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Geographical Insights into the Reward-Based Crowdfunding Market of the European Union

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Abstract

Geographical biases in investment decisions, where investors favor domestic assets, remain a persistent puzzle in international macroeconomics. Despite numerous rational theories, these biases often defy explanation. The rise of online crowdfunding, which fosters peer-to-peer interactions, promises to overcome geographical limitations and bring a more globalized approach to funding. Yet, many studies continue to reveal that investors tend to favor local opportunities. In light of this, we argue that rather than broad international studies, future research should focus on specific regions where economic, political, and cultural similarities might shape investor behavior. The European Union (EU), an area that has been largely overlooked in this context, provides a unique setting for such an analysis. Our exploratory study delves into the reward-based crowdfunding market within the EU, examining the geographical distribution of projects and funders, the biases within this market, and their impact on funding success. We observe that the EU market is highly concentrated in its largest economies. By employing Quasibinomial-Logit-Regression and linear regression models, we find evidence of strong national proximity biases and no significant evidence of cross-border funding biases among EU member states. Additionally, our regression results reveal that these home-country preferences have a detrimental effect on funding success, as funders from more distant regions tend to contribute higher amounts. These findings provide valuable insights into the dynamics of geographical biases and their consequences in the EU crowdfunding landscape.

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1. Introduction

Crowdfunding is a method of raising capital in which typically a large number of individuals collaborate to fund a specific project (U.S. Securities and Exchange Commission, 2011). Unlike traditional financing methods, crowdfunding enables entrepreneurs to realize projects without relying on large individual investors. At the same time, it provides opportunities for individuals to participate in larger ventures with relatively small financial contributions. While historical examples—such as the funding of the pedestal for the Statue of Liberty in 1885—demonstrate its early existence, crowdfunding is primarily regarded as a relatively new alternative financing method (Khan, 2010). Its rise began with the launch of the first crowdfunding platform, *ArtistShare*, in 2000 (Zhao, Harris, & Lam, 2019). By connecting individuals across continents, the internet has been a key catalyst for crowdfunding's growth. Between 2015 and 2020, the global market for alternative financing expanded from USD 44 billion to USD 113 billion (excluding China), even recording growth during the COVID-19 pandemic (Ziegler et al., 2021). Crowdfunding is generally classified into four main types: debt-based, equity-based, reward-based, and donation-based (Meyskens & Bird, 2015). Since the launch of the first crowdfunding platform in 2000, countless new platforms have emerged (Zhao et al., 2019). These platforms primarily differ in two aspects: the type of crowdfunding model and the platform's distribution approach, specifically the All-or-Nothing and Keep-it-All concepts (Deng, Ye, Xu, Sun, & Jiang, 2022). The All-or-

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Nothing model ensures that project founders receive funds only if they meet their specified funding goal; otherwise, the money is refunded to backers. In contrast, the Keep-it-All model allows project founders to retain the funds raised, regardless of whether the goal is achieved. Hybrid models, such as the one implemented by *Indiegogo*, allow project founders to choose between these two approaches (Deng et al., 2022). For our analysis, we chose *Kickstarter* because it is one of the largest international crowdfunding platforms, provides extensive access to valuable metadata, and is widely regarded as one of the most researched platforms in the field (Deng et al., 2022). *Kickstarter* is classified as a reward-based crowdfunding platform and operates on an All-or-Nothing principle (Kickstarter, 2024). Using *Kickstarter* data, we explore home and local biases in the context of the European Union (EU).

In recent decades, the phenomenon of home bias has garnered significant attention. Obstfeld and Rogoff (2000) even classified equity home bias as one of the six major puzzles in international macroeconomics. Unsurprisingly, this puzzle has also extended into other market domains, including crowdfunding. As we present the main findings of this research field in the next section, it will become evident that the study of geographical behavioral preferences in crowdfunding is both complex and multifaceted, sometimes yielding contradictory findings. Due to its collectivized yet individual nature, crowdfunding is highly complex and heterogeneous, ultimately depending on the behaviors of individuals within society. These behaviors are clearly shaped by values embedded in societal structures. A well-known classification of values across different countries and world regions is provided by Hofstede (1983). Hence, in the context of crowdfunding, project creators from different world regions emphasize distinct aspects of their projects, thereby attracting different types of backers. At the same time, backers from different regions exhibit varying behaviors toward crowdfunding projects. This implies that home bias is not expressed uniformly across all world regions, necessitating a more focused regional approach rather than a broad international one. While some existing studies in crowdfunding research take a general approach by analyzing geographical behavior patterns in an international context—thus blending regional differences—other studies specifically investigate projects originating from particular regions, primarily the U.S. and China. However, there remains a notable lack of exploratory studies covering many other geographical areas in this field.

A particularly interesting region in this context is the EU, a unique economic and political union of 27 sovereign states. In 2023, over EUR 1 billion was raised through debt-based and equity-based crowdfunding within the EU (European Securities and Markets Authority, 2025). As of 2020, the European continent held a 9% market share in the alternative finance sector, making the EU a significant player in this field (Ziegler et al., 2021). Due to its distinctive integration of diverse nations and its relatively small geographical size—for comparison, the EU spans approximately 4.2 million square kilometers, whereas the United States covers around 9.8 million square kilometers, more than twice the EU's land area—the EU presents an intriguing region for study (World Bank, 2025). Since the creation of the Economic and Monetary Union (EMU), which consists of 20 EU member states, home bias in debt and equity investments has significantly declined among euro-area countries (Balli, Basher, & Ozer-Balli, 2010). However, this shift has led to a new trend: EMU member states now invest more in one another than in non-members (Lane, 2006). This phenomenon, termed Euro bias, was introduced by Lane (2006) to describe this emerging investment pattern.

Our aim is to investigate the crowdfunding market within the EU—a market that, to the best of our knowledge, has not yet been studied in the context of backer behavior. We examine both geographical behavioral preferences within the EU—i.e., an intra-EU approach that considers differences between member states—as well as an international perspective by applying the concept of Euro bias to the crowdfunding context. Since our study expands beyond EMU member states, we introduce the term EU bias to distinguish this broader perspective. This study finds that while an EU bias exists in the reward-based crowdfunding market, it is not driven by mutual support among EU member states. Instead, it stems from the home biases of individual member states. Moreover, we show that these biases hinder fundraising success, as remote backers tend to contribute higher funding amounts than local ones. Building on these findings, we make a significant contribution to the growing body of literature on geographical behavioral biases among funders in the context of crowdfunding, while also emphasizing the need for more nuanced studies that explore the unique characteristics of different world regions. Our study should not only be viewed as a contribution to crowdfunding research, but also as an exploration of EU-specific behavioral preferences, shedding light on the investment patterns of the EU population with respect to their geographical proximity.

In the following section, we provide the theoretical foundation by exploring the origins of the home bias phenomenon, distinguishing between home and local bias, and reviewing key studies on their relevance in the crowdfunding context. Building on these insights, we develop hypotheses on the geographical behavioral preferences of supporters within the EU and their impact on project funding. To test these hypotheses, we outline our methodology, employing Quasibinomial-Logit-Regression to examine the presence of home and local biases and linear regression models to assess their effects. We then present descriptive statistics to illustrate the distribution of projects and supporters across EU member states, providing a clearer picture of the EU reward-based crowdfunding landscape. Finally, we discuss our empirical findings and their implications for crowdfunding dynamics within the EU.

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2. Literature Review

The concept of home bias was first identified by French and Poterba (1991) who observed a disproportionate preference for domestic stocks, leading to suboptimal diversification and underperformance. One explanation attributes this behavior to barriers like governmental restrictions, foreign taxes, and high transaction costs (Coval & Moskowitz, 1999; French & Poterba, 1991). Though, these factors have been shown to have limited impact on investor decisions, with behavioral biases and proximity preferences playing a larger role (Coval & Moskowitz, 1999; French & Poterba, 1991). Key explanations include investors' overconfidence in home markets, asymmetric information, and a natural preference for the familiar (Brennan & Cao, 1997; Huberman, 2001). Coval and Moskowitz (1999) expanded this phenomenon to local bias, showing that geographic proximity within countries similarly influences investor decisions, with Ivković and Weisbenner (2005) confirming that investors achieve superior returns by exploiting local information.

Li, Zhou, Hu, and Guo (2024) define home bias as the preference for assets from one's home country, state, or city, and local bias as the preference for geographically closer assets, regardless of national boundaries. In this study, we define home bias as backers' preference for projects within their home country. Additionally, we introduce the concept of an EU bias, referring to a preference for projects within the broader EU region. We define local bias as a general tendency to prefer geographically closer projects, which, in a cross-border EU context, we specifically refer to as neighbor bias—a preference for supporting projects in adjacent countries.

Research on home and local bias in the context of crowdfunding is a relatively recent field that emerged in the 2010s. Agrawal, Catalini, and Goldfarb (2015) conducted one of the pioneering studies on equity-based crowdfunding, analyzing data from the now-defunct international platform *SellaBand*, where artists raised funds in exchange for revenue participation. They found that local funders were more likely to invest early, while distant funders invested as the artist gained traction. However, these differences disappeared when accounting for family and friends (F&F), indicating that social networks largely explain geographical biases. Moreover, they argue that the differences in behavior stem from information asymmetries, particularly in the initial investment decision. For subsequent investments, behavior patterns equalized, suggesting that crowdfunding helps mitigate information asymmetries over distance.

