Social capital and investment decisions in equity crowdfunding

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Abstract

We investigate the role of social capital on individuals' investment decisions in equity crowdfunding. We exploit a novel, hand-collected dataset of all investments pledged to successful campaigns in Italy between 2014 and 2018. We report that social capital enhances an investor's risk-taking. People born in high social capital areas invest larger amounts in riskier projects. This effect is moderated by an individual's investment experience, as for serial investors it is no longer present. To alleviate endogeneity, we exploit movers, disentangling the effect of social capital from that of other institutions in the place where an investor resides. Our results are also robust to an alternative social capital measure and potential selection bias.

JEL classification: G32; L26.

Keywords: Equity crowdfunding; Social capital; Risk-taking.

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1. Introduction

Equity crowdfunding is nowadays a concrete and viable financing opportunity for businesses around the globe. While raising money on a crowdfunding platform in exchange for a "thank you" (donation-based crowdfunding) or for a gift or product (reward-based crowdfunding) is open to anyone and is mostly unregulated, pledgers in equity crowdfunding subscribe a financial investment and target a profit through dividends or successful exits (Ahlers et al., 2015). Investors in equity crowdfunding are residual claimants in early-stage companies, and the outcome of their investment is highly uncertain (Giudici, 2015). In addition, equity crowdfunding mainly attracts unsophisticated investors, who cannot rely on due diligence and direct interactions with entrepreneurs before funding a new venture. The greater information asymmetry makes equity crowdfunding riskier than traditional early-stage financings, such as business angels and venture capitalists (Signori and Vismara, 2018). For this reason, equity crowdfunding has drawn the attention of policymakers, which have regulated it in many countries across the globe (Hornuf and Schwienbacher, 2017).

Research on equity crowdfunding is still limited, and scholarly knowledge remains fragmented (Mochkabadi and Volkmann, 2020). Most of the literature explores the demand-driven determinants of a campaign's success (Ahlers et al., 2015; Vismara, 2016; Cumming et al., 2019b; Johan and Zhang, 2020; among the others), and the follow-up performance and funding opportunities of the investee firm (Signori and Vismara, 2018; Butticè et al., 2020). Investor-driven aspects, such as an investor's objectives and asset allocation choices in equity crowdfunding, are still relatively unexplored. Data on single investments are difficult to obtain, and information is limited to a few platforms at the most. In this paper, we study a whole equity crowdfunding market, and we contribute to the understanding of

how individuals make risky decisions and allocate their wealth to equity crowdfunding campaigns. In particular, we investigate how community-level social capital impacts individual risk-taking and investment choices.

We characterize social capital as the set of norms, values, and beliefs, that foster cooperation and are shared among individuals living in interconnected communities (Guiso et al., 2004, 2012). Network-related social capital acts as an informal insurance mechanism (Ferris et al., 2017b, 2017a), and trust reportedly encourages risky investment decisions (Guiso et al., 2004, 2008a). Accordingly, asset allocation to risky equity crowdfunding campaigns is an ideal setting to study the overall effect of social capital on individual investment decisions. More specifically, we study how financial risk-taking is enhanced by social capital in the place of birth of an investor (Guiso et al., 2004). We rely on a novel, hand-collected dataset including all investments pledged to successful equity crowdfunding campaigns in Italy between 2014 and 2018. This dataset offers a unique opportunity to study a country-wide sample of investment decisions and explore how social capital shapes an investor's decision-making. Also, Italy is fitting for this purpose, as there is a substantial and acknowledged heterogeneity in social capital across provinces (Guiso et al., 2012).

Our paper aims at contributing to two strands of literature. First, we add to the determinants of individual investment decisions in equity crowdfunding. Second, and more generally, we contribute to the understanding of how social capital affects an individual's investment choices. Other studies considering the impact of social capital on crowdfunding are built on entrepreneurs' social capital and limit their analysis to one single platform (e.g., Lukkarinen et al., 2016; Lin and Pursianien, 2018), or base their results upon surveys and questionnaires (e.g. Cholakova and Clarysse, 2015; Polzin et al.,

2018). On the contrary, we take an *investor-side* perspective, and we elaborate on information about *actual* investments in a *whole* market. Therefore, we are able to analyze the cross-section of investments from the same individuals across different platforms, offering an unprecedented picture of the equity crowdfunding realm.

We report two main findings. First, people born in high social capital areas invest more substantially in riskier projects. Social capital does not alter the likelihood of backing a riskier campaign *per se*, but it significantly increases the amount pledged to riskier ventures. To our knowledge, this is the first evidence of how a crucial investor-driven factor (i.e., individual social capital) enhances risk-taking in equity crowdfunding. Second, we show that this effect is moderated by an individual's investing experience, as proxied by the number of earlier pledges. Contrarily to one-time investors, for "serial investors," i.e. individuals pledging to more than one campaign, the effect of social capital on risk-taking is no longer present. When we focus on serial investors, we find no evidence of potential learning effects, as the role played by social capital does not monotonically diminish over time. Overall, our interpretation is that serial investors are *ex-ante* more experienced, and such experience may restrain the function of social capital.

To alleviate potential endogeneity concerns, we rely on an epidemiological approach (Guiso et al., 2004). We exploit movers in our sample to disentangle the effect of social capital from that of other institutions in the place where an investor resides. This empirical strategy provides reassuring evidence on that our results are not driven by unobservable factors correlated with social capital, such as the existing conditions in the living place of investors. Our results also survive two relevant robustness exercises. First, we use an alternative definition of social capital, highly but not perfectly correlated

with the measure we employ in the main analyses. Second, to alleviate selection bias concerns, we repeat our investigation on a sub-sample which excludes about one-fourth of the campaigns endowed with a hard-cap provision. All the results are robust to such exercises.

The remainder of the article is organized as follows. In Section 2, we review the literature on social capital, risk-taking, and equity crowdfunding. In Section 3, we develop our research hypotheses. Section 4 describes our data and variables. Section 5 reports our main findings. Section 6 is devoted to robustness. Section 7 concludes.

2. Review of the literature

It is difficult to enclose social capital in a unique and all-encompassing definition. According to Putnam (1993), social capital refers to the characteristics of a social organization (such as trust, norms, and networks) that facilitate coordinated actions, and improve a society's efficiency. Guiso et al. (2004, 2012) conceptualize social capital as the set of shared non-written norms, values, and beliefs that foster cooperation and that travel through social networks among individuals belonging to the same community. All possible definitions of social capital share two recurring elements (Scrivens and Smith, 2013). On the one hand, social capital has a structural dimension, as human beings can benefit, in an economic sense, from the network of relationships connecting them to other individuals. On the other hand, social capital has a cognitive aspect, represented by norms, beliefs, and trust.

Social capital exists at many levels. Individuals, firms, and organizations possess their social capital (Giudici et al., 2018). Also, social capital has a spatial factor. Space can be delimited by borders or barriers, either geographical or human-made (Westlund et al., 2010). In its localized form (Laursen

et al., 2012a), social capital can be measured at the level of geographically linked administrative entities, such as provinces, districts, or counties (Laursen et al., 2012b). Communities living in the same province or county are more likely to cooperate, both from an economic (through local business relations) and political (through civic engagement) point of view. In so doing, they build trust and strengthen social networks among individuals living in the same geographical space. This also allows sharing expectations on socially acceptable norms and behaviors (Guiso et al., 2004).

Social capital affects financial decisions of firms and individuals, and has an impact on financial development (Guiso et al., 2004; Javakhadze et al., 2016). It operates as a societal monitoring system that incentivizes people to behave according to generalized norms of behavior (Mistrulli and Vacca, 2015). In this regard, social capital increases the cost of acting opportunistically and reduces agency costs (Gupta et al., 2018; Hoi et al., 2019). Finance literature reports that CEO's and CFO's connectedness result in a firm's lower cost of debt and more lax debt covenants (Fogel et al., 2018), and lower at-issue bond spreads (Hasan et al., 2017). Firms operating in high social capital areas pay lower audit fees (Jha and Chen, 2015), have a lower probability of committing financial fraud (Jha, 2019), and the equity-based compensation of their managers is lower (Hoi et al., 2019). Finally, social capital directly impacts on an individual's (or a firm's) attitude and financial behavior. Trust, as a central component of social capital, enhances cooperation and civic engagement (Guiso et al., 2012). Because of the higher level of trust, people in high social capital areas hold more stocks and less cash than their peers in low social capital areas, showing a preference for riskier investments (Guiso et al., 2004, 2008). Firm-specific social capital acts as an insurance policy against idiosyncratic risk during severe financial crises (Lins et al., 2017). Finally, trust itself directly enhances stock market participation and risk-taking of individuals and households (Guiso et al., 2008a). Looking instead at the purely structural

side of social capital, CEOs with higher social network capital take more (but not excessive) risks (Ferris et al., 2017b, 2017a).

Social capital has been explored in the crowdfunding literature, but mostly in relation to the reward-based model (see Cai et al., 2020, for a review). Unlike other forms of crowdfunding, equity crowdfunding is peculiar as it is closer to traditional equity investing (Vismara, 2018). Non-financial motives are relatively unimportant in equity crowdfunding, as backers primarily invest to achieve monetary returns (Cholakova and Clarysse, 2015). As in traditional equity investing, equity crowdfunding entails a high level of risk and informational asymmetries (Giudici, 2015; Vismara, 2018). This is exacerbated by the low expertise and quality of the entrepreneur, who is usually a first-time one (Giudici, 2015; Vismara, 2018; Blaseg et al., 2020), and the fact that the crowd is mainly composed of unsophisticated investors (Signori and Vismara, 2018). Equity crowdfunding research has focused primarily on how demand-driven factors (i.e., factors related the entrepreneur or the new venture) might attenuate asymmetric information (Ahlers et al., 2015; Vismara, 2016; Lukkarinen et al., 2016; among the others). Instead, we take an investor-side perspective in this paper.

The empirical evidence of an investor's behavior in equity crowdfunding is growing, but still underdeveloped. Hervé et al. (2019) show that population-based measures of social interaction in the place where the investors live influence their investments. Income and education in an investor's place of residence explain the hypothetical bias, i.e. the discrepancy between investment intentions and actual investment behavior (Cumming et al., 2020). Hervé and Schwienbacher (2018) document a round-number bias in investors' contributions. Other studies focus on gender-based differential risk aversion. Women seem to invest less in equity and more in fixed-income crowdfunding (Hervé et al., 2019), and

are less subject to hypothetical bias (Cumming et al., 2020). In addition, female investors contribute less to the capital of high technology firms, and to that of firms where the proponent retains a lower percentage of ownership (Mohammadi and Shafi, 2018). More recently, Giudici et al. (2020) show that investors are more likely to support ventures whose board members are of a similar age and reside in neighbouring cities. This effect is enhanced if a venture's board members are located in areas with scarce civic responsibility and a low sense of citizenship. Finally, Shafi and Mohammadi (2020) report that risk-taking is affected by weather-induced moods, as bigger pledges (proxy of higher risk-taking) are placed during sunnier days. Crucially, this strand of literature has yet to explore the role of territorial social capital in affecting an individual's risk-taking in equity crowdfunding.

In the investment literature, it is acknowledged that an investor's trading decisions are affected by the time they spend trading, and hence the experience they accumulate. Experience not only leads to higher returns (Nicolosi et al., 2009; Seru et al., 2010), but also attenuates behavioral biases (Dhar and Zhu, 2006; Feng and Seasholes, 2005). Trading frequency can be traced back to *ex-ante* individual characteristics, such as perceived financial expertise (Graham et al., 2009), and subjective financial literacy (Bellofatto et al., 2018). The entrepreneurship literature studies serial and occasional business angels, and links the differential investment behavior to their *ex-ante* previous experience in specific industries (Van Osnabrugge, 1998). More closely related to our setting, Boreiko and Risteski (2020) study the differential investing behavior of serial and large investors in initial coin offerings. With a focus on equity crowdfunding, a moderating role of experience on mood-induced investment behavior is reported by Shafi and Mohammadi (2020). However, systematic differences in risk-taking of serial and occasional backers are yet unexplored. Leveraging on our dataset, we focus on the experience of

serial investors, as a possible *ex-ante* and *ex-post* moderator of the relationship between social capital and risk-taking.

