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HOW CAN I FUND YOU? A CROSS-CULTURAL ANALYSIS ON THE DIFFUSION OF REWARD-BASED CROWDFUNDING ACTIVITIES

Abstract: FinTech, or the reorganization of the financial services industry, in response to new financial technologies, is helping to close the firm's funding gap. New online financial platforms, and in particular crowdfunding platforms, characterized by lower transaction fees and new ways and sources of information to measure credit risk, have made it easier for small and medium-sized businesses (SMEs) to get loans. Although crowdfunding has actively gained popularity over the world, there have not been many attempts to do cross-cultural studies; moreover, in order to understand how a digital innovation (e.g., crowdfunding platform) gains diffusion, cross-cultural comparative study are strongly suggested. The aim of this paper is to explore the impact that national cultural dimensions of the Hofstede's framework has on the crowdfunding adoption in countries worldwide, also evaluating crowdfunding initiatives from a cross-cultural comparative perspective. In order to test the research hypothesis, an original dataset taken by Statista was joined together with the Hofstede Insight dataset by which we collected the variables about cultural dimensions. Results show that power distance and individualism negatively influence the diffusion of crowdfunding, that, instead, is nurtured by long-term orientation and masculinity. These findings offer important implications both for theory and practice.

Keywords: CROWDFUNDING, HOFSTEDE, CULTURE, FINTECH,
DIGITAL TRANSFORMATION

Introduction

FinTech, or the reorganization of the financial services industry in response to new financial technologies, is helping to close the firm's funding gap. This is especially true for companies and small entrepreneurs, which have trouble getting money from banks, venture capitalists, and business angels (Lazzaro, 2017). New online financial platforms and in particular crowdfunding platforms, characterized by lower transaction fees and new ways and sources of information to measure credit risk have made it easier for small and medium-sized businesses (SMEs) to get loans. By this way, crowdfunding eliminates all the information asymmetries and realize a lot of credit opportunities for businesses (Cicchello et al., 2022). Crowdfunding (CF) is a broad term for a new way to fund projects, companies, or ideas by getting many small amounts of funds from a large number of people, usually through online platforms. It is part of the FinTech revolution (Ahlers et al., 2015; Cicchiello, 2020) and is characterised by the easy path of credit access. Crowdfunding made possible to reach a lot of possible investors, who get some kind of physical or moral reward in proportion to how much money they put in platform for projects. It becomes a successful way for entrepreneurs to raise money for their creative ideas on the internet, bringing together projects looking for investment and people with money to invest and entrepreneurs with innovative ideas (Dushnitsky et al., 2016; Belleflamme et al., 2014). CF gives people who need money the chance to get it from a wide range of "crowd investors" online, instead of relying on the opinions of a few experts, and helps fill the funding gap between SMEs and multinational enterprise (SMEs) that make a big difference in worldwide economy and society (Cicchello et al., 2022; Hutter & Throsby, 2008; Klamer, 1996). Since different organizations, such as small enterprises, entrepreneurs, and non profit groups, have started using it, the popularity of crowdfunding has only increased (Crowdsourcing.org, 2012).

Although crowdfunding has actively gained popularity over the world, there have not been many attempts to do cross-cultural studies in the literature (Zheng et al., 2014); moreover, in order to understand how a digital innovation (e.g., crowdfunding platform) gains diffusion, cross- cultural comparative study is strongly suggested (Espig et al., 2022; Khan, 2022). This is because every nation has unique culture, set of values, and environment that may affect how crowdfunding is managed. However, the prior research on crowdfunding was frequently country-specific (e.g., Rainero et al., 2014; Althoff & Leskovec, 2015; Meer, 2014), and few studies have analysed the extent to which the cultural context affect crowdfunding diffusion at a macro level. Since the spread of crowdfunding in different countries is always affected by national differences in institutional environments (Di Pietro & Buttice, 2020), it is very important to study the relationship between cultural dimensions and crowdfunding activity at the country level.

The aim of this paper is to explore the impact that national cultural dimensions of the Hofstede's framework (Hofstede, 2010) has on the crowdfunding adoption in countries worldwide, also evaluating crowdfunding initiatives from a cross-cultural comparative perspective in order to close the above-described research gap.

