Law, Trust, and the Development of Crowdfunding

Abstract
In this paper, I document the global patterns of crowdfunding, an innovative form of financing that has grown faster than any other financial innovation in the recent past. Using a unique hand-collected sample of crowdfunding volume obtained by surveying over 1,300 crowdfunding platforms worldwide, I also analyze the global determinants of crowdfunding. Crowdfunding is a developed market phenomenon that largely involves fixed income instruments sold to investors driven by financial motives. Emerging markets do not display large crowdfunding volumes. Crowdfunding volume within a country appears to be driven by rational economic reasons. Barriers to entry and potential financial depth matters in determining the volume of crowdfunding, but the financial profitability of extant intermediaries and the extant financial depth of the market do not matter.