Lin and Viswanathan (2016) contributed to the understanding of home bias in debt-based crowdfunding on the U.S. platform *Prosper*. By examining borrower movements across state lines, they found that funding from the origin state decreased post-move, while support from the destination state increased, confirming home bias. They also tested whether friendship influenced home-state bidding and found no significant effect, suggesting that the bias was not primarily driven by personal connections. Additional tests shed light on the underlying mechanisms. First, they showed that home-state loans had lower returns, higher default rates, and earlier defaults compared to out-of-state investments, suggesting that economic factors alone cannot explain the bias. Second, borrowers who used redundant location-related words in their loan descriptions attracted more bids from home-state lenders, highlighting the role of psychological familiarity. Third, an analysis of lenders who moved across states revealed that they increased investments in their new home state, further supporting the notion that home bias is at least partly behavioral.

Mollick (2014) examined reward-based crowdfunding on *Kickstarter*, when the platform was limited to U.S. citizens. He found that higher funding goals and longer project duration negatively affected success, while signals of project quality (e.g., videos, frequent updates) and third-party endorsements, such as *Kickstarter* staff recommendations, were positively influencing funding success. Geographically, he observed that the crowdfunding market was concentrated in specific regions, with specific types of projects being more common in certain cities (e.g., films in Los Angeles, tech and games in San Francisco) and specific types of backers, like creative individuals, are associated with greater success. His findings suggest that cultural and regional factors extend beyond home and local biases in shaping crowdfunding success.

Guo, Guo, Wang, Wang, and Wu (2018) explored international *Kickstarter* projects and found that a higher proportion of backers from the founder's region positively impacted project success, while greater distances reduced outcomes, aligning with findings in offline markets, where local investors can leverage better information (Ivković & Weisbenner, 2005). They also observed that the geographic spread of backers increased over time, though this diffusion effect was weaker for culturally specific categories like food and art compared to more globally oriented sectors like games and technology.

Fan, Gao, and Liu (2021) analyzed the impact of cultural and geographical distance between backers and founders using international *Kickstarter* data and found a U-shaped relationship between cultural distance and project success, with no overall significant effect from geographic distance. They observed that for experienced backers, the U-shaped effect of cultural distance persisted, whereas for new backers, cultural distance had no significant impact. In contrast, while greater geographical distance positively affected experienced backers, it negatively impacted new backers. Inexperienced backers, struggling with the uncertainty and creativity of culturally diverse projects, showed a stronger local bias. These findings highlight the different behaviors of distinct backer types.

In the Chinese reward-based crowdfunding market, Kang, Jiang, and Tan (2017) studied the *Demohour* platform and found that greater geographical distance between supporters and founders led to higher funding success. They also identified that backers' social capital, measured by *Weibo* followers, further boosted funding

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success, with this effect amplified by greater geographic distance. Their study suggests that crowdfunding can overcome geographical constraints, with large social networks helping projects reach broader, geographically diverse backer bases.

Jiang, Zhou, Xu, and Liu (2022) analyzing data from *Modian*, another Chinese platform, identified the presence of both home and local bias. They found that these biases could be mitigated by reducing information asymmetries between founders and backers through detailed project information, highlighting that such biases are primarily driven by information gaps.

3. Hypotheses

As outlined in the introduction, the literature on geographical behavioral preferences of investors reveals an intriguing pattern within the EU. Specifically, since the inception of the EMU, home bias within the region and among its member states has significantly decreased, while a distinct Euro bias has emerged, favoring projects within the EMU and discriminating against outsiders (Lane, 2006). This bias has been observed in both debt and equity markets, raising questions about whether this phenomenon can be extended to reward-based crowdfunding and whether an EU bias exists in this context.

Reward-based crowdfunding differs significantly from equity or bond markets. In crowdfunding, investors shift their focus from traditional financial indicators—such as credit ratings, interest rates, and returns—to primarily non-financial factors. We hypothesize that funders in this space particularly prioritize three characteristics: language, culture, and shipping options. The use of English as a common language in crowdfunding projects within the EU is a necessary but not sufficient condition for the emergence of an EU bias. The EU, with its 24 official languages, would see significant fragmentation if creators relied solely on their native languages. To assess the extent to which English is used as a common language in EU crowdfunding projects, we applied the *Python* package *lingua-language-detector* to our dataset (Stahl, 2023). Our analysis revealed that over 87% of all EU-based projects in our sample use English for their project descriptions. This result suggests that most projects within the EU are easily accessible to a majority of its members, thereby confirming that the necessary condition for an EU bias, driven by mutual contributions between member states, is met. Regarding cultural factors, Hofstede's framework reveals that, despite the EU's economic and political integration and geographic proximity, its member states exhibit significant cultural differences (Andrijauskiene & Dumciuviene, 2018). This raises the question of whether these cultural disparities might lead to national biases or whether they could act as a creative force. Fan et al. (2021) suggest that cultural distance can indeed foster creativity, with backers actively engaging with diverse projects. However, as Huberman (2001) notes, familiarity is a critical factor for many individuals. We hypothesize that the EU can successfully integrate both cultural diversity and familiarity. According to Akaliyski (2019) cultural integration within the EU has strengthened in recent years, leading to greater cultural alignment among member states while diverging from non-EU countries. This supports the argument for an EU bias, where familiarity within the EU outweighs the potential for national biases. Lastly, many crowdfunding projects offer rewards in the form of pre-sold products, which require shipping in the event of success (Mollick, 2014). Given the high costs and complexities associated with international shipping, creators may prefer to limit their deliverables to backers within their own country or continent or impose shipping costs on foreign supporters. The EU, however, facilitates low-cost and convenient cross-border shipping among its member states. No custom duties are levied when goods are purchased within the EU, and VAT is generally accounted for at the point of payment. In contrast, purchases from outside the EU require the creation of customs declarations, along with duties, handling fees, and possibly additional VAT payments (European Commission, 2025). These logistical challenges, combined with potential delays, make it more attractive for EU-based backers to support projects within the EU.

Drawing on the aforementioned explanations, we expect the existence of an EU bias in reward-based crowdfunding, while national borders within the EU are unlikely to significantly affect EU-based supporters. Based on this, we propose the following hypothesis:

H1: Funders from the EU are more likely to support EU-based crowdfunding projects and discriminate against non-EU projects, thereby demonstrating an EU bias.

Since we do not anticipate that funders within the EU will discriminate against other EU member states, we put forward the next hypothesis:

H2: Funders from the EU do not exhibit preferences for investing in their home country, and thus do not show a home bias.

Furthermore, we do not expect EU-based backers to prefer investing in projects based solely on geographical proximity. Instead, we argue that the EU, in the context of crowdfunding, is largely free from local bias, particularly neighbor bias, which represents one manifestation of this phenomenon. In contrast, we propose that geographical distance, which often correlates with cultural distance, may actually attract funders to more distant projects that they perceive as more unique. Therefore, we hypothesize:

H3: Among backers within the EU, there is no preference for supporting projects in geographical proximity. Consequently, these backers do not disproportionately support projects in neighboring countries and do not exhibit neighbor bias.

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Beyond determining whether a home or local bias exists within the EU, it is particularly important to examine how such biases affect the funding success of crowdfunding projects. The evidence on this matter remains inconclusive. On one hand, local backers may have better access to information about crowdfunding projects than remote backers, allowing them to invest more confidently in what they perceive as lower-risk opportunities. Alternatively, they may simply invest more due to a sense of familiarity (Guo et al., 2018; Huberman, 2001; Ivković & Weisbenner, 2005). On the other hand, one could argue that crowdfunding platforms reduce information asymmetries, ensuring that backers worldwide have equal access to project details. In this case, remote funders might not perceive additional risk but could instead be drawn to cross-border projects they find novel and exciting, leading them to invest more (Fan et al., 2021; Kang et al., 2017). We hypothesize that online crowdfunding mitigates information asymmetries between local and remote backers, making the latter argument more applicable in our case. Consequently, we expect that projects with a predominantly EU-based backer landscape are less successful than those attracting a more international supporter base. The same pattern is anticipated within the EU, where projects with a higher share of domestic backers may experience reduced funding compared to those with a more diverse EU-wide supporter base. Based on this reasoning, we formulate the following hypotheses:

H4: A higher share of EU-based funders in a project, ceteris paribus, leads to a reduction in the total funding achieved by EU-based crowdfunding projects. EU-based funders thus contribute lower funding amounts to projects within the EU compared to non-EU-based supporters backing the same projects.

H5: A higher share of domestic funders (i.e., funders from the project's country of origin) among all EU-based supporters, ceteris paribus, leads to a reduction in the achieved funding of EU-based crowdfunding projects. Domestic supporters thus contribute lower funding amounts than backers from other EU member states.

It is crucial to control for the total number of backers in this framework. Other approaches risk conflating a more internationalized backer base with a simply larger backer base.

These hypotheses do not account for the potential presence of a local bias, i.e., the effect of geographical distance on achieved funding. We expect that geographical distance positively influences the success of crowdfunding projects; however, the risks associated with greater distance should not be overlooked. At some point, foreign projects may appear more risky or difficult to evaluate rather than novel and exciting. Therefore, in our hypothesis on local bias, we incorporate the possibility of a non-linear relationship between geographical distance and funding success:

H6: The geographical distance between EU-based supporters and the project's country of origin has a positive effect on the achieved funding amount. This means that geographically more distant EU-based funders provide higher funding amounts than those in closer proximity. However, beyond a certain distance, this relationship reverses, leading to lower contributions from EU-based funders.

This non-linear approach aligns with several studies that reveal U-shaped relationships between crowdfunding success and specific success determinants. Cai, Zhang, and Han (2021) found an inverted U-shaped relationship between crowdfunding success and the number of reward options. A similar relationship was identified by Moy, Chan, Septianto, Mathmann, and Torgler (2024) between the expression of confidence in project descriptions and crowdfunding performance, while Fan et al. (2021) demonstrated the existence of a U-shaped relationship between cultural distance and success.

