

# An Empirical Study of the Impact of the Matching Donation on Donation-based Crowdfunding Platforms

*Completed Research Paper*

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## Abstract

*Attracting contributions in donation-based crowdfunding is challenging. Leveraging on corporate or private funds to set up a matching fund mechanism is widely adopted as a way to motivate individual lenders. However, matching funds may also crowd out lenders' contributions. Drawing on theories of impure altruism, goal pursuit and signaling, this paper studies the mechanism through which matching funds influence individual lenders' contribution. Besides recognizing the dual impact of matching, we discuss when crowding-out effect is more likely to dominate. Our empirical analysis based on data collected from Kiva.org suggests that matching funds have a significant crowding-out effect on individual investments. Meanwhile, impact of matching depends on the fundraising stage, risk of the project and matching status of other projects on the platform. Specifically, matching is more beneficial for projects that are in the early stage, considered riskier, and in periods when there are fewer projects being matched.*

**Keywords:** Crowdfunding, Matching donation, Public goods, Impure altruism, Crowding out effect