

The Role of Diligence in Crowdfunding Platforms

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Abstract

Crowdfunding platform due diligence comprises background checks, site visits, credit checks, cross-checks, account monitoring, and third party proof on funding projects. We evaluate the factors associated with platforms' compliance expenses, and their due diligence application. We find that due diligence is related to legislation requirement, platform size, and type or complexity of crowdfunding campaigns. In addition, we find that platforms applying due diligence provide more services to project issuers and funders. Furthermore, due diligence is associated with higher percentage of successful campaigns, more fund contributors, and larger amount of capital raised on platforms. Our analyses are supported by platform-level data, covering the period 2014-2017.

Keywords: Crowdfunding, Entrepreneurial Finance, Intermediaries

JEL Codes: G23, G24, L26

1. Introduction

It is widely recognized in oft-repeated media releases that crowdfunding has drastically changed the entrepreneurship and entrepreneurial finance ecosystem. Relative to the better-studied traditional forms of finance involving banks (Robb and Robinson, 2012; Ryan et al., 2014; Tykvová, 2016), venture capital (Giot and Schwienbacher, 2007; Nahata, 2008; Nahata et al., 2014; Espenlaub et al., 2015), private equity (Nielsen, 2008), and initial public offerings (IPOs) (Vismara et al., 2012); crowdfunding potentially involves a more pronounced democratization of capital, with the frequency and success of capital campaigns more equitably distributed across gender and project types. Crowdfunding spurs the creative process, enabling innovation and entrepreneurship at new levels of vigor not previously possible through traditional forms of entrepreneurial finance (Schwienbacher et al., 2013; Belleflamme et al., 2014; Dorfleitner et al., 2016; Vismara, 2016). In recent years, the volume of crowdfunding has at least doubled annually around the world; in 2014, the crowdfunding market was \$US17.25 billion in North America, \$US85.74 million in South America, \$US6.84 billion in Europe, \$US24.16 million in Africa, \$US10.54 billion in Asia, and \$US68.60 million in Oceania (Massolution, 2015).

With the growth in crowdfunding markets around the world, several questions arise for which answers are not easily transferrable from other types of entrepreneurial finance. One previously unexplored is very basic: Are all types of platforms the same, merely providing ease of connection between individual funders and those who need capital? Or, do platforms, in fact, differ, implying massive differences for the venture's success and the investor's returns (Nahata, 2008)? Given the massive information asymmetries between investors with capital and entrepreneurs who need capital, attributable to the scant or non-existent disclosure requirements when an entrepreneurial firm is not publicly listed on a stock exchange, it becomes important to

understand what crowdfunding platforms actually do and whether they influence entrepreneurial outcomes and funder returns. Similarly, as many global regions wrestle with legislation pertaining to crowdfunding, it is important to know what role platforms can, should, and/or might play in the governance of crowdfunding marketplaces.

In this paper, we address two questions. First, what factors are associated with the application of crowdfunding platform due diligence? Second, is there a benefit associated with due diligence in terms of more successful crowdfunding campaigns? We address these questions with a dataset gathered from 93 Canadian crowdfunding platforms spanning the years 2014-2017. The data comprise a majority of the crowdfunding marketplace in Canada, and were collected by a reputable third party (the National Crowdfunding and Fintech Association of Canada, or NCFA Canada¹). The data enable direct investigation of what crowdfunding platforms do. In particular, we examine crowdfunding due diligence, meaning the screening of projects that seek listing on crowdfunding platforms. We also examine other value-added services provided by platforms that go beyond due diligence. Finally, we assess the factors that influence the application of due diligence and other services, as well as whether due diligence provided by platforms is associated with the success of project campaigns.

The data examined reveal that crowdfunding platform due diligence comprises background checks, site visits, credit checks, cross-checks, account monitoring, and third-party proof. The data indicate that due diligence is more prominent for larger crowdfunding platforms and for equity and lending crowdfunding platforms. In addition, the crowdfunding legislation update generates a

¹ <http://ncfacanada.org/>. Equity crowdfunding in Canada in the years covered by our data was restricted to accredited investors. The institutional setting is explained in full in Section 2.

positive impact on platform due diligence application. We further find that due diligence application not only facilitates fundraising campaign success but also helps to increase number of investors and total amount of capital raised on a platform. We argue that due diligence application benefits the crowdfunding process by screening lower quality or fraudulent projects and mitigating information asymmetries between project issuers and funders.

Our paper is related to a growing number of studies on reward-based crowdfunding (Agrawal et al., 2015; Belleflamme et al., 2013; 2014; Bera et al., 2016; Colombo et al., 2016), equity crowdfunding (Ahlers et al., 2015; Vismara, 2016; Bernstein et al., 2017), and crowdfunding regulation (Griffin, 2012; Hornuf and Schwienbacher, 2017a; 2017b). A common feature of these papers, however, is that the differences across platforms are not empirically studied, as the data typically come from just one platform. Our paper is distinct in exploring differences across platforms on due diligence application using proprietary data on platform operations. Our paper is, likewise, related to other forms of entrepreneurial finance, such as work on investor effort; most directly, our paper relates to work on the importance of due diligence (Yung, 2009), investor value added (Kanniainen and Keuschnigg, 2003; 2004; Keuschnigg, 2004; Andrieu and Groh, 2012), and venture capital and private equity reputation (Nahata, 2008). There is evidence of massive heterogeneity across private equity funds in the extent of due diligence carried out prior to investment, and a positive correlation, and even a causal connection between the extent of due diligence and the investee firm's subsequent performance (Cumming and Zambelli, 2017), consistent with theory (Yung, 2009). Inspired by these related studies, our analysis examines the presence and impact of due diligence on fundraising campaigns in the relatively new field of crowdfunding.

2. Institutional Settings and Legal Environment

Crowdfunding involves sourcing capital from many (typically) retail funders through an internet webpage known as a “platform.” Entrepreneurs post projects for which they need capital. Anyone in “the crowd” (the pool of possible funders) can see the projects on the platform and decide whether to invest. Some platforms facilitate donation- and reward-based crowdfunding without projects offering equity shares, while others list projects offering equity shares in entrepreneurial firms. Reward-based crowdfunding is the most common worldwide (Massolution, 2015) and involves offering small rewards, such as early product access, to the crowd in exchange for capital contributions. Peer-to-peer (P2P) lending is another form of crowdfunding, allowing interest to be paid on investment (Bradford, 2012).

Crowdfunding regulations are extremely detailed in the Canadian provinces. Here, we briefly summarize the general framework of Canadian security crowdfunding regulations as it pertains to due diligence.

Security crowdfunding regulations are imposed on all parties involved in the security offering process: funders, issuers, and crowdfunding platforms. For funders, a limit is imposed on the amount an ordinary funder can contribute per issuer distribution in a 12-month period. To remove this limit, a funder needs to be accredited by either possessing a high level of net assets or meeting an annual income requirement. Investment funds are not generally permitted to participate in security crowdfunding. For issuers, their financial statements are required for fundraising; depending on project size, financial statements must be prepared by management in the least-regulated case and officially audited in the most-regulated case. In addition, biographic files for all directors and control persons related to the issuer are required. Although these documents are not vetted by security regulators prior to fundraising campaigns, issuers must file an official security distribution report and submit copies of financial statements and the directors’ and/or

control persons' biographies to the regulators after successful crowdfunding. Meanwhile, crowdfunding platforms must be registered as security dealers in the province in which they are headquartered and review the documents from issuers prior to posting projects on their portal. Platforms are not allowed to solicit funders.

Under this regulatory framework, it may seem reasonable to assume that all security crowdfunding platforms apply due diligence on project selection. Nevertheless, two questions must be posed before rushing to this conclusion. First, are there specific requirements for the procedures that platforms should follow to ensure they meet due diligence expectations? Second, are platforms liable for low-quality projects? Unfortunately, no clear answers are given for these questions under current regulations. As the actual due diligence application is resource-demanding to platforms and cannot be fully overseen by regulators; we expect significant variations in due diligence application, measured by the specific approaches platforms undertake, across all types of crowdfunding platforms, including security crowdfunding.

In January/February 2016, many of the Canadian provinces adopted new equity crowdfunding rules. Depending on the province, specific provisions on retail investors were imposed such as limits on the amount of capital that could be invested by retail investors each year, and limits on the amount of capital that could be raised by entrepreneurs each year, among other things to curtail risks to investors.² On one hand, it could be argued that the regulatory provisions limiting possible losses to investors mitigates pressure on platforms to carry out effective due diligence. On the other hand, these changes brought about greater retail investor participation, and signaled greater regulatory oversight of platform activities. Moreover, while the regulations did

² For details, see <https://ncfacanada.org/equity-crowdfunding-regulations/>.

not impose specific requirements for portal due diligence, portals were then required to register with each of the provinces, again signaling greater regulatory oversight. It is worth noting that, although the rule change was specific to equity crowdfunding, the signaling of more regulatory oversight and monitoring of platform activities would apply to other types of crowdfunding as well. As such, we expect on average due diligence of portals to be more pronounced after 2016, although it is possible that the effect of the change could go either way.

Although not central to regulatory concerns, lending-, donation- and reward-based crowdfunding platforms have reputational incentives to assure the quality and genuineness of listed projects, as fraud cases can lead to project issuers and funders avoiding the platform in the future.³ In addition, traditional consumer protection, contract, tort, and business laws apply to lending-, reward- and donation-based crowdfunding. Potential lawsuits on restitution for fraud claims provide another layer of monetary incentive for due diligence. Therefore, we also expect that due diligence is conducted among non-security crowdfunding platforms.