4. Methodology and Data

4.1. Data Collection

Instead of relying on pre-existing datasets, we opted to create our own sample of crowdfunding projects. This approach not only allowed for a more tailored and random selection of projects suited to our research needs, but also enabled us to incorporate all relevant information from project pages into our dataset. To extract the metadata from the project pages, we employed a self-developed *Python* algorithm in combination with the open-source framework *Scrapy* (Scrapy, 2024). We parsed 25,332 randomly selected *Kickstarter* projects that were launched on or after January 5, 2022, and completed by March 8, 2024. This timeframe was chosen for several reasons. First, it focuses exclusively on new projects, which better represent the current project landscape, reflecting changes over the last decade. Second, the period specifically covers the post-COVID-19 era, as studies have shown that the COVID-19 pandemic significantly impacted crowdfunding behavior, with potential long-lasting effects (Zribi, 2022). Lastly, the time span is short enough to avoid trends within the data, allowing for cross-sectional analyses, which are commonly used in this field of research. After data processing and cleaning, we finalized a dataset comprising 15,006 projects. This dataset includes all randomly selected non-canceled and non-suspended projects within the chosen timeframe, regardless of whether they were successful, and spans creators and backers from across the globe. Since geographical data on backers is publicly available on *Kickstarter* only for projects with a minimum of 10 backers, all projects in this dataset meet this criterion. This also helps exclude projects with unrealistic goals or non-serious intentions, which could skew our findings, and is consistent with other studies, such as Mollick (2014) and Guo et al. (2018). For the purpose of this study, we created a subset of this global dataset focusing on projects originating in the 27 EU member states (excluding overseas territories). This subset includes 2,272 projects and extends the global dataset by incorporating the geographical distance, in kilometers, between project

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origins and EU-based backers. For a detailed explanation of the distance calculation, refer to Appendix B. Both datasets are available on the *Mendeley Data* platform, with a reference provided in the Data Availability Statement. Table A.5 in the Appendix provides an overview of all relevant variables in the datasets, along with their descriptions.

4.2. Regression Models

4.2.1. Identifying Geographical Biases

We will test our hypotheses regarding home and local biases among EU-based supporters by incorporating several regression models that control for project-, founder-, and platform-specific factors. A descriptive analysis of home and local biases—such as calculating the share of EU-based backers or determining the average distance of backers to the project origin—would not sufficiently address our hypotheses. This is because other rational factors, influenced by the characteristics of projects from different regions, could confound a supposed geographical bias. For instance, it may be that projects from Sweden tend to signal higher quality on average, leading more Swedish backers to support projects in their home country. To test H1, we are particularly interested in how the share of EU-based backers is influenced by the fact that a project originates in the EU, ceteris paribus. Therefore, we need to build a regression model that allows us to estimate the effect of project origin (*EUBool*) on the share of EU-based supporters (*EUBackersShare*). It is important to note that, as we are working within a global framework, we rely on the global dataset. Since the variable *EUBackersShare* is a proportion rather than a binary variable (it lies within the closed interval $[0,1]$), we cannot use a simple logistic regression, which is designed for binary dependent variables. Instead, a suitable alternative for dealing with proportional variables in the open interval $(0,1)$ is the Beta-Regression, as introduced by Ferrari and Cribari-Neto (2004). However, our tests indicate that our variable does not follow a Beta distribution, and adjusting it by adding or subtracting a small term to fit the open interval would lead to significant distortion. Therefore, we cannot rely on the Beta-Regression. Instead, we use a more flexible model: the Quasibinomial-Logit-Regression. This model allows us to handle a fractional dependent variable within the closed interval $[0,1]$, without restricting the variable to a Binomial distribution. It also accommodates over- or under-dispersion, as controlled by the dispersion parameter (ϕ) in the variance. One additional advantage of the logit link function is its straightforward interpretation of the effects on the odds. The resulting regression equation is structured as follows, where μ_1 represents the mean of the variable *EUBackersShare*, B is a row vector of beta coefficients, and X is a column vector of control variables:

$$\log\left(\frac{\mu_1}{1-\mu_1}\right) = \beta_0 + \beta_1 \cdot EUBool + B \cdot X + \epsilon \quad (1)$$

In the presence of an EU bias, the coefficient β_1 should show a significant positive sign. However, this model does not provide insights into the underlying behavior of EU-based supporters across different member states. Therefore, we next present a model to analyze H2, the home bias among EU member states. We will adopt a similar approach as before, but now use the share of backers from the same country as the project origin (*SameCtryShare*) as the dependent variable. As key independent variables, we will use Boolean variables that indicate the origin of the project (*<EUCtry>Bool*). Since we are modeling intra-EU backer behavior, this model focuses on the subset of data that includes only projects located within the EU. The regression model specification is as follows, where β represents a row vector of beta coefficients of interest, *EUCtryBool* is a column vector of the EU countries included in the model, and μ_2 denotes the mean of the variable *SameCtryShare*:

$$\log\left(\frac{\mu_2}{1-\mu_2}\right) = \beta_0 + \beta \cdot EUCtryBool + B \cdot X + \epsilon \quad (2)$$

In the absence of a home bias among EU member states, the respective beta coefficients of the member state Boolean variables should be either non-significant or significant with a negative sign. As described in the Descriptive Statistics section, we must limit our intra-EU analysis to the following 12 member states: Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, and Sweden.

The models above address EU and home bias, while we now seek evidence regarding a local bias to answer H3. First, we must identify a method to evaluate the presence of a local bias, as this is more complex than in the previous cases. There are several ways to measure spatial proximity. One approach could be to analyze the effect of the project's origin on the backer base within a specific radius around the project location, or alternatively, to examine how the project's origin attracts backers from different countries. As discussed in the Limitations section, our data does not permit the first approach, so we will focus on the latter. As previously indicated in our definitions and when proposing hypothesis H3, we specifically focus on a neighbor bias as an expression of local bias. Therefore, we are interested in how the share of funders from adjacent countries is influenced by the project's country of origin. As with previous models, we will employ a Quasibinomial-Logit-Regression to model this relationship, with μ_3 defined as the mean of the variable *AdjacentCtryShare*:

$$\log\left(\frac{\mu_3}{1-\mu_3}\right) = \beta_0 + \beta \cdot EUCtryBool + B \cdot X + \epsilon \quad (3)$$

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In the absence of a neighbor bias among the EU member states, the corresponding beta coefficients for the member state Boolean variables should either be non-significant or significantly negative. It is important to note that these coefficients should not be interpreted from the perspective of the EU country of origin. In other words, if the beta coefficient is positive, the country with a value of one for the Boolean variable is not showing a bias toward its neighbors. Instead, the neighboring countries of that EU country (assigned a value of one in the Boolean variable) are exhibiting a bias toward the country of origin. For example, a positive and significant coefficient for *SwedenBool* would indicate that projects originating from Sweden are more likely to attract supporters from neighboring countries (in this case, Finland) compared to how projects from other countries attract support from their own neighboring countries. This does not suggest that Sweden itself shows a bias toward its neighbors.

4.2.2. The Impact of Geographical Biases on Crowdfunding Success

While the previous models analyzed the EU crowdfunding market for geographical biases among its users, we now examine their economic consequences for crowdfunding success. To test H4, we establish a linear regression model using the global dataset. This model examines the general effect of the proportion of EU-based supporters among all backers of a project (*EUBackersShare*) on projects worldwide while simultaneously assessing whether this effect differs for EU-based projects (*EUBool*=1) through the inclusion of an interaction term. Without this interaction, results could be biased simply because EU-based supporters might exhibit systematically different funding behaviors compared to backers from other regions. For instance, EU-based backers may, on average, contribute larger amounts than those from the rest of the world. To ensure that the estimated effect is exclusively driven by EU bias, we control for project-, founder-, and platform-specific factors by including them as control variables. We measure project success through the total amount of funding raised (*Funding*), which serves as our dependent variable. Even in an All-or-Nothing crowdfunding setting, the total funding amount better reflects the actual success of a project than merely whether it met its funding goal. A project that reaches a low target of, say, USD 100 would be classified as successful, while another project raising USD 90,000 but failing to meet a USD 100,000 goal would be considered unsuccessful. This classification does not accurately capture the project's reception among backers. To address potential outliers and improve linearity, both monetary variables in our model—the funding amount and the funding goal (*Target*)—are transformed using the inverse hyperbolic sine (arcsinh). This transformation offers several advantages, particularly its ability to handle zero values without losing observations (Aihounton & Henningsen, 2021). The resulting regression model is structured as follows:

$$\begin{aligned}\operatorname{arcsinh}(Funding) &= \beta_0 + \beta_1 \cdot EUBackersShare + \beta_2 \cdot EUBool + \beta_3 \cdot (EUBackersShare \cdot EUBool) \\ &+ B \cdot X + \epsilon\end{aligned} \quad (4)$$

If an EU bias negatively affects funding within the EU crowdfunding landscape, the coefficient β_3 should be significantly negative. To test H5, we develop a second econometric framework, this time applied to the subset of all EU-based projects. This model examines the effect of the proportion of backers from the project's country of origin among all EU-based supporters (*SameCtryShare*). Additionally, we include the share of backers from neighboring EU member states (*AdjacentCtryShare*) to enhance the model's comprehensiveness and obtain preliminary insights into H6. The model specification is as follows:

$$\operatorname{arcsinh}(Funding) = \beta_0 + \beta_1 \cdot SameCtryShare + \beta_2 \cdot AdjacentCtryShare + B \cdot X + \epsilon \quad (5)$$

H5 is supported if β_1 is significantly negative, while H6 receives partial support if β_2 is significantly positive. To examine the local bias effect in its entirety and extend the analysis beyond the neighbor bias, we incorporate the average distance of EU-based funders to the project origin (*AvgDistEU*) into our regression model. To account for potential nonlinear relationships between distance and funding outcomes, we also include the squared average distance of EU-based funders as an independent variable. The resulting regression equation is as follows:

$$\operatorname{arcsinh}(Funding) = \beta_0 + \beta_1 \cdot AvgDistEU + \beta_2 \cdot AvgDistEU^2 + B \cdot X + \epsilon \quad (6)$$

H6 proposes an inverse U-shaped relationship between average distance and funding success. To support this hypothesis, β_1 must be significantly positive, while β_2 must be significantly negative. As mentioned earlier, the use of a concrete distance measurement reflects a bias, as discussed in the Limitations section. However, in this case, it proves to be useful by capturing not only backers from adjacent countries but also those from more distant countries.

