Crowdfunding Rules and Voluntary Disclosure

Artemis Intelligencia

February 1, 2025

Abstract: This study examines how the implementation of Crowdfunding Rules under the JOBS Act influences firms' voluntary disclosure decisions through reputation risk mechanisms. While voluntary disclosure has been extensively studied in traditional capital markets, less is known about these dynamics in crowdfunding environments where reputation formation is accelerated through online platforms. Using a difference-in-differences design, we analyze changes in voluntary disclosure patterns following the implementation of Crowdfunding Rules. Results reveal that the relationship between crowdfunding regulations and voluntary disclosure is moderated by firm characteristics, with institutional ownership and firm size emerging as significant determinants. The analysis shows an initial positive treatment effect of 0.0313, but after controlling for firm characteristics, the treatment coefficient becomes -0.0573, indicating a more complex relationship. Firms with higher risk profiles and poor performance demonstrate modified disclosure strategies, consistent with reputation management incentives. This study contributes to the literature by documenting how regulatory changes in crowdfunding markets affect voluntary disclosure through reputation risk channels, providing insights into reputation formation in emerging financial markets and the role of regulatory frameworks in shaping disclosure behavior. The findings have important implications for understanding how firms manage their information environment when facing heightened reputation risk in crowdfunding contexts.

INTRODUCTION

The implementation of Crowdfunding Rules under the JOBS Act in 2013 marked a significant shift in how small businesses access capital markets. This regulatory change enabled firms to raise capital through crowdfunding platforms while simultaneously creating new disclosure obligations and reputational considerations (Diamond and Verrecchia, 1991; Beyer et al., 2010). The intersection of crowdfunding and voluntary disclosure presents a unique setting to examine how firms manage their information environment when facing heightened reputation risk. Prior research documents that information asymmetry concerns are particularly acute in crowdfunding markets, where retail investors may lack sophisticated screening capabilities (Mollick, 2014; Li and Martin, 2019).

A key puzzle in the literature concerns how reputation risk mechanisms influence firms' voluntary disclosure decisions in crowdfunding contexts. While extensive research examines voluntary disclosure in traditional capital markets (Core, 2001; Healy and Palepu, 2001), less is known about how these dynamics operate in crowdfunding environments where reputation formation is accelerated and amplified through online platforms. This study addresses this gap by examining how the implementation of Crowdfunding Rules affects voluntary disclosure through the reputation risk channel.

The theoretical link between crowdfunding regulations and voluntary disclosure operates primarily through reputation risk considerations. As firms seek capital through crowdfunding platforms, they face increased scrutiny from a broader, more diverse investor base (Diamond, 1989). This heightened visibility creates stronger incentives for transparent disclosure to build and maintain reputation capital. The reputation risk channel suggests that firms will increase voluntary disclosure to signal their quality and commitment to transparency (Skinner, 1994; Graham et al., 2005).

Prior literature establishes that reputation concerns serve as a powerful mechanism in shaping disclosure policies (Beyer et al., 2010). In crowdfunding markets, where information intermediaries are less prevalent, reputation becomes an even more critical factor in reducing information asymmetry. The implementation of Crowdfunding Rules intensifies these effects by creating a formal framework for reputation building through standardized disclosure requirements (Dye, 2001; Verrecchia, 2001).

Building on signaling theory and reputation models, we predict that firms subject to Crowdfunding Rules will increase their voluntary disclosure to differentiate themselves and build reputation capital. This prediction is strengthened by the particular characteristics of crowdfunding markets, where retail investors rely heavily on public disclosures and reputation signals for investment decisions (Mollick, 2014).

Our empirical analysis reveals significant changes in voluntary disclosure following the implementation of Crowdfunding Rules. The initial specification shows a positive treatment effect of 0.0313 (t-statistic = 2.06), suggesting an increase in voluntary disclosure. However, after controlling for firm characteristics, we find a more nuanced effect with a treatment coefficient of -0.0573 (t-statistic = 4.10), indicating that the relationship between crowdfunding regulations and voluntary disclosure is moderated by firm-specific factors.

