

Crowdfunding follows traditional investment model

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This research was conducted by **Wesley Mendes-Da-Silva** and **four others** at **Fundaçao Getulio Vargas Business School** and **two other universities, Brazil**

Summary

This paper examined crowdfunded music projects in Brazil, using data from the main crowdfunding site in the country: Catarse. By using an online platform, crowdfunding has the potential to overcome geographic barriers and the limitations of entrepreneurs' existing social networks. However, the study found that crowdfunding replicated the dynamics of traditional investing: that investors tended to be local, in the network of the entrepreneur, and would benefit from having greater knowledge of the project, thereby lowering their risk.

The paper examined 1,835 pledges to 10 different productions through the course of 2013

The research was granted access to data from the Catarse platform, in particular they looked at the distance of the donor from the entrepreneur, the size of the donation, and the time in the fundraising window in which donations were made. The study found that a donor's proximity to the project increased their chances of donating. Most of the donors in the study are local donors (within a radius of 50km of projects they fund). In addition, the study also found that the amount pledged reduced in relation to distance from the project. Finally, they also found that pledges to projects tend to rise in value through the life of the fundraising period.

The importance of donor proximity

Many of the funders on the site are drawn from within the artists' own networks. The importance of donor proximity matches other more general principles of investment: that proximity brings with it the likelihood for greater flows of information and more chance to actively participate in decisions affecting the investment.

Keywords

crowdfunding

Brazil

music

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