A brief note on the terms "neighbor" and "adjacent": Throughout our analysis, we use the term "neighbor countries" to refer exclusively to those sharing a land border, i.e., countries that are directly adjacent to one another. While the term "neighbor country" generally encompasses a broader range of geographical connections, for simplicity, we use "neighbor" and "adjacent" interchangeably.

5. Descriptive Statistics

The aim of the descriptive statistics is to provide a nuanced understanding of the project landscape within the EU. In addition to offering initial insights into home and local biases within the EU, the location of the

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project founders and the resulting distribution of projects across the EU is another key topic. This helps to understand how concentrated or dispersed projects are within the region.

First, it is important to clarify the basis for determining the location of the creators in our sample. Each project founder on *Kickstarter* is required to specify the location of their project before publishing it. This location, which is visible to all project visitors, is entirely self-determined and not necessarily tied to the founder's actual place of residence (Kickstarter, 2025). This flexibility makes sense; for example, a freelance photographer based in Spain might choose to list a project located in Australia. Thus, the location specified in our sample represents a city-country combination that better reflects the geographical context of the project rather than the founder's place of residence. To be precise, the home and local bias we analyze is not determined by the creator's location, but by the project location, which, in most cases, may coincide with the founder's residency. From a research standpoint, the project location is of primary interest, as this is the one visible to the crowd, hence influencing their behavior. Although *Kickstarter* does not display the founder's actual residence to the crowd, the residence still plays a role in the project launch. As of March 11, 2025, *Kickstarter* allows project creation only for residents of 25 specified countries, 14 of which are EU member states (Kickstarter, 2025). Most recently, in 2020, *Kickstarter* expanded eligibility to residents of Greece, Poland, and Slovenia (Insider, 2020). The discrepancy between project location and the founder's residence explains why projects originate from countries where residents are not eligible to launch projects.

As shown in Table 1, nearly all EU countries listed by *Kickstarter* exhibit a project share significantly exceeding one percent of all EU-based projects, whereas non-listed EU countries have shares well below one percent. Exceptions include Slovenia and Luxembourg, both of which, despite being listed, have project shares below one percent, likely due to their small populations relative to the total EU population. As indicated by Spearman's rank correlation, the population share of EU member states is highly correlated with the share of projects originating from these states, yielding a correlation coefficient of 0.6965. Removing all non-listed countries by *Kickstarter* increases the rank correlation to 0.8955, demonstrating a strong relationship between population size and project creation. Unsurprisingly, the majority of projects come from Spain, Germany, Italy, and France—EU member states with the largest populations and economies, as measured by gross domestic product (Eurostat, 2025a). Although project creation is restricted to residents of certain countries, support is available from individuals worldwide. Interestingly, despite the lack of restrictions on the supporter side, a similar pattern emerges. The rank correlation between the population share and the share of backers among EU projects results in a value of 0.7641, while the correlation between the backer share and the project share is even higher at 0.8766. This suggests that the popularity of crowdfunding on *Kickstarter* is driven by both the creator and the funder sides, which are closely linked. Moreover, *Kickstarter's* decision to allow residents of specific countries to launch projects significantly shapes the platform's popularity. If fewer projects are launched within a country—due to platform restrictions—crowdfunding in that country is also less popular among backers.

Table 1. Descriptive statistics for each EU member state.

EU member state	Share of EU population [%]	Share of EU-based projects [%]	Share of country's backers among total EU backers [%]	Share of domestic supporters among EU supporters [%]	Avg. distance of EU backers [km]
DE*	18.80	17.34 [15.81; 18.96]	26.75 [24.51; 28.98]	71.35 [66.87; 75.83]	487.61 [463.38; 511.83]
FR*	15.19	14.61 [13.18; 16.13]	19.19 [16.04; 22.34]	67.40 [62.78; 72.02]	507.90 [483.14; 532.66]
IT*	13.15	16.86 [15.34; 18.46]	10.16 [7.54; 12.78]	52.72 [46.95; 58.48]	686.14 [649.97; 722.31]
ES*	10.71	18.27 [16.70; 19.92]	13.18 [11.37; 14.99]	48.09 [38.34; 57.85]	926.67 [875.95; 977.38]
PL*	8.19	5.55 [4.64; 6.57]	5.03 [0.00; 10.67]	30.88 [25.70; 36.06]	857.57 [800.03; 915.12]
RO	4.25	0.18 [0.05; 0.45]	0.03 [0.02; 0.05]	0.00	1658.48 [1382.21; 1934.75]
NL*	3.97	5.68 [4.76; 6.71]	5.16 [3.96; 6.37]	40.87 [34.64; 47.11]	445.77 [398.62; 492.92]
BE*	2.62	2.60 [1.98; 3.34]	2.85 [2.11; 3.59]	34.66 [24.74; 44.57]	413.08 [355.79; 470.36]
CZ	2.41	0.00	1.16 [0.00; 2.90]	0.00	0.00
SE*	2.34	5.85 [4.92; 6.90]	8.61 [6.37; 10.86]	68.74 [48.67; 88.81]	763.36 [709.27; 817.46]
PT	2.34	0.48	0.21	19.80	1470.98

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		[0.24; 0.86]	[0.13; 0.30]	[1.52; 38.08]	[825.27; 2116.69]
GR*	2.32	2.60 [1.98; 3.34]	0.71 [0.18; 1.24]	39.42 [19.80; 59.04]	1415.42 [1242.96; 1587.87]
HU	2.14	0.40 [0.18; 0.75]	0.10 [0.06; 0.14]	8.27 [0.00; 18.51]	953.73 [786.62; 1120.84]
AT*	2.03	1.85 [1.34; 2.49]	1.61 [1.10; 2.13]	50.07 [35.23; 64.92]	530.22 [439.16; 621.28]
BG	1.44	0.13 [0.03; 0.39]	0.12 [0.00; 0.29]	81.54 [55.79; 100.00]	424.60 [0.00; 1002.71]
DK*	1.32	3.39 [2.68; 4.22]	2.25 [1.47; 3.04]	34.89 [13.50; 56.29]	516.97 [438.52; 595.41]
FI	1.24	0.26 [0.10; 0.57]	0.35 [0.25; 0.45]	17.24 [1.19; 33.29]	1072.84 [548.24; 1597.43]
SK	1.21	0.13 [0.03; 0.39]	0.06 [0.00; 0.11]	48.75 [0.00; 100.00]	543.48 [24.60; 1062.35]
IE*	1.17	2.07 [1.52; 2.74]	1.65 [0.90; 2.40]	79.69 [70.57; 88.80]	562.92 [445.36; 680.48]
HR	0.86	0.31 [0.12; 0.63]	0.19 [0.00; 0.39]	51.38 [5.35; 97.41]	473.32 [228.28; 718.36]
LT	0.64	0.22 [0.07; 0.51]	0.05 [0.00; 0.09]	35.09 [5.51; 64.67]	803.68 [509.16; 1098.20]
SI*	0.47	0.57 [0.31; 0.98]	0.36 [0.00; 0.76]	44.66 [18.81; 70.51]	569.79 [408.37; 731.20]
LV	0.42	0.04 [0.00; 0.24]	0.02 [0.00; 0.03]	100.00	50.31
EE	0.30	0.35 [0.15; 0.69]	0.05 [0.01; 0.09]	15.68 [0.00; 38.89]	1402.75 [1019.19; 1786.31]
CY	0.21	0.09 [0.01; 0.32]	0.07 [0.00; 0.16]	69.33 [47.59; 91.08]	1609.11 [0.00; 3838.23]
LU*	0.15	0.18 [0.05; 0.45]	0.06 [0.01; 0.11]	21.34 [0.00; 59.93]	268.37 [117.75; 418.99]
MT	0.12	0.00	0.01 [0.00; 0.02]	0.00	0.00

Note: * indicates that creators from the respective country are eligible to launch projects on Kickstarter.

The average share of backers from the same country as the project among all EU-based backers supporting projects in the respective country provides initial insights into the geographical diversity of the EU crowdfunding landscape and the potential existence of a home bias. A high value indicates a more closed crowdfunding market in a country, with greater barriers for foreign funders, while a lower value suggests greater integration within the broader EU crowdfunding ecosystem. However, it is important to note that these values alone cannot fully confirm the presence or absence of a home bias. For instance, while 71.35% of all EU-based supporters of German projects are from Germany—a figure that strongly suggests a home bias—this value is likely influenced by project-specific factors. If German projects tend to signal higher quality on average, backers from across the EU would naturally be more inclined to support these projects. Thus, the implications derived from this descriptive section must be analyzed while holding other relevant factors constant, as we will do in the following section. When comparing the point estimates of this share across countries, a notable presence of domestic supporters relative to EU-based backers emerges. This is particularly evident in the four largest EU economies. Interestingly, even in countries with less developed domestic crowdfunding markets—such as Sweden or Ireland—the average share of domestic backers significantly exceeds half of all EU-based supporters. This contradicts the reasonable assumption that supporters in countries with less-developed domestic project landscapes would be more likely to support projects from other countries due to greater opportunities. However, this explanation primarily addresses the numerator of the variable *SameCtryShare*. It is also plausible that this bias is driven by a smaller EU-wide backer base in these countries, which affects the denominator. Therefore, to properly analyze this effect, we must account for variation in the overall EU supporter base. Nonetheless, the consistently high point estimates for the share of domestic supporters in most EU member states likely indicate a behavioral preference for projects from one's own country. Alternatively, they may suggest a form of discrimination—whether conscious or not—by backers from larger states against projects from smaller states.