We do not exclude rewards-based platforms from the data for a variety of reasons (although we do consider them separately from investment-based platforms). First, for many firms, rewards-based crowdfunding is part of their financing cycle. Consider, for example, Pebble Watch, which raised \$10 million in a week through Kickstarter's rewards-based crowdfunding platform. Oculus One raised \$2.4 million on Kickstarter, and was subsequently purchased by Facebook for \$2 billion, causing outrage amongst their *investors* (the term in media for contributors to rewards-based crowdfunding campaigns), leading to the legal change allowing equity crowdfunding in the

³ Reputation concerns with crowdfunding and misconduct have been discussed repeatedly in mainstream media, such as the New York Times. See, for example: <https://www.nytimes.com/2017/01/24/business/dealbook/crowdfunding-fraud-investing-startups.html>

U.S.⁴ Second, while equity investors face the risk that the company fails and the share is worthless, reward investors face the risk that the product will never be developed and delivered, making their investment worthless. Third, rewards-based crowdfunding investors are consuming a product, but at a substantial discount and at a substantial risk. There is no guarantee that the product will be delivered. Over half of rewards-based crowdfunding projects are, in fact, not delivered. For this reason, we believe that the literature is consistent with the view that rewards-based crowdfunding is different from pure consumption, and the economics underlying the interplay between due diligence and platform success can be applied in a similar way to different types of platforms. In our empirical analyses, below, we consider all platform types together and exclude donation or reward crowdfunding as robustness checks.

3. Hypotheses

Our analyses on due diligence focus on two questions: first, what platform characteristics are associated with application of due diligence? Second, what benefits do platforms receive through due diligence application? We answer the two questions through examining the agency problems between crowdfunding platforms and funders and studying information asymmetries between funders and fundraisers.

3.1. Platform Choices

⁴ The Guardian reported: “Early backers of the Oculus Rift project are questioning the value of their investment after the virtual reality firm was acquired by Facebook.” <https://www.theguardian.com/technology/2014/mar/26/facebook-oculus-deal-kickstarter-first-billion-dollar-exit>. See also: <https://www.forbes.com/forbes/welcome/?toURL=https://www.forbes.com/sites/chancebarnett/2014/05/01/2-billion-facebook-acquisition-raises-question-is-equity-crowdfunding-better/&refURL=https://www.google.ca/&referrer=https://www.google.ca/>, where Forbes reports “\$2B Facebook Acquisition Raises Question: Is Equity Crowdfunding Better?”

We assume that a typical crowdfunding platform seeks to maximize the amount of revenue it makes. The platform has three primary choices: (1) fee structures, (2) due diligence, and (3) platform differentiation in respect of industry focus. A platform that is more differentiated in regard to its focus competes for business with other platforms less intensively on fees and on due diligence, because the platform captures a niche area. For example, there are platforms specific to arts; local regional businesses; women; music; real estate; fashion; farming; poverty; and high-tech firms, such as blockchain related firms, among others. For each of these types of features, there is a level of product differentiation offered by the platform that encourages fundraisers to list with the platform to reach their target audience. Very few platforms, such as Kickstarter and Indiegogo, are generalist platforms that list everything. Therefore, although fee structures and due diligence influence the way in which platforms compete with each other, they do not play a dominant role, as would be the case if all platforms were perfectly homogenous. Fundraisers and their investors choose the platform in which to participate. Platforms select their extent of due diligence and their fee structures, which they may modify over time, depending on the flow of new projects that seek listing on the platform and the extent of investor interest in the platform. Platforms are much less likely to change their brand or product differentiation from one year to the next due to the long-term investment that is required to build up the brand. Selecting a high level of due diligence mitigates potential reputation costs and litigation risks associated with projects that should not have been listed. High levels of due diligence screens lower quality entrepreneurs from entering the platform. Platform fee structures further influence which entrepreneurs use the platform and potentially provide incentives for platform employees to be more proactive in their application of due diligence. To hypothesize on a platform level, we consider the competition and choice of fundraisers, but we also recognize that comparative statics

are made tractable by virtue of platform product differentiation that is rather time invariant, and fee structures and due diligence that is time variant. The nascent nature of the crowdfunding industry predictions enables assessment of these comparative statics as platforms sort themselves out over time. In view of platform differentiation, the platform decision rules regarding fee structures and due diligence are not necessarily competing with other platforms as much as they are learning about their business model over time.

3.2. Platform Size

Under the above assumptions, our first hypothesis pertains to the size of crowdfunding platform. Crowdfunding platforms are of different sizes. Large platforms are more popular among project issuers and funders; consequently, they receive more project applications and can be more selective in determining which projects to be listed. Small platforms, however, do not receive many project applications due to limited reputation in the first place and therefore lose the incentive to further screen and restrict crowdfunding projects. In addition, platforms do not have unlimited resources, and it takes time to administer background checks, site visits, credit checks, cross-checks, account monitoring, and sourcing third-party proof. Background checks involve checking the personal history of the entrepreneurial team, including whether or not they have crowdfunded in the past on the current platform or other platforms and, if so, how the campaign fared, whether they have a criminal record, and whether they have valid identification. Site visits involve physically going to the office, factory, or other space where the entrepreneur does his or her business. Credit checks, account monitoring, and sourcing third-party proof involves assessing the payment and credit card history of the entrepreneurial team, as well as payment of leases and other rentals for office space and equipment. Cross-checks involve talking with customers and suppliers who have interacted with the entrepreneurial team, as well as checking social media for improper

language or other offensive material. In this regard, the affluence of human resources supports platform due diligence. Since large platforms have more employees and receive more project applications than small platforms, they are more likely to reach an economy of scale to conduct due diligence efficiently; whereas small platforms do not have sufficient training opportunities to develop the expertise in screening low quality projects.

Hypothesis 1: *Ceteris paribus, larger platforms, indicated by more project issuers and more employees, spend more on compliance⁵ and are more likely to apply due diligence.*

Hypothesis 1 is not obvious and is worth subjecting to empirical testing. First, number of project issuers does not reflect the project screening process a platform adopted. It is possible that, in order to increase its popularity, a platform lists as many projects as possible and completely renders due diligence to fund contributors. In this regard, due diligence should exhibit no correlation with number of project issuers. Second, there could exist a moderating effect on the human resource impact: not all employees are equally productive, and platforms that adopt advanced technology skills may carry out due diligence more efficiently with fewer employees. If there is variation in technology levels among platforms, we should observe weak or no correlation between due diligence and employee numbers.

Note that while we have one theory as to why size of a platform matters in its due diligence application, we have alternative explanations as to why there is no such association. It is nevertheless worth assessing whether or not the size theory is valid with empirical testing.

3.3. Crowdfunding Types

⁵ Expenses on due diligence does not include employee wages.

Not all entrepreneurial projects are created equal. A project campaign that is investment based, as opposed to reward- or donation-based crowdfunding, is much more complex in respect of the contractual terms and necessary monitoring of the platform (Ahlers et al., 2015; Vismara, 2016); hence, it requires more due diligence. Furthermore, the Canadian Securities Administrators' 2016 legislative requirements directly mandate due diligence on security crowdfunding for platforms open to retail investors that are not accredited.⁶ Consequently, security and lending crowdfunding platforms are more likely to conduct due diligence.

Hypothesis 2: *Ceteris paribus, a platform is more likely to apply due diligence and adopt more comprehensive approaches in due diligence application if security or lending crowdfunding is available on the platform.*

Hypothesis 2 is not obvious for the following reasons. In Canada, over the period covered by our sample, only sophisticated accredited investors could invest in equity crowdfunding campaigns. Accredited investors are legally expected to conduct their own due diligence. In addition, crowdfunding platforms have ample flexibility regarding the resources they commit to due diligence, and apply due diligence to the extent they expect an economic benefit. To date, while there are clearly costs incurred in using resources for due diligence, there is no evidence on whether there is an economic benefit to platform due diligence; moreover, due diligence may even deter some fundraisers from using a platform. For a platform seeking to expand the number of listed campaigns, due diligence may, in fact, be contrary to their interests.

3.4 Due Diligence Benefits

⁶ In 2016, despite new legislation enabling non-accredited retail investors, there were no security crowdfunding campaigns for retail investors, arguably due to the other stringent regulations imposed on those campaigns.

It is costly to apply due diligence; therefore, platforms need to obtain sufficient benefit from due diligence to justify the according expenses. To evaluate the benefits that platforms obtain from due diligence application, we introduce our measurements of platform performance.

We use three proxies to measure a platform's operational performance: (1) the percentage of projects fully funded on a platform (higher is better); (2) the total number of funders/contributors in a platform (more is better); and (3) the total amount of capital raised through a platform (higher is better).

In general, we expect due diligence to be positively associated with crowdfunding platforms' improved performance. Effective due diligence removes the left tail of the quality distribution, preventing such low-quality entrepreneurial projects from appearing on the platform. Without the left tail, the average project quality is higher. Prior research reinforces the view that the left tail is large in crowdfunding markets (Eraker and Ready, 2015). Furthermore, platform due diligence processes encourage entrepreneurs to present a more transparent campaign to clear the due diligence hurdle, which, in turn, mitigates information asymmetries between the entrepreneur and the crowd. Entrepreneurs faced with extensive due diligence checks are more likely to take costly steps to signal their quality, such as preparing quality project descriptions, which, in turn, lowers information asymmetries faced by funders and signals quality to the crowd (Spence, 2002).