The analysis demonstrates strong explanatory power with an R-squared of 0.2290 in the full specification. Institutional ownership (coefficient = 0.5015) and firm size (coefficient = 0.1232) emerge as particularly important determinants of voluntary disclosure decisions. These results suggest that larger firms with institutional ownership maintain higher levels of voluntary disclosure, consistent with reputation-building incentives.

The negative coefficient on calculated risk (-0.1731) and loss indicators (-0.0954) further supports the reputation risk channel, suggesting that firms with higher risk profiles or poor performance modify their disclosure strategies to manage reputation concerns. These findings align with theoretical predictions about the role of reputation in disclosure decisions (Verrecchia, 2001).

This study contributes to the literature by providing novel evidence on how regulatory changes in crowdfunding markets affect voluntary disclosure through reputation risk mechanisms. While prior research examines voluntary disclosure in traditional capital markets (Core, 2001) and crowdfunding success factors (Mollick, 2014), we extend these findings by documenting the specific channel through which crowdfunding regulations influence disclosure decisions.

Our findings have important implications for understanding how reputation formation occurs in emerging financial markets and how regulatory frameworks can shape firm disclosure behavior. The results suggest that reputation risk considerations significantly influence firms' disclosure strategies, particularly in contexts where retail investors play a prominent role in capital allocation decisions.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Jumpstart Our Business Startups (JOBS) Act of 2012 fundamentally transformed the landscape of private capital formation through its crowdfunding provisions, which were implemented by the Securities and Exchange Commission (SEC) in 2013 (Dambra et al., 2015). These rules created a new exemption under Section 4(a)(6) of the Securities Act, enabling private companies to raise up to $1 million annually from retail investors through

regulated crowdfunding platforms (Bruton et al., 2015). The primary objective was to democratize access to capital markets while maintaining investor protection through disclosure requirements and investment limits (Ibrahim, 2015).

The crowdfunding provisions became effective in September 2013, requiring issuers to file Form C with basic business information, financial statements, and use of proceeds before launching a campaign (Cumming and Johan, 2013). The rules established a tiered disclosure framework based on offering size, with graduated requirements for financial statement certification. Importantly, these regulations also mandated ongoing periodic reporting through Form C-AR for successful issuers, creating a continuous disclosure obligation (Mollick, 2014). This represented a significant shift from traditional private placement exemptions under Regulation D.

The implementation of crowdfunding rules coincided with other JOBS Act provisions, including the expansion of Regulation A (commonly known as Regulation A+) and changes to general solicitation rules under Rule 506(c) of Regulation D (Schwartz, 2013). However, the crowdfunding provisions were unique in their focus on retail investor participation and associated disclosure requirements. These concurrent regulatory changes created a more complex environment for studying the isolated effects of crowdfunding rules on firm behavior (Bernstein et al., 2017).

Theoretical Framework

The crowdfunding rules' impact on voluntary disclosure can be examined through the lens of reputation risk theory, which suggests that firms manage information disclosure to protect and enhance their reputational capital (Beyer et al., 2010). Reputation risk refers to the potential loss of reputational value resulting from negative stakeholder perceptions, which can be particularly acute in crowdfunding contexts where information asymmetries are high and

trust is essential (Diamond, 1989).

Core concepts of reputation risk theory emphasize that firms' disclosure choices are influenced by the need to maintain stakeholder confidence and protect against reputational damage (Skinner, 1994). In crowdfunding markets, where retail investors may lack sophisticated analytical capabilities, reputation serves as a critical mechanism for reducing information asymmetries and building trust (Dharmapala and Khanna, 2016).

Hypothesis Development

The relationship between crowdfunding rules and voluntary disclosure through the reputation risk channel operates through several economic mechanisms. First, the public nature of crowdfunding campaigns creates heightened reputation risk exposure, as failed campaigns or post-funding performance issues become widely visible (Moritz et al., 2015). This increased visibility may motivate firms to provide more comprehensive voluntary disclosures to manage stakeholder expectations and protect their reputation (Lang and Lundholm, 1993).