The share of EU-based supporters from around the world has a mean ratio of 29.21% within the EU dataset, with a confidence interval ranging from 26.30% to 32.12%. For the global dataset, the mean ratio is 10.30%, with an interval between 9.19% and 11.40%, indicating that the share of EU-based supporters is

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significantly higher for EU projects compared to international ones. Whether this also points to an EU bias, ceteris paribus, will be analyzed in the next section.

Figure 1 visually illustrates the relationship between the five most significant countries in terms of founders and supporters in our sample: Spain, Germany, Italy, France, and Sweden. We limited the number of countries and funding destinations to avoid overwhelming the graphic. A more detailed analysis of the backer distribution in these countries provides valuable insights into where the remaining share of supporters, who do not stay within the country borders, directs their funding. First, it is important to clarify the meaning of the connection lines and the associated share percentages. Each line connecting a supporter country to a recipient country represents the share of EU-based supporters in the recipient country who originate from the supporter country. For example, the line from Germany to Spain indicates that 20.63% of EU-based supporters funding projects in Spain come from Germany, while the line from France to Spain shows that another 14.85% originate from France. The legend of this figure highlights two key aspects. First, recipient countries are ranked by the overall share of EU-based supporters backing projects there, with these values also presented in Table 1. This ranking is reflected in the connection lines when the recipient countries take on the role of supporter countries. Second, connections for each supporter country are ranked based on the absolute number of supporters backing projects in the recipient country. In absolute terms, the majority of German backers, after funding domestic projects, contribute most frequently to projects in Spain, followed by Poland. A similar pattern emerges for French backers, who primarily support projects in France but then favor Spain and Poland. For all supporter countries shown, contributions to domestic projects exceed those to foreign projects. These values are not explicitly shown in Figure 1 but can be found in Table 1. Figure 1 reinforces earlier findings that the EU crowdfunding market is concentrated in a few countries, especially highlighting the interconnections between Spain, Germany, Italy, and France. Notably, Poland stands out as a recipient country despite neither hosting a particularly large share of projects nor attracting a significant proportion of EU-based supporters. However, among backers from the most influential crowdfunding markets in the EU, Polish projects are frequently considered.

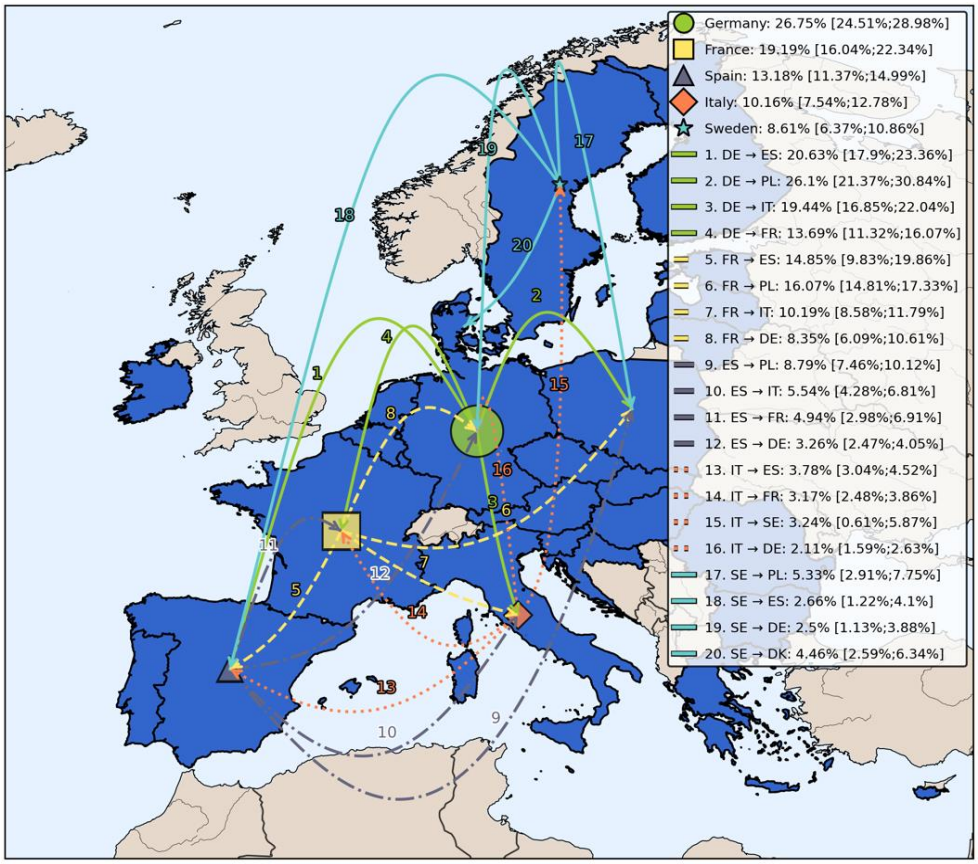

Figure 1. Distribution of backer contributions within the EU.

Source: Authors' illustration, created using the Python package Cartopy and data from Natural Earth (Elson et al. (2024).

Figure 1 also helps to substantiate the mean values for the average distances between EU-based backers and creators in their respective country project landscapes, which can be found in Table 1. This average distance is influenced by two general effects. On the one hand, the distance is reduced by the share of domestic backers, as these generally lower the average distance. However, depending on the size of the respective

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country, this effect may vary in strength. On the other hand, the effect also strongly depends on the relative spatial position of the country within the EU. While countries at the center of the EU, such as Germany, have many neighboring countries in close proximity, countries like Spain, located further out, have less access to nearby foreign supporters. Due to this latter effect, we decided not to separately disclose the country averages for the shares of supporters from adjacent countries—more on that in the next section. These two general effects can roughly explain why the mean average distance for projects located in France and Germany is significantly smaller compared to values from Spain, Sweden, and Italy.

Table 2 shows that the geographical determinants are highly significantly linearly correlated, while the correlation with the funding amount remains weak and insignificant. Clearly, the correlation between the average distance of EU-based supporters and the share of domestic backers is strongly negative: as the share of domestic backers increases, the average distance tends to decrease. The correlations also suggest that as the share of EU-based funders increases, these funders are more likely to come from the same country as the project, which in turn leads to a reduction in the average distance of EU-based supporters. Again, this supports the suggestion of the presence of a home bias within the EU crowdfunding market.

Table 2. Pearson correlation matrix of geographical characteristics (EU data subset).

	arcsinh(Funding)	EUBackersShare	SameCtryShare	AvgDistEU
arcsinh(Funding)	1.0000***			
EUBackersShare	−0.0196	1.0000***		
SameCtryShare	−0.0047	0.7274***	1.0000***	
AvgDistEU	−0.0346*	−0.4526***	−0.6675***	1.0000***

Note: *** p < 0.01, ** p < 0.05, * p < 0.1.

A short technical clarification regarding the confidence intervals in Table 1: To estimate the confidence intervals for the project shares of each member state, we used the Clopper and Pearson (1934) method. The delta method was applied to estimate the variances of the backer ratios (Casella & Berger, 2002). Since our random sampling yielded fewer data points for countries with less-established *Kickstarter* crowdfunding markets, the confidence intervals for these countries may be quite large or, in some cases, not calculable due to a lack of observations or the presence of only one observation. For the regression models introduced in the previous section, we therefore focus on the 12 countries that account for at least one percent of the overall EU project landscape to ensure robust results.

6. Regression Results and Discussion

6.1. Identifying Geographical Biases

First, we provide evidence regarding the existence of geographical biases within the EU crowdfunding market, thereby addressing our first three hypotheses. The regression results for the first three models are presented in Table 3. All three models include the same core project-, founder-, and platform-specific control variables, with each model exhibiting specific differences.

Model I yields a strong and highly significant result for the coefficient of the variable *EUBool* (2.1990***). This means that, all else being equal, if a project is launched within the borders of the EU, the odds of attracting EU-based supporters are nine times higher compared to a project launched outside the EU ($e^{2.1990} \approx 9.02$). We have accounted for other potential influencing factors, such as project duration, funding target, media usage, and the previous success of the creator, all of which are likely to attract backers from specific countries. Most importantly, by controlling for the total number of backers, we ensure that the scale of the project—and its higher likelihood of attracting international funders—does not distort the relationship between the project being created in the EU and the share of supporters located within the region. This strong positive relationship provides clear evidence for accepting H1. Backers within the EU are more inclined to support projects within the EU and tend to discriminate against projects outside the region. Therefore, we can conclude the presence of an EU bias. Whether this bias results from a tendency to support projects in other EU member states or simply from a home bias among EU member states will be examined next.

As Model II shows, home bias appears to be the main driver of the EU bias. All 12 analyzed EU member states exhibit a positive home bias, with the only non-significant coefficients found for *PolandBool* and *GreeceBool*. This suggests that, even if projects were objectively identical across the EU, the mere fact that a project originates from a particular country increases the share of backers from that country among all EU-based supporters. This relationship is not distorted by a general increase in the number of EU-based supporters—reflecting the project's popularity among them—nor by the country's population size. Since we control for observable factors, the remaining home bias must stem from less directly measurable influences, such as local information advantages, psychological effects, or the influence of family and friends. Consequently, H2 is rejected. As previous studies have shown, even in an online environment—where one might expect all funders to have equal access to the same crowdfunding campaign information—this is not necessarily the case in practice. Another possible explanation, as discussed earlier, could be the familiarity with what is known and geographically proximate, or simply the fact that family and friends significantly shape this

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environment. Whatever the reason, it is clear that even within the EU—a region that, as demonstrated earlier, is less prone to geographical biases than many other parts of the world—strong home bias tendencies persist among crowdfunding users. However, the magnitude of this bias varies across member states. The point estimates of the coefficients indicate that backers from Germany and France exhibit the strongest home bias, whereas Austria and Belgium display relatively lower home bias tendencies among their crowdfunding users. This underscores the importance of distinguishing between countries and regions when researching home bias in crowdfunding, as this phenomenon is highly context-dependent and likely influenced by national cultural and societal values.