3. Development of hypotheses

We argue that social capital affects an individual's ability to take risks. In high social capital areas, shared norms of generosity, reciprocity, and trust are enhanced (Guiso et al., 2004, 2012). Trust plays a major role on risk-taking. Guiso et al. (2008a) show that trusting individuals (and countries) more likely participate in the stock market and buy risky assets. Also, they invest a larger amount in such assets. In equity crowdfunding, where the risk of fraud is perceived as substantial (Ziegler et al., 2019), trust should play an even greater role on risk-taking. Investors in high social capital areas are expected to trust more the entrepreneur initiating a funding campaign, and hence invest a greater amount in riskier ventures. Moreover, in high social capital areas cooperation is improved, and informal safety nets are available to individuals (Lin and Pursiainen, 2018). Higher interconnectedness between individuals living in the same area facilitates risk-pooling, thanks to informal insurance mechanisms (Bloch et al., 2008). Overall, risk-taking should be facilitated in areas characterized by higher levels of social capital. As social capital-related values and beliefs are transmitted from parents to children born in specific places (Guiso et al., 2008b; Tabellini, 2008), we expect people born in high social capital areas to take on more risk.

We follow the literature on individual risk-taking in equity crowdfunding (Hervé et al., 2019; Shafi and Mohammadi, 2020) and use the amount invested as a risk-taking proxy. Drawing on this, we expect that people born in high social capital areas invest more capital in riskier ventures. In other

words, social capital-enhanced risk-taking operates on the decision to invest more in campaigns perceived as riskier. We formulate the following hypothesis.

H1 (risk-taking). There exists a positive relationship between social capital in an investor's province of birth, and the amount pledged to riskier campaigns.

The financial experience of an investor could moderate the relationship between social capital and risk-taking. This mechanism is similar to formal education, which weakens the relationship between social capital and financial decisions (Guiso et al., 2004). More educated and financially experienced investors rely less on their personal characteristics, attitudes, and cultural traits when investing. Financial expertise is found to be negatively associated with an investor's risk aversion (Bajo et al., 2015), and positively associated with risk-taking (Minton et al., 2014). In equity crowdfunding, prior investing experience has been found to moderate the relationship between weather-induced moods and investment behavior (Shafi and Mohammadi, 2020).

To explore the role of experience, we separately look at investments made by serial investors, i.e. investors pledging to more than one campaign. Serial backers are expected to be *ex-ante* different and more experienced than one-time investors. For example, they could possess experience in the industry, as for serial angel investors (Van Osnabrugge, 1998). It is also plausible that serial investors are endowed with more technical knowledge on how to operate on an equity crowdfunding platform (Boreiko and Risteski, 2020). Also, higher competence, resulting in a more pronounced investing activity, could stem from education, gender, and the size of their portfolio (Graham et al., 2009). High trading activity is also linked to self-reported financial literacy, as in Bellofatto et al., (2018). The

relationship between socio-demographic variables and self-reported financial literacy is found to be similar to that between socio-demographic variables and actual financial literacy (Bajo and Barbi, 2018).

Overall, serial investors should rely on their *ex-ante* greater experience and may be expected to trade repeatedly in a high-risk context. If so, we hypothesize a more limited role of social capital in the investment of serial investors.

H2a (serial investors: *ex-ante* experience). The relationship between social capital in an investor's province of birth and the amount pledged to riskier campaigns is weaker for serial investors.

Serial investors also have the chance to learn from each pledge, further "educating" themselves on the technical aspects of equity crowdfunding. It is known that individuals improve their trading skills by investing repeatedly (Nicolosi et al., 2009; Seru et al., 2010). Some evidence of a learning-by-doing process also exists in initial coin offerings (Boreiko and Risteski, 2020). Given the resemblance between equity crowdfunding and traditional equity investing, such an improvement in the ability to invest may be expected to occur also in this case.

Therefore, we may expect that the role of social capital on risk-taking diminishes over time, as serial investors keep pledging to crowdfunding projects. In fact, such investors accumulate financial experience as they leverage on their past trades. We formulate the following hypothesis.

H2b (serial investors: *ex-post* learning). The relationship between social capital in an investor's province of birth and the amount pledged to riskier campaigns weakens over time as serial investors keep pledging to equity crowdfunding campaigns.

4. Data and variables

4.1. Equity crowdfunding sample

To test our hypotheses, we hand-collect data on all individual investments made to the whole Italian equity crowdfunding market between 2014 and 2018. We exclude real estate projects because of their different characteristics in terms of duration and risk. In Italy, the list of shareholders in limited liability companies is publicly available through the Italian Business Register (*Registro delle Imprese*), a public register held by the local (mostly provincial) Chambers of Commerce. Hence, we unambiguously identify all investors (shareholders) through their tax code. This unique dataset allows us to study individual investment behavior in a whole equity crowdfunding market (20 platforms), and link each investment to the investor's personal characteristics. This also prevents potential biases from unobserved investors' preferences on using different platforms.

Unfortunately, we do not possess information on investment bids submitted to unsuccessful campaigns, as the failed status implies that pledgers are not registered as shareholders. However, the weight of such campaigns is expected to be negligible, both considering their number and the money committed (Giudici et al., 2020). Our final sample is composed of 190 campaigns and 12,249 investments. To our knowledge, this is one of the largest and most complete equity crowdfunding samples ever analyzed at a country level.

The equity crowdfunding industry in Italy started at the end of 2012, when an *ad-hoc* law (the so-called *Decreto Sviluppo*) was passed (Giudici et al., 2013). The first campaign was published at the end of 2013 and terminated in 2014. Up to 2015, only "innovative startups" have been allowed to raise capital through authorized equity crowdfunding platforms (Giraudo et al. 2019). Afterwards, the opportunity was also extended to "innovative SMEs." For every equity crowdfunding campaign, we collect the characteristics of the investors (name, gender, age, place of birth and, for a sub-sample limited to about 60% of all investments, also the place of residence). We integrate firm-level data in our equity crowdfunding dataset (pre-money valuation and equity percentage surrendered by the entrepreneur) with information from Bureau Van Dijk AIDA, adding a comprehensive set of attributes of the issuer (location, business type, accounting information). Finally, we obtain social capital-related variables and territorial controls from the Italian national statistics bureau (ISTAT), and the Italian Ministry of the Interior.

PLEASE INSERT TABLE 1 ABOUT HERE

The distribution of investments within our sample is shown in Table 1. The majority of the campaigns raised money in 2018 (101 ventures out of 190), and the number increases over time. This pattern is consistent with the relatively young age of the crowdfunding phenomenon, and the positive growth rate over time is observed across different crowdfunding models and platforms (see Ziegler et al., 2019, for an overview of the evolution of the European crowdfunding market). The total amount of money raised is above €52m (the mean value in a single campaign is equal to €274k, and the median value is slightly less than €200k). In comparison, the mean pre-money valuation of the issuing

company is €4.7m (median value of about €2m). A total number of 12,249 investments contribute to the success of the 190 campaigns included in our sample, resulting in about 64 investments per campaign, on average. These contributions originate mostly from individual investors (11,439, i.e. 93% of the total), but to a smaller extent from firms (810, i.e. 7% of the total). With the exclusion of the last year in our sample, we also observe an increasing trend in the average number of investments per campaign (30 in 2014, 35 in 2015, 47 in 2016, 78 in 2017, and 62 in 2018). The average amount pledged by all investors is about €4,250 (€3,181 for individuals and €19,343 for firms), while the median is €900 (€750 for individuals and €5,000 for firms).

4.2 Social capital measures

One of the main issues when dealing with social capital is its measurement. Outcome-based measures (such as voter turnout and blood donations, as in Guiso et al., 2004) may be contaminated by the effect of formal and other informal institutions (Guiso et al., 2012). The lack of agreement on a unique definition of social capital, as well as its multi-dimensionality, add to the complexity, and a single measure of social capital may even not exist (Rupasingha et al., 2006). To obtain measurability, we rely on principal component analysis, and we build two indexes of social capital. We measure social capital at the level of the historical provinces (*Province*), as is common in the literature on social capital in Italy (Guiso et al., 2004; Guiso et al., 2008; Giudici et al., 2018). Provincial (rather than the much broader regional) borders are likely to characterize communities sharing norms and values. Apart from voter turnout and waste recycling, all variables are measured in the year 2011, when the Italian Statistical Agency (ISTAT) conducted three large-scope censuses (the Agriculture Census, the Population Census, and the Industry and Services Census). Hence, we measure social capital at the

level of the 110 provinces existing in 2011 (the newest 111th province, *Sud Sardegna*, was created in 2016). Social capital allows for non-time-varying measurement, as it is characterized by temporal stickiness (Jha, 2019), due to its lengthy accumulation through inter-generational transmission and education (Guiso et al., 2012).

We build our main measure of social capital following the equity crowdfunding literature in Italy (Giudici et al., 2018). First, we use voter turnout in National Parliamentary elections in 2013. Second, we employ waste recycling in 2003. We choose the year 2003 as it the last year in which waste sorting was not mandatory in Italy. Therefore, it can be considered to be driven by unwritten norms and social pressures on leaving a better planet to future generations, rather than by a legal obligation (Galardo et al., 2017). We weight 2003 waste recycling by the share of the population in each province that was actually covered by sorted waste collection services (Galardo et al., 2017). Third, we consider the number of non-profit organizations in each province, as well as the number of volunteers. Finally, we include the share of people satisfied with their relationship with other individuals (as an indirect measure of trust). We extract principal components from these five variables, and we use the first component as our main measure of social capital. Provincial distribution of *Social capital* is mapped in Figure 1.

PLEASE INSERT FIGURE 1 ABOUT HERE

For the sake of robustness, we build another measure of social capital by replicating the index proposed by Rupasingha et al. (2006), widely employed in finance (Hasan et al., 2017; Hoi et al., 2019; among the others). The index is a county-level measure which captures cross-sectional variation of

social capital in the United States. It first considers associational density, i.e. the presence in a given area of a range of associational activities (bowling centres, physical fitness facilities, golf courses, sports clubs, civic associations, business associations, political organizations, religious organizations, and labour organizations) (Rupasingha et al., 2006). Participation in such activities encourages interconnectedness and network formation, and it is a primary means of civic engagement, which is one of the main components of social capital. Additionally, the authors use the geographical distribution of tax-exempt non-profit organizations, voter turnout to presidential elections, and the response rate to the decennial census. The first principal component is retrieved and proxies county-level social capital.

We adapt Rupasingha et al.'s (2006) index to the Italian context. As for the voter turnout, we again use National Parliamentary elections in 2013. As far as the other variables are concerned, two major adjustments are required. First, the data on the number of associations per province provided by ISTAT has a different granularity in terms of the categories proposed by Rupasingha et al. (2006). Consequently, we merge some categories of associational activities.[1] Second, since in Italy participation in ISTAT censuses is mandatory, i.e. constrained by a formal (national law) rather than an informal institution (social capital through civic participation), we drop it. All variables are sourced from the national statistics bureau (ISTAT). We proceed as for our main social capital index. We extract the principal components from the three aforementioned variables, and use the first as a proxy of social capital. The provincial distribution of the index is reported in Figure 2. A visual comparison of Figure 1 and Figure 2 shows than the two indices are highly but not perfectly correlated. As Table 4 will show later in the paper, the correlation coefficient between the two social capital indices in our sample of equity crowdfunding investments is 0.89.

[1] More specifically, we merge bowling centres and golf courses, and business and professional organisations.

PLEASE INSERT FIGURE 2 ABOUT HERE

4.3 Variables and descriptive statistics

Table 2 shows the descriptive statistics of our sample. Variables can be categorized according to the following three sets of information: characteristics of the investments, attributes at the firm level, and territorial controls. Since our aim is to investigate the role of social capital in explaining the size of pledges to riskier ventures, in our analysis we will limit our attention to the investments tendered by individuals. For pledges by firms, it is not possible to unambiguously identify the person making the investment, and therefore the level of social capital in his or her province of birth. Hence, we exclude them from our empirical analysis. We also exclude investments made by individuals who are born outside of Italy's borders (356 investments out of 11,439), as social capital is not measurable.

PLEASE INSERT TABLE 2 ABOUT HERE

Descriptive statistics of the remaining 11,083 investments are reported in the upper part of Table 2. Other than the amount invested (*Amount invested*), also reported in Table 1, we note that only 10% of total pledges are submitted by women (*Female*), and the average (median) age (*Age*) of investors across all investments is 43 (42). Socio-demographic characteristics of investors, such as gender and age, are known to affect their investment behavior (Hervé et al., 2019; Mohammadi and Shafi, 2018), and hence we control for such attributes. We also employ the region in which the investor was born to build three dummy variables, i.e. *North (birth)*, *Centre (birth)*, *South and islands (birth)*.