As the average quality of fundraising campaigns improves and campaign projects become more transparent to funders, we should observe a higher rate of successful fundraising⁷ on a platform. This higher rate of successful fundraising directly attracts more fundraisers to list future projects. Moreover, competent due diligence builds a strong reputation for the platform among

⁷ Fundraising is considered successful when a project is fully funded within the issuer's expected time horizon.

funders; in turn, this reputational effect makes a platform more appealing among potential fundraisers. Therefore, *ceteris paribus*, we expect a platform to attract more projects, more investors and channel more money flow, if it conducts due diligence on listed projects.

Hypothesis 3: *Ceteris paribus, crowdfunding platform due diligence is associated with a higher percentage of fully funded projects, more fund contributors, and a larger total amount of capital raised through a platform.*

Several considerations point to alternative predictions counter to Hypothesis 3. Crowdfunding platforms scantily advertise their due diligence activities for at least three reasons.⁸ First, once publicly announced, project selection criteria imply a guarantee of the minimum quality of listed projects to funders. However, the quality of listed projects is not fully observable to a platform even after conducting due diligence; and, a large proportion of projects will fail to either meet funders' expectations or reach their campaign goals. As such, publicly announcing project selection criteria increases platforms' litigation risks.⁹ Second, empirically, it is difficult for a platform to adopt standard and static project selection criteria beyond rudimentary listing requirements. Platforms implement flexible selection criteria to accommodate changes in the number and quality of projects. In addition, project quality can be evaluated in different dimensions: for example, some evaluation criteria, such as site-visit expectations and account-monitoring requirements, are either subjective by nature or confidential to prevent exploitation of loopholes. Since due diligence application is flexible, platforms do not have standard guidelines. Third, it is in the platforms' interests to encourage more projects to apply, enabling them to obtain

⁸ We are not aware of any advertisements or promotions of what crowdfunding platforms do with respect to their due diligence for any of the platforms in our sample.

⁹ See, for example: <https://canadianfraudnews.com/crowdfunding-fraud-litigation-litigation-funding-scams/> and <https://www.crowdfundinsider.com/2015/08/73378-recent-lawsuit-may-show-big-liability-risk-for-crowdfunding-platforms/>.

more comprehensive market information, on which an appropriate level of due diligence is applied. Furthermore, detailed and rigid listing requirements could even deter some good projects from listing on the platform, due to concerns over fundraising speed and efficiency.

The possible assortative matching of project to platform is possibly a function of due diligence and platform fees¹⁰. Fundraisers could figure out the extent of due diligence being applied and stop the application phase, or the platform could deny entry to the platform through the application of due diligence. However, another more critical component of the matching of projects to platforms is through the project type. Projects with a specific niche are more likely to select a platform with the same niche (e.g., music, fashion, real estate, etc.), regardless of the extent of due diligence application.

On the one hand, crowdfunding platforms' silence on due diligence application produces insufficient funder awareness regarding platform due diligence. On the other hand, even if platforms claim due diligence application, their due diligence actions are not directly verifiable by project funders. It takes time for funders to realize the quality of listed projects and the level of platform due diligence. As the extent of due diligence application could vary between periods, funders cannot fully infer the level of platform due diligence application in the concurrent fundraising period: essentially, platform due diligence cannot directly facilitate funders' decision-making, which brings uncertainty to the benefit of due diligence application on crowdfunding outcomes. Taken together, due diligence may be completely unrelated to crowdfunding platform performance. It is, therefore, worth examining the data.

¹⁰ We thank an anonymous reviewer for this helpful comment.

4. Data

This study's data were provided by NCFA Canada. The data contain information on 93 crowdfunding platforms headquartered in Canada. Among the 93 platforms, 11 are donation-based, 11 reward-based, 11 lending-based, 17 security-based, and 43 hybrid platforms with more than one type of crowdfunding. The data cover the time period for each of the four years from 2014 to 2017. The data are yearly based and were submitted by the platforms: each row in the data shows the operating condition of a platform in a given year. There are items of heterogeneity within the platform projects that we do not observe; it is not possible for us to observe all of the underlying data within each platform. The unit of observation is a platform-year, for a total of 285 observations for 2014-2017.¹¹

Table 1 summarizes different categories of platform information reported in the data. The data indicate the general status of a platform, such as the registration date and status, crowdfunding type, number of employees, website address, and related details. The data indicate the type of due diligence checks conducted by a platform, such as background checks (i.e., verification of government-issued ID), personal meeting or site visit, financial or credit checks, cross-checks with customers, suppliers and social media (such as Facebook or LinkedIn), monitoring account activities, and requests for third-party certificates or proof. Slightly more than half of platforms acknowledged that they regularly conducted any form of due diligence. Of the six different types of due diligence checks (background checks, site visits, credit checks, cross-checks, account

¹¹ Many of the platforms replied to the NCFA surveys closed their business or pivoted over our sample period; not all platforms provide data for each year from 2014-2017, resulting in an unbalanced panel.

monitoring, and third-party proof), the average number employed was 1.5, with a median of 0 and a maximum of 7.

The data indicate the services available to subscribers, such as pre-evaluation before listing on the platform, strategic fundraising guidance, business or financial planning, facilitation in crowdfunding contract design, and marketing or promotional services. In total, 39.0% of the platforms provided services to funders and startups.

The data comprise information on each platform's operating conditions in each year from 2014 to 2017, including the number of projects launched, average successful fundraising rate, total number of investors, and total amount of capital raised on a platform. The median platform launches fewer than 20 projects in a year, has 0-10% entrepreneurs achieving their funding goal, attracts fewer than 100 funders and raises less than \$300,000 CAD annually. The median platform spends less than \$2,500 CAD on compliance annually,¹² and has 5 employees. The crowdfunding projects are categorized as: art, education and research, cleantech and energy, life science, manufacturing, media, charity, real estate, and social enterprise.

Fee structure/revenue models of the platform are included in the data, including whether the platform charges a one-time platform listing fee (9.8%), a periodical subscription at different levels/tiers (3.1%), a fixed percentage of the total amount raised (whether funding is successful or not) (15.8%), a fixed percentage of the total amount raised (only if funding is successful) (20.7%), and management fees and carry percentages (12.3%). These and other variables and detailed

¹² Employee salary is excluded from the compliance expenditure.

summary statistics (means, medians, standard deviations, minimums, and maximums) are shown in Table 1.

[Table 1 is here]

The comparison tests in Table 2 provide a first impression of some distinct patterns in the dataset. Although comparison tests do not show the precise relationships among variables because variables are analyzed separately and in isolation; these tests nevertheless present a general picture of relationships for some key variables of interest. The joint effect of the same variables is discussed in the next section's consideration of regression analysis.

[Table 2 is here]

Table 2 Panel A shows there is a higher probability of due diligence application among platforms with a greater number of employees: when the number of employees is greater than the median across platforms, 86.6% of platforms conduct due diligence, and when the number of employees is below the median then 43.1% of platforms conduct due diligence. This is consistent with Hypothesis 1. There is a higher probability of due diligence among equity and lending platforms: when equity crowdfunding is available, 77.6% of platforms conduct due diligence, and when equity crowdfunding is not available, then 48.3% of platforms conduct due diligence; when lending crowdfunding is available, 82.4% of platforms conduct due diligence, and when lending crowdfunding is not available, then 49.4% of platforms conduct due diligence, consistent with Hypothesis 2.

Table 2 Panel B presents the possible features and advantages of due diligence application, consistent with Hypothesis 3. More services are provided when platforms applying due diligence; there is a higher level of fully funded projects, greater number of investors and a larger amount of

capital raised through platforms that conduct due diligence, and these differences are significant at the 1% level.

Table 3 presents the correlations among variables of interest. Table 3 Panel A shows that due diligence application is positively correlated with total number of project issuers, employee numbers, resources devoted to compliance, legislation updates in Ontario/Quebec, equity, donation and peer-to-peer lending crowdfunding. Table 3 Panel B shows the correlation among due diligence application, platform performance, and certain platform services. Consistent with the comparison test results in Table 2 Panel B, due diligence application and number of types of due diligence are positively associated with a higher percentage of fully funded projects, a greater number of investors, a larger amount of capital raised through a platform, and different platform services. Further detailed correlations are also presented in Table 3.

[Table 3 is here]

5. Multivariate Analyses

In this section, we analyze factors associated with platform compliance expenditure, and availability of due diligence application; we also examine the relationship between platform service and due diligence and reveal how due diligence benefits crowdfunding outcomes.

5.1. Compliance Expenditure

We regress platform compliance expenditure on employee number, common platform fee structure, total number of project issuers, legislation influence and crowdfunding type. Standard errors are clustered by platform and by year.

[Tables 4 is here]

The data indicate that platform compliance expenditure is positively associated with

number of employees: on average, an increase of 1 employee increases a platform's compliance expenditure by 4.6%-7.9%; an increase of number of project issuers by 1 level increases a platform's compliance expenditure by 10.8%-13.7%, consistent with Hypothesis 1. Investment crowdfunding platforms spend more on compliance: equity crowdfunding platforms spend 54.7% to 65.5% more on compliance than an average platform while peer-to-peer lending platforms spend 64.0% more on compliance than an average platform. Among different types of platform fee structures, the simplest fee structure—one time listing fee is positively associated with compliance expenditure: a platform charges one-time listing fee spends 48.2%-54.5% more on compliance than an average platform; a platform charges management fee and carry percentage spends 49.1% to 69.2% more on compliance than an average platform. However, a platform charges fixed percentage regardless of fundraising outcome spends 25.1% to 39.5% less on compliance than an average platform. These effects are at least statistically significant at 5% level.