While the presence of an EU bias, driven by home biases within EU member states, is clear, the results concerning the existence of a neighbor bias are more ambiguous, indicating that the EU bias is primarily driven by intra-EU home biases. Among the analyzed EU member states, a significantly positive neighbor bias is found only for Denmark. This means that only Denmark's adjacent countries exhibit a clear preference for supporting Danish projects. For all other member states, the coefficients remain non-significant, providing no evidence of a systematic neighbor bias within the EU. In Denmark's case, the mere fact that a project is located there increases the odds of receiving support from adjacent country backers (relative to all EU-based supporters) by more than five times ($e^{1.639} \approx 5.15$), compared to the support for projects located outside Denmark from backers in adjacent countries. Since Denmark's only adjacent country is Germany, this effect can be fully attributed to a significantly high level of support from German backers for Danish projects. Given that we control for all plausible rational explanations this preference must be driven by less directly observable factors, likely behavioral tendencies of German backers. As previously discussed in the descriptive statistics section, two key factors need to be considered in this framework: the number of adjacent countries and the popularity of crowdfunding in these neighboring countries. The first factor is crucial because, for example, Germany, with eight EU neighbors, naturally has a higher potential share of adjacent backers than Spain, which has only two. The second factor accounts for the fact that some EU countries have a larger crowdfunding community, whether due to their population size or a stronger crowdfunding culture, which makes them more represented among funders across the EU—including in neighboring countries. Our model confirms that both of these factors have a strong and significant influence on the share of backers from neighboring countries, as expected. Ireland is excluded from this analysis, as it has no adjacent EU neighbors following Brexit. Consequently, Irish projects never record a share of adjacent country backers greater than zero. Overall, our results suggest that, once we control for all these factors, no unexplained reasons for a general neighbor bias within the EU could be found. Therefore, we accept H3, proposing that backers do not exhibit a tendency to support neighboring countries as a form of local bias.

All three models show dispersion parameters well below one, indicating the presence of underdispersion. This means that the observed variance of the dependent variable is lower than expected in all models. Consequently, this may result in overly conservative standard errors, which could cause actual significant effects to appear non-significant. However, underdispersion is not a major concern in our case, as it is unlikely to affect our findings. The only potential issue could arise from the significance of the country variables in Model III. However, since these variables are far from being significant, we do not anticipate any changes to our overall conclusions, even if the standard errors were calculated with less conservatism. As noted earlier, the use of a Quasibinomial-Logit-Regression appears to be the most suitable method for modeling these fractional variables in our case.

Table 3. Regression results on the existence of geographical biases within the EU.

	(I) ***EUBackersShare***	**(II)** ***SameCtryShare***	**(III)** ***AdjacentCtryShare***
EUBool	2.1990***		
	(0.0202)		
GermanyBool		2.6410***	−1.1200
		(0.6474)	(2.1630)
FranceBool		2.2980***	−0.5722
		(0.6082)	(2.2820)
ItalyBool		1.6840***	1.3440
		(0.5810)	(1.5460)
SpainBool		1.9180***	1.7790
		(0.5431)	(1.4450)
PolandBool		0.2760	1.4710
		(0.5912)	(1.4680)
NetherlandsBool		1.1740***	1.8590
		(0.3788)	(1.2100)
BelgiumBool		0.7207**	0.3362
		(0.3418)	(1.4640)
SwedenBool		1.8160***	0.2670

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		(0.2987)	(0.7567)
GreeceBool		0.5615 (0.3435)	−3.8200 (4.3810)
AustriaBool		0.8463*** (0.3250)	−0.3089 (1.1680)
DenmarkBool		1.1900*** (0.2474)	1.6390** (0.7769)
IrelandBool		1.5800*** (0.2752)	
Duration	0.0030*** (0.0009)	0.0070*** (0.0027)	−0.0045* (0.0025)
arcsinh(*Target*)	0.0362*** (0.0065)	0.1405*** (0.0187)	−0.0506*** (0.0165)
StaffPick	−0.0968*** (0.0284)	−0.1024 (0.0920)	0.2165** (0.0849)
VideoHeader	0.2148*** (0.0225)	0.2662*** (0.0664)	−0.0750 (0.0604)
VideosBool	−0.0049 (0.0268)	−0.1519** (0.0770)	−0.0294 (0.0712)
ImagesBool	0.0688* (0.0379)	−0.7472*** (0.1429)	0.7115*** (0.1666)
Description	−0.0027 (0.0016)	-4.9190×10^{-6} (0.0048)	0.0017 (0.0044)
Rewards	−0.0049** (0.0020)	0.0235*** (0.0069)	−0.0117* (0.0066)
PrevSuccess	−0.0064*** (0.0023)	−0.0638*** (0.0074)	0.0341*** (0.0055)
Backed	0.0002 (0.0002)	0.0012 (0.0008)	−0.0007 (0.0008)
Updates	−0.0133*** (0.0024)	−0.0171*** (0.0066)	0.0253*** (0.0054)
Links	−0.0012 (0.0072)	0.0323 (0.0210)	−0.0023 (0.0183)
Backers	-3.0460×10^{-7} (6.8720×10^{-6})		
EUBackersTot		0.0002** (9.8830×10^{-5})	-7.2620×10^{-5} (7.7950×10^{-5})
log(*CountryPop*)		−0.2476 (0.1940)	−0.3822 (0.4589)
AdjacentCtryBackersSum			5.3700×10^{-5}*** (1.9240×10^{-5})
AdjacentCtryCount			0.4612** (0.1800)
Category	Included	Included	Included
ϕ	0.1137	0.3912	0.2049
Intercept	−3.3950*** (0.0734)	2.1330 (2.9410)	0.2126 (7.1070)
Observations	15006	2272	2272
Overall Wald test	735.5000***	25.3990***	22.7430***
McFadden R^2	0.4753	0.2734	0.3536

Note: *** p < 0.01, ** p < 0.05, * p < 0.1.
Standard errors are in parentheses.

6.2. The Impact of Geographical Biases on Crowdfunding Success

Now that we have identified the presence of an EU bias within the crowdfunding market of the EU, which we have shown is mainly driven by a home bias among the member states rather than the strong interconnections between them, we now need to evaluate whether these biases are harmful to project success or if they can, in fact, drive success.

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Firstly, we will analyze the effects of the EU bias using Model IV, shown in Table 4. Generally, it can be observed that the mere fact of a project being launched within the EU has a significant positive effect on the funding target achieved across all international projects. Since we control for the number of backers, this effect is not due to a larger backer base when the project gains international attention. It is also not driven by the fact that EU backers provide higher funding for EU projects. Instead, our model suggests that, on average, international backers outside the EU contribute higher amounts to EU-based projects than their intra-EU counterparts. This finding is consistent with research showing that cultural diversity, resulting from greater geographical distance, is a driver of productivity. Funders tend to be more inclined to support new and more exciting projects. Moreover, the share of supporters located within the EU significantly increases the funding success of international projects, but it has a negative funding impact when combined with projects launched within the EU. To facilitate the interpretation of the coefficients of the interaction term (-1.1955^{***}) in combination with the main effect of *EUBackersShare* (0.4902^{***}), a transformation is necessary, as we transformed the dependent variable in a non-linear fashion. We will approximate a linear marginal effect of *EUBackersShare* on the funding amount in USD. Holding all numeric variables at their mean and all categorical variables at their mode, the ceteris paribus effect of an increase in the share of EU-based supporters by one percentage point leads to an average increase of approximately USD 25.81 in funding for a typical non-EU project. However, since the interaction term's effect is significantly negative, an increase in the ratio by the same amount results in a reduction of approximately USD 40.72 for typical EU projects. Consequently, the globally positive influence of EU-based supporters becomes negative when applied to EU-located projects. Figure 2, at the end of this section, illustrates this relationship and further takes the non-linearity into account. This result shows that the EU bias has negative effects on crowdfunding success, thus supporting H4.

Table 4. Regression results on the effects of geographical biases on achieved funding.