The geographical distribution of both social capital indexes is highly correlated with the Italian North-South divide (see Figure 1 and Figure 2), and we wish to control for differences between people born in the different macro-areas of the country. As expected, investments are unevenly distributed across the three macro-areas. Investors born in the Northern (and richer) part contribute to 64% of the bids within our sample, against 15% and 21% for *Centre (birth)* and *South (birth)*, respectively. We also construct a dummy variable (*Local home bias*) which takes the value of 1 if the province of birth of the investor coincides with the province where the funded firm is incorporated. This variable should control for the propensity of crowdfunders to invest in geographically closer projects. We observe that only 13% of the investments are made by backers born in the same province as that in which the firm legally resides. Finally, a relevant share of our investments (6,250 investments, i.e. about 56% of the overall sample) are made by investors classified as *Serial*, i.e. individuals that invest in more than one campaign during the considered period. However, about three-fourths of these pledges are submitted by serial investors participating in five campaigns or less. This suggests that relatively more active investors, pledging more than five times and potentially subject to a substantial learning-by-doing, occupy a minor part of our sample.

The second group of variables characterizes the equity crowdfunding campaigns. In terms of their location, we note that almost two-thirds of the campaigns are launched by firms located in the North of Italy, while the rest is evenly distributed between the Centre and the South (including islands) of the country. Again, since Northern Italy is more economically developed and industrialized, such a distribution of entrepreneurial activities is expected. The next two variables proxy for the riskiness of the investments, and are central to our analysis. Backers in equity crowdfunding are generally non-professional and lack the expertise to assess a firm's performance and value (Signori and Vismara,

2018; Wilson and Testoni, 2014). An investment's riskiness is likely weighed through rules of thumb and high-level reading of intuitive and easy-to-gather information. Also, most firms in equity crowdfunding are young, small, and with no reliable records of financial information. Based on this evidence, we build a risk measure that is readily available and easily understandable by the less refined investors.

First, we identify campaigns belonging to Fintech, Biotech/Pharma/Lifescience, or Hi-Tech/IT/Communication categories. Technological firms are usually regarded as riskier than firms operating in traditional sectors due to the uncertain nature of their operations (Hall and Lerner, 2010; Mohammadi and Shafi, 2018). The dummy variable *Tech* detects campaigns released by such firms. *Tech* proxies for business risk, and it is easily understandable by relatively unsophisticated investors. Second, we identify investments in firms reporting a negative net income in the year before the campaign or in the year in which the campaign has started. The dummy *Unprofitable* exploits the evidence that investors exhibit a threshold mentality, perceiving continuous data in discrete form (Degeorge et al., 1999). Investors (especially naïve ones) base their investments on rules of thumb and display a "negativity bias," being more averse to losses (Degeorge et al., 1999). Since *Unprofitable* signals a negative past or current performance, it detects financial risk.

As equity crowdfunding is a viable financing channel for young and innovative firms, focusing on one of the two risk variables at a time does not fully capture an investor's risk-taking behavior. As Table 2 shows, 37% of the campaigns in our sample are referred to technological firms, and almost three-fourths to unprofitable companies. We thus construct our *High risk* indicator as the intersection of the two aforementioned variables. In other words, *High risk* equals one when both business and

financial risk are present (i.e. *Tech* and *Unprofitable* are jointly equal to one). Table 2 shows that about one-fourth of the campaigns in our sample are classified as *High risk*.

Finally, we construct two dummies (*Hard cap* and *Soft cap*) to detect campaign-specific clauses that may be important in explaining their funding. In particular, *Hard cap* controls for highly successful campaigns ending before the scheduled end date, thus preventing additional investments from being made. *Soft cap* identifies campaigns requiring a minimum amount to be successful, and cancelled if this threshold is not reached.

As for the third group of variables, they are provincial-level controls. These variables account for characteristics of the Italian province of birth of the investor, which may influence their innate risk attitude and hence their investments (Guiso et al., 2004). They also control for the effect of economic development, infrastructure, and labour market quality (Hoi et al., 2019). Table 2 shows that the average *Population density* is about 270 inhabitants per squared kilometre, with sizeable cross-province variation (the minimum value is 36, and the maximum is 2,631). This variable controls for interconnectedness at the level of the place of birth of an investor that is not necessarily related to a higher incidence of social interactions. Since we cannot directly observe an investor's wealth, we use *Household income* to control for wealth effects in innate risk attitudes. The average annual net income is about €30k. Finally, the *Number of bank branches* and the *GDP per capita* are proxies for the quality of local financial sector and economic development, respectively, and may influence in-born risk aversion. The average investment in our sample is located in a province with 545 bank branches and about €25k of GDP per capita. As for the previous variables, significant cross-province variation is present.

5. Empirical analysis

5.1. Univariate analysis

We now provide the first univariate evidence of the role social capital plays in investment choices in equity crowdfunding. Table 3 partitions the whole sample of 11,083 investments into two sub-samples, distinguishing between investments made by investors endowed with a social capital score above or below the median value in our sample.[2] For this exercise, we use our main measure of social capital (unreported results based on the alternative measure of social capital show no relevant differences). The average value of the investment-related variables is shown, along with their difference and statistical significance.

PLEASE INSERT TABLE 3 ABOUT HERE

The first evidence we draw from Table 3 is that the average amount pledged by investors endowed with higher-than-median social capital is slightly larger (€3.4k *v.* €3.0k), but the €0.4k difference is insignificant. Likewise, there is no statistically significant (univariate) evidence of social capital affecting investment choices in terms of riskier against less risky ventures. Both the variables *Tech* and *Unprofitable* are of similar size in the two sub-samples, and the same holds for *High risk*.

[2] The number of observations is not exactly the same in each of the two sub-samples, as social capital is defined at provincial level, and all investments made by investors born in the same province take the same level of social capital.

Overall, data shows that social capital does not seem to affect the amount invested and the type of firm, when the two choices are separately considered.

Instead, we now investigate whether social capital discriminates between the amount invested in the riskiest ventures, that is when we jointly consider both *Amount invested* and *High risk*. The evidence is now very different. Table 3 reports that the average investment pledged to riskier ventures by backers endowed with high social capital is much larger than the corresponding amount pledged by backers with low social capital (€4.1k *v*. €2.8k), and the difference is strongly significant. When we look at the complementary sub-sample (*Amount invested* × *Low Risk*, i.e. the amount pledged to less risky ventures), we find that the average difference is not distinguishable from zero. This signifies that social capital has no wealth effect by itself, but likely enhances the risk appetite of investors, as they pledge higher sums to riskier ventures.

As for the remaining variables of Table 3, we note that there is no difference between investors with high versus low social capital in terms of gender (*Female*). Instead, despite the average age of investors in the two subsamples being very close (44 *v*. 42.4 years), the difference of *Age* is significant. Similarly, when we look at the three geographic dummies, differences are significant. As Figure 1 (and also Figure 2) shows, social capital is strongly correlated with North-South indicator variables. This evidence is expected. It is in line with what had already been noted by Putnam (1993), and with previous works on social capital in the Italian context (Guiso et al., 2004; Guiso et al., 2012). The variable *Local home bias* shows a slight (but insignificant) difference between the two sub-samples, i.e. 12% of the investments made by high social capital investors are directed to firms located within the same province of birth, against 16% for low social capital investors. Interestingly, *Serial* is also

insignificant, as bids from serial investors are similarly present in both high and low social capital provinces.

We recognize that the evidence we draw contrasting the two unmatched samples may be blurred by observable investor-specific characteristics. For example, we showed that investors endowed with higher social capital are also older, and age negatively correlates with the willingness to take risks (Dohmen et al., 2011). Control variables at the territorial level may also be important, as they are strongly correlated with social capital. For this reason, in Table 3 we also adopt a propensity score matching approach.

The matching procedure employs *Female* and *Age* as investor-related matching variables, as well as all territorial controls listed in Table 3, i.e. *Population, Household income, Number of bank branches, GDP per capita* (in natural logarithm). We then compare the other variables using the ten closest nearest neighbours, i.e. the ten investments which minimize the distance between propensity scores (Imbens, 2004; Rosenbaum and Rubin, 1983). When we look at the differences between the two sub-samples following this approach, the variable *Amount invested* in *High tech* ventures is still very significant (t-statistic = 2.33). This exercise confirms that there exists a positive association between social capital and risk-taking in our sample.

Table 4 reports the pairwise correlation coefficients between variables. Inspecting the sign, significance (figures in bold indicate statistical significance at the 1% level), and intensity of the coefficients, no unexpected evidence is registered. Worth mentioning is the high and significant correlation between social capital and geographic dummies, i.e. 69% with *North (birth)* and –82% with

South and islands (birth). Again, this is consistent with previous empirical evidence by Guiso et al. (2004), who report similar levels of correlation between social capital measures and geographical macro-indicators. For this reason, in the multivariate setting, we will augment all regressions with North-South indicators, as well as territorial controls. The correlation between *Log amount invested* and *Social capital* is low, and so is the correlation between *Tech*, *Unprofitable*, and *High risk* on the one side, and S*ocial capital* on the other. However, only the correlation between *Social capital* and *Unprofitable* is significant. This confirms the conjecture that social capital has no role in explaining unmodulated variables. In the next section, we formally test our hypotheses in a multivariate setting.

PLEASE INSERT TABLE 4 ABOUT HERE

5.2. Multivariate analysis

5.2.1. Social capital and risk-taking

To validate our hypotheses, we proceed as follows. We run a cross-sectional linear regression, where our dependent variable is the logarithm of the amount invested for all investments within our sample. Our covariates include the same set of variables as in Table 2, i.e. investment-related variables (including social capital), campaign-related variables, and territorial controls. We also control for unobservable factors affecting the amount invested through platform and time fixed effects, and we cluster the standard errors at the same level of the social capital, i.e. at the province level.

To test our first hypothesis, we interact *Social capital* with the dummy variable identifying the riskiest campaigns, and we expect this interacted variable (*High risk* × *Social capital*) to be positive and significant. Indeed, the interaction captures the effect of social capital as a risk-enhancing mechanism on increasing the amount pledged to riskier ventures. Table 5 reports the results of this analysis.

PLEASE INSERT TABLE 5 ABOUT HERE

The first model in Table 5 may be regarded as our baseline specification. Aside from our key variables (*Social capital*, *Tech*, *Unprofitable*, *High risk*, and the interaction between *Social capital* and *High risk*), we include *Female*, *Age*, *Local home bias*, North-South indicators at the investor level, North-South indicators at the level of the issuing firm, and the *Serial* dummy. From model 2 to model 4 we progressively add controls. In particular, model 2 includes *Soft cap* and *Hard cap*, along with *Log population density* and *Log household income*. Model 3 adds a proxy for the quality of the local financial sector (*Log Number of bank branches*). Finally, Model 4 completes the set of territorial controls, also including *Log GDP per capita*.

The variable *Social capital* is generally insignificant in explaining the amount invested, and riskier ventures (as measured by *High risk*) attract less capital, on average. However, and strikingly, once we interact *Social capital* with *High risk*, we attain a positive and strongly significant coefficient in all specifications. This evidence supports our hypothesis on the role of social capital in affecting an investor's risk-taking. As for the control variables, *Age* positively affects the amount invested, likely capturing wealth effects at the investor level. *Local home bias* is also positive and significant,

absorbing the impact of proximity and better knowledge of the firms within an investor's province. Finally, pledges by serial investors are smaller than investments made by occasional ones.

As Table 5 shows, the variable of our interest (*High risk* × *Social capital*) is strongly significant even in the third and fourth model, which include the complete vector of territorial controls. The variable *Hard cap*, which is added to the covariates from model 2 to model 4, turns out to be positive and significant, as the campaigns reaching a given threshold are also the most successful. One may argue that such campaigns are somewhat different in terms of the characteristics of investors, as they no longer accept pledges once the cap is reached. This is a legitimate concern. For robustness, later in the paper, we re-run all of our regressions excluding such campaigns.

While our results are strongly significant, they are not free of endogeneity concerns. The conditions of the place in which individuals live likely affect their investment decisions, and are possibly correlated with their social capital (Guiso et al., 2004; Hervé et al., 2019; Cumming et al., 2020). Disentangling the effect of the social capital in the place of birth from the role of other formal or informal institutions in the place where the investment decision is made is not easy. However, identification is possible leveraging on the so-called "epidemiological approach" (Guiso et al., 2004; Guiso et al., 2012).

