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Title: "Home Bias in Online Investments: An Empirical Study of an Online Crowdfunding Market"

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Abstract: An extensive literature in economics and finance has documented “home bias,” the tendency that transactions are more likely to occur between parties in the same geographical area, rather than outside. Using data from a large online crowdfunding marketplace and employing a quasi-experimental design, we find evidence that home bias still exists in this virtual marketplace for financial products. Furthermore, through a series of empirical tests, we show that rationality-based explanations cannot fully explain such behavior, and that behavioral reasons at least partially drive this remarkable phenomenon. As crowdfunding becomes an alternative and increasingly appealing channel for financing, a better understanding of home bias in this new context provides important managerial, practical, and policy implications.

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