Abstract

The information asymmetry between issuers and investors remains a major obstacle in the equity crowdfunding (ECF) market, despite its emergence as a significant alternative financing mechanism for entrepreneurial ventures. The percentage of direct or indirect ownership held by a crowdfunding platform in a campaign is known as financial interest. This study examines how financial interest serves as a reliable signal that affects campaign success. Based on Signaling Theory, we investigate two important contextual moderators: firm age and campaign overfunding status.

The dataset, which includes 2,948 completed equity crowdfunding offerings filed between Q1 2021 and Q3 2024, was taken straight from the U.S. Securities and Exchange Commission (SEC). Three hypotheses were examined using multivariate regression analysis. The first hypothesis examines whether the amount of financial interest held by platforms is associated with the type of security offered (common stock, debt, preferred stock, or other instruments). The second examines whether the relationship between financial interest and campaign success rate is positively moderated by firm age. The third investigates whether the impact of financial interest on campaign success differs between overfunded and non-overfunded campaigns.

Three important conclusions emerge from the findings. First, in line with a risk-signaling interpretation, platforms continue to have a substantially greater financial interest in equity-type offerings, especially common stock, than in debt instruments. Second, the financial interest–success relationship is positively moderated by firm age, suggesting that more seasoned firms are better able to use platform financial commitment as a credibility signal. Third, in overfunded campaigns, financial interest functions as a positive and reinforcing signal whereas in non-overfunded campaigns, it shows a negative association. This reversal indicates that investors' perceptions of platform involvement are significantly influenced by the campaign's success context.

By showing that a signal's meaning and efficacy depend on contextual factors such as organizational experience and campaign momentum, these results go beyond traditional signaling theory. For platform designers, business owners, and investors seeking to maximize fundraising in securities-based crowdfunding markets, the findings have useful implications.

Keywords: Financial Interest, Signaling Theory, Campaign Success, Firm Age, Overfunding, SEC Regulation Crowdfunding, Equity Crowdfunding