Accordingly, we exploit the investment decisions made by "movers," i.e. investors that no longer live in the place where they were born, but are still very likely to be affected by social capital in the area of origin. Cooperative norms, beliefs and trust related to the place of birth are ingrained in one's minds similarly to other dimensions of cultural heritage, and they affect an individual's behavior,

even if he or she no longer lives in the place of origin (Guiso et al., 2012). By restricting the sample to movers, we can add fixed effects at the level of the province of residence of an individual in our regressions. Crucially, this allows the factoring in of all unobservable factors at the level of an investor's area of residence, that likely affect a crowdfunder's behavior and might bias our results.

Our dataset contains full information on the residence of investors for a sub-sample of 6,439 investments (about 60% of the full sample of 11,083 investments). We check the moving condition of these investors, that is we retain only those for which the province of residence is different from the province of birth. In so doing, we are left with a sub-sample of 2,246 investments.[3] In Table 6 we repeat our previous multivariate analysis as in Table 5, limited only to these investments. We add fixed effects at the level of the province of residence and, as before, we use heteroscedasticity-robust standard errors clustered at the level of the province of birth. All other variables are unchanged.

PLEASE INSERT TABLE 6 ABOUT HERE

After controlling for the role of formal and informal institutions in the place of residence, and any indirect wealth effect associated to living in a richer and more economically developed province, our results are mostly unchanged. In particular, the interaction between *Social capital* and *High risk* is confirmed positive and significant (at the 5% level) in all specifications. *Age* and *Hard cap*, as before, positively affect the amount invested.

[3] We have also carried out the identification exercise by adding a *Mover* dummy (i.e., a dummy equal to 1 if the investment was made by an individual not living in his or her place of birth) and using the sub-sample of investments for which we have information on residence. Since 4,193 observations (out of 6,439) do not contribute to the explicative power of the variable of interest (i.e., *Social capital*, as it is measured at the level of an investor's province of birth), results are virtually unchanged. They are available upon request.

5.2.2. Serial investors

The evidence presented up until now corroborates our first hypothesis, on the effect of social capital on an individual's risk-taking. However, equity crowdfunding investors are heterogeneous and may invest in several campaigns.

The financial experience of an investor may moderate the role of social capital on risk-taking. Financially experienced individuals rely less on their personal characteristics, attitudes, and cultural traits when making investment decisions. In addition, there is a negative correlation between financial experience and an individual's risk aversion. Financial expertise can also be gradually acquired through staged investments, as individuals learn by doing. They become progressively more sophisticated in assessing risks, and rely less on social capital when investing. Studying the investing behavior of investors pledging to more than one campaign allows us to test our second hypothesis, on the moderating role the financial experience plays in the relationship between social capital and risk-taking.

In Table 7 we present six models. In the first three models, we regress the amount pledged on the usual covariates, including the interaction between *Social capital* and *High risk*, for the sub-sample of one-time investors only, i.e. we exclude all investments made by serial investors. We are left with a sample of 4,833 investments in model 1 and 2. In the third model, the number of observations is further on reduced to 569, as we restrict to a sub-sample of one-time investors who are also movers, following the approach of Table 6. In the last three models (4, 5, and 6) we use the complementary sub-sample

(6,250 investments), i.e. we analyze investments by serial investors only (as before, model 6 replicates the identification strategy of Table 6, leaving us with 1,677 observations). Combining the number of observations in model 4 (or 5) with those of models 1 (or 2), results in the full sample of 11,083 investments.

PLEASE INSERT TABLE 7 ABOUT HERE

The results shown in Table 7 are insightful and robust. The effect of social capital on risk-taking is positive and significant in models 1 through 3, that is when one-time investors only are considered. The statistical significance of *High risk* × *Social capital* reduces to a 10% level in model 3, very likely due to the limited size of the sub-sample (569 observations, i.e. about 5% of the full sample of investments). When we look at the sub-sample of serial investors (models 4 through 6), the significance of the interaction between *High risk* and *Social capital* vanishes. Serial investors may be considered as *ex-ante* more experienced, given their *ex-post* realized investment behavior. Higher financial experience may overcome other personal attributes in affecting their investing behavior, and the informal insurance provided by social capital is no longer significant. As for the control variables, including territorial controls, we report no relevant differences on the sign and magnitude of their coefficients relative to the previous Table 5.

The rationale of Table 7 is contrasting the investment behavior of one-time investors to that of serial investors. However, serial investors may accumulate financial experience gradually as they keep pledging to various crowdfunding projects. Therefore, the evidence of Table 7 might be driven by the investments of serial investors at later stages. In other words, for each investor classified as "serial," it

may be important to isolate early investments from investments at later stages. We carry out this analysis in Table 8, which applies the same econometric model as before to the sub-sample of serial investors only.

PLEASE INSERT TABLE 8 ABOUT HERE

The first model of Table 8 isolates the first chronological investment of serial investors. The second model also adds to this specification the usual territorial controls. The interaction between *High risk* and *Social capital* is insignificant, even for the very first investment of serial investors. When we focus on the subsequent chronological investments of serial investors, from the second through the fifth (models 3 and 4, with and without territorial controls), we note a weak and positive significance of *High risk* × *Social capital*. Considered jointly, the first five chronological investments cover about two-thirds of all investments made by serial investors in our sample. Finally, looking at later investments (from the sixth onward), the role of social capital is still insignificant. Overall, this evidence seems to be unsupportive of a learning curve ridden by serial investors, as in such a case the role played by social capital should monotonically diminish over time. More simply, it seems that serial investors are *ex-ante* more experienced, and such experience restrains the function of social capital.

6. Robustness

To validate our previous results, we carry out two robustness exercises. First, we repeat the main empirical analysis using an alternative measure of social capital. Despite the high correlation between the two measures (the correlation coefficient in our sample is 0.89, from Table 4), they are

slightly different, as the adaptation of Rupasingha et al.'s (2006) measure also includes the associational density at the level of Italian provinces. Hence, this alternative measure weights more civic engagement through participation in associational activities as a component of provincial-level social capital. Second, we re-run our main regressions excluding campaigns endowed with a hard cap provision. The rationale is that such campaigns end ahead of time, as soon as the target equity capital is reached. This may endogenously exclude potential investors who are willing to pledge, but are precluded from investing due to the unexpected end of the collection period. It is unlikely, but not impossible, that this generates a self-selection bias. Excluding such campaigns from the analyses should reassure on the validity of our results.

6.1 Alternative measure of social capital

In Table 9, we test our first hypothesis replacing the main social capital variable with that proposed by Rupasingha et al. (2006), adapted to Italy according to what we reported previously in the paper.

PLEASE INSERT TABLE 9 ABOUT HERE

As is apparent from inspecting Table 9, the results are robust. The statistical significance of *High risk* × *Social capital* is strong, as the variable is consistently significant at the 5% level across all specifications. Moreover, the effect of the controls is mostly unchanged from the previous Table 5. In untabulated results, we repeat the identification exercise focusing only on movers and adding fixed

effects at the level of the province of residence. The alternative measure of social capital is robust, and leads to the same conclusions.

PLEASE INSERT TABLE 10 ABOUT HERE

Concerning our second hypothesis, in Table 10 we repeat the empirical analysis as in the previous Table 7, again replacing *Social capital* with the alternative index. The significance of the interaction between *High risk* and *Social capital* reaches the 1% level in the first two models of Table 10. Consistent with our second hypothesis, the variable turns out to be insignificant when considering serial investors only (last two models).

PLEASE INSERT TABLE 11 ABOUT HERE

Table 11 replicates the in-depth analysis of the sub-sample of serial investors, isolating the first investment from later rounds. Again, no appreciable differences are in order. On the whole, our previous results continue to hold regardless of the social capital measure we use.

6.2 Hard cap provision

A possible caveat in interpreting our results is that the presence of a hard cap provision self-selects the investments included in our sample. As Table 2 shows, such a clause is present in approximately one-fourth of our observations. To mitigate endogeneity concerns, we repeat our

previous investigation excluding such campaigns. The equivalent of Table 5 without hard cap campaigns is Table 12, while the equivalent of Table 7 with the exclusion of hard cap campaigns is Table 13.

PLEASE INSERT TABLE 12 ABOUT HERE

PLEASE INSERT TABLE 13 ABOUT HERE

In spite of the lower number of observations, Table 12 and Table 13 confirm the robustness of the results, as all variables maintain their sign, significance, and magnitude as before. This also means that a potential self-selection bias generated by including hard cap campaigns is hardly an issue for our setting. Finally, in Table 14 we replicate Table 8 excluding hard cap campaigns. Again, there are no appreciable differences.

PLEASE INSERT TABLE 14 ABOUT HERE

7. Conclusion

Equity crowdfunding is a viable and widespread financing alternative of early-stage firms around the globe. Moreover, it represents a mean of democratization in entrepreneurial finance, as it is available to traditionally underrepresented and financially constrained categories of entrepreneurs (Cumming et al., 2019a). However, investing in equity crowdfunding is risky. Backers are generally unsophisticated, largely exposed to asymmetric information, low expertise and quality of entrepreneurs,

and opportunism (Giudici, 2015; Vismara, 2016, Blaseg et al., 2020; Ziegler et al., 2019). Investing in equity crowdfunding may be even riskier than traditional early-stage financings, such as business angels and venture capitalists, because of the low contractual power of pledgers.

Equity crowdfunding provides an ideal laboratory to explore the role of social capital as a factor influencing risky investment choices. We rely on a novel, hand-collected sample of all investments pledged to successful Italian equity crowdfunding campaigns between 2014 and 2018. Leveraging on this dataset, we investigate the role of social capital in shaping risk-taking behavior in a highly uncertain context. Different from previous studies, this dataset allows us to investigate the investment strategies implemented by individuals within a whole market.

We advance original contributions to two strands of literature. We add to the understanding of how individuals make risky investment decisions in equity crowdfunding. Also, we contribute to the literature on social capital and financial decision-making. To our knowledge, this is the first analysis considering the cross-section of actual investments in equity crowdfunding in a whole market, based on objective measures of social capital at the individual level.

We report two main findings. First, social capital enhances an individual's risk-taking, as people born in high social capital areas invest more substantially in riskier projects. Second, the role of social capital in affecting risk-taking is moderated by an investor's financial experience. Indeed, while for one-time investors social capital plays an essential role as an informal insurance mechanism, for serial (more experienced) investors this effect is no longer present. This evidence is unsupportive of a learning curve ridden by serial investors, and reinforces the idea that such investors are *ex-ante* more

experienced. Overall, we show that social capital plays a crucial role in shaping an investor's behavior in equity crowdfunding, especially when other mediators affecting financial decision-making are weaker.

These findings are relevant for entrepreneurs and policymakers alike. Entrepreneurs seeking funds through an equity crowdfunding campaign should be aware of a clientele effect, directly relating the riskiness of their venture to investors located in high social capital areas. Further evidence on what leads individuals to make investment choices in equity crowdfunding is also relevant to regulators, to weigh the potential of innovative financing sources on a firm's growth, and the protection of occasional investors.

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Year	Campaigns		Amount Raised, €k			Pre-Money Value, €k		
	N	N, %	Total	Mean	Median	Total	Mean	Median
2014	5	2.6	1,715.3	343.1	380.0	4,016	803.1	676.2
2015	9	4.7	3,008.7	334.3	240.0	15,179	1,686.6	1,215.0
2016	25	13.2	4,415.6	176.6	159.0	61,037	2,441.5	1,349.6
2017	50	26.3	15,182.4	303.6	192.8	286,572	5,731.4	1,994.3
2018	101	53.2	27,732.5	274.6	198.1	526,424	5,212.1	2,840.9
Total	190	100.0	52,054.5	274.0	197.1	893,227.8	4,701.2	2,063.3

Year	No. of Investments			Mean Contribution, €			Median Contribution, €		
	N	Individuals	Firms	Overall	Individuals	Firms	Overall	Individuals	Firms
2014	150	133	17	11,435.3	9,927.1	23,234.1	1,470.0	1,470.0	4,900.0
2015	317	276	41	9,491.1	4,061.9	46,038.9	1,523.2	1,350.0	12,000.0
2016	1,175	1,069	106	3,758.0	2,713.6	14,290.8	900.0	501.0	5,000.0
2017	3,892	3,680	212	3,900.9	3,260.1	15,023.8	999.9	999.7	5,000.3
2018	6,715	6,281	434	4,129.9	3,032.5	20,011.7	502.3	500.7	4,998.6
Total	12,249	11,439	810	4,249.7	3,181.0	19,342.6	900.0	750.0	5,000.0

Table 1 – *Campaigns and investments*. The table shows the number of funded crowdfunding campaigns launched between 2014 and 2018, the cumulative, average, and median amount raised, and the cumulative, average, and median pre-money value of funded companies (panel A). Panel B shows the number of investments (broken down into those made by individuals and by firms), and their cumulative, average, and median contributions to the funded campaigns.