Due to its large diffusion, the unit of analysis of the present research is reward-based crowdfunding.

Our research represents the first study that uses econometrics and quantitative methodology to analyze the research gap. In order to test the research hypothesis, an original dataset taken by Statista was joined together with the Hofstede Insight dataset by which we collected the variables about cultural dimensions (Hofstede, 1991, 2001). In particular, we included a Statista dataset based on Key Market Indicators that gives an overview of the social and economic outlook for selected regions in the world, as well as information about how the funding market is changing across the nations. The Statista market models are based on these indicators and data from statistical offices, trade associations, and companies.

Results show that power distance and individualism negatively influence the diffusion of crowdfunding, which, instead, is nurtured by long-term orientation and masculinity. These findings offer important implications both for theory and practice.

This study is organized as follows: the first section presents a review of the literature, while the third outlines the theoretical background and hypothesis development. The fourth section describes the research methodology, while the fifth and sixth present and discuss the results, respectively. The last section provides the study's conclusions and implications.

LITERATURE REVIEW

Crowdfunding to foster entrepreneurship and innovation

Crowdfunding (CF) is defined by Mollick (2014) as the actions taken by entrepreneurial individuals and organizations to raise money for their projects by taking advantage of tiny donations from a sizable number of people over the Internet. This definition is more specific to the context of entrepreneurship.

Crowdfunding (CF) has quickly acquired popularity as a cutting-edge modern method for entrepreneurs looking outside investment to raise money for the start-up and expansion of their companies (Barnett, 2015; Bruton et al., 2015; Mollick, 2014). An idea that has only lately gained popularity, crowdfunding allows people to invest in many different industries (Agrawal et al., 2013; Blohm et al., 2013; Kleeman et al., 2008) and has experienced amazing development in terms of the number of platforms, projects, and funds raised via this technique. Over the past several years, numerous academics have attempted to define crowdfunding (e.g., Belleflamme

et al., 2014; Tomczak & Brem, 2013; Voorbraak, 2011) and give rise to the idea of “the wisdom of a crowd”, which is a subset of crowdfunding (Leimeister, 2012).

Crowdfunding is comparable to micro lending in that it focuses on the financial aspects of crowdsourcing, and finances individuals (Armendariz Morduch, 2010; Vitale, 2013). According to Belleflamme et al. (2014, p.588), “Crowdfunding involves an open call, mostly through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes”. Even today, however, there is no single definition of crowdfunding. Many academics argue that the goal of crowdfunding is to generate money among a broad group of people through an open appeal on the Internet (Bouncken et al., 2015; Ribiere & Tuggle, 2010; Tomczak & Brem, 2013) as channel of operations.

The process of regional and national economic growth includes entrepreneurship. According to several studies (Acs et al., 2008; Agarwal et al., 2007; Cumming et al., 2014; Fernández- Serrano & Romero, 2013), it fosters innovation and enhances job opportunities. Additionally, one of the most crucial resources for business owners is money (Croce et al., 2013; Croce et al., 2019; Kortum & Lerner, 2000).

Over the past ten years, crowdfunding has established itself as a reliable source of capital for entrepreneurial enterprises (Hornuf & Schwienbacher, 2018). A business plan is necessary for the creation of a new company, and the entrepreneur may turn to family, friends, and financial institutions for funding. One possibility is to employ alternative financial mechanisms such as CF because traditional financial institutions (such as banks) have rigorous financial criteria, restricted collateral requirements, and lending track record limitations (Bernardino et al., 2022). Compared to other financing choices (business angels or venture capital funds), CF has certain benefits but also some hazards since the connections made between entrepreneurs and investors are mostly dependent on the communication made possible by the platforms’ or other social media’s online environments (Belleflamme et al., 2014; Moritz & Block, 2016).

When it comes to investment models, we can differentiate CF between: (i) lending-based crowdfunding, where the funders have the expectation of receiving an agreed-upon interest payment, and (ii) equity-based crowdfunding, where money is provided in exchange for company shares, and the investors receive a return on their investment if the company performs well.