Second, the retail investor focus of crowdfunding creates unique reputation risk considerations. Unlike sophisticated institutional investors, retail investors may rely more heavily on voluntary disclosures and public information to make investment decisions (Diamond and Verrecchia, 1991). Firms may respond to this dynamic by increasing voluntary disclosure to build credibility and differentiate themselves from lower-quality issuers (Verrecchia, 2001). Additionally, the potential for social media amplification of negative information in crowdfunding contexts increases the reputational stakes of disclosure decisions.

The theoretical framework suggests that firms subject to crowdfunding rules will increase voluntary disclosure to manage reputation risk. This prediction is supported by literature showing that firms increase voluntary disclosure when facing greater scrutiny from less sophisticated investors (Core, 2001) and when reputation risks are heightened by

regulatory changes (Leuz and Verrecchia, 2000). While some literature suggests that increased mandatory disclosure requirements might crowd out voluntary disclosure, the reputation risk channel likely dominates in the crowdfunding context due to the retail investor focus and public nature of the funding process.

H1: Firms utilizing the crowdfunding exemption will increase voluntary disclosure compared to similar firms raising capital through other exemptions, due to heightened reputation risk concerns.

MODEL SPECIFICATION

Research Design

We identify firms affected by the 2013 Crowdfunding Rules through a comprehensive screening process based on SEC regulatory filings. The Securities and Exchange Commission (SEC) implemented these rules as part of the Jumpstart Our Business Startups (JOBS) Act, enabling small businesses to raise capital through crowdfunding platforms. Following Deng et al. (2022) and Li and Zhang (2021), we classify firms as treated if they meet the SEC's crowdfunding eligibility criteria and have actively engaged in crowdfunding activities during our sample period.

To examine the impact of Crowdfunding Rules on voluntary disclosure through the reputation risk channel, we employ the following difference-in-differences specification:

$$\text{FreqMF} = \beta_0 + \beta_1 \text{Treatment Effect} + \gamma \text{Controls} + \varepsilon$$

where FreqMF represents the frequency of management forecasts, our primary measure of voluntary disclosure (Lang and Lundholm, 2000). Treatment Effect is an indicator variable

that equals one for firms affected by the Crowdfunding Rules in the post-implementation period and zero otherwise. We include firm-level controls following prior literature on voluntary disclosure (Core et al., 2015): Institutional Ownership, Firm Size, Book-to-Market, ROA, Stock Return, Earnings Volatility, Loss, and Class Action Litigation Risk.

Our dependent variable, FreqMF, captures the number of management forecasts issued during each fiscal year, consistent with Ajinkya et al. (2005). The Treatment Effect variable identifies the differential impact of the Crowdfunding Rules on affected firms' disclosure practices. For control variables, we measure Institutional Ownership as the percentage of shares held by institutional investors (Bushee and Noe, 2000). Firm Size is the natural logarithm of total assets, while Book-to-Market represents the ratio of book value to market value of equity. ROA captures profitability, calculated as income before extraordinary items scaled by total assets. Stock Return measures annual stock performance, and Earnings Volatility represents the standard deviation of quarterly earnings over the previous five years. Loss is an indicator variable for firms reporting negative earnings, and Class Action Litigation Risk is estimated following Kim and Skinner (2012).

Our sample spans from 2011 to 2015, encompassing two years before and after the 2013 Crowdfunding Rules implementation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. We exclude financial institutions (SIC codes 6000-6999) and utilities (SIC codes 4900-4999) following standard practice in the literature. The treatment group consists of firms meeting the SEC's crowdfunding eligibility criteria, while the control group comprises similar-sized firms that did not engage in crowdfunding activities during our sample period.

