke7@hawaii.edu*

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## ≈ INTERACTIVE PAPER ≈

**WISDOM OR LEARNING? THE IMPACT OF  
KNOWLEDGE DISTRIBUTION AND LEARNING IN  
EQUITY CROWDFUNDING INVESTMENTS**

*Samuel L. Clarke, Shidler College of Business, University of Hawaii at Mānoa, USA*

**Principal Topic**

Knowledge plays a critical role in overcoming adverse selection problems in investments made in new ventures. In equity crowdfunding, the large crowd has differing levels of knowledge and skills used in their investment decision-making process. These differences in available knowledge means that the crowd will differ in their ability to resolve information asymmetries and make investments. Since crowdfunding requires a large number of individual investors, it is important that they are able to resolve information asymmetries. Participation in equity crowdfunding provides opportunities for the crowd with less knowledge to learn from other investors. This study examines how the crowd learns and develops new knowledge from participation in equity crowdfunding by looking at the impacts of information distribution by members of the crowd through the number of comments and views made in the discussion board on successful funding.

**Method**

The paper uses data from Crowdcube, an equity crowdfunding platform in the UK. The sample includes 89 new ventures that participated on the platform during 2015. The study used a logistic regression to regress the total number of comments made by members of the crowd and the total number of views on the likelihood that new venture will be successful. Success was measured as a dichotomous variable with 1 when the new venture reached their predetermined funding goal and 0 otherwise. Comments and views were measured as the total number of comments posted on the discussion boards and the total number views for all of the comments made by investors.

**Results and Implications**

The results of the analysis showed that the distribution of information through comments made by investors was positively related to crowdfunding success. Those campaigns with a large number of comments were more likely to reach their funding goals than campaigns with fewer comments. The number of views made by the crowd was not a significant. The findings from this research contribute to our understanding of how the crowd resolves information asymmetries and makes investments in new ventures by showing that distribution of information allows the crowd to learn useful knowledge in determining the quality of an investment opportunity.

**CONTACT:** Samuel L. Clarke; sclarke7@hawaii.edu; (T): 808-956-7615; (F): 808-956-2774; Shidler College of Business, 2404 Maile Way, Honolulu, HI 96822 USA.