

Non-equity Crowdfunding: Funding Success and Dynamics on Hithit

Veronika Machová

Abstract

Non-equity crowdfunding, as an innovative way of financing new ideas, has been growing enormously over recent years. Crowdfunding projects are often characterized by a predetermined monetary goal and the length of the campaign. Furthermore, potential contributors can observe the level of funding provided by others, which suggests that details of previous contributions play an essential role in funding behavior. We obtain data from the Czech crowdfunding platform Hithit, which allow us to empirically analyze the determinants of success and the funding dynamics of crowdfunding projects. Outcomes from several probit regressions indicate that shorter campaigns and campaigns offering private rewards of lower value are more likely to be successful—but these results do not demonstrate causality. A short campaign signals confidence; this positive signaling effect outweighs the marketing-opportunities effect of a long campaign. Applying fixed effects model to panel data, we show that the amount of contributions is negatively associated with the level of funding already achieved, providing evidence of free-riding effect. However, the effect of past contributions is reversed in the final phase of the campaign as the risk of breakdown increases. Moreover, we found a positive and significant impact of recent marketing activity on social media on the amount of contributions. Our findings help generate a greater understanding of the funding behavior of contributors on Hithit and can be generalized to other platforms with similar features.