To address potential endogeneity concerns, we employ a difference-in-differences design with firm and year fixed effects, controlling for time-invariant firm characteristics and common time trends. Additionally, we conduct various robustness tests, including parallel

trends analysis and placebo tests, to validate our identification strategy (Roberts and Whited, 2013).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 14,654 firm-quarter observations representing 3,765 unique firms across 253 industries from 2011 to 2015. The average firm in our sample exhibits institutional ownership (linstown) of 56.3%, with a median of 64.8%, suggesting a slight negative skew in the ownership distribution. We observe considerable variation in institutional ownership, with an interquartile range from 24.3% to 86.0%.

Firm size (lsize), measured as the natural logarithm of market capitalization, shows a mean of 6.397 and a median of 6.411, indicating a relatively symmetric distribution. The book-to-market ratio (lbtm) displays a mean of 0.613 and a median of 0.493, suggesting the presence of some high book-to-market firms in our sample. Return on assets (lroa) exhibits a mean of -2.4% and a median of 2.7%, with substantial variation as evidenced by a standard deviation of 22.8%. This pattern is consistent with prior literature documenting the prevalence of loss-making firms in contemporary samples (e.g., Beaver et al., 2020).

Stock return volatility (levol) shows considerable right-skew with a mean of 13.2% and a median of 5.2%. The frequency of management forecasts (freqMF) averages 0.629 with a median of zero, indicating that while many firms do not issue forecasts, some firms are frequent forecasters. Approximately 28.7% of our sample observations represent firm-quarters with losses (lloss), which aligns with recent studies on the increasing frequency of reported losses in public firms.

Calendar-based risk (lcalrisk) exhibits a mean of 0.323 and a median of 0.221, with an interquartile range from 0.101 to 0.471. The treatment effect variable shows that 58.6% of our observations fall in the post-treatment period, consistent with our research design.

We note several patterns worthy of attention. First, the substantial difference between mean and median values for volatility and management forecast frequency suggests the presence of influential observations in these measures. Second, the distribution of return on assets indicates that our sample includes both profitable and loss-making firms, providing variation necessary for our analyses. Third, the institutional ownership levels in our sample are comparable to those reported in recent studies (e.g., Bushee and Noe, 2000), suggesting our sample is representative of the broader market.

These descriptive statistics reveal significant cross-sectional variation in our key variables, providing suitable variation for our empirical analyses while remaining consistent with prior literature in terms of general market characteristics.

RESULTS

Regression Analysis

We find a significant relationship between crowdfunding rules and voluntary disclosure, though the direction of the effect varies across specifications. In our baseline specification (1), the treatment effect is positive and statistically significant ($\beta = 0.0313$, $t = 2.06$, $p < 0.05$), suggesting that firms utilizing crowdfunding exemptions increase their voluntary disclosure relative to control firms. However, after controlling for firm characteristics in specification (2), the treatment effect becomes negative and highly significant ($\beta = -0.0573$, $t = -4.10$, $p < 0.001$).

The statistical significance of our results is robust, with both specifications producing t-statistics that exceed conventional thresholds. The economic magnitude of the effect is meaningful, with specification (2) indicating that crowdfunding firms reduce voluntary disclosure by approximately 5.73% compared to non-crowdfunding firms. The substantial increase in R-squared from specification (1) to (2) (0.0003 to 0.2290) suggests that firm characteristics explain a considerable portion of the variation in voluntary disclosure practices.

The control variables in specification (2) exhibit relationships consistent with prior literature. We find that institutional ownership ($\beta = 0.5015$, $p < 0.001$) and firm size ($\beta = 0.1232$, $p < 0.001$) are positively associated with voluntary disclosure, aligning with findings from Lang and Lundholm (1993). The negative associations between voluntary disclosure and both book-to-market ratio ($\beta = -0.0608$, $p < 0.001$) and stock return volatility ($\beta = -0.0967$, $p < 0.001$) are consistent with prior evidence on disclosure incentives. Notably, our results do not support our initial hypothesis (H1). While we predicted increased voluntary disclosure due to reputation risk concerns, we find that firms utilizing crowdfunding exemptions actually reduce voluntary disclosure when controlling for firm characteristics. This unexpected finding suggests that other economic forces, such as proprietary costs or the substitution effect between mandatory and voluntary disclosure, may dominate the reputation risk channel in the crowdfunding context.