	(IV) arcsinh(*Funding*)	(V) arcsinh(*Funding*)	(VI) arcsinh(*Funding*)
EUBool	0.2182^{***}		
	(0.0501)		
EUBackersShare	0.4902^{***}		
	(0.1814)		
EUBool × *EUBackersShare*	-1.1955^{***}		
	(0.2203)		
SameCtryShare		-0.3355^{***}	
		(0.0879)	
AdjacentCtryShare		0.6064^{***}	
		(0.1430)	
AvgDistEU			0.0012^{***}
			(0.0002)
$AvgDistEU^2$			$-4.8213\times10^{-7***}$
			(9.1370×10^{-8})
Duration	-0.0075^{***}	-0.0101^{***}	-0.0100^{***}
	(0.0011)	(0.0024)	(0.0024)
arcsinh(*Target*)	0.4478^{***}	0.4216^{***}	0.4190^{***}
	(0.0135)	(0.0211)	(0.0209)
StaffPick	0.6031^{***}	0.6260^{***}	0.6552^{***}
	(0.0442)	(0.0698)	(0.0700)
VideoHeader	0.1501^{***}	0.1990^{***}	0.2004^{***}
	(0.0204)	(0.0537)	(0.0538)
VideosBool	0.0938^{***}	-0.1121	-0.1357^{**}
	(0.0286)	(0.0686)	(0.0692)
ImagesBool	0.3143^{***}	0.0747	0.0834
	(0.0331)	(0.1074)	(0.1052)
Description	0.0063^{***}	0.0062	0.0065
	(0.0015)	(0.0040)	(0.0040)
Rewards	0.0311^{***}	0.0361^{***}	0.0372^{***}
	(0.0019)	(0.0061)	(0.0060)
PrevSuccess	0.0422^{***}	0.0457^{***}	0.0462^{***}
	(0.0028)	(0.0060)	(0.0060)
Backed	-0.0008^{***}	0.0010	0.0008
	(0.0001)	(0.0007)	(0.0007)
Updates	0.0675^{***}	0.0802^{***}	0.0807^{***}
	(0.0070)	(0.0068)	(0.0067)

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Links	0.0077 (0.0067)	0.0364* (0.0192)	0.0323* (0.0195)
Backers	8.4339×10^{-5} (0.0002)	0.0002* (0.0001)	0.0002* (0.0001)
Category	Included	Included	Included
Intercept	4.0193*** (0.1239)	4.5893*** (0.2179)	4.0243*** (0.2323)
Observations	15006	2272	2272
Overall robust Wald test	553.6200***	80.1970***	81.1170***

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.
Jackknife heteroscedasticity-robust standard errors are in parentheses.

Model V shows that the share of EU-based funders from the same country as the project has a significantly negative impact on funding success. As before, the coefficient can be interpreted for a typical project, i.e., at the mean of numeric variables and modes of categorical variables. An increase in the proportion of same-country funders by one percentage point results in an average decrease of approximately USD 11.14 in the funding amount, holding all other factors constant. This result supports our hypothesis H5 and aligns with the findings in the previous model. Therefore, we can generalize that funding in the EU reward-based crowdfunding market is negatively affected by home biases, regardless of whether it is on an international basis or within the EU. This model also provides first insights into how a neighbor bias affects funding. As shown, the coefficient of *AdjacentCtryShare* is significantly positive, meaning that the share of funders from a neighboring EU member state increases funding success. If this share increases by one percentage point, the average funding for a typical EU-located project increases by approximately USD 20.14. Controlling for the total number of backers allows us to conclude that these effects are not driven by greater attention. Instead, it shows that foreign backers in spatial proximity, on average, make higher contributions than domestic backers. This implies that H6 is partially supported, as geographical distance to funders can positively influence their contributions. But how much geographic diversity is beneficial?

Model VI addresses this question and contributes more broadly to the understanding of the effect of local bias on funding. The results show that the coefficient for the variable *AvgDistEU* is significantly positive (0.0012***), while the coefficient for $AvgDistEU^2$ is significantly negative (-4.8213×10^{-7}***). Consequently, our model provides evidence for an inverse U-shaped relationship between the average distance of EU-based supporters to the projects within the EU and their achieved funding amount, as illustrated in Figure 3 at the end of this section. Thus, H6 is entirely confirmed. An increase in the average distance of the backer base results, up to a threshold of 1,245.16 km, in a higher funding amount, though with a declining marginal rate of increase. After reaching this threshold, the relationship reverses, and backer bases with higher average distances provide less additional funding than their less distant counterparts. Holding all other variables at their mean or respective mode, our results suggest that after the backer base is, on average, 2,490.32 km remote, further increases in distance actually reduce the funding amount below the level observed at zero distance. To make distances more tangible, here is a short example: The distance between the centroid of Sweden (mostly regarded as Flataklocken) and that of Spain (mostly regarded as Madrid) is about 2,800 km, while the distance between Germany (mostly regarded as Niederdorla) and France (mostly regarded as La Coucière) is about 770 km, using the Haversine formula. We can conclude that our results from Model V, which showed that supporters from neighboring countries provide, on average, higher funding amounts, are further strengthened and expanded to include backers from higher distances. However, we also observe that backers located at very distant points provide less funding than those located nearer

Overall, these findings not only help explain the effects of geography on funding success, but they also provide preliminary insights into the home and local bias phenomena, or more precisely, they highlight what is not driving these biases. Our evidence shows that backers who are farther from the project origin tend to provide higher funding amounts. This suggests that home and local biases within the EU are unlikely to be driven by information asymmetries. If such asymmetries existed, where local backers could better exploit information, they would be expected to allocate more funding to domestic projects, as remote backers would face higher uncertainty. Our findings align with those of Lin and Viswanathan (2016) in the U.S. debt-based crowdfunding market, suggesting that crowdfunding can effectively mitigate information asymmetries and uncertainty among more distant funders, at least to a significant extent. Consequently, home and local biases within the EU are more likely to stem from behavioral or social factors rather than economic ones. While our findings cannot conclusively determine which of these two factors is the main cause, it seems more plausible that social factors, rather than psychological effects like familiarity, are responsible for reducing funding from more local supporters while increasing it from more distant ones. Our results would align well with the notion that home and local bias is driven by family and friends, as found by Agrawal et al. (2015). These backers are typically on the platform to support those socially close to them, often with less or no economic intention, and thus, they likely provide lower funding amounts.

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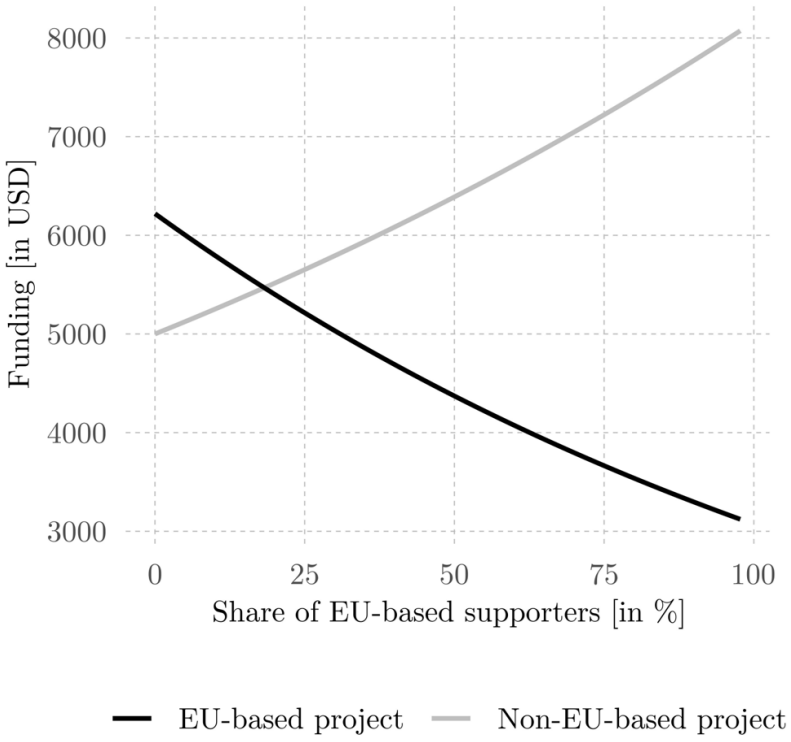

Figure 2. Visualization of EU bias effect on funding.

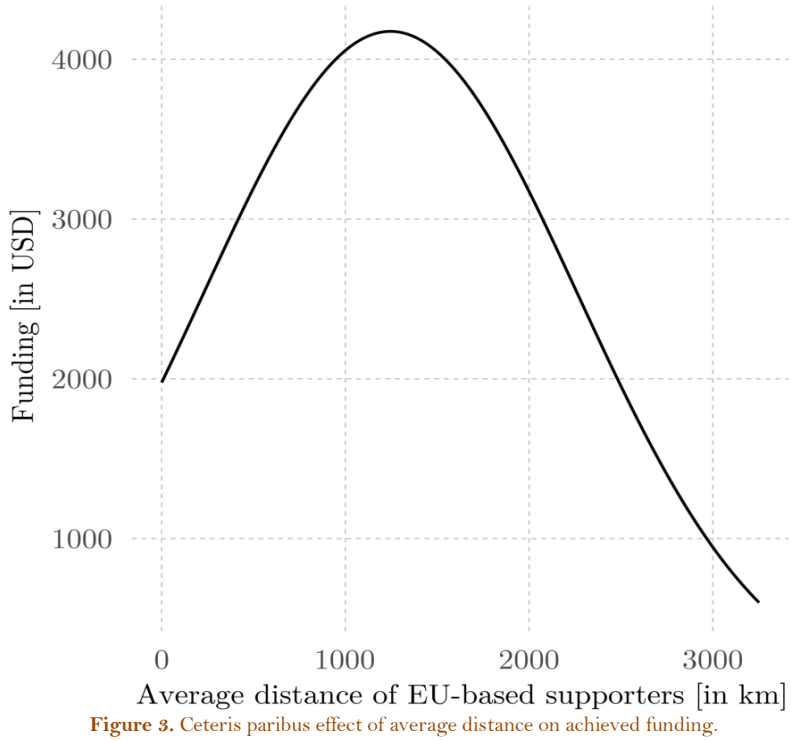

Figure 3. Ceteris paribus effect of average distance on achieved funding.