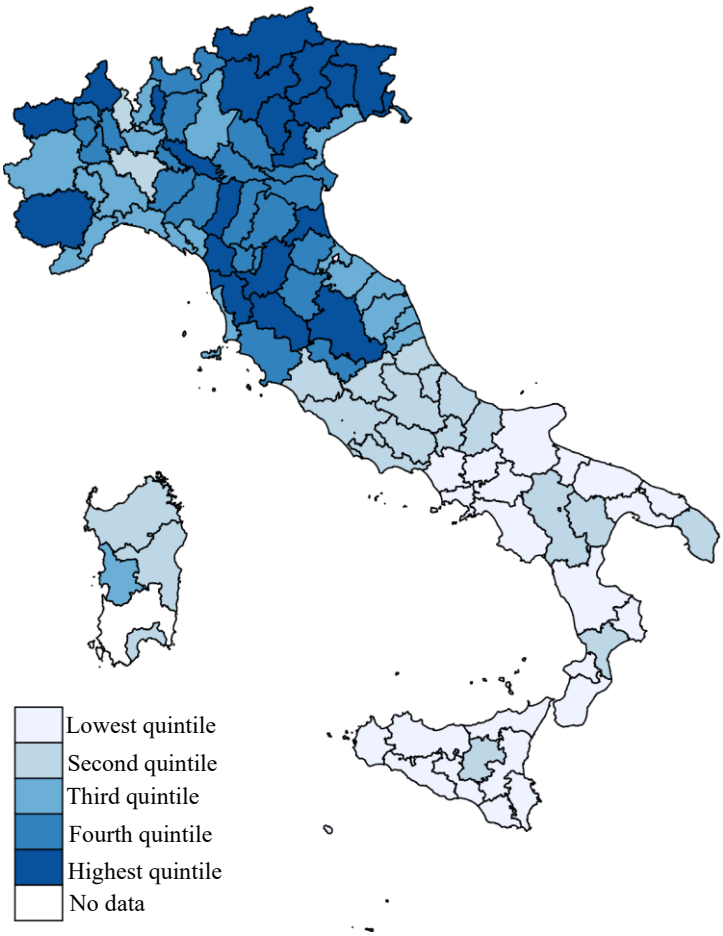

Figure 1 – *Distribution of social capital (main index)*. The figure shows the geographical distribution of our main social capital index (*Social capital*) per quintiles across Italian provinces. Darker areas correspond to higher levels of social capital.

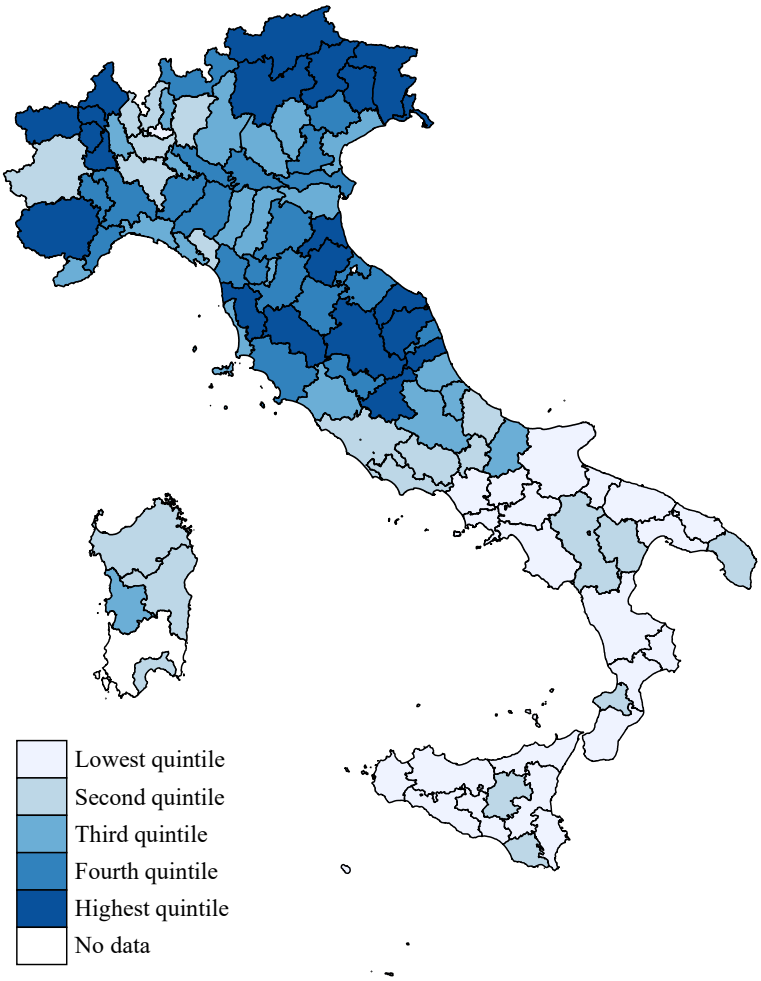

Figure 2 – *Distribution of social capital (alternative index)*. The figure shows the geographical distribution of our alternative social capital index, i.e. *Social capital (RGF)*, per quintiles across Italian provinces. Darker areas correspond to higher levels of social capital.

	N	Mean	SD	Min	Q1	Median	Q3	Max
Investments								
Amount invested, €	11,083	3,181.1	15,786.1	90.0	495.0	750.0	1,999.5	1,083,951.0
Female	11,083	0.09	0.29	0	0	0	0	1
Age, years	11,083	43.2	11.5	18.0	35.0	42.0	50.0	97.0
North (birth)	11,083	0.64	0.48	0	0	1	1	1
Centre (birth)	11,083	0.15	0.36	0	0	0	0	1
South and islands (birth)	11,083	0.21	0.41	0	0	0	0	1
Local home bias	11,083	0.14	0.34	0	0	0	0	1
Serial	11,083	0.56	0.50	0	0	1	1	1
Social capital								
Social capital	106	2.9	1.9	-4.1	-1.3	0.6	1.4	5.8
Social capital (RGF)	106	4.3	1.5	-3.7	-1.1	0.2	1.1	4.3
Campaigns								
North (campaign)	189	0.65	0.48	0	0	1	1	1
Centre (campaign)	189	0.17	0.38	0	0	0	0	1
South and islands (campaign)	189	0.17	0.38	0	0	0	0	1
Tech	189	0.37	0.48	0	0	0	1	1
Unprofitable	189	0.73	0.45	0	0	1	1	1
High risk (Tech × Unprofitable)	189	0.25	0.43	0	0	0	0	1
Hard cap	189	0.24	0.43	0	0	0	0	1
Soft cap	189	0.94	0.23	0	1	1	1	1
Territorial controls								
Population density	106	271.4	383.2	35.6	106.8	177.9	277.6	2,630.5
Household income, €	106	30,300.2	4,534.7	22,054.0	26,242.0	31,477.0	34,253.0	39,217.0
Number bank branches	106	544.8	547.4	56.0	232.0	374.0	678.0	3,630.0
GDP per capita, €	106	25,609.0	7,098.2	14,699.7	18,694.3	25,641.6	30,535.2	52,409.7

Table 2 – *Descriptive statistics*. The table shows the descriptive statistics for the sample of funded crowdfunding campaigns launched between 2014 and 2018. *Amount invested* is the amount pledged to a campaign by each investment; *Female* is a dummy which takes the value of 1 if the investor's gender is female; *Age* is the age of the investor; *North (birth)*, *Centre (birth)*, and *South and islands (birth)* are dummy variables which take the value of 1 if the investor is born in the North, Centre, or South (including islands) of Italy, respectively; *Local home bias* is a dummy which takes the value of 1 if the province of birth of the investor coincides with the province where the funded company is incorporated; *Serial* is a dummy variable which takes the value of 1 if the investor has pledged to multiple campaigns over the 2014-2018 time period; *North (campaign)*, *Centre (campaign)*, and *South and islands (campaign)* are dummy variables which take the value of 1 if the investee company is headquartered in the North, Centre, or South (including islands) of Italy, respectively; *Social capital* is the level of social capital in the investor's province of birth, measured with our main index; *Social capital (RFG)* is the level of social capital in the investor's province of birth, measured with our alternative index of social capital; *Tech* is a dummy variable which takes the value of 1 if the funded project belongs to the categories of "Fintech," "Biotech/Pharma/Lifescience," or "Hi-Tech/IT/Communication" (business risk); *Unprofitable* is a dummy variable which takes the value of 1 if the investee company reported a negative net income in the year before the campaign or in the year in which the campaign has started (financial risk); *High risk* is a dummy variable which takes the value of 1 if the company is both *Tech* and *Unprofitable*; *Hard cap* is a dummy variable equal to 1 if the funded campaign has reached a maximum pre-established amount, and has therefore closed before the actual end date; *Soft cap* is a dummy variable equal to 1 if the funded campaign requires a minimum amount to be collected for success; *Population density* is the number of inhabitants per square kilometer in the province of birth of the investor; *Household income* is the average household income in the province of birth of the investor in 2016; *Number of bank branches* is the number of bank branches in the province of birth of the investor in 2016; *GDP per capita* is the level of gross domestic product in the province of birth of the investor in 2016.

Variable	Below median		Above median		Unmatched		Matched	
	N	Mean	N	Mean	Difference	t-statistic	ATT	t-statistic
Amount invested, €	5,657	2,966.2	5,426	3,405.1	438.9	1.45	1,675.4	1.68
Tech	5,657	0.37	5,426	0.39	0.01	1.13	-0.04	-0.49
Unprofitable	5,657	0.67	5,426	0.67	0.00	0.49	-0.07	-0.95
High risk (Tech × Unprofitable)	5,657	0.27	5,426	0.27	0.01	0.86	-0.01	-0.19
Amount invested, High risk, €	1,500	2,839.4	1,478	4,071.9	1,232.5	2.81 ***	1,567.3	2.33 **
Amount invested, Low risk, €	4,157	3,012.0	3,948	3,155.5	143.5	0.38	1,084.2	0.55
Female	5,657	0.09	5,426	0.10	0.00	0.80	.	.
Age, years	5,657	42.4	5,426	44.0	1.6	7.20 ***	.	.
North (birth)	5,657	0.45	5,426	0.83	0.38	45.48 ***	0.74	11.02 ***
Centre (birth)	5,657	0.13	5,426	0.17	0.04	5.89 ***	-0.70	-8.91 ***
South and islands (birth)	5,657	0.42	5,426	0.00	-0.42	-63.88 ***	-0.04	-0.58
Local home bias	5,657	0.16	5,426	0.12	-0.04	-6.56 ***	0.12	26.58 ***
Serial	5,657	0.56	5,426	0.57	0.01	1.58	0.02	0.24