The reward-based crowdfunding (iii), where funds are given in exchange for non-cash benefits like small gifts (rewards) or pre-orders for a product still in production. In this concept, backers give little sums of money to people, causes, or businesses in return for something tangible (like early access to new items or a product reward) or intangible (like a thank-you note) (Belleflamme et al., 2014; Giudici et al., 2017). For example, in the reward-based CF, the investor is both a potential consumer who is prepared to engage in a consumption experience and a supporter of the project because the investor’s contribution is correlated with the reward provided by the entrepreneur, which may reveal the evaluation regarding the good or service

(Agrawale et al., 2014; Giudici et al., 2017).

Finally, donation-based crowdfunding (iv), where funds are given for charitable or sponsorship purposes without the expectation of payment, are included in the non-investment category. Donors contribute financially without anticipating a monetary or material reward because of civic or altruistic objectives. This model's ability to facilitate private donations from many people in support of humanitarian causes (such as disaster relief) or the provision of public goods to an urban community (such as the renovation of a public square in a neighborhood) is one of its more intriguing features (Parhankangas et al., 2019). As a result, there are a variety of reasons why people choose to invest in crowdfunding projects. These reasons include financial gain, a strong sense of commitment to the project (Fisher et al., 2017), closeness to the project's location, and personal connections (Agrawal et al., 2015; Mollick, 2014). Many amateur investors typically contribute tiny amounts of money to crowdfunding campaigns, and the connection between entrepreneurs and investors is built more on "online trust" than a formal contract (Schwienbacher & Larralde, 2010).

The advantages of using crowdfunding to support a project include: quick access to money in comparison to conventional avenues of fundraising (banks, venture capital, business angels). According to CF's investment models, a business owner may use the internet to solicit a sizable number of potential investors (backers) to contribute a modest sum of money to the project (Yu et al, 2017; Cruz, 2017).

One may think of the CF ecosystem as a two-sided platform. Entrepreneurs looking to invest money in a new business are on the demand side (profit or non profit). On the opposite side (supply), we have a "crowd" of funders who contribute money or make investments in order to support charitable or commercial endeavors. The technical infrastructure in the middle allows both players to communicate with one another in accordance with the business model represented by the CF platform (Cho and Kim, 2017; Jenik et al., 2017). The platform administrators have an information system at their disposal that offers services to meet the demands of the clients (payment system, data analytics, the operational legal framework, administration of financial transactions, or project pre-selection) (Löher, 2017).

The most common model is the reward-based model, and certain models (such as the equity model) include stringent operating rules and restrictions (Cohn, 2012; Heminway Hoffman, 2010). To this end, this study limits its area of study to reward-based crowdfunding projects.

Cultural factors influencing crowdfunding diffusion

The value system that distinguishes a group or community and can influence people's inclinations to act in particular ways is referred to as national culture (Shinnar et al., 2012). The latter refers to how individuals in various cultures are ingrained with various values, beliefs, behaviors, habits, and attitudes toward the outside world. These traits have an impact on many management strategies, including fundraising procedures. A common strategy in the literature on international business has been to connect specific subjects to unique cultural traits (Leung et al., 2005). Despite being divisive, Hofstede's (1991) work established a comprehensive framework that served as an inspiration for several scholars (Kirkman et al., 2006; Kirkman et al., 2017).

The six components of Hofstede's framework are: power distance, individualism versus collectivism, masculinity vs femininity, uncertainty avoidance, long-term orientation versus short-term orientation, and indulgence versus restraint.