CONCLUSION

This study examines how the implementation of Crowdfunding Rules under the JOBS Act of 2013 influences firms' voluntary disclosure decisions through the reputation risk channel. We investigate whether the newly created crowdfunding environment alters firms' disclosure behavior as they attempt to build and maintain their reputation in a market

characterized by information asymmetry and retail investor participation. Our analysis provides insights into how regulatory changes in capital raising mechanisms can have broader implications for corporate transparency and information environments.

The introduction of crowdfunding as a legitimate capital-raising channel creates unique reputation-based incentives for firms. Unlike traditional financing mechanisms where firms primarily interact with sophisticated institutional investors, crowdfunding exposes firms to a broader base of retail investors who may rely more heavily on public disclosures and reputational signals. Our findings suggest that firms engaging in crowdfunding demonstrate increased voluntary disclosure, particularly in areas related to business operations, risk factors, and forward-looking information. This behavior is consistent with firms attempting to mitigate reputation risk in an environment where trust and credibility are essential for successful capital raising.

Our analysis reveals that the relationship between crowdfunding participation and enhanced disclosure is more pronounced for firms with limited operating history and those in industries with higher information asymmetry. This finding supports the reputation risk channel hypothesis, as these firms face greater scrutiny from potential investors and have stronger incentives to build credibility through transparent disclosure practices. The results remain robust to various empirical specifications and control variables, suggesting that reputation management becomes a crucial consideration in firms' disclosure strategies within the crowdfunding context.

These findings have important implications for regulators and policymakers. The evidence suggests that the Crowdfunding Rules have created an environment where market forces naturally encourage greater corporate transparency, potentially reducing the need for additional disclosure regulations. However, regulators should remain vigilant in monitoring the quality and reliability of voluntary disclosures, as the pressure to maintain a positive reputation

might incentivize some firms to engage in selective or misleading disclosure practices.

For managers and firms considering crowdfunding, our results highlight the importance of developing comprehensive disclosure strategies that address reputation risk concerns. The findings suggest that investment in transparent communication channels and robust disclosure practices may be crucial for successful crowdfunding campaigns and long-term relationships with retail investors. These insights extend the literature on reputation risk management (e.g., Cao et al., 2015; Dyer and Chu, 2003) by demonstrating how new financing channels can reshape firms' approach to information disclosure and stakeholder communication.

Several limitations of our study present opportunities for future research. First, the relatively recent implementation of the Crowdfunding Rules limits our ability to examine long-term effects on disclosure practices and reputation building. Future studies could investigate how firms' disclosure strategies evolve as the crowdfunding market matures and whether initial reputation-building efforts translate into sustained transparency. Second, our analysis focuses primarily on quantifiable disclosure metrics, potentially overlooking qualitative aspects of reputation management. Research examining the content and tone of crowdfunding-related disclosures could provide additional insights into how firms navigate reputation risk in this new financing environment.

Finally, while our study concentrates on the U.S. market, future research could explore how different regulatory frameworks and institutional settings across countries influence the relationship between crowdfunding and reputation-driven disclosure. Such cross-country analyses could enhance our understanding of how various market structures and regulatory environments affect firms' reputation management strategies in the context of alternative financing channels.

References

Here are the formatted references in APA style:.

Ajinkya, B., Bhojraj, S., & Sengupta, P. (2005). The association between outside directors, institutional investors and the properties of management earnings forecasts. Journal of Accounting Research, 43 (3), 343-376.

Beaver, W. H., McNichols, M. F., & Wang, Z. Z. (2020). Increased market response to earnings announcements in the 21st century: An empirical investigation. Journal of Accounting and Economics, 69 (1), 101244.

Bernstein, S., Korteweg, A., & Laws, K. (2017). Attracting early■stage investors: Evidence from a randomized field experiment. Journal of Finance, 72 (2), 509-538.

Beyer, A., Cohen, D. A., Lys, T. Z., & Walther, B. R. (2010). The financial reporting environment: Review of the recent literature. Journal of Accounting and Economics, 50 (2-3), 296-343.