Table 3 – *Descriptive statistics of investments by social capital*. The table reports the descriptive statistics of the sample of investments by the median of *Social capital*. *Low Risk* is the complement of *High Risk,* i.e., a dummy variable equal to 1 if the backed company is neither technological nor unprofitable. All other variables are defined as in Table 2. Mean differences and their t-statistics are reported, both for the unmatched and matched sample. Matching is obtained through the 10 nearest neighbours propensity score matching methodology (Rosenbaum and Rubin, 1983; Imbens, 2004). Variables used for matching include personal attributes of the investor (*Female*, *Age*) and territorial controls (*Log population density*, *Log household income*, *Log number bank branches*, and *Log GDP per capita*). ***, **, *, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	Variable	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11	#12	#13	#14	#15	#16	#17	#18	#19	#20	#21	#22
#1	*Log amount invested*	1.00																					
#2	*Female*	**0.04**	1.00																				
#3	*Age*	**0.24**	**0.08**	1.00																			
#4	*North (birth)*	**0.06**	0.00	**0.07**	1.00																		
#5	*Center (birth)*	-0.01	0.01	0.00	**-0.55**	1.00																	
#6	*South and islands (birth)*	**-0.06**	-0.02	**-0.08**	**-0.69**	**-0.22**	1.00																
#7	*Local home bias*	**0.06**	**0.07**	**0.04**	**0.13**	**-0.06**	**-0.11**	1.00															
#8	*Serial*	**-0.06**	-0.16	**0.03**	**0.03**	-0.02	-0.01	**-0.22**	1.00														
#9	*Social Capital*	**0.03**	0.02	**0.07**	**0.69**	0.02	**-0.82**	**0.09**	0.00	1.00													
#10	*Social Capital (RGF)*	0.00	0.01	**0.04**	**0.44**	**0.16**	**-0.66**	0.00	0.00	**0.89**	1.00												
#11	*North (campaign)*	**-0.07**	-0.01	0.01	**0.16**	**-0.08**	**-0.12**	**0.05**	**-0.06**	**0.11**	**0.07**	1.00											
#12	*Centre (campaign)*	**0.06**	0.01	**0.04**	**-0.09**	**0.11**	0.01	**-0.03**	**0.03**	-0.02	0.01	**-0.63**	1.00										
#13	*South and islands (campaign)*	**0.03**	0.00	**-0.05**	**-0.11**	-0.01	**0.14**	**-0.04**	**0.05**	**-0.12**	**-0.11**	**-0.67**	**-0.15**	1.00									
#14	*Tech*	**0.07**	0.01	**0.07**	0.00	0.01	-0.02	0.00	**0.08**	0.00	0.00	**0.10**	-0.02	**-0.11**	1.00								
#15	*Unprofitable*	0.02	0.01	**0.04**	**0.06**	**-0.03**	**-0.04**	**0.05**	0.02	**0.04**	**0.03**	0.01	**0.07**	**-0.09**	**0.06**	1.00							
#16	*High risk*	**0.05**	0.01	**0.04**	**0.03**	0.00	**-0.03**	-0.01	**0.06**	0.02	0.01	**0.12**	**0.02**	**-0.18**	**0.77**	**0.42**	1.00						
#17	*Hard Cap*	0.06	-0.02	0.00	0.02	-0.02	-0.01	**-0.03**	**0.12**	-0.01	-0.01	**0.03**	**-0.03**	-0.01	**0.03**	0.00	**0.12**	1.00					
#18	*Soft Cap*	**-0.05**	0.02	-0.02	**-0.03**	-0.01	**0.04**	-0.01	**-0.04**	-0.02	-0.01	**-0.08**	**0.04**	**0.06**	**-0.21**	**-0.12**	**-0.27**	**-0.20**	1.00				
#19	*Log population density*	**0.05**	-0.01	**0.04**	**0.15**	**-0.08**	**-0.11**	**0.14**	0.00	**-0.23**	**-0.53**	0.02	-0.02	0.00	0.02	0.01	0.02	0.02	**-0.03**				
#20	*Log household income*	**0.05**	0.01	**0.07**	**0.71**	**0.05**	**-0.88**	**0.11**	0.02	**0.82**	**0.61**	**0.10**	-0.01	**-0.11**	0.01	**0.03**	0.02	0.01	-0.02	**0.16**	1.00		
#21	*Log number bank branches*	**0.09**	0.02	**0.05**	**0.31**	0.02	**-0.38**	**0.19**	0.00	**0.08**	**-0.20**	**0.05**	**-0.04**	**-0.03**	0.01	0.02	0.02	0.02	**-0.05**	**0.70**	**0.37**	1.00	
#22	*Log GDP per capita*	**0.08**	0.02	**0.08**	**0.65**	0.02	**-0.78**	**0.23**	0.00	**0.63**	**0.36**	**0.10**	**-0.04**	**-0.10**	0.01	**0.04**	0.02	0.01	**-0.04**	**0.46**	**0.79**	**0.70**	1.00

Table 4 – *Correlation table*. The table shows the pairwise correlations of the variables. Figures in bold indicate statistically significant correlation coefficients at the 1% level. All variables are defined as in Table 2.

	(1) Model	(2) Model	(3) Model	(4) Model
High risk × Social capital	0.0553***	0.0547***	0.0549***	0.0550***
	(0.0172)	(0.0170)	(0.0170)	(0.0171)
Social capital	-0.0334*	0.000829	0.00465	-0.000411
	(0.0182)	(0.0234)	(0.0208)	(0.0278)
High risk	-0.276***	-0.317***	-0.312***	-0.312***
	(0.0507)	(0.0503)	(0.0507)	(0.0505)
Unprofitable	0.239***	0.256***	0.254***	0.254***
	(0.0374)	(0.0364)	(0.0363)	(0.0362)
Tech	0.276***	0.319***	0.317***	0.317***
	(0.0417)	(0.0411)	(0.0414)	(0.0413)
Female	-0.0169	-0.0162	-0.0189	-0.0191
	(0.0571)	(0.0562)	(0.0559)	(0.0558)
Age	0.0231***	0.0229***	0.0228***	0.0228***
	(0.00164)	(0.00166)	(0.00166)	(0.00166)
Local home bias	0.158**	0.148*	0.133*	0.129
	(0.0732)	(0.0762)	(0.0760)	(0.0788)
North (birth)	0.205***	0.185***	0.184***	0.184***
	(0.0561)	(0.0526)	(0.0439)	(0.0436)
South and islands (birth)	-0.0234	-0.0351	0.0304	0.0344
	(0.0826)	(0.0878)	(0.0752)	(0.0733)
North (campaign)	-0.121***	-0.128***	-0.129***	-0.129***
	(0.0418)	(0.0389)	(0.0382)	(0.0381)
South and islands (campaign)	0.00210	0.00498	0.00220	0.00226
	(0.0450)	(0.0450)	(0.0443)	(0.0443)
Serial	-0.156***	-0.163***	-0.162***	-0.162***
	(0.0363)	(0.0362)	(0.0368)	(0.0368)
Soft cap		0.0986	0.0978	0.0980
		(0.0854)	(0.0847)	(0.0847)
Hard cap		0.200***	0.202***	0.202***
		(0.0325)	(0.0323)	(0.0324)
Log population density		0.0385	-0.00253	-0.00715
		(0.0265)	(0.0257)	(0.0319)
Log household income		-0.418	-0.412*	-0.426*
		(0.257)	(0.246)	(0.238)
Log Number bank branches			0.0768***	0.0686**
			(0.0217)	(0.0300)
Log GDP per capita				0.0573
				(0.145)
Constant	6.367***	10.35***	9.974***	9.613***
	(0.329)	(2.603)	(2.539)	(2.867)
Platform fixed effects	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes
Observations	11,083	11,083	11,083	11,083
Adjusted R-squared	0.188	0.192	0.193	0.193

Table 5 – *Social capital and investment in high-risk campaigns.* The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). *Social capital* is the level of social capital in the investor's province of birth, measured with our main social capital index. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ∗∗∗, ∗∗, ∗, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model
High risk × Social capital	0.0419**	0.0412**	0.0425**	0.0424**
	(0.0191)	(0.0193)	(0.0192)	(0.0191)
Social capital	0.0376	0.0868	0.0877	0.0238
	(0.0387)	(0.0640)	(0.0656)	(0.0697)
High risk	-0.0636	-0.123	-0.123	-0.141
	(0.0998)	(0.107)	(0.106)	(0.107)
Unprofitable	0.0749	0.143	0.147	0.154*
	(0.0834)	(0.0888)	(0.0892)	(0.0891)
Tech	-0.0902	-0.0579	-0.0599	-0.0476
	(0.0714)	(0.0735)	(0.0739)	(0.0777)
Female	0.0851	0.0878	0.0811	0.0888
	(0.136)	(0.133)	(0.132)	(0.131)
Age	0.0250***	0.0245***	0.0244***	0.0248***
	(0.00398)	(0.00403)	(0.00404)	(0.00389)
Local home bias	0.0728	0.0774	0.0491	-0.0208
	(0.136)	(0.150)	(0.151)	(0.164)
North (birth)	0.249	0.212	0.217	0.206
	(0.159)	(0.161)	(0.163)	(0.155)
South and islands (birth)	0.0723	0.0109	0.0605	0.117
	(0.208)	(0.217)	(0.232)	(0.223)
North (campaign)	0.0759	0.0687	0.0640	0.0681
	(0.0693)	(0.0680)	(0.0685)	(0.0693)
South and islands (campaign)	-0.0205	-0.0240	-0.0255	-0.0221
	(0.0806)	(0.0818)	(0.0815)	(0.0820)
Serial	-0.124	-0.108	-0.106	-0.0854
	(0.0879)	(0.0897)	(0.0895)	(0.0911)
Soft cap		0.170*	0.165*	0.161*
		(0.0956)	(0.0938)	(0.0943)
Hard cap		0.154***	0.157***	0.153***
		(0.0517)	(0.0519)	(0.0515)
Log population density		0.0470	0.000596	-0.0316
		(0.0572)	(0.0751)	(0.0700)
Log household income		-0.755	-0.751	-0.910
		(0.657)	(0.687)	(0.687)
Log Number bank branches			0.0870	-0.0184
			(0.0859)	(0.0978)
Log GDP per capita				0.732**
				(0.333)
Constant	6.051***	13.47**	13.08*	8.033
	(0.765)	(6.646)	(7.019)	(7.025)
Platform fixed effects	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes
Province of residence fixed effects	Yes	Yes	Yes	Yes
Observations	2,246	2,246	2,246	2,246
Adjusted R-squared	0.251	0.255	0.256	0.259

Table 6 – *Social capital and investment in high-risk campaigns, movers only*. The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). The analysis is restricted to movers, i.e. those investors that do not live anymore in the province in which they were born. All covariates are defined as in Table 2. All regressions include time, platform and province of residence fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ***, **, *, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model
High risk × Social capital	0.103***	0.103***	0.114*	0.0198	0.0201	0.0316
	(0.0273)	(0.0279)	(0.0633)	(0.0158)	(0.0155)	(0.0203)
Social capital	-0.0436**	0.0106	-0.0715	-0.0214	0.00679	0.0699
	(0.0188)	(0.0324)	(0.0980)	(0.0280)	(0.0371)	(0.0860)
High risk	-0.409***	-0.454***	0.539	-0.185***	-0.210***	-0.194*
	(0.0954)	(0.0969)	(0.401)	(0.0463)	(0.0471)	(0.107)
Unprofitable	0.463***	0.484***	-0.108	0.0896**	0.102***	-0.0401
	(0.0616)	(0.0592)	(0.249)	(0.0358)	(0.0353)	(0.0629)
Tech	0.449***	0.499***	-0.381	0.170***	0.201***	0.198**
	(0.0804)	(0.0796)	(0.312)	(0.0382)	(0.0387)	(0.0902)
Female	-0.0590	-0.0558	0.0839	0.0543	0.0428	0.0475
	(0.0512)	(0.0514)	(0.167)	(0.118)	(0.117)	(0.254)
Age	0.0279***	0.0278***	0.0308***	0.0182***	0.0177***	0.0247***
	(0.00195)	(0.00190)	(0.00539)	(0.00217)	(0.00216)	(0.00514)
Local home bias	0.112	0.0918	-0.0195	0.165**	0.105	0.0263
	(0.0762)	(0.0809)	(0.197)	(0.0715)	(0.0756)	(0.141)
North (birth)	0.216***	0.205***	0.228	0.217***	0.183**	0.168
	(0.0612)	(0.0558)	(0.191)	(0.0822)	(0.0718)	(0.216)
South and islands (birth)	-0.0324	0.0389	-0.0507	-0.0213	0.0434	0.176
	(0.0704)	(0.0993)	(0.311)	(0.140)	(0.123)	(0.252)
North (campaign)	-0.255***	-0.249***	-0.110	-0.0234	-0.0311	0.0988
	(0.0801)	(0.0769)	(0.188)	(0.0394)	(0.0376)	(0.0678)
South and islands (campaign)	0.0937	0.0773	-0.00857	-0.0216	-0.0222	-0.0176
	(0.0900)	(0.0915)	(0.265)	(0.0411)	(0.0408)	(0.0697)
Soft cap		0.157	0.722***		0.0996*	0.0221
		(0.197)	(0.249)		(0.0516)	(0.0995)
Hard cap		0.293***	0.0281		0.125***	0.138**
		(0.0695)	(0.165)		(0.0317)	(0.0525)
Log population density		-0.0140	-0.246**		0.00759	0.0417
		(0.0348)	(0.109)		(0.0475)	(0.0900)
Log household income		-0.595	-1.518		-0.446	-0.676
		(0.398)	(1.218)		(0.299)	(0.813)
Log Number bank branches		0.128***	0.235*		0.0328	-0.110
		(0.0455)	(0.127)		(0.0423)	(0.131)
Log GDP per capita		-0.0677	0.823*		0.170	0.582
		(0.176)	(0.441)		(0.203)	(0.423)
Constant	6.220***	12.05***	13.58	6.578***	9.060**	6.042
	(0.354)	(4.007)	(13.58)	(1.078)	(4.092)	(8.489)
Platform fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Province of residence fixed effects	No	No	Yes	No	No	Yes
Observations	4,833	4,833	569	6,250	6,250	1,677
Adjusted R-squared	0.239	0.246	0.269	0.141	0.144	0.303

