

Abstract

Equity crowdfunding represents an increasingly attractive financing option for startups seeking additional external capital. This financing model broadens access to early investment opportunities. But it is also marked by information asymmetries between investors and entrepreneurs, coupled with information overload for investors. To address and reduce these challenges, researchers have applied signaling theory. Despite the relevance of misleading signals, the consequence of an inaccurate signal remains under researched. This study contributes to the entrepreneurship literature by experimentally examining how signal inaccuracies affect investors' willingness to invest in subsequent equity crowdfunding investment opportunities. The findings indicate that an inaccurate campaign rating significantly reduces investment willingness. The effect is slightly more pronounced when the campaign rating originates from an Artificial Intelligence-based system rather than a human, indicating that the information source moderates the relationship between signal accuracy and investment behavior. This emphasizes the importance of the broader signaling environment.

Keywords:

Equity crowdfunding, signaling theory, equity crowdfunding platforms, artificial intelligence, algorithm aversion, algorithm appreciation