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# The Effect of Smart Contracts on Online Investment Decisions: An Experimental Study in ICOs

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**Abstract.** The imbalance of internal and external knowledge for investments in Initial Coin Offerings (ICO) leads to an information asymmetry, where issuers may further exploit a moral hazard as a resulting mismatch of time and interest during lock-up situations. The existing regulatory vacuum is mirrored by literature, as scholars deliver insights on effective means of signaling. However, research on smart contracts as immutable mechanisms and effective signals to mitigate risks for online investments remains an untapped subject, whilst market demand for solutions to an existing agency problem remains high. To respond to a pressing research question, this study conducted a randomized between-subjects online experiment with a sample of 391 participants. Results include a significant positive effect of the implementation of smart contracts on investor decisions in a present lock-up situation.

**Keywords:** Blockchain, Initial Coin Offering, Lock-Up, Smart Contracts