

Chapter 15

The Success Factors of Initial Coin Offerings in Startup Financing

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ABSTRACT

In recent years, with the creation of blockchain technology, the concept of initial coin offering (ICO) has become a new form of crowdfunding in the innovative world of cryptocurrency, offering new opportunities to startups. Indeed, a startup that wishes to develop or realize a project has the choice between two types of financing: internal financing through its own resources and external financing from lenders or shareholders. Over the past five years, finance researchers have begun studying the characteristics of the ICO market and comparing them to conventional forms of corporate finance in order to identify its specific features and determinants of success. The authors used R Studio software to develop our econometric model and conduct several tests. They regress the econometric model: $\text{Log}(\text{funds}) = \alpha + \beta_1(\text{hardcap}) + \beta_2(\text{tokens}) + \beta_3(\text{bonus}) + \beta_4(\text{members}) + \epsilon$ using the ordinary least squares (OLS) method to test the hypotheses on the sample of 100 startups.

INTRODUCTION

In order to answer our research question “What are the success factors of ICOs,” we make hypotheses based on the literature. In reality, researchers have proven that several

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factors influence the success of ICOs. After a thorough analysis of the literature, we focus on these four factors: the amount of Hardcap, the members of the management team, the number of tokens issued, and the bonus offered. Therefore, following the methodology proposed by (Aslan et al., 2022) we rely on the following hypotheses:

H1: The amount of Hardcap is a success factor for ICOs.

H2: The number of members of the management team is a success factor for ICOs.

H3: The number of tokens issued is a success factor for ICOs.

H4: Offering a bonus to investors is a success factor for ICOs.

We have developed an economic model where the amount raised represents the dependent variable and bonus, team members, Hardcap, and distributed tokens represent the independent variables in order to answer our research question based on the previously defined hypotheses in the previous chapter. Chapter 3 of this thesis undertakes an in-depth study of influential factors in the context of Initial Coin Offerings (ICOs), merging in-depth theoretical analysis with empirical investigation. Titled “Theoretical Study of Influential ICO Factors and Empirical Study,” this chapter aims to explore the complex dynamics that shape the success or failure of ICOs, highlighting the theoretical and empirical variables that play a crucial role in this ever-evolving field.

Section 1 initiates our exploration with a theoretical study, delving into the various works that have already been conducted on ICOs as a new form of financing. We will then delve into hypotheses focused on key aspects such as team members, the amount of Hardcap, the number of tokens issued, and the bonuses offered. These hypotheses, supported by existing literature, will provide the necessary theoretical framework for our in-depth analysis.

Section 2 takes our study a step further by addressing an empirical study, bringing a practical dimension to our exploration. We will define the variables to be studied, detail the data collection process, and present the methodology underlying our approach. The section will also include a discussion of the empirical results, implementing statistical analyses such as linear regression, and reviewing the tests used to ensure the robustness of our conclusions.

The entire investigation aims to enlighten practitioners, researchers, and decision-makers on the crucial determinants that influence ICOs. As we progress through this chapter, we will embrace an integrated approach, combining existing theoretical knowledge with tangible evidence, in order to provide a comprehensive perspective on the factors that contribute to the success or failure of ICOs. By analyzing and discussing these results, we hope to make a significant contribution to the understanding of this emerging phenomenon in the world of finance and technology.

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