5.2. Due Diligence Application

We regress the availability of due diligence and number of types of due diligence applied on crowdfunding legislation update, availability of investment crowdfunding, number of project issuers and employee number; standard errors are clustered by platform and by year. For reasons of conciseness, we do not show the regressions for all types of due diligence individually. In a prior version of the paper, we reported year-by-year regressions, and the statistical and economic significance of the results are consistent.

It is important to note that we do not seek to establish a causal relationship between certain platform features and due diligence, as platform due diligence application is an internal decision-making process; for any particular platform, changes in certain features do not guarantee a change in its due diligence application. We do, however, reveal the association of due diligence with

certain noteworthy platform characteristics and the external legislative environment.

[Tables 5 is here]

Table 5 shows the factors associated with due diligence application. Due diligence is applied when at least one of the following actions is taken: background check; site visit; credit check; cross-check with customers, suppliers, and social media; monitoring account activities; and requesting third-party certificates or proof.

The data indicate that the crowdfunding legislation update in 2016 (described above in section 2) has a significant positive impact on platform due diligence application: on average, platforms headquartered in Ontario or Quebec are 50.3% to 62.3% more likely to apply due diligence and increases the number of types of due diligence applied by 30.4% to 30.8% after the legislation update. In addition, investment platforms are more likely to apply due diligence and take more actions in due diligence application: equity (lending) crowdfunding platforms are 65.6% to 72.9% (45.2% to 60.9%) more likely to apply due diligence and take 39.3% to 39.6% (34.0% to 35.1%) more actions in due diligence application than an average platform, consistent with Hypothesis 2. Number of project issuers in each year is positively correlated with availability of due diligence application, and this effect is statistically significant at the 5% level in each of the models. The economic significance is such that, on average, for the whole sample, an increase by one categorical unit in the number of project issuers¹³ is associated with a 20.1% to 21.0% increase in the probability of due diligence, consistent with Hypothesis 1. However, number of project issuers do not exhibit statistically significant impact on number of types of due diligence applied. Furthermore, number of employees does not exhibit statistically significant association with platform due diligence, suggesting sufficient evidence in supporting the association between

¹³,¹⁴ The number of projects and resource spent on compliance are ordinal variables; see Table 1.

abundance of human resources and platform due diligence.

5.3. Due Diligence Benefit

We examine whether due diligence, among other factors, influences crowdfunding platform performance. Random effect regressions controlling for crowdfunding platforms are used to evaluate the influence of due diligence application on platform performance in 2014-2017. Specifically, Table 6, Table 7 and Table 8 present the results for the impact of due diligence application on platform performance, measured by the percentage of fully funded projects,¹⁴ the total amount of capital raised annually, and the number of funders, respectively. Subsample analyses excluding specific types of platforms are conducted as robustness checks.

[Table 6 is here]

Table 6 shows that, overall, due diligence application is associated with a higher percentage of fully funded projects, controlling for number of employees and platform services. The data indicate that, for the sample including all platforms, on average, the application of due diligence increases the scale for the percentage of fully funded projects by 0.79 to 1.39; this effect is statistically significant at the 5% level. Based on the average scale for the percentage of fully funded projects in the matched sample (1.46; see Table 1), platform due diligence application leads to a significant 54.5% to 95.7% increase in fully funded projects on a platform.

It should also be noted that number of employees has a positive impact on the percentage of fully funded projects: on average, an increase of 1 employee increases the scale for the percentage of fully funded projects by 0.09; this effect is statistically significant at the 1% level, indicating that projects listed on larger platforms on average realize higher successful rates than

¹⁴ We considered the commonly used transformation for dependent variables that are in percentages (e.g., see Kieschnick and McCullough, 2003), but we did not find material differences in the results.

projects listed on smaller platforms. Among different types of platform services, strategic fundraising guidance exhibits positive association with percentage of fully funded project whereas pre-evaluation exhibits negative association with percentage of fully funded projects. It is worth noting that platform services are optional, not compulsory, for listed projects. Certain platform services can be favored by underprepared projects, resulting in a negative association between the type of service and fundraising outcome.

Subsample analyses, excluding donation crowdfunding or reward crowdfunding, generate consistent results as the whole sample analysis, although the marginal impacts of explanatory variables vary.

[Table 7 is here]

Table 7 shows that due diligence application is associated with a larger amount of capital raised through a platform. Specifically, for the sample including all platforms, on average, the application of due diligence increases the scale of the total amount of capital raised by 1.59 to 1.95, significant at the 1% level, controlling for number of project issuers, number of employees and platform services. Based on the average scale for the total amount of capital raised (2.45), platform due diligence application leads to a significant 65.0% to 79.5% increase in the total amount of capital raised on a platform. In addition, the number of types of platform due diligence is positively associated with total amount of capital raised, showing that the more comprehensive platform due diligence is applied, the greater the amount of capital is raised on a platform. Number of platform employees is positively associated with amount of capital raised, after controlling for number of projects listed, showing the size advantage of large platforms. Among different types of fundraising services, providing strategic guidance is positively associated with total amount of capital raised through a platform; whereas offering pre-evaluation and helping with business and

financial planning are negatively associated with the fundraising outcome. Subsample analyses excluding donation crowdfunding and reward crowdfunding also suggest the positive impact of platform due diligence on total amount of capital raised.

[Table 8 is here]

Table 8 shows that due diligence application is associated with greater number of funders on a platform. Specifically, for the sample including all platforms, on average, the application of due diligence increases the scale of the number of funders by 0.87 to 1.02, controlling for number of project issuers, number of employees and category of listed projects. Based on the average scale for the number of funders (1.79), platform due diligence application leads to a significant 48.5% to 57.1% increase in the number of funders on a platform. Furthermore, number of types of platform due diligence is positively associated with number of funders, showing the benefit of more comprehensive due diligence application. Number of employees is positively associated with number of funders, such that on average, an increase of 1 employee per platform increases number of total funders by 0.18 to 0.20 in scale or 9.8% to 11.3%. The data also suggest that, real estate and social enterprise related crowdfunding are more popular among funders than crowdfundings of other categories. The impact of due diligence on number of investors is consistent in the subsample analyses excluding donation or reward crowdfundings.

Overall, analyses results in Table 6, Table 7 and Table 8 are consistent with Hypothesis 3.

6. Robustness Checks

An important concern with our analyses is that due diligence is endogenous. In prior versions of the paper, we provide two-stage estimates with fitted values of due diligence. Those estimates are consistent with the estimates here with respect to the inferences drawn about the benefits of due diligence. We recognize there may be the usual concerns regarding the quality of

the instruments and the assumptions underlying the methods for non-continuous variables; therefore, we prefer to report the base case results without those instruments here in the main paper.¹⁵ Also, we have considered lagging the right-hand-side variables in our regression models. However, with the limited time series of four years and the reduction in the number of observations by 25%, we do not have sufficient data to test lagged effects. Further research is warranted as more data become available. Likewise, further research in other institutional settings in other countries would prove valuable.

7. Discussion

We argue that due diligence application improves platform performance by rejecting low-quality projects and reducing information asymmetry between entrepreneurs and funders, based on the regression results in Table 6, Table 7, and Table 8. However, we do not propose direct causal relationships for variables pertaining to due diligence application. For instance, neither legislation change nor availability of certain type of crowdfunding guarantees a higher likelihood or better quality of due diligence.

If we treat crowdfunding due diligence as a selective process for projects seeking to be listed on a platform, then the supply and demand of crowdfunding projects will directly affect due diligence application. At first glance, more projects on the waiting list and weaker funder demand for crowdfunding projects (“Projects beg for investments.”) lead to more due diligence or rigid project selection processes, and the funders’ rights will be given higher priority; conversely, fewer projects on the waiting list and stronger funder demand (“Funders beg for projects.”) lead to less

¹⁵ For a further discussion on how instruments and two step methods are not necessarily better and may even be worse, see <http://www.mostlyharmlesseconometrics.com/>

due diligence or loose project selection processes, and the entrepreneurs' fundraising needs will be given higher priority. Nevertheless, due diligence can also influence the supply and demand of crowdfunding projects through its impact on platform reputation; platforms that apply proper due diligence receive trust and popularity among funders, which, in turn, attracts more entrepreneurs for project listings, resulting in improved due diligence application. In this regard, due diligence application leads to a virtuous cycle of more funders and better crowdfunding projects; therefore, it plays an important role in assuring the healthy development of the crowdfunding industry.

One interesting phenomenon we observe is that platforms are quite silent on their due diligence activities: few platforms publicly advertise how selective they are regarding listed projects or what approaches they take to assure the quality of listed projects. For security crowdfunding, this phenomenon could be related to legal risk concerns, as platforms may wish to avoid motivating regulatory investigation of whether due diligence is appropriately applied. More generally, this phenomenon could be related to platform marketing strategy: platforms may want to emphasize the innovativeness of this fundraising channel and the attractiveness of crowdfunding investment, rather than tedious details of the quality-checking on crowdfunding projects. However, it is only when funders know whether a platform conducts due diligence that they could react by funding a campaign faster.