Table 7 – *Social capital, experience, and investment in high-risk campaigns*. The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). Models 1, 2, and 3 exclude investments made by serial investors (i.e., investors contributing to more than one campaign in our sample). Models 4, 5, and 6 consider only investment made by serial investors. Model 3 and model 6 are also restricted to movers only. *Social capital* is the level of social capital in the investor's province of birth, measured with our main index of social capital. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Models 3 and 6 also include province of residence fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ***, **, *, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model
High risk × Social capital	-0.00830	-0.00480	0.0400*	0.0386*	0.00728	0.00382
	(0.0368)	(0.0371)	(0.0202)	(0.0195)	(0.0186)	(0.0182)
Social capital	-0.0287	0.0249	-0.0505*	0.0166	0.0437	0.0337
	(0.0273)	(0.0379)	(0.0269)	(0.0359)	(0.0740)	(0.0913)
High risk	-0.412***	-0.373***	-0.179**	-0.214***	-0.0107	-0.0271
	(0.131)	(0.130)	(0.0688)	(0.0682)	(0.110)	(0.119)
Unprofitable	0.220**	0.186**	0.106**	0.109**	-0.0188	-0.00909
	(0.0859)	(0.0825)	(0.0451)	(0.0454)	(0.0770)	(0.0856)
Tech	0.258**	0.369***	0.154**	0.172**	0.0844	0.0855
	(0.0999)	(0.114)	(0.0732)	(0.0721)	(0.0831)	(0.0922)
Female	0.220**	0.204**	0.0715	0.0553	-0.492***	-0.435***
	(0.105)	(0.0966)	(0.153)	(0.157)	(0.148)	(0.155)
Age	0.0232***	0.0229***	0.0177***	0.0175***	0.0141***	0.0129***
	(0.00202)	(0.00201)	(0.00238)	(0.00231)	(0.00464)	(0.00387)
Local home bias	0.0277	0.0446	0.151*	0.118*	0.441***	0.259***
	(0.147)	(0.124)	(0.0815)	(0.0658)	(0.121)	(0.0885)
North (birth)	0.152**	0.158**	0.235***	0.210***	0.243	0.145
	(0.0736)	(0.0612)	(0.0804)	(0.0689)	(0.153)	(0.151)
South and islands (birth)	-0.0530	-0.145	-0.0403	0.00889	0.112	0.387
	(0.119)	(0.129)	(0.133)	(0.121)	(0.294)	(0.306)
North (campaign)	-0.0852	-0.110	0.000190	-0.0159	-0.0520	-0.0445
	(0.0883)	(0.0851)	(0.0466)	(0.0462)	(0.0626)	(0.0606)
South and islands (campaign)	-0.112	-0.118	0.0497	0.0576	-0.0739	-0.0703
	(0.103)	(0.101)	(0.0685)	(0.0689)	(0.0566)	(0.0553)
Soft cap		0.624***		-0.168**		-0.0828
		(0.113)		(0.0735)		(0.118)
Hard cap		0.165**		0.109***		0.0618
		(0.0782)		(0.0372)		(0.0647)
Log population density		0.0114		0.0229		0.0401
		(0.0302)		(0.0325)		(0.0946)
Log household income		-0.927**		-0.485		-0.277
		(0.362)		(0.347)		(0.872)
Log Number bank branches		0.0915*		0.119**		-0.141
		(0.0474)		(0.0467)		(0.0947)
Log GDP per capita		-0.159		-0.220		0.982**
		(0.197)		(0.176)		(0.394)
Constant	6.881***	16.76***	9.350***	15.78***	6.186***	-0.171
	(1.098)	(4.116)	(0.156)	(3.460)	(0.263)	(10.08)
Platform fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,668	1,668	2,985	2,985	1,597	1,597
Adjusted R-squared	0.193	0.215	0.153	0.159	0.0908	0.108

Table 8 – *Social capital, learning, and investment in high-risk campaigns.* The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). Models 1 and 2 consider only the first investment made by investors classified as "serial." Models 3 and 4 consider the second, third, fourth and fifth investments made by serial investors. Models 5 and 6 consider investments made by serial investors from the sixth one onwards. *Social capital* is the level of social capital in the investor's province of birth, measured with our main index of social capital. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ∗∗∗, ∗∗, ∗, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model
High risk × Social capital (RGF)	0.0526**	0.0522**	0.0532**	0.0532**
	(0.0210)	(0.0208)	(0.0207)	(0.0208)
Social capital (RGF)	-0.0511***	-0.0548*	-0.0447	-0.0585
	(0.0170)	(0.0307)	(0.0286)	(0.0365)
High risk	-0.252***	-0.291***	-0.287***	-0.288***
	(0.0533)	(0.0522)	(0.0526)	(0.0522)
Unprofitable	0.238***	0.255***	0.253***	0.254***
	(0.0374)	(0.0363)	(0.0362)	(0.0361)
Tech	0.275***	0.318***	0.316***	0.317***
	(0.0417)	(0.0413)	(0.0416)	(0.0413)
Female	-0.0158	-0.0183	-0.0202	-0.0212
	(0.0573)	(0.0563)	(0.0560)	(0.0558)
Age	0.0230***	0.0229***	0.0229***	0.0228***
	(0.00165)	(0.00165)	(0.00165)	(0.00164)
Local home bias	0.148*	0.150**	0.136*	0.125
	(0.0797)	(0.0750)	(0.0755)	(0.0790)
North (birth)	0.188***	0.197***	0.197***	0.187***
	(0.0516)	(0.0503)	(0.0426)	(0.0416)
South and islands (birth)	-0.0551	-0.119	-0.0479	-0.0362
	(0.0657)	(0.0930)	(0.0864)	(0.0865)
North (campaign)	-0.122***	-0.128***	-0.129***	-0.130***
	(0.0414)	(0.0391)	(0.0385)	(0.0381)
South and islands (campaign)	0.000995	0.00490	0.00265	0.00245
	(0.0450)	(0.0448)	(0.0443)	(0.0443)
Serial	-0.157***	-0.164***	-0.162***	-0.163***
	(0.0366)	(0.0364)	(0.0369)	(0.0369)
Soft cap		0.0961	0.0954	0.0960
		(0.0858)	(0.0852)	(0.0852)
Hard cap		0.200***	0.201***	0.201***
		(0.0323)	(0.0322)	(0.0323)
Log population density		-0.00706	-0.0380	-0.0535
		(0.0339)	(0.0322)	(0.0377)
Log household income		-0.197	-0.202	-0.289
		(0.233)	(0.232)	(0.221)
Log Number bank branches			0.0707***	0.0447
			(0.0235)	(0.0334)
Log GDP per capita				0.172
				(0.141)
Constant	6.373***	8.324***	8.064***	7.441***
	(0.330)	(2.375)	(2.411)	(2.459)
Platform fixed effects	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes
Observations	11,083	11,083	11,083	11,083
Adjusted R-squared	0.188	0.192	0.193	0.193

Table 9 – *Social capital and investment in high-risk campaigns (alternative social capital index).* The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). *Social capital (RGF)* is the level of social capital in the investor's province of birth, measured with our alternative social capital index. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ∗∗∗, ∗∗, ∗, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model
High risk × Social capital (RGF)	0.104***	0.107***	0.0159	0.0163
	(0.0310)	(0.0316)	(0.0195)	(0.0193)
Social capital (RGF)	-0.0650***	-0.0638*	-0.0418*	-0.0494
	(0.0192)	(0.0342)	(0.0231)	(0.0476)
High risk	-0.363***	-0.406***	-0.177***	-0.202***
	(0.0975)	(0.0971)	(0.0469)	(0.0470)
Unprofitable	0.462***	0.479***	0.0894**	0.103***
	(0.0618)	(0.0587)	(0.0358)	(0.0353)
Tech	0.449***	0.499***	0.169***	0.201***
	(0.0802)	(0.0797)	(0.0381)	(0.0386)
Female	-0.0548	-0.0553	0.0523	0.0384
	(0.0516)	(0.0519)	(0.118)	(0.118)
Age	0.0280***	0.0279***	0.0180***	0.0178***
	(0.00196)	(0.00191)	(0.00220)	(0.00212)
Local home bias	0.105	0.0873	0.142*	0.0988
	(0.0812)	(0.0814)	(0.0803)	(0.0754)
North (birth)	0.201***	0.223***	0.201**	0.185**
	(0.0507)	(0.0576)	(0.0841)	(0.0725)
South and islands (birth)	-0.0652	-0.0412	-0.0654	-0.0289
	(0.0667)	(0.114)	(0.107)	(0.123)
North (campaign)	-0.257***	-0.251***	-0.0228	-0.0302
	(0.0807)	(0.0773)	(0.0385)	(0.0374)
South and islands (campaign)	0.0953	0.0788	-0.0236	-0.0219
	(0.0900)	(0.0907)	(0.0412)	(0.0408)
Soft cap		0.143		0.101*
		(0.198)		(0.0518)
Hard cap		0.290***		0.124***
		(0.0696)		(0.0314)
Log population density		-0.0715*		-0.0370
		(0.0393)		(0.0567)
Log household income		-0.365		-0.333
		(0.357)		(0.286)
Log Number bank branches		0.103**		0.00692
		(0.0483)		(0.0490)
Log GDP per capita		0.0676		0.290
		(0.174)		(0.211)
Constant	6.208***	8.771***	6.590***	7.090*
	(0.357)	(3.321)	(1.080)	(3.790)
Platform fixed effects	Yes	Yes	Yes	Yes
Time fixed effect	Yes	Yes	Yes	Yes
Observations	4,833	4,833	6,250	6,250
Adjusted R-squared	0.239	0.245	0.142	0.145