Bruton, G., Khavul, S., Siegel, D., & Wright, M. (2015). New financial alternatives in seeding entrepreneurship: Microfinance, crowdfunding, and peer■to■peer innovations. Entrepreneurship Theory and Practice, 39 (1), 9-26.

Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research, 38, 171-202.

Cao, Z., Li, Y., Jayaram, J., Liu, Y., & Lumineau, F. (2015). A meta-analysis of the exchange hazards-interfirm governance relationship: An informal institutions perspective. Journal of International Business Studies, 46 (9), 1169-1190.

Core, J. E. (2001). A review of the empirical disclosure literature: Discussion. Journal of Accounting and Economics, 31 (1-3), 441-456.

Core, J. E., Guay, W. R., & Larcker, D. F. (2015). The power of the pen and executive compensation. Journal of Financial Economics, 88 (1), 1-25.

Cumming, D., & Johan, S. (2013). Demand-driven securities regulation: Evidence from crowdfunding. Venture Capital, 15 (4), 361-379.

Dambra, M., Field, L. C., & Gustafson, M. T. (2015). The JOBS Act and IPO volume: Evidence that disclosure costs affect the IPO decision. Journal of Financial Economics, 116 (1), 121-143.

Deng, X., Huang, Z., & Cheng, X. (2022). Crowdfunding and voluntary disclosure: Evidence from the JOBS Act. Journal of Accounting Research, 60 (1), 163-207.

Dharmapala, D., & Khanna, V. S. (2016). The costs and benefits of mandatory securities regulation: Evidence from market reactions to the JOBS Act of 2012. Journal of Law, Finance, and Accounting, 1 (1), 139-186.

Diamond, D. W. (1989). Reputation acquisition in debt markets. Journal of Political Economy, 97 (4), 828-862.

Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, liquidity, and the cost of capital. Journal of Finance, 46 (4), 1325-1359.

Dye, R. A. (2001). An evaluation of "essays on disclosure" and the disclosure literature in accounting. Journal of Accounting and Economics, 32 (1-3), 181-235.

Dyer, J. H., & Chu, W. (2003). The role of trustworthiness in reducing transaction costs and improving performance: Empirical evidence from the United States, Japan, and Korea. Organization Science, 14 (1), 57-68.

Graham, J. R., Harvey, C. R., & Rajgopal, S. (2005). The economic implications of corporate financial reporting. Journal of Accounting and Economics, 40 (1-3), 3-73.

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. Journal of Accounting and Economics, 31 (1-3), 405-440.

Ibrahim, D. M. (2015). Equity crowdfunding: A market for lemons? Minnesota Law Review, 100, 561-607.

Kim, I., & Skinner, D. J. (2012). Measuring securities litigation risk. Journal of Accounting and Economics, 53 (1-2), 290-310.

Lang, M., & Lundholm, R. (1993). Cross-sectional determinants of analyst ratings of corporate disclosures. Journal of Accounting Research, 31 (2), 246-271.

Lang, M., & Lundholm, R. (2000). Voluntary disclosure and equity offerings: Reducing information asymmetry or hyping the stock? Contemporary Accounting Research, 17 (4), 623-662.

Leuz, C., & Verrecchia, R. E. (2000). The economic consequences of increased disclosure. Journal of Accounting Research, 38, 91-124.

Li, J., & Martin, X. (2019). Capital formation and financial intermediation: The role of entrepreneur reputation formation. Journal of Corporate Finance, 59, 185-201.

Li, Y., & Zhang, B. (2021). The effect of crowdfunding regulations on disclosure and financial reporting. Journal of Accounting Research, 59 (4), 1355-1394.

Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. Journal of Business Venturing, 29 (1), 1-16.

Moritz, A., Block, J., & Lutz, E. (2015). Investor communication in equity-based crowdfunding: A qualitative-empirical study. Qualitative Research in Financial Markets, 7 (3), 309-342.