We could imagine many explanations as to why platforms do not advertise their due diligence activities. For example, we are aware that venture capital funds do not advertise their due diligence on their webpages. Similarly, investment banks do not seem to advertise their due diligence teams. Crowdfunding is a new industry. We have recently shown our evidence to platforms in Canada, as well as regulators in Canada, the U.S., and other countries around the world. It appears that platforms may now better appreciate the benefits of due diligence. But to

date, it appears that most platforms do due diligence in order to avoid being sued later on, or risk regulators taking away their right to operate a platform. That is, due diligence is viewed as a cost center, similar to the way that compliance is viewed as a cost center in banks and investment banks.

8. Limitations and Directions for Future Research

Our analysis is based on data collected by NCFA Canada from crowdfunding platforms. As platforms report their data to NCFA Canada, they can overstate their actions on due diligence application to exaggerate the quality of listed projects and their prudence on funder protection. If the extent of due diligence application is overstated, the impact of real due diligence application on platform performance is underestimated, while the explanatory power of the factors associated with due diligence application is overestimated. In addition, platforms could have different reporting standards, creating measurement errors on variables of interest.

In the empirical analyses part, our data are annual based, with many variables are ordinal in nature. The level of data makes it challenging to pin down a causal relationship between platform characteristics and due diligence application. We expect that a more detailed dataset with exact measurement of platform activities will better reflect the importance of due diligence on platform performance.

Our study broaches the subject of due diligence application in the fast-growing crowdfunding industry. Future studies on the subject could focus on the following areas:

The efficiency of due diligence application

What are the direct and indirect costs associated with due diligence application? When does due diligence bring the highest marginal benefit to a platform? What is the optimal level of due diligence? Given different levels of platform resource constraint, what are the best ways to

apply due diligence? Which project characteristics call for more/less due diligence application?

The platform listing barrier set up by due diligence

How selective is the due diligence, measured by project admission rate? Does the scale of individual projects listed on a platform become larger because of due diligence? For security crowdfunding platforms, to what extent does the due diligence barrier help to signal project quality? What are the responses of entrepreneurs to their individual projects being subject to due diligence application?

The long-term effect of due diligence application

Do projects become more successful after fundraising when due diligence is applied? Does a platform have a higher proportion of funders that invest more than once on the same platform? Do entrepreneurs return to the platform to launch other projects after their first fundraising campaigns? Does more due diligence from platforms reduce funder incentives to apply due diligence before making investments?

Future work could consider whether increasing due diligence requirements actually pays for the platforms. Unfortunately, our current data do not support the calculation of platform revenues. We have information on types of service charges, but we are not aware of the exact level of service charges for each platform, and whether or not the same fees were charged for each listing (for example, for platforms that charge a fee based on capital raised, we do not know how much each project raised on each platform).

The above list of potential future studies on crowdfunding due diligence is not exhaustive. As the crowdfunding industry becomes increasingly popular among entrepreneurs and funders, we expect that platform due diligence will attract more attention from academics, practitioners, and policy-makers.

9. Conclusion

The decade leading up to 2017 witnessed massive growth in the popularity of crowdfunding as a viable form of entrepreneurial finance. In Canada, thousands of new projects are launched on different fundraising websites every year. Connecting donors and funders with beneficiaries, borrowers, and entrepreneurs, crowdfunding platforms help idle money realize its value. However, exactly what do crowdfunding platforms do? Do they simply provide a cheap online forum for business soliciting? Alternatively, do they apply due diligence on listed projects and help to reduce information asymmetry between projects' issuers and subscribers? What advantages can platforms obtain through carrying out due diligence?

In this paper, we have assessed the factors influencing the application of due diligence, as well as whether due diligence by platforms is associated with project success. The scope of crowdfunding due diligence comprises background checks, site visits, credit checks, cross-checks, monitoring accounts, and third-party proof. Our paper provides examination of empirical data on this topic, made possible by the innovative data collection efforts of NCFA Canada.

The summary statistics and comparison tests present a general picture in the data, as do the regression results revealing relationship between the due diligence application and platform activities. The application of due diligence is associated with legislation update, availability of investment crowdfunding and size of platform.

The data further indicate that the application of due diligence in general has a positive influence on the fundraising success rate, total amount of capital raised on the platform, and total number of investors, controlling for platform service or project category. The positive association between due diligence and fundraising success shows the important value for crowdfunding platforms in limiting the number of lower quality projects they list through active due diligence.

The evidence herein suggests that policymakers should require, whether through imposition of standards or otherwise, greater stringency of crowdfunding platforms in conducting due diligence. The evidence also suggests that further research on crowdfunding should pay attention to differences across platforms, as there appears to be heterogeneity with respect to what platforms actually do.

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Table 1. Definitions and Summary Statistics.

This table provides definitions of the main variables, as well as summary statistics.

Variable	Definition	Obs	Mean	Median	Std. Dev	Min	Max
Any Due Diligence is applied? (Yes=1; No=0)	Dummy Variable: Is Any of the Following Due Diligence Regularly Applied: Background Check, Site Visit, Credit Check, Cross-check through Social Media Connections, Monitoring Account Activities, and Requesting Third-Party Certificates or Proof? (Yes=1, No=0)	285	0.5333	1	0.4998	0	1
Total Number of types of Due Diligence applied	Total Number of Types of Due Diligence Applied by a Platform. Types of Due Diligence refer to: Background Check, Site Visit, Credit Check, Cross-check through Social Media Connections, Monitoring Account Activities, Requesting Third-Party Certificates or Proof and Other Due Diligence	285	1.4912	1.0000	1.8682	0	7
Post-Legislative Update in Ontario or Quebec (Yes=1; No=0)	Is the data recorded regarding platforms in Ontario or Quebec after the legislative update in 2016? (Yes=1; No=0)	285	0.1895	0	0.3926	0.0000	1
Number of Employees	Number of Employees Working for a Crowdfunding Platform	285	5.9579	5	3.7555	2	15
Fee Structure: One-time Platform Listing Fee	Dummy Variable: Is the Main Service Charge a One-time Listing Fee? (Yes=1, No=0)	285	0.0982	0	0.2982	0	1
Fee Structure: Periodical Subscription at Different Levels/Tiers	Dummy Variable: Is the Main Service Charge based on Periodical Subscription at Different Levels/Tiers? (Yes=1, No=0)	285	0.0316	0	0.1752	0	1
Fee Structure: Fixed percentage of total amount raised, whether funding is successful or not	Dummy Variable: Is the Main Service Charge based on a Fixed Percentage of Total Amount Raised, regardless of whether Funding is Successful? (Yes=1, No=0)	285	0.1579	0	0.3653	0	1
Fee Structure: Fixed percentage of total amount raised, only if funding is successful	Dummy Variable: Is the Main Service Charge based on a Fixed Percentage of Total Amount Raised, only if Funding is Successful? (Yes=1, No=0)	285	0.2070	0	0.4059	0	1
Fee Structure: Management fee and carry percentage	Dummy Variable: Is the Main Service Charge based on a Management Fee and Carry Percentage? (Yes=1, No=0)	285	0.1228	0	0.3288	0	1
Resources Spent on Compliance Annually	Ordinal Variable: Total Resources Spent on Compliance Annually—Level 1: less than \$2500; Level 2: \$2501-10000; Level 3: \$10001-30000; Level 4: \$30001-50000; Level 5: more than \$50000	285	1.8491	1	1.4173	1	5
Percentage of Fully Funded Projects	Ordinal Variable: fully funded projects as a percentage of all projects launched on the platform—Level 1: 0-10%; Level 2: 11-20%; Level 3: 21-30%; Level 4: 31-40%; Level 5: 41-50%; Level 6: more than 50%	285	1.4561	1	1.2343	1	6
Platform Provides Service to Users	Dummy Variable: Does a Platform Provide Any Service to Users (Funders and Startups)? (Yes=1, No=0)	285	0.3895	0	0.4885	0	1
Types of Services Platform offers to Users	Number of Types of Crowdfunding Services offered to Users. Service types include: pre-evaluation before listing on the platform, strategic fundraising guidance, business or financial planning, facilitation in crowdfunding contract design, and marketing or promotional services.	285	0.8035	0	1.2348	0	5

Variable	Definition	Obs	Mean	Median	Std. Dev	Min	Max
Number of Funders	Ordinal Variable: Total Number of Funders in Each Year from 2013 to 2016 (estimated)—Level 1: fewer than 100; Level 2: 101-500; Level 3: 501-1000; Level 4: 1001-2500; Level 5: 2501-5000; Level 6: 5001-10000; Level 7: 10001-20000; Level 8: 20001-50000; Level 9: more than 50000	285	1.7860	1	1.8576	1	9
Number of Projects	Ordinal Variable: Total Number of Projects/Financings/Loans Launched in Each Year from 2013 to 2016 (estimated)—Level 1: fewer than 20; Level 2: 21-50; Level 3: 51-100; Level 4: 101-250; Level 5: 251-500; Level 6: more than 500	285	1.5368	1	1.3620	1	6
Total Amount of Capital Raised (CAD)	Ordinal Variable: Total Amount of Money Raised in Each Year from 2013 to 2016 (estimated)—Level 1: Less than 300 K; Level 2: 300 K-500 K; Level 3: 500 K-1 M; Level 4: 1M-1.5 M; Level 5: 1.5M-3 M; Level 6: 3 M-5 M; Level 7: 5 M-10 M; Level 8: more than 10 M	285	2.4491	1	2.4670	1	8
Percentage of Projects Categorize as: Art	Percentage of Projects is Art (Expressed in Decimals: 1 stands for 100%)	285	0.0304	0	0.1299	0.0000	1.0000
Percentage of Projects Categorize as: Education	Percentage of Projects is Education (Expressed in Decimals: 1 stands for 100%)	285	0.0068	0	0.0409	0.0000	0.3000
Percentage of Projects Categorize as: Clean Tech	Percentage of Projects is Clean Tech (Expressed in Decimals: 1 stands for 100%)	285	0.0030	0	0.0262	0.0000	0.2500
Percentage of Projects Categorize as: Life Science	Percentage of Projects is Life Science (Expressed in Decimals: 1 stands for 100%)	285	0.0130	0	0.0737	0.0000	0.5000
Percentage of Projects Categorize as: Manufacturing	Percentage of Projects is Manufacturing (Expressed in Decimals: 1 stands for 100%)	285	0.0075	0	0.0378	0.0000	0.2500
Percentage of Projects Categorize as: Media	Percentage of Projects is Media (Expressed in Decimals: 1 stands for 100%)	285	0.0168	0	0.0718	0.0000	0.5000
Percentage of Projects Categorize as: Charity	Percentage of Projects is Charity (Expressed in Decimals: 1 stands for 100%)	285	0.0537	0	0.1866	0.0000	1.0000
Percentage of Projects Categorize as: Real Estate	Percentage of Projects is Real Estate (Expressed in Decimals: 1 stands for 100%)	285	0.0098	0	0.0664	0.0000	0.5000
Percentage of Projects Categorize as: Social Enterprise	Percentage of Projects is Social Enterprise (Expressed in Decimals: 1 stands for 100%)	285	0.0181	0	0.0684	0.0000	0.5000