During the years, several studies investigated the role of culture in relation to crowdfunding and entrepreneurship (Hofstede, 2001; Mueller et al., 2001; Hayton et al., 2002; Cho et al., 2017; Celikkol et al., 2019; Pietro et al., 2020; Shneor et al., 2021). The authors Wang et al., (2023) talk about the scant study that has been done on the subject of national/regional culture and crowdfunding. Prior research only hinted at the existence of particular cultural elements when it came to crowdfunding. Cultural differences matter in crowdfunding decision-making and supporter preferences for founders from comparable cultures, as shown by two research by Zheng et al. (2014) and Burtch et al. (2014). Using Hofstede's cultural dimensions, recent research have directly evaluated the effects of crowdfunding across cultures. Cho and Kim (2017) discovered that Korean crowdfunding sites have greater degrees of uncertainty avoidance and collectivism than US ones. In their investigation of the individualism- collectivism cultural dimension's influence on the behavior of contributors to crowdfunding campaigns, Shneor et al. (2021) discovered cultural congruence between crowdfunding behaviors and ideals in both individualistic and collectivist environments. Di Pietro and Buttice (2020) analyzed the influence of formal and informal institutions on crowdfunding development and suggested that individualism, uncertainty avoidance, and long-term orientation have positive impacts on crowdfunding activity. However, there is limited research on the relationship between cultural dimensions and crowdfunding performance, as well as the role of culture in linking gender and crowdfunding performance for entrepreneurs.

Studies have specifically looked at how cultural factors like individualism and

masculinity affect how CF is known and utilized in various nations. Past studies have shown that nations with higher levels of masculinity, which are characterized by a greater drive for monetary achievement, may be more inclined to turn to CF as an alternative source of funding (Hayton et al., 2002). Similar research has revealed that individuals in nations with higher degrees of individualism tend to be more confident, entrepreneurial, and have more internal locus of power, which may prompt them to look for novel fundraising strategies like CF (Celikkol et al., 2019; Mueller & Thomas, 2001). This implies that people may rely less on conventional financial institutions and look for more self-directed finance sources in more individualistic countries. On the other hand, nations with unequal power distribution may be less likely to have general understanding of CF. Some nations may have a weaker interest in looking for new sources of finance due to a lower need for entrepreneurial activities and a lower desire for autonomy (Shane, 1993; Rinne et al., 2012). Because of this, Bernardino et al. (2022) contend that nations with an unequal distribution of power should be expected to have fewer people who are personally knowledgeable of CF. Also, it appears that a nation's amount of CF knowledge is negatively connected to their level of uncertainty avoidance. Governments that are better at avoiding uncertainty could be less willing to look for novel and unproven financing sources, like CF. These data together indicate that national culture shapes understanding and usage of CF in various nations and that cultural factors might influence a person's propensity to investigate alternate sources of funding (Bernardino et al., 2022).

Theoretical background and hypothesis development

According to Homer and Kahle's (1988) empirical research on the value-attitude-behavior hierarchy provides the foundation for the connection between values and decision-making. In order to explain the disparities between different countries and cultures, Hofstede created the theory of cultural dimensions (Hofstede, 1980, 1981, 2012; Hofstede et al., 2010). Power distance, masculinity (against femininity), uncertainty avoidance (against tolerance of uncertainty/risk), long-term orientation (against short-term orientation), and indulgence (versus restraint) are some of his hypothesized dimensions. The research hypotheses listed below are connected to these cultural factors.

Power distance

Power distance (PDI) is a measure of the degree of inequality between those in positions of power and those who do not have it (Hofstede et al., 2010). A high PD Index score shows that a society accepts hierarchical, unequal allocation of power and that its citizens are aware of "their place" within it. A low PDI score indicates that society members do not tolerate situations in which power is distributed unfairly and

that power is shared and widely distributed. In relation to crowdfunding, according to Hofstede (2010) one of the main characteristics of societies presenting high level of power distance is the existence of large gaps in compensation, authority and respect. This results in more centralized power and control levels. Contrarily, one of the core tenets of crowdfunding is the will of the entrepreneurs to enlarge the share of participants to the capital structure, opening the boundaries of the capital infrastructure to the largest set of people and individuals who just share the same entrepreneurial vision and ideas (Fink, 2012; Davies, 2014). On the other side, those who invest in a crowdfunding campaign are moved by a high and active sense of participation in the entrepreneurial life, posing themselves at the same level of the company/start-up founders, and thus reducing organizational barriers (Molinge, 2020). According to Gorodnichenko and Roland (2011), societies with high power distance exhibit traits such as centralized power, top-down control, and extensive bureaucracy. Research indicates that firms in such societies may have lower levels of external financing due to agency conflicts that limit the transfer of funds (Boubakri & Saffar, 2016). High power distance societies are predicted to be less likely to embrace crowdfunding as a method for investment and finance (Di Pietro and Buttice, 2020). Consequently, it is expected that:

H1: High level of power distance negatively influences reward-based crowdfunding activities

Individualism-collectivism

Individualism (IDV) is a measure of the level of integration of individuals into a society (Hofstede et al., 2010). Societies with high IDV tend to prioritize the self over the group, while in collectivist societies, people prioritize the cohesion and opinions of the group (Baptista & Oliveira, 2015). Collectivist cultures are more likely to adopt new technologies or products (Baptista & Oliveira, 2015; Hofstede, 1980). In the context of reward-based crowdfunding, the “collective” concept is central to its structure, which is based on crowdsourcing (Biancone et al., 2019; Gupta et al., 2023). The success of an entrepreneurial endeavor depends on the opinions of those who invest in it, from the perspective of the entrepreneur/start-up founder (Schick et al., 2002). Meanwhile, from the funder’s perspective, crowdfunding signifies that the success or failure of a business project is linked to the personal involvement of many people. Societies with high levels of individualism exhibit greater levels of venture capital activity (Li & Zahra, 2012), suggesting that they are more likely to engage in entrepreneurial activities and use digital finance techniques like crowdsourcing to support their efforts

(Muelle & Thomas, 2001). In the case of crowdfunding, which is largely conducted online, informal connections between the fundraiser and investors are difficult to establish, which could deter collectivist cultures from investing in crowdfunding (Schwienbacher et al., 2010). To this end, it is expected that:

H2. Individualism (collectivism) negatively (positively) influences reward-based crowdfunding activities.

Masculinity-femininity

In masculine cultures (MAS), male values such as assertiveness, ambition, control, and materialism are prioritized. Masculinity examines how clearly social roles are established and monetary achievement became a central value (Hofstede, 1991). In contrast, feminine countries emphasize values such as the importance of personal relationships, the quality of life, and service to others. In modern culture, masculinity is also defined as a preference for success via achievement, heroism, assertiveness, and money benefits (Hofstede, 2001). As stated by Bernardino & Santos (2022), masculine societies are more entrepreneurially oriented, and successful entrepreneurs are rewarded with respect and acknowledgment for their accomplishments. Therefore, the higher level of entrepreneurial engagement in male civilizations may result in more usage of crowdfunding sites. It's possible that entrepreneurship is more prevalent in countries with high levels of masculinity, which might result in a larger use of crowdfunding sites (Giudici et al., 2018). Crowdfunding may be used to support social or community-oriented projects as well as commercial ones, with non-financial reasons acting as the primary driver of individual donations (Allison et al., 2015; Di Pietro et al., 2019; Giudici et al., 2018). Crowdfunding for social-oriented initiatives may be more popular in feminine civilizations that see entrepreneurship as a kind of nurturing (Mohammadi & Shafi, 2018). The link between various crowdfunding platforms and formal and informal institutional elements at the national level will be empirically assessed in the section that follows. Consequently, it is expected that:

H3. Masculinity (femininity) positively (negatively) influences reward-based crowdfunding activities.

Uncertainty avoidance

Uncertainty avoidance (UAI) refers to the degree to which individuals feel unpleasant in novel, unfamiliar, startling, or otherwise unusual situations (Hofstede et al., 2010). The novel nature of the crowdfunding ecosystem that has been also boosted by the advent of the digital transformation and the development of the crowdfunding platforms such as Crowdfundme (2013), Mamacrowd (2016), Patreon (2013), Kickstarter (2009), and Indiegogo (2008), provided a radical change of the perspective on entrepreneurship. Through crowd-funding everyone in the globe can be access to the share-structure of a company, a concept that contrasts the classical view of the firm. Depending on the institutional logics guiding crowdsourcing investments, the degree to which uncertainty avoidance influences crowdfunding may vary (Fisher et al., 2017). Crowdfunding participants frequently have continuous ties with the business owner and are driven by a feeling of community and emotional attachment to the project rather than merely the possibility of financial

gains (Butticè et al., 2017). Also, crowdfunding participants often make smaller contributions than do traditional investors, which results in a substantially lower investment risk (Vismara, 2016). Certain forms of crowdsourcing, like lending, tend to draw more seasoned enterprises that are less hazardous than start-ups. In addition, especially on reward-based crowdfunding platforms, there may be investors who have never established a business before and for whom the world of business and enterprise is completely foreign or out of the ordinary (Mariani et al., 2017). To this end, it is expected that:

H4. Higher level of uncertainty avoidance negatively influences reward-based crowdfunding activities.

Long-term orientation - short-term orientation

Individuals living in cultures with a long-term orientation (LTO) are more concerned about their ability to adapt to changing situations and the future (Hofstede et al., 2010). People from future-oriented societies contribute to societal advancements, such as technological innovation (Picoto & Pinto, 2021). Scholars like Kitchell (1995) and Leidner et al. (2006) suggest that individuals and groups in cultures that focus on the long term are more likely to accept advanced technology. Long-term oriented societies are also more persistent and do not prioritize immediate gratification (Chen, 2013). Long-term oriented societies are known for their perseverance and focus on delayed rewards over instant benefits (Chen, 2013). Crowdfunding investors are drawn to creative, early-stage businesses that have the potential to provide profitable long-term returns. We may thus predict, as shown by earlier studies, that cultures that place a larger premium on long-term orientation would use crowdfunding as an investing instrument more frequently (Di Pietro and Buttice, 2020). Crowdfunding investors bet in start-ups and new businesses that may generate revenues in the future. Moreover, Celikkol et al. (2019) provide evidence in support of the positive benefits of long-term orientation on entrepreneurial abilities, ambitions, and success (Celikkol et al., 2019). Hence, it is expected that:

H5. Long-term orientation (short-term orientation) positively (negatively) influences reward-based crowdfunding activities.

Indulgence-restraint

In Hofstede's (2012) framework, the sixth component refers to indulgence versus restraint (IVR), which reflects the degree to which a culture allows for the unrestrained satisfaction of fundamental human impulses related to life satisfaction and enjoyment. Cultures that are indulgent tend to encourage personal freedom and individual happiness, with a positive outlook on life. In contrast, cultures that are restrained tend to have strict social standards that impede the fulfilling of desires, resulting in more inflexible and constrained behavior. When it comes to reward-

based crowdfunding, it is reasonable to assume that investors who support an idea are optimistic about it and have a positive perception of the entrepreneurs or start-ups involved. Furthermore, most business projects presented on crowdfunding platforms are innovative and often challenge the current societal norms and disrupt the status quo (Battisti et al., 2020). Entrepreneurs who engage in crowdfunding share similar perspectives, placing trust in other people's value systems and hoping for social approval of their project. Entrepreneurship seems to be more prevalent in indulgent society with looser rules of conduct (Koc et al., 2017). Instead of attempting new things, risk-averse civilizations are more likely to accept less than ideal results. Also, we think there is a chance that a firm may go bankrupt through crowdfunding if its fundraising goal is not met (Di Pietro and Butticiè, 2020). Public failure is easier to forgive and accept in indulgent society, but it is considered as disgraceful in constrained civilizations, which might result in a preference for conventional and private fundraising techniques over crowdfunding (Koc et al., 2017). In this regard, it is anticipated that:

H6. Indulgence (restraint) positively (negatively) influences individual neo-banking activity.

Research Methodology

The aim of this paper is to test the impact of cultural dimensions on crowdfunding's transaction value. In order to achieve our aim, we perform an OLS regression. The sample is composed of 65 nations across the world. The Statista Digital Market Insight database, and more specifically the FinTech section of the database related to the reward-based crowdfunding market¹, was employed to extract data related to both dependent and control variables, while data for the independent variable were extracted by the Hofstede Insights Country Comparison Tool². All the data refer to 2022, hence our study is cross-sectional. In the following paragraphs, the methodology will be deeply discussed.