Table 10 – *Social capital, experience, and investment in high-risk campaigns (alternative social capital index)*. The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). Models 1 and 2 exclude investments made by serial investors (i.e., investors contributing to more than one campaign in our sample). Models 3 and 4 consider only investment made by serial investors. *Social capital (RGF)* is the level of social capital in the investor's province of birth, measured with our alternative index of social capital. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ∗∗∗, ∗∗, ∗, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model
High risk × Social capital (RGF)	0.0244	0.0290	0.0248	0.0229	-0.0149	-0.0161
	(0.0451)	(0.0452)	(0.0256)	(0.0258)	(0.0235)	(0.0215)
Social capital (RGF)	-0.0390	-0.0106	-0.0566**	-0.0251	-0.0238	-0.0941
	(0.0240)	(0.0375)	(0.0233)	(0.0378)	(0.0687)	(0.111)
High risk	-0.412***	-0.373***	-0.160**	-0.197***	-0.0238	-0.0443
	(0.131)	(0.128)	(0.0682)	(0.0673)	(0.108)	(0.119)
Unprofitable	0.222**	0.189**	0.106**	0.109**	-0.0206	-0.00857
	(0.0857)	(0.0817)	(0.0452)	(0.0454)	(0.0771)	(0.0858)
Tech	0.259**	0.372***	0.150**	0.172**	0.0889	0.0923
	(0.0997)	(0.113)	(0.0741)	(0.0726)	(0.0835)	(0.0928)
Female	0.216**	0.202**	0.0670	0.0561	-0.485***	-0.444***
	(0.105)	(0.0970)	(0.154)	(0.158)	(0.147)	(0.149)
Age	0.0231***	0.0229***	0.0176***	0.0174***	0.0132***	0.0135***
	(0.00202)	(0.00201)	(0.00236)	(0.00231)	(0.00479)	(0.00368)
Local home bias	0.0124	0.0398	0.131	0.117*	0.406***	0.247***
	(0.151)	(0.122)	(0.0842)	(0.0669)	(0.111)	(0.0933)
North (birth)	0.127*	0.169***	0.200**	0.221***	0.253*	0.160
	(0.0742)	(0.0613)	(0.0831)	(0.0678)	(0.142)	(0.153)
South and islands (birth)	-0.0386	-0.168	-0.0428	-0.0434	-0.132	0.195
	(0.100)	(0.136)	(0.104)	(0.113)	(0.226)	(0.286)
North (campaign)	-0.0835	-0.108	0.00159	-0.0138	-0.0542	-0.0450
	(0.0879)	(0.0848)	(0.0466)	(0.0460)	(0.0614)	(0.0596)
South and islands (campaign)	-0.113	-0.120	0.0505	0.0626	-0.0852	-0.0746
	(0.102)	(0.101)	(0.0693)	(0.0688)	(0.0566)	(0.0553)
Soft cap		0.629***		-0.169**		-0.0829
		(0.113)		(0.0730)		(0.118)
Hard cap		0.165**		0.109***		0.0574
		(0.0784)		(0.0373)		(0.0645)
Log population density		-0.00650		-0.0121		-0.0493
		(0.0347)		(0.0424)		(0.116)
Log household income		-0.821**		-0.334		-0.0845
		(0.334)		(0.331)		(0.786)
Log Number bank branches		0.0795*		0.0982**		-0.201*
		(0.0474)		(0.0465)		(0.113)
Log GDP per capita		-0.0895		-0.113		1.226***
		(0.181)		(0.193)		(0.437)
Constant	6.864***	15.13***	9.364***	13.51***	6.262***	-3.733
	(1.100)	(3.546)	(0.155)	(3.197)	(0.269)	(8.923)
Platform fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,668	1,668	2,985	2,985	1,597	1,597
Adjusted R-squared	0.194	0.215	0.154	0.158	0.0900	0.109

Table 11 – *Social capital, learning, and investment in high-risk campaigns (alternative social capital index).* The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). Models 1 and 2 consider only the first investment made by investors classified as "serial." Models 3 and 4 consider the second, third, fourth and fifth investments made by serial investors. Models 5 and 6 consider investments made by serial investors from the sixth one onwards. *Social capital (RGF)* is the level of social capital in the investor's province of birth, measured with our alternative index of social capital. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ∗∗∗, ∗∗, ∗, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model
High risk × Social capital	0.0499**	0.0502***	0.0500**	0.0501**
	(0.0191)	(0.0191)	(0.0191)	(0.0192)
Social capital	-0.0236	0.00915	0.0124	-0.00360
	(0.0195)	(0.0241)	(0.0219)	(0.0286)
High risk	-0.512***	-0.493***	-0.488***	-0.491***
	(0.0663)	(0.0655)	(0.0656)	(0.0653)
Unprofitable	0.365***	0.357***	0.355***	0.355***
	(0.0423)	(0.0423)	(0.0421)	(0.0421)
Tech	0.416***	0.421***	0.420***	0.422***
	(0.0502)	(0.0516)	(0.0520)	(0.0517)
Female	-0.0419	-0.0455	-0.0465	-0.0470
	(0.0514)	(0.0499)	(0.0497)	(0.0495)
Age	0.0230***	0.0229***	0.0229***	0.0229***
	(0.00170)	(0.00168)	(0.00168)	(0.00167)
Local home bias	0.167**	0.149*	0.137	0.126
	(0.0795)	(0.0839)	(0.0839)	(0.0898)
North (birth)	0.141**	0.120**	0.120***	0.119***
	(0.0603)	(0.0528)	(0.0443)	(0.0437)
South and islands (birth)	-0.00557	-0.0104	0.0411	0.0544
	(0.0898)	(0.0932)	(0.0790)	(0.0753)
North (campaign)	-0.182***	-0.191***	-0.192***	-0.193***
	(0.0499)	(0.0508)	(0.0502)	(0.0499)
South and islands (campaign)	-0.00505	-0.0129	-0.0147	-0.0160
	(0.0571)	(0.0587)	(0.0582)	(0.0579)
Serial	-0.152***	-0.151***	-0.150***	-0.149***
	(0.0379)	(0.0388)	(0.0392)	(0.0391)
Soft cap		0.388***	0.383***	0.387***
		(0.110)	(0.110)	(0.109)
Log population density		0.0411	0.00839	-0.00585
		(0.0307)	(0.0298)	(0.0345)
Log household income		-0.370	-0.368	-0.409
		(0.277)	(0.258)	(0.251)
Log Number bank branches			0.0614***	0.0354
			(0.0230)	(0.0291)
Log GDP per capita				0.180
				(0.159)
Constant	6.319***	9.553***	9.297***	8.104***
	(0.323)	(2.788)	(2.628)	(2.987)
Platform fixed effects	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes
Observations	7,977	7,977	7,977	7,977
Adjusted R-squared	0.207	0.210	0.210	0.210

Table 12 – *Social capital and investment in high-risk campaigns (no hard cap campaigns).* The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). The analysis excludes investments relative to campaigns in which a hard cap was reached, thus preventing any additional investments from being made. *Social capital* is the level of social capital in the investor's province of birth, measured with our main index of social capital. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ∗∗∗, ∗∗, ∗, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model
High risk × Social capital	0.0842***	0.0819***	0.0194	0.0204
	(0.0312)	(0.0311)	(0.0148)	(0.0144)
Social capital	-0.0248	0.0176	-0.0195	-0.00508
	(0.0221)	(0.0384)	(0.0342)	(0.0397)
High risk	-0.619***	-0.565***	-0.425***	-0.413***
	(0.120)	(0.117)	(0.0522)	(0.0523)
Unprofitable	0.548***	0.564***	0.222***	0.204***
	(0.0681)	(0.0673)	(0.0414)	(0.0413)
Tech	0.550***	0.554***	0.322***	0.324***
	(0.0935)	(0.0930)	(0.0441)	(0.0453)
Female	-0.0842	-0.0929*	0.0526	0.0349
	(0.0509)	(0.0512)	(0.119)	(0.117)
Age	0.0269***	0.0270***	0.0185***	0.0179***
	(0.00189)	(0.00192)	(0.00234)	(0.00223)
Local home bias	0.115	0.0917	0.187***	0.0830
	(0.0881)	(0.0947)	(0.0644)	(0.0671)
North (birth)	0.144**	0.133**	0.163*	0.116
	(0.0696)	(0.0627)	(0.0979)	(0.0841)
South and islands (birth)	-0.0144	0.0353	-0.0176	0.0595
	(0.0800)	(0.119)	(0.177)	(0.142)
North (campaign)	-0.342***	-0.334***	-0.0765*	-0.0879**
	(0.0895)	(0.0879)	(0.0431)	(0.0431)
South and islands (campaign)	0.119	0.120	-0.0536	-0.0704
	(0.111)	(0.111)	(0.0486)	(0.0494)
Soft cap		0.693***		0.281***
		(0.174)		(0.0876)
Log population density		0.0131		-0.00155
		(0.0430)		(0.0513)
Log household income		-0.375		-0.586*
		(0.428)		(0.303)
Log Number bank branches		0.0690		0.00682
		(0.0529)		(0.0454)
Log GDP per capita		-0.0648		0.409*
		(0.219)		(0.209)
Constant	6.218***	9.530**	6.520***	8.100*
	(0.360)	(4.492)	(1.047)	(4.134)
Platform fixed effects	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes
Observations	3,772	3,772	4,205	4,205
Adjusted R-squared	0.260	0.265	0.151	0.156

Table 13 – *Social capital, experience, and investment in high-risk campaigns (no hard cap campaigns).* The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). The analysis excludes investments relative to campaigns in which a hard cap was reached, thus preventing any additional investments from being made. Models 1 and 2 exclude investments made by serial investors (i.e., investors contributing to more than one campaign in our sample). Models 3 and 4 consider only investment made by serial investors. *Social capital* is the level of social capital in the investor's province of birth, measured with our main of social capital. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ∗∗∗, ∗∗, ∗, denote statistical significance at the 1, 5 and 10 percent level, respectively.

	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model
High risk × Social capital	0.0130	0.0173	0.0258	0.0258	0.00517	0.00461
	(0.0371)	(0.0358)	(0.0244)	(0.0236)	(0.0234)	(0.0229)
Social capital	-0.0567	-0.000642	-0.0394	0.0182	0.0710	0.0289
	(0.0343)	(0.0461)	(0.0350)	(0.0439)	(0.0687)	(0.0883)
High risk	-0.626***	-0.532***	-0.468***	-0.473***	-0.161	-0.168
	(0.136)	(0.146)	(0.0836)	(0.0819)	(0.114)	(0.116)
Unprofitable	0.394***	0.304***	0.233***	0.241***	0.0825	0.0779
	(0.103)	(0.105)	(0.0584)	(0.0569)	(0.0825)	(0.0871)
Tech	0.448***	0.520***	0.289***	0.294***	0.224**	0.221**
	(0.107)	(0.111)	(0.0736)	(0.0709)	(0.0907)	(0.0948)
Female	0.187*	0.154*	0.0592	0.0419	-0.456***	-0.422***
	(0.101)	(0.0904)	(0.157)	(0.158)	(0.122)	(0.121)
Age	0.0238***	0.0232***	0.0177***	0.0172***	0.0152***	0.0144***
	(0.00308)	(0.00288)	(0.00253)	(0.00252)	(0.00463)	(0.00385)
Local home bias	0.134	0.0510	0.124	0.0439	0.424***	0.287**
	(0.158)	(0.149)	(0.0828)	(0.0751)	(0.145)	(0.110)
North (birth)	0.0623	0.0400	0.220**	0.180**	0.168	0.0925
	(0.106)	(0.0939)	(0.104)	(0.0891)	(0.153)	(0.155)
South and islands (birth)	-0.203	-0.307*	0.0237	0.114	0.235	0.512*
	(0.156)	(0.166)	(0.185)	(0.153)	(0.283)	(0.288)
North (campaign)	-0.216**	-0.230**	-0.0880	-0.0789	0.0407	0.0389
	(0.106)	(0.103)	(0.0571)	(0.0613)	(0.0699)	(0.0695)
South and islands (campaign)	-0.227**	-0.246**	-0.00613	-0.00220	0.0469	0.0348
	(0.107)	(0.107)	(0.0836)	(0.0850)	(0.0809)	(0.0772)
Soft Cap		0.779***		-0.121		0.228
		(0.165)		(0.139)		(0.207)
Log population density		0.0293		0.0149		0.00735
		(0.0434)		(0.0420)		(0.0891)
Log household income		-1.316***		-0.697*		0.0918
		(0.449)		(0.415)		(0.803)
Log Number bank branches		0.0464		0.0991*		-0.138
		(0.0609)		(0.0587)		(0.0899)
Log GDP per capita		0.142		0.0677		0.951**
		(0.226)		(0.225)		(0.376)
Constant	6.935***	17.88***	9.277***	15.08***	5.914***	-4.025
	(1.060)	(4.868)	(0.174)	(4.505)	(0.279)	(9.496)
Platform fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,143	1,143	1,959	1,959	1,103	1,103
Adjusted R-squared	0.217	0.240	0.162	0.166	0.0862	0.0994

Table 14 – *Social capital, learning, and investment in high-risk campaigns (no hard cap campaigns).* The table reports the coefficients of a linear regression for the natural logarithm of the amount invested in each investment in the sample (*Log Amount Invested*). The analysis excludes investments relative to campaigns in which a hard cap was reached, thus preventing any additional investments from being made. Models 1 and 2 consider only the first investment made by investors classified as "serial." Models 3 and 4 consider the second, third, fourth and fifth investments made by serial investors. Models 5 and 6 consider investments made by serial investors from the sixth one onwards. Models 1and 2 consider the first investment made by investors classified as serials. Models 3 and 4 consider the second, third, fourth and fifth investments made by serial investors. Models 5 and 6 consider investments made by serial investors from the sixth one onwards. *Social capital* is the level of social capital in the investor's province of birth, measured with our main index of social capital. All covariates are defined as in Table 2. All regressions include time and platform fixed effects. Heteroscedasticity-robust standard errors clustered at the level of the province of birth of the investor are in parentheses. ***, **, *, denote statistical significance at the 1, 5 and 10 percent level, respectively.