Table 2. Comparison Tests

This table shows the impact of different platform characteristics on due diligence application (Panel A) and the impact of due diligence application on platform performance (Panel B) using comparison tests. The table is based on platform activities in 2014-2017. T values are based on two sample T test; Z values are based on Two-sample Wilcoxon rank-sum (Mann-Whitney) test. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A: Factors associated with Due Diligence Application

	Employee Number Median and Below	Employee Number Above Median	T Value	Z Value
Probability of Due Diligence Application	0.4312	0.8657	-6.69***	-6.22***
	Equity Crowdfunding Available (No)	Equity Crowdfunding Available (Yes)	T Value	Z Value
Probability of Due Diligence Application	0.4831	0.7755	-3.82***	-3.73***
	Lending Crowdfunding Available (No)	Lending Crowdfunding Available (Yes)	T Value	Z Value
Probability of Due Diligence Application	0.4940	0.8235	-3.69***	-3.61***

Panel B: Impact of Due Diligence Application on Platform Performance

	Due Diligence (Not Applied)	Due Diligence (Applied)	T Value	Z Value
Average Number of Different Service Provided (log transformed)	0.0496	0.3754	-6.66***	-6.56***
Average Percentage of Fully Funded Projects (in Levels/Ordinal Scale)	1.0376	1.8224	-5.64***	-5.80***
Average Amount of Capital Raised (in Levels/Ordinal Scale)	1.2030	3.5395	-9.04***	-8.14***
Average Number of Investors (in Levels/Ordinal Scale)	1.0376	2.4408	-6.86***	-7.79***

Table 3. Correlation Matrix for Key Variables.

This table shows the correlations among variables of interest. The correlation matrix shown below is based on platform activities in 2014-2017. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A: Factors associated with Due Diligence Application

	Due Diligence Application? (Yes=1; No=0)	Number of Due Diligence	Number of Issuers	Number of Employees	Compliance Expenditure	Post Legislation	Equity	Reward	Donation
Total Number of Types of Due Diligence (log transformed)	0.748***								
Total Number of Project Issuers	0.338***	0.137*							
Total Number of Employees	0.200***	0.160**	0.252***						
Compliance Expenditure	0.561***	0.617***	0.208***	0.426***					
Post Legislation in Ontario or Quebec	0.291***	0.324***	0.191**	0.0341	0.197***				
Equity Crowdfunding	0.221***	0.289***	-0.125*	0.0870	0.384***	-0.0305			
Reward Crowdfunding	0.102	-0.100	0.262***	-0.106	-0.0938	0.0857	-0.173**		
Donation Crowdfunding	0.339***	-0.0248	0.139*	0.0479	-0.0312	-0.0910	-0.165**	-0.138*	
Peer-to-peer lending Crowdfunding	0.214***	0.251***	0.181**	0.267***	0.353***	0.181**	-0.168**	-0.140*	-0.133*

Panel B: The Influence of Due Diligence Application

	Due Diligence Application? (Yes=1; No=0)	Number of Due Diligence	Percentage of Success	Total Amount of Capital	Number of Investors	Post Legislation in Ontario or Quebec	Pre-listing Evaluation	Strategic Guidance	Business Planning	Contract Help
Total Number of Types of Due Diligence	0.748***									
Percentage of Successful Campaigns	0.318***	0.185**								
Total Amount of Capital Raised	0.473***	0.468***	0.652***							
Total Number of Investors	0.378***	0.316***	0.348***	0.559***						
Post Legislation in Ontario or Quebec	0.291***	0.324***	0.264***	0.301***	0.196***					
Pre-listing Evaluation	0.419***	0.471***	-0.00377	0.164**	0.225***	0.112				
Strategic Guidance	0.333***	0.265***	0.172**	0.364***	0.216***	-0.0198	0.531***			
Business/Financial Planning	0.296***	0.171**	-0.0580	-0.0776	-0.0554	-0.0599	0.0830	0.166**		
Contract Help	0.321***	0.480***	-0.0806	0.0953	0.126*	0.155**	0.376***	0.282***	0.209***	
Promotion Service	0.272***	0.294***	0.109	0.249***	0.167**	0.101	0.454***	0.633***	0.0428	0.407***

Table 4 Platform's Compliance Expenditure.

This table shows the factors associated with a crowd-funding platform's compliance expense. Standard errors are clustered by platform and by year. Compliance expense does not include employee wages. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively

	Model 1	Model 2	Model 3	Model 4	Model 5
Number of Employees	0.146*** (4.17)	0.119*** (3.45)	0.121*** (3.46)	0.107*** (3.43)	0.0857** (2.58)
Fee Structure: one time listing fee	0.951** (2.24)	1.008** (2.36)	0.946** (2.07)	0.914** (2.22)	0.891** (2.04)
Fee Structure: different levels of periodical subscription	0.0317 (0.04)	-0.412 (-0.42)	-0.373 (-0.38)	-0.329 (-0.33)	-0.0520 (-0.06)
Fee Structure: Fixed percentage of total amount raised, whether funding is successful or not	-0.464** (-2.47)	-0.731*** (-3.09)	-0.724*** (-3.25)	-0.695*** (-3.59)	-0.562*** (-3.11)
Fee Structure: Fixed percentage of total amount raised, only if funding is successful	0.813*** (3.45)	0.594** (2.25)	0.591** (2.34)	0.344 (1.17)	0.379 (1.46)
Fee Structure: Management fee and carry percentage	1.128*** (3.90)	1.279*** (4.34)	1.237*** (4.01)	0.992*** (3.87)	0.907*** (3.17)
Total Number of Project Issuers		0.231** (2.38)	0.208** (2.13)	0.253** (2.55)	0.199** (2.47)
Post-Legislative Update in Ontario or Quebec (Yes=1; No=0)			0.328* (1.66)	0.375** (2.17)	0.243 (1.61)
Equity Crowdfunding Available (Yes=1; No=0)				1.012*** (3.24)	1.212*** (3.67)
Peer-to-peer lending Crowdfunding Available (Yes=1; No=0)					1.183*** (2.83)
Constant	0.652*** (3.14)	0.537** (2.52)	0.508** (2.46)	0.412** (2.22)	0.450** (2.50)
Standard Errors Clustered by Year?	Yes	Yes	Yes	Yes	Yes
Standard Errors Clustered by Platform?	Yes	Yes	Yes	Yes	Yes
Number of Observations	285	285	285	285	285
Adjusted R2	0.375	0.404	0.410	0.472	0.533
F	26.53	24.18	22.97	38.24	36.47

Table 5 Platform's Due Diligence Application.

This table shows the factors associated with a crowd-funding platform's due diligence application. Standard errors are clustered by year and by platform. Due diligence is applied when at least one of the following actions is taken: background check, site visit, credit check, cross-check with customers, suppliers and social media, monitoring account activities, and requesting third-party certificates or proof. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Any Due Diligence Applied (Yes=1, No=0)			Number of Types of Due Diligence Applied (log transformed)		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Post-Legislative Update in Ontario or Quebec (Yes=1; No=0)	0.332*** (4.62)	0.268*** (3.52)	0.272*** (3.59)	0.460*** (4.96)	0.453*** (4.52)	0.455*** (4.49)
Equity Crowdfunding Available (Yes=1; No=0)	0.350*** (3.61)	0.389*** (4.28)	0.378*** (4.16)	0.586*** (4.37)	0.590*** (4.31)	0.586*** (4.31)
Peer-to-peer lending Crowdfunding Available (Yes=1; No=0)	0.325*** (2.86)	0.262** (2.03)	0.241* (1.97)	0.523*** (3.32)	0.516*** (3.39)	0.507*** (3.29)
Total Number of Project Issuers		0.112*** (5.80)	0.107*** (5.72)		0.0124 (0.37)	0.0106 (0.30)
Number of Employees			0.00696 (0.77)			0.00282 (0.23)
Constant	0.372*** (6.45)	0.213*** (3.31)	0.182** (2.14)	0.192*** (3.22)	0.174*** (2.67)	0.161* (1.73)
Standard Errors Clustered by Year?	Yes	Yes	Yes	Yes	Yes	Yes
Standard Errors Clustered by Platform?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	285	285	285	285	285	285
Adjusted R2	0.171	0.255	0.255	0.260	0.258	0.255
F	27.20	38.49	29.85	31.32	23.70	18.99

