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From Human Hands to Machine Minds: Financing AI-Driven Entrepreneurship in Reward-Based Crowdfunding

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Abstract

Despite AI's perceived innovative potential, limited evidence explains how AI adoption within entrepreneurial projects affects financing by the crowd. Reward-based crowdfunding is a particularly informative setting because dispersed, predominantly non-professional backers evaluate campaigns without the technical due diligence and private information available to professional investors. We examine whether AI adoption is associated with financing performance in this trust-dependent environment. Our sample comprises 10,682 US Kickstarter projects launched between August 2023 and August 2024, including 701 projects identified through Kickstarter's mandatory AI-use disclosures. Multivariate regressions incorporate project, creator, regional, temporal and category controls and are supplemented by matching, reweighting and instrumental-variable robustness tests. AI projects receive lower pledged amounts, fewer donations and fewer backers. Textual analyses provide evidence consistent with a trust-based explanation: AI projects are more likely to use abnormally optimistic narratives, whereas clearer disclosures and positive backer sentiment attenuate the financing penalty. Topic modelling further shows that the penalty is strongest for technology-focused AI projects but is not statistically significant when campaigns emphasise meaningful human involvement. These findings help reconcile expanding professional AI investment with weaker crowdfunding outcomes by showing that AI claims may be evaluated differently when backers have limited verification capacity. The study contributes evidence on how AI disclosure, narrative credibility and human involvement shape crowd financing decisions. Because the analysis covers only the first year of Kickstarter's AI-disclosure policy, the results should not be interpreted as causal or necessarily generalised to more mature AI markets.

Keywords: *Reward-based crowdfunding, Kickstarter, AI ethics, artificial intelligence, deep learning*

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