Data collection and sample

The population of the analysis is represented by the entire world. In order to build up our sample we conduct a 3 steps process. First, we look for country reward-based crowdfunding transaction value data on Statista database. The platform does not provide data for the entire world, so our starting sample was composed of 149 nations. As the second step, we look for cultural data on the website Hofstede Insights. Given that cultural data are not available for all 149 nations, our sample drops down to 89 nations. As the final step, we go back to Statista and look for data related to the employed control variables. After the third and final step, the final sample is composed by 65 nations. In Appendix A, a full list of the sampled countries is provided.

Variables definition

The dependent variable of this study is the country-level reward-based crowdfunding transaction value (CRTV). This variable reflects the total value, in US dollars, of all reward-based crowdfunding campaigns conducted in the country of reference. Data for this variable are carried out by the related Statista Digital Market Insight section. Statista provides two types of data for this variable: final data covering 2017-2022 and forecast data for the period ranged between 2023 and 2027. As stated in the section's introduction, our data only pertain to 2022, thus we work with final data. The last update of these data, according to Statista, is October 2022.

The independent variables (national culture variables) in this study are measured using the six cultural dimensions identified by Hofstede et al. (2010). The scores, ranged between 0 (low) and 100 (high), were obtained from the Hofstede Insights website through the Country Comparison Tool and are based on the latest available data (2021) without any modifications. The scores were calculated using the Values Survey Modules (VSMs), which consist of 24 questions rated on a 5-point scale (Hofstede, 2001). For the Power Distance Index and Uncertainty Avoidance Index, score equal to 0 means low power distance or low uncertainty avoidance in that country. For those dimensions which present a dichotomous nature as masculinity versus femininity or long-term orientation versus short-term orientation, a value of 0 means feminine society or short-term oriented society, as well as a score of 100 means a masculine society or a long-term oriented society. Each sampled nation has the same set of scores, consequently, we incorporated all six Hofstede dimensions into our model (i.e., power distance index (PDI), individualism versus collectivism (IDV), masculinity versus femininity (MAS), uncertainty avoidance index (UAI), long-term vs short term orientation (LTO), and indulgence vs restraint (IVR). All these variables are expressed as indexes.

To enhance the validity of the regression model, different control variables have been implemented. We decided to control for these variables to account for the impact of digital literacy, which plays a crucial role in the world of crowdfunding (Di Pietro, Spagnoletti, and Prencipe, 2018).

The whole set of control variables' data were retrieved from the Statista database and refer to 2022. Respectively, these are: computer households (PCH): this variable captures the estimated number of households in the selected region that has at least one computer. Data for this variable are collected both from the International Telecommunication Union (ITU) and The Organisation for Economic Co-operation and Development (OECD); smartphone penetration (SMP): this variable captures the estimated share of the total population using a smartphone. Data for this variable are collected from the International Telecommunication Union (ITU); and fixed-broadband subscribers (FBS): this variable captures the number of fixed-broadband subscriptions per 100 inhabitants in the selected region. Data for these variables was collected from Statista, with the latest update being in October 2022 at the time of analysis.

A short summary of the variables is provided below in Table 1.

TYPE	VARIABLE	DESCRIPTION	LABEL	SOURCE
Dependent	Crowdfunding transaction value	Total amount in US\$ of crowdfunding campaigns per Nation	CTRV	Statista
Independent	Power Distance	Index	PDI	Hofstede-insights
Independent	Individualism vs Collectivism	Index	IDV	Hofstede-insights
Independent	Masculinity vs Femininity	Index	MAS	Hofstede-insights
Independent	Uncertainty Avoidance	Index	UAI	Hofstede-insights
Independent	Long-Term Orientation	Index	LTO	Hofstede-insights
Independent	Indulgence versus Restraint	Index	IVR	Hofstede-insights
Control	Computer Households	Number of households with a personal computer	PCH	Statista
Control	Smartphone Penetration	Smartphone users in estimated share of total population	SMP	Statista
Control	Fixed-Broadband Subscriptions	Number of fixed-broadband subscriptions per 100 inhabitants	FBS	Statista