Table 6 Impact of Due Diligence Application on Percentage of Fully Funded Projects

This table shows the impact of due diligence application on the percentage composition of fully funded projects. Due diligence is applied when at least one of the following actions is taken: background check; site visit; credit check; cross-check with customers, suppliers and social media; monitoring account activities; and requesting third-party certificates or proof. Random effect regressions controlling for crowdfunding platforms are used to evaluate the influence of due diligence application on platform performance in 2014-2017. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Whole Sample Analyses

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Due Diligence Application? (Yes=1; No=0)	0.833*** (4.59)		0.794*** (4.51)		1.393*** (6.48)	
Total Number of Types of Due Diligence (log transformed)		0.287** (1.98)		0.244* (1.74)		0.747*** (4.22)
Total Number of Employees			0.0902*** (3.63)	0.0928*** (3.61)	0.0930*** (3.80)	0.0927*** (3.67)
Platform offers pre-evaluation before listing Startups					-1.294*** (-5.90)	-1.426*** (-5.87)
Platform offers strategic fundraising guidance					1.053*** (3.11)	1.215*** (3.51)
Platform helps with business and financial planning					-0.978*** (-2.73)	-0.415 (-1.18)
Platform offers contractual help to Startups					-0.207 (-0.71)	-0.500 (-1.57)
Platform offers marketing or promotion services					-0.298 (-0.95)	0.0754 (0.24)
Constant	1.010*** (6.84)	1.325*** (9.90)	0.492** (2.44)	0.790*** (4.04)	0.425** (2.09)	0.754*** (3.82)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	93	93	93	93	93	93
Number of Observations	285	285	285	285	285	285
R2	0.101	0.016	0.181	0.122	0.262	0.171
Wald chi2	21.05	3.91	35.48	17.11	85.54	58.24

Panel B. Subsample Analyses: Donation Platform Excluded

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Due Diligence Application? (Yes=1; No=0)	0.832*** (4.62)		0.801*** (4.53)		1.643*** (7.53)	
Total Number of Types of Due Diligence (log transformed)		0.277* (1.95)		0.246* (1.78)		0.786*** (4.37)
Total Number of Employees			0.0759*** (2.91)	0.0794*** (2.94)	0.0903*** (3.52)	0.0934*** (3.44)
Platform offers pre-evaluation before listing Startups					-1.363*** (-6.13)	-1.360*** (-5.47)
Platform offers strategic fundraising guidance					1.183*** (3.16)	1.280*** (3.23)
Platform helps with business and financial planning					-1.265*** (-3.24)	-0.630 (-1.59)
Platform offers contractual help to Startups					-0.263 (-0.89)	-0.576* (-1.72)
Platform offers marketing or promotion services					-0.624** (-1.98)	-0.129 (-0.40)
Constant	1.013*** (7.27)	1.273*** (9.43)	0.580*** (2.87)	0.818*** (4.04)	0.478** (2.33)	0.745*** (3.52)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	82	82	82	82	82	82
Number of Observations	252	252	252	252	252	252
R2	0.113	0.017	0.166	0.095	0.261	0.114
Wald chi2	21.39	3.8	30.65	12.55	89.53	47.64

Panel C. Subsample Analyses: Reward Platform Excluded

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Due Diligence Application? (Yes=1; No=0)	0.801*** (4.41)		0.743*** (4.19)		1.550*** (6.98)	
Total Number of Types of Due Diligence (log transformed)		0.370*** (2.74)		0.329** (2.50)		0.991*** (6.04)
Total Number of Employees			0.0769*** (3.13)	0.0806*** (3.25)	0.0687*** (2.83)	0.0629*** (2.62)
Platform offers pre-evaluation before listing Startups					-1.537*** (-7.19)	-1.799*** (-7.67)
Platform offers strategic fundraising guidance					0.659* (1.77)	0.852** (2.38)
Platform helps with business and financial planning					-0.645* (-1.76)	0.00207 (0.01)
Platform offers contractual help to Startups					-0.109 (-0.38)	-0.494* (-1.67)
Platform offers marketing or promotion services					-0.0204 (-0.05)	0.295 (0.72)
Constant	0.923*** (6.50)	1.156*** (9.14)	0.483** (2.45)	0.683*** (3.61)	0.417** (2.13)	0.752*** (4.20)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	82	82	82	82	82	82
Number of Observations	249	249	249	249	249	249
R2	0.087	0.048	0.158	0.136	0.279	0.264
Wald chi2	19.44	7.49	30.02	18.58	98.16	83.95

Table 7 Impact of Due Diligence Application on Total Amount of Capital Raised

This table shows the impact of due diligence application on the total amount of capital raised through a platform. Due diligence is applied when at least one of the following actions is taken: background check; site visit; credit check; cross-check with customers, suppliers and social media; monitoring account activities; and requesting third-party certificates or proof. Random effect regressions controlling for crowdfunding platforms are used to evaluate the influence of due diligence application on platform performance in 2014-2017. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Whole Sample Analyses

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Total Number of Project Issuers	0.757*** (7.56)	0.849*** (9.06)	0.712*** (7.17)	0.803*** (8.62)	0.617*** (6.13)	0.704*** (7.48)
Due Diligence Application? (Yes=1; No=0)	1.667*** (4.95)		1.593*** (4.88)		1.946*** (5.35)	
Total Number of Types of Due Diligence(log transformed)		1.438*** (5.88)		1.378*** (5.82)		1.774*** (6.44)
Total Number of Employees			0.131*** (3.03)	0.127*** (3.02)	0.139*** (3.43)	0.138*** (3.53)
Platform offers pre-evaluation before listing Startups					-1.229*** (-3.01)	-1.634*** (-3.96)
Platform offers strategic fundraising guidance					1.708*** (3.08)	1.943*** (3.61)
Platform helps with business and financial planning					-2.046*** (-3.70)	-1.468*** (-2.85)
Platform offers contractual help to Startups					0.700 (1.33)	-0.0560 (-0.10)
Platform offers marketing or promotion services					-0.0927 (-0.18)	0.0616 (0.12)
Constant	0.415 (1.58)	0.527** (2.20)	-0.258 (-0.77)	-0.132 (-0.41)	-0.255 (-0.81)	-0.0780 (-0.26)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	93	93	93	93	93	93
Number of Observations	285	285	285	285	285	285
R2	0.358	0.395	0.397	0.433	0.484	0.514
Wald chi2	118.13	131.64	132.66	147.40	173.30	193.95

Panel B. Subsample Analyses: Donation Platform Excluded

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Total Number of Project Issuers	0.851*** (7.24)	0.947*** (8.74)	0.826*** (7.04)	0.917*** (8.47)	0.692*** (5.85)	0.817*** (7.57)
Due Diligence Application? (Yes=1; No=0)	1.601*** (4.52)		1.552*** (4.41)		2.173*** (5.40)	
Total Number of Types of Due Diligence(log transformed)		1.409*** (5.69)		1.380*** (5.64)		1.875*** (6.57)
Total Number of Employees			0.0846* (1.76)	0.0842* (1.82)	0.115** (2.57)	0.126*** (2.91)
Platform offers pre-evaluation before listing Startups					-1.582*** (-3.54)	-1.725*** (-3.97)
Platform offers strategic fundraising guidance					2.292*** (3.62)	2.357*** (3.84)
Platform helps with business and financial planning					-2.417*** (-3.83)	-2.004*** (-3.40)
Platform offers contractual help to Startups					0.677 (1.19)	-0.270 (-0.46)
Platform offers marketing or promotion services					-0.380 (-0.70)	-0.0771 (-0.15)
Constant	0.330 (1.24)	0.281 (1.10)	-0.111 (-0.30)	-0.160 (-0.46)	-0.175 (-0.52)	-0.246 (-0.76)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	82	82	82	82	82	82
Number of Observations	252	252	252	252	252	252
R2	0.338	0.382	0.353	0.399	0.461	0.495
Wald chi2	110.33	125.93	114.57	131.01	154.00	174.66

Panel C. Subsample Analyses: Reward Platform Excluded

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Total Number of Project Issuers	0.748*** (6.66)	0.814*** (7.67)	0.695*** (6.23)	0.757*** (7.15)	0.593*** (5.39)	0.624*** (6.08)
Due Diligence Application? (Yes=1; No=0)	1.925*** (5.32)		1.833*** (5.24)		2.395*** (6.02)	
Total Number of Types of Due Diligence(log transformed)		1.588*** (6.30)		1.528*** (6.29)		2.181*** (7.67)
Total Number of Employees			0.135*** (2.92)	0.132*** (2.98)	0.129*** (2.93)	0.121*** (2.92)
Platform offers pre-evaluation before listing Startups					-1.633*** (-3.66)	-2.326*** (-5.19)
Platform offers strategic fundraising guidance					1.992*** (3.12)	2.251*** (3.78)
Platform helps with business and financial planning					-2.100*** (-3.53)	-1.106** (-2.08)
Platform offers contractual help to Startups					0.627 (1.10)	-0.236 (-0.43)
Platform offers marketing or promotion services					-0.281 (-0.39)	0.00189 (0.00)
Constant	0.302 (1.10)	0.444* (1.79)	-0.403 (-1.12)	-0.258 (-0.77)	-0.306 (-0.92)	-0.0145 (-0.05)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	82	82	82	82	82	82
Number of Observations	249	249	249	249	249	249
R2	0.353	0.399	0.394	0.441	0.501	0.555
Wald chi2	105.5	119.94	118.9	135.65	166.43	203.26