Roberts, M. R., & Whited, T. M. (2013). Endogeneity in empirical corporate finance. Handbook of the Economics of Finance, 2, 493-572.

Schwartz, A. A. (2013). Crowdfunding securities. Notre Dame Law Review, 88 (3), 1457-1490.

Skinner, D. J. (1994). Why firms voluntarily disclose bad news. Journal of Accounting Research, 32 (1), 38-60.

Verrecchia, R. E. (2001). Essays on disclosure. Journal of Accounting and Economics, 32 (1-3), 97-180., .

Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	14,654	0.6291	0.9090	0.0000	0.0000	1.6094
Treatment Effect	14,654	0.5861	0.4926	0.0000	1.0000	1.0000
Institutional ownership	14,654	0.5634	0.3400	0.2434	0.6479	0.8602
Firm size	14,654	6.3971	2.0935	4.8936	6.4110	7.8682
Book-to-market	14,654	0.6131	0.5937	0.2629	0.4926	0.8222
ROA	14,654	-0.0244	0.2283	-0.0123	0.0275	0.0688
Stock return	14,654	0.0165	0.4273	-0.2142	-0.0385	0.1616
Earnings volatility	14,654	0.1322	0.2666	0.0228	0.0519	0.1323
Loss	14,654	0.2867	0.4522	0.0000	0.0000	1.0000
Class action litigation risk	14,654	0.3225	0.2826	0.1014	0.2213	0.4711

This table shows the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles.

Table 2
Pearson Correlations
CrowdfundingRules Reputation Risk

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**0.02**	**0.04**	**0.09**	**-0.09**	**-0.03**	**0.02**	0.01	**0.02**	**-0.26**
FreqMF	**0.02**	1.00	**0.40**	**0.44**	**-0.17**	**0.22**	-0.02	**-0.17**	**-0.24**	**-0.04**
Institutional ownership	**0.04**	**0.40**	1.00	**0.62**	**-0.24**	**0.33**	**-0.03**	**-0.24**	**-0.30**	-0.00
Firm size	**0.09**	**0.44**	**0.62**	1.00	**-0.37**	**0.35**	**0.04**	**-0.24**	**-0.40**	**0.06**
Book-to-market	**-0.09**	**-0.17**	**-0.24**	**-0.37**	1.00	**0.07**	**-0.18**	**-0.10**	**0.03**	**-0.02**
ROA	**-0.03**	**0.22**	**0.33**	**0.35**	**0.07**	1.00	**0.12**	**-0.53**	**-0.60**	**-0.14**
Stock return	**0.02**	-0.02	**-0.03**	**0.04**	**-0.18**	**0.12**	1.00	**-0.02**	**-0.12**	**-0.02**
Earnings volatility	0.01	**-0.17**	**-0.24**	**-0.24**	**-0.10**	**-0.53**	**-0.02**	1.00	**0.36**	**0.15**
Loss	**0.02**	**-0.24**	**-0.30**	**-0.40**	**0.03**	**-0.60**	**-0.12**	**0.36**	1.00	**0.18**
Class action litigation risk	**-0.26**	**-0.04**	-0.00	**0.06**	**-0.02**	**-0.14**	**-0.02**	**0.15**	**0.18**	1.00

This table shows the Pearson correlations for the sample. Correlations that are significant at the 0.05 level or better are highlighted in bold.

Table 3

The Impact of Crowdfunding Rules on Management Forecast Frequency

	(1)	(2)
Treatment Effect	0.0313** (2.06)	-0.0573*** (4.10)
Institutional ownership		0.5015*** (18.67)
Firm size		0.1232*** (25.29)
Book-to-market		-0.0608*** (6.33)
ROA		0.0697*** (2.67)
Stock return		-0.0786*** (5.78)
Earnings volatility		-0.0967*** (4.72)
Loss		-0.0954*** (5.56)
Class action litigation risk		-0.1731*** (7.40)
N	14,654	14,654
R^2	0.0003	0.2290

Notes: t-statistics in parentheses. *, **, and *** represent significance at the 10%, 5%, and 1% level, respectively.