7. Limitations

A limitation of our data sample lies in the method used to obtain the geographical distances between project locations and their backer bases. At the time of our data extraction, *Kickstarter* only reported the top 10 most represented countries among a project's backers, along with their respective backer counts. As a result, we do not have access to the exact locations of individual backers, nor can we fully model the entire backer base. To address the first issue, we used the centroids of the respective backer countries as an approximation

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for backer locations. While this approach does not affect the share of supporters from specific countries, it does influence the average distances of backers. As a result, conducting an intra-national analysis of local bias would be impractical due to significant limitations. Instead, we focus on an inter-EU local bias, measured through the presence of a neighbor bias, to avoid the constraints associated with distance-based measurements. If we created a threshold based on a radius around the project origin to measure the density of funders as an indicator of local bias, the issue would arise that all backers from a single country are concentrated at the same point—the centroid—leading to meaningless results. However, for measuring the effect rather than the existence of local bias, this approach proves useful. It allows us to account for backers located farther from the project origin, extending beyond adjacent countries, thus incorporating the influence of supporters from more distant nations. In the case of Model VI, where we rely on average distances, we do not anticipate that incorporating the exact distances would significantly change our overall findings. If we were to assume a strong local bias towards project origins, meaning backers are concentrated around the project's location or, in the case of foreign countries, near the country borders, our estimated average distances would likely be higher than the actual ones. Within the econometric framework, we would expect this to result in a shift towards a lower average distance at which positive funding effects are observed, but the overall implication—that more distant backer bases provide higher funding—would remain unchanged. On the other hand, if no local bias exists within or between nations, our estimated average distances would be quite accurate, as a random distribution of backers within countries would yield results similar to those produced by assuming all backers are located at the country's centroid. Regarding the second issue—our inability to fully model the entire backer base—the distortion introduced by this limitation seems relatively minor, as it primarily affects large projects with widely dispersed backer bases, representing more than 10 countries. In the international dataset, about 89.00% of all backers are captured with our restrictive approach. For the EU data subset, this figure is 86.65%, showing that we capture the vast majority of all backers, making it unlikely that this assumption will significantly impact our general findings.

Another limitation arises from the small sample sizes of several EU member states, which are underrepresented in the *Kickstarter* project landscape. This restricts our analysis of the existence of a home bias within the EU to only 12 countries, making these findings, though strongly suggestive, not necessarily representative of the remaining countries.

Although it is not a limitation per se, we would like to emphasize that all our findings regarding home and local biases within the EU are specifically related to the EU and not to non-EU countries, unless we explicitly use an international framework. The share of domestic EU-based backers is calculated by dividing by the total number of EU-based supporters, similarly to how we obtained the share of adjacent country funders and the average distance of EU-based supporters. While it may be tempting to conclude that backers within the EU are particularly prone to a home bias and disproportionately support domestic projects, this would be too simplistic. The relationship to the EU must be preserved, so the distinction between the regional subset and the global dataset should always be kept in mind.

8. Conclusion

Our study is the first exploratory work on the reward-based crowdfunding market within the EU. Firstly, we show that the crowdfunding market in the EU is highly dominated by the four largest EU economies—Spain, Germany, Italy, and France—highlighting the strong interconnections between these nations and their backer behavior. Secondly, we provide evidence of an EU bias, meaning that backers within the EU tend to disproportionately support EU-based projects while discriminating against non-EU projects. This EU bias is primarily driven by a home bias among EU member states. As our results demonstrate, a significant home bias is observed in all major EU member states that are crucial to the general project landscape. Thirdly, we analyze whether backers from EU member states are more likely to support projects in their geographical proximity, specifically in adjacent EU countries, indicating a neighbor bias—a specific form of local bias. Our results do not show evidence of a general neighbor bias between EU member states. The only one-sided relationship with evidence of such a bias is found among German backers, who tend to support projects launched in Denmark. Furthermore, we explore how geographical factors affect the funding success of reward-based crowdfunding projects. We find that both an EU bias at the international level and a home bias at the intra-EU level negatively impact the achieved funding amount. Our findings suggest that domestic supporters tend to provide lower funding amounts than their more distant counterparts. We support these results through further analysis of neighbor bias, showing that an increased share of backers from adjacent EU member states can enhance funding success. More generally, we show that a greater distance between funders and the project origin is beneficial to funding success. However, our results also reveal that the relationship between distance and funding is not purely linear. Specifically, an inverse U-shaped relationship exists, indicating that while distance is generally beneficial in the EU market, funders who are too far from the project tend to contribute less than those located closer. Finally, these effects can help explain the previously observed home and local bias tendencies. They suggest that reward-based crowdfunding platforms can effectively mitigate information asymmetries between local and remote funders, making the process less

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uncertain for distant backers. We argue that social factors are likely to play a significant role in driving these biases within the EU market.

With our research, we aim to shed light on the previously unexplored EU reward-based crowdfunding market and the behaviors of its backers. We show that, despite the many well-founded reasons against the existence of a home bias within the EU reward-based crowdfunding market, this market is nevertheless subject to such a bias, aligning with the general findings of this research area in other environments. However, as our study also preliminarily suggests, these phenomena are not equally pronounced across all countries. This highlights the need for further research to focus on different regions of the world and incorporate their unique characteristics.

This study is of interest to several stakeholders. EU policymakers should be particularly concerned with the fact that the crowdfunding market is largely dominated by four countries, a trend that is not solely explained by their relatively larger populations. Creators of crowdfunding projects on *Kickstarter* should aim for international attention, as this not only increases their backer base but also attracts higher funding amounts from more distant backers. Consequently, founders need to adopt an integrative language and ensure their projects are accessible and understandable to non-local audiences. For our research field, we propose a new approach to analyze this market, with a focus on different regions of the world. Additionally, we present a newly processed, comprehensive dataset of crowdfunding projects from around the world, which can serve as the foundation for future research. Moving forward, it is crucial to identify and integrate the various potential causes of home and local bias into research frameworks, allowing for a full understanding of geographical behavioral differences and an analysis of how these causes differ across nations and societies.

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Appendix A. Variables.

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Table A.5. Explanation of variables.

Variable	Type	Explanation
ID	Discrete	Project identifier within the datasets (Upon reasonable request, the project URLs will be provided as identifiers)
StartDate	Date	Start of the financing period
EndDate	Date	End of the financing period
Duration	Discrete	= *EndDate* − *StartDate*
Category	Categorical	One of five supercategories to which a project belongs
Success	Boolean	= 1 if funded successfully
Funding	Continuous	Total amount financed in USD (Exchange rate on *EndDate* was used)
Target	Continuous	Desired financing amount in USD (Exchange rate on *EndDate* was used)
StaffPick	Boolean	= 1 if project was honored with a "Project We Love" badge
Backers	Discrete	Number of supporters who backed the respective project by *EndDate*
VideoHeader	Boolean	= 1 if project page starts with a video
VideosBool	Boolean	= 1 if at least one video is included in the campaign text
ImagesBool	Boolean	= 1 if at least one image is included in the campaign text
Description	Discrete	Word count of the introductory text
Rewards	Discrete	Number of reward stages
PrevSuccess	Discrete	Number of a creator's previously successful projects
Backed	Discrete	Number of projects supported by a creator
Updates	Discrete	Total number of updates by a creator at *EndDate*
Links	Discrete	Number of websites linked by a creator
<*Country*>	Discrete	Number of supporters from <*Country*> who backed the respective project by *EndDate* (<*Country*> represents any country)
EUBackersTot	Discrete	Number of EU-based supporters who backed the respective project by *EndDate*
EUBackersShare	Proportion	= *EUBackersTot* / *Backers*
SameCtryTot	Discrete	Number of supporters from the project's country of origin who backed it by *EndDate*
SameCtryShare	Proportion	= *SameCtryTot* / *EUBackersTot*
<*EUCtry*>*Bool*	Boolean	= 1 if a project is launched in <*EUCtry*> (<*EUCtry*> represents any EU member state)
EUBool	Boolean	= 1 if a project is launched within the EU
CreatorLocation	String	City and country of a project's origin
CreatorCoord	Geospatial	Coordinates of a project's origin: POINT(Longitude, Latitude)
AvgDistEU	Continuous	Average distance (in km) of EU-based supporters from a project
CountryPop	Discrete	Population of a project's country of origin as of 2023, reported by Eurostat (2025b)
AdjacentCtryTot	Discrete	Number of supporters from a country adjacent to the project's country of origin who backed it by *EndDate*
AdjacentCtryShare	Proportion	= *AdjacentCtryTot* / *EUBackersTot*
AdjacentCtryBackersSum	Discrete	Aggregate number of supporters based in countries adjacent to the project's country of origin
AdjacentCtryCount	Discrete	Number of countries adjacent to the project's country of origin

Appendix B. Distance Measurement.

The Earth is a sphere—or more precisely, an oblate spheroid—as described by Sir Isaac Newton's discoveries (King-Hele, 1976). However, a two-dimensional representation is necessary to map the coordinates of project origins and supporters effectively. Various methods exist to project the Earth's three-dimensional surface onto a two-dimensional plane. Projected coordinate systems are typically categorized into three types: conical, cylindrical, and planar projections (Lapaine & Frančula, 2022). Naturally, such projections introduce distortions, affecting the representation of land masses or distances between points. For our analysis, a projection that preserves accurate distances between two points is essential, even if it distorts the shapes and areas of countries. The azimuthal equidistant projection meets this requirement. Originating from a central point on the Earth, it ensures accurate distance measurements between the center and any other location,

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making it suitable for use in air and sea navigation (Pye, 1947). We will now explain the calculation of the distance between project origins and supporters using a single project as an example. First, the coordinates of the project origin were used to initialize an azimuthal equidistant projection, with the project's location as the center. This projection was then applied to the entire world map. Next, the countries of origin for the project's supporters were identified. The geographical center of each country was used as a proxy for supporter locations. With both project and supporter coordinates established, the Cartesian (or Euclidean) distance between each pair of points was calculated, representing the length of the flight path. We used the distance method from the *Python* package *GeoPandas* for these calculations (Jordahl et al., 2021). The resulting distances, measured in meters (the unit of our projection), were converted to kilometers and weighted by the number of supporters in each EU country. Finally, dividing the weighted total distance by the total number of EU supporters for each project provided the average distance of EU backers.

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