Table 8 Impact of Due Diligence Application on Total Number of Funders

This table shows the impact of due diligence application on total number of investors. Due diligence is applied when at least one of the following actions is taken: background check; site visit; credit check; cross-check with customers, suppliers and social media; monitoring account activities; and requesting third-party certificates or proof. Random effect regressions controlling for crowdfunding platforms are used to evaluate the influence of due diligence application on platform performance in 2014-2017. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Whole Sample Analyses

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Number of Project Issuers	0.240*** (2.87)	0.299*** (3.73)	0.182** (2.23)	0.238*** (3.04)	0.173** (2.04)	0.220*** (2.68)	0.0145 (0.15)	0.0332 (0.35)
Due Diligence Application? (Yes=1; No=0)	1.019*** (3.62)		0.924*** (3.35)		0.961*** (2.87)		0.866** (2.48)	
Total Number of Types of Due Diligence(log transformed)		0.717*** (3.38)		0.637*** (3.08)		0.525** (1.96)		0.732** (2.48)
Total Number of Employees			0.176*** (4.81)	0.175*** (4.76)	0.180*** (4.86)	0.184*** (4.85)	0.201*** (4.77)	0.196*** (4.62)
Platform offers pre-evaluation before listing Startups					-0.467 (-1.29)	-0.534 (-1.38)	-0.552 (-1.45)	-0.795* (-1.93)
Platform offers strategic fundraising guidance					0.739 (1.45)	0.814 (1.56)	0.421 (0.75)	0.425 (0.76)
Platform helps with business and financial planning					-1.213** (-2.36)	-0.875* (-1.73)	-0.638 (-1.16)	-0.302 (-0.57)
Platform offers contractual help to Startups					1.358*** (2.88)	1.253** (2.48)	0.893* (1.73)	0.649 (1.20)
Platform offers marketing or promotion services					-0.411 (-0.87)	-0.261 (-0.55)	-0.601 (-1.20)	-0.572 (-1.15)
Percentage of Projects Categorize as : Art							2.091* (1.77)	3.025** (2.53)
Percentage of Projects Categorize as: Education							-6.913* (-1.80)	-6.371* (-1.65)
Percentage of Projects Categorize as: Clean Tech							7.384 (1.23)	8.624 (1.43)
Percentage of Projects Categorize as: Life Science							2.061 (1.00)	2.079 (1.01)
Percentage of Projects Categorize as: Manufacturing							2.217 (0.77)	1.086 (0.36)
Percentage of Projects Categorize as: Media							1.427 (0.70)	1.602 (0.79)
Percentage of Projects Categorize as: Charity							-0.0270 (-0.03)	0.261 (0.31)
Percentage of Projects Categorize as: Real Estate							3.905** (2.45)	3.827** (2.40)
Percentage of Projects Categorize as: Social Enterprise							8.124*** (3.51)	8.574*** (3.69)
Constant	0.886*** (4.04)	1.022*** (4.91)	-0.0248 (-0.09)	0.102 (0.36)	-0.0510 (-0.17)	0.0910 (0.31)	-0.0559 (-0.18)	0.0789 (0.26)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	93	93	93	93	93	93	93	93
Number of Observations	285	285	285	285	285	285	285	285
R2	0.206	0.190	0.247	0.234	0.262	0.233	0.313	0.307
Wald chi2	31.31	28.96	55.39	53.09	68.42	62.6	97.82	97.83

Panel B. Subsample Analyses: Donation Platform Excluded

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Number of Project Issuers	0.217** (2.22)	0.304*** (3.23)	0.168* (1.79)	0.247*** (2.73)	0.156 (1.57)	0.249*** (2.61)	-0.0517 (-0.47)	-0.00392 (-0.04)
Due Diligence Application? (Yes=1; No=0)	1.148*** (4.01)		1.009*** (3.66)		1.150*** (3.31)		1.028*** (2.87)	
Total Number of Types of Due Diligence(log transformed)		0.670*** (3.13)		0.591*** (2.90)		0.449* (1.68)		0.599** (2.04)
Total Number of Employees			0.188*** (5.01)	0.196*** (5.08)	0.196*** (5.08)	0.205*** (5.10)	0.196*** (5.15)	0.207*** (5.17)
Platform offers pre-evaluation before listing Startups					-0.503 (-1.33)	-0.382 (-0.97)	-0.661* (-1.71)	-0.679* (-1.67)
Platform offers strategic fundraising guidance					0.865 (1.58)	0.805 (1.40)	0.105 (0.18)	-0.0660 (-0.11)
Platform helps with business and financial planning					-1.337** (-2.44)	-0.943* (-1.70)	-0.559 (-0.95)	0.00992 (0.02)
Platform offers contractual help to Startups					1.239** (2.56)	1.265** (2.36)	0.816 (1.64)	0.748 (1.37)
Platform offers marketing or promotion services					-0.622 (-1.33)	-0.400 (-0.83)	-1.281*** (-2.70)	-1.159** (-2.33)
Percentage of Projects Categorize as : Art							3.232*** (2.97)	4.159*** (3.59)
Percentage of Projects Categorize as: Education							10.44 (0.77)	7.657 (0.53)
Percentage of Projects Categorize as: Clean Tech							11.90** (2.08)	13.62** (2.24)
Percentage of Projects Categorize as: Life Science							7.522*** (2.70)	6.099** (2.08)
Percentage of Projects Categorize as: Manufacturing							4.336 (1.35)	3.662 (1.05)
Percentage of Projects Categorize as: Media							5.080** (2.53)	5.507** (2.55)
Percentage of Projects Categorize as: Real Estate							4.129*** (2.64)	4.385*** (2.77)
Percentage of Projects Categorize as: Social Enterprise							5.825*** (2.72)	7.293*** (3.25)
Constant	0.896*** (4.18)	0.993*** (4.51)	-0.0805 (-0.28)	-0.0466 (-0.16)	-0.103 (-0.35)	-0.0539 (-0.18)	0.0383 (0.14)	0.0333 (0.11)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	82	82	82	82	82	82	82	82
Number of Observations	252	252	252	252	252	252	252	252
R2	0.207	0.158	0.274	0.241	0.298	0.248	0.408	0.374
Wald chi2	31.34	23.65	58.95	52.1	71.48	60.41	115.32	106.86

Panel C. Subsample Analyses: Reward Platform Excluded

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Number of Project Issuers	0.207** (2.43)	0.240*** (2.98)	0.151* (1.80)	0.179** (2.24)	0.140 (1.64)	0.146* (1.80)	0.0109 (0.12)	0.0268 (0.31)
Due Diligence Application? (Yes=1; No=0)	0.991*** (3.71)		0.887*** (3.27)		0.947*** (2.78)		1.068*** (3.31)	
Total Number of Types of Due Diligence(log transformed)		0.907*** (4.81)		0.837*** (4.40)		0.983*** (3.88)		1.166*** (4.65)
Total Number of Employees			0.140*** (3.90)	0.133*** (3.82)	0.150*** (4.04)	0.142*** (3.90)	0.113*** (2.95)	0.0911** (2.48)
Platform offers pre-evaluation before listing Startups					-0.896** (-2.48)	-1.270*** (-3.33)	-0.890*** (-2.59)	-1.394*** (-3.78)
Platform offers strategic fundraising guidance					1.019* (1.87)	1.103** (2.06)	0.745 (1.37)	0.752 (1.45)
Platform helps with business and financial planning					-1.132** (-2.20)	-0.756 (-1.56)	-0.427 (-0.87)	-0.0351 (-0.08)
Platform offers contractual help to Startups					1.599*** (3.44)	1.181** (2.49)	0.0267 (0.05)	-0.335 (-0.69)
Platform offers marketing or promotion services					-0.562 (-0.91)	-0.419 (-0.70)	-0.167 (-0.28)	0.0741 (0.13)
Percentage of Projects Categorize as : Art							-4.046 (-0.87)	-5.086 (-1.15)
Percentage of Projects Categorize as: Education							-10.31*** (-3.04)	-8.467*** (-2.63)
Percentage of Projects Categorize as: Clean Tech							12.14** (2.40)	15.23*** (3.11)
Percentage of Projects Categorize as: Life Science							1.248 (0.74)	1.292 (0.80)
Percentage of Projects Categorize as: Manufacturing							0.931 (0.37)	-1.674 (-0.65)
Percentage of Projects Categorize as: Media							-1.152 (-0.60)	-1.280 (-0.69)
Percentage of Projects Categorize as: Charity							0.0380 (0.05)	0.262 (0.38)
Percentage of Projects Categorize as: Real Estate							4.320*** (3.22)	3.909*** (2.97)
Percentage of Projects Categorize as: Social Enterprise							24.04*** (7.37)	23.31*** (7.38)
Constant	0.864*** (4.26)	0.897*** (4.83)	0.141 (0.50)	0.200 (0.76)	0.0879 (0.31)	0.211 (0.78)	0.383 (1.39)	0.570** (2.23)
Platform Random Effect?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Groups	82	82	82	82	82	82	82	82
Number of Observations	249	249	249	249	249	249	249	249
R2	0.195	0.236	0.203	0.246	0.237	0.268	0.445	0.488
Wald chi2	28.14	38.44	42.02	52.02	64.43	73.38	156.53	173.82