Table 1: Variables description

Data analysis and results

The impact of the determinants was examined by employing an OLS (ordinary-least squares) regression model with robust standard errors. We chose this approach over a panel analysis because there is limited variation among the independent variables over time (Vitolla et al., 2019). The analysis is represented by the following equation.

$$\text{CTRV} = \beta_0 + \beta_1\text{PDI} + \beta_2\text{IDV} + \beta_3\text{MAS} + \beta_4\text{UAI} + \beta_5\text{LTO} \\ + \beta_6\text{IVR} + \beta_7\text{PCH} + \beta_8\text{SMP} + \beta_9\text{FBS} + \varepsilon$$

Descriptive statistics, VIFs and correlation analysis

Descriptive statistics are shown in Table 2. The dependent variable crowdfunding transaction value (CTRV) has a minimum value of 422,9\$ and a maximum value of 445.400.000\$, with a mean value of 17.235.316,85\$ and a median of 869.400\$. These results imply that there is a huge variation between the results of the various campaigns in the sampled nation, and they highlight the need for a study that investigates the underlying causes of these variations.

With regard to the cultural variables that constitute the independent variables of this study how Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS), Long-Term Orientation versus Short-Term Normative Orientation (LTO) and Indulgence versus Restraint (IVR) have a mean value close to 50, and a great variance with the highest value equal (or close) to 100 and a low value that ranges from 0 (LTO and IVR) to 13 (IDV).

Furthermore, if compared with the previous four, both the independent variables Power Distance (PDI) and Uncertainty Avoidance (UAI) show a higher mean value of 60.984 for PDI and 65.569 for UAI. In terms of variation for both these two variables, the same considerations of the previous four are applied. In fact, PDI shows a minimum value of 11 and a maximum of 100, and, for UAI the minimum value is 8 and the maximum one is 100.

Taking a look at the control variables, huge differences among the sampled nations came out. In terms of Computer Households (PCH), which estimate the number of households in the selected country that own at least one computer, the values range from a minimum of 641,2 to 125.100.000 with the mean of 7.781.792 showing how there is a huge variation in terms of computer availability among the various nations comprised into the analysis.

This huge variation is confirmed by the smartphone penetration variable (SMP), which captures the estimated share of the total population using a smartphone, which ranges from minimum of 22,1% to maximum of 99,1 % with a mean value

of 79,5 % showing good penetration of the smartphones in the largest part of the sampled nations.

Lastly, in terms of Fixed-Broadband Subscriptions (FBS) which captures the number of fixed-broadband subscriptions per 100 inhabitants, the minimum is equal to 0,11% while the maximum is equal to 52,06% with the mean of 27,28% showing how the access to high-level connection is not common in the largest part of the sampled nations.

After examining the control variables, it became clear that there are significant differences among the sampled nations. Specifically, when looking at the Computer Households variable (PCH), which estimates the number of households owning at least one computer, values range from a minimum of 641.2 to a maximum of 125.1 million, with a mean of 7.8 million. This highlights a significant gap in computer availability across the nations included in the analysis.

The Fixed-Broadband Subscriptions variable (FBS), which measures the number of fixed- broadband subscriptions per 100 inhabitants, also reveals a disparity. The minimum value is 0.11%, the maximum is 52.06%, and the mean is 27.28%, indicating that access to high-level connections is not widespread in most of the sampled nations.

Finally, the smartphone penetration variable (SMP), measured as a share of the inhabitants that own at least one smartphone, shows that smartphones are widely used in the majority of the sampled nations, with values ranging from a minimum of 22.1% to a maximum of 99.1%, and a mean value of 79.5%.

VARIABLE	OBS	MEAN	STD. DEV.	MIN.	MAX
CTRV	65	1.72e+07	6.18e+07	422.9	4.45e+08
PDI	65	60.984	21.97	11	100
IDV	65	47.123	21.640	13	91
MAS	65	47.923	19.726	5	100
UAI	65	65.569	22.275	8	100
LTO	65	46.276	24.651	0	100
IVR	65	44.630	22.663	0	97
PCH	65	7781792	1.77e+07	641.2	1.25e+08
SMP	65	79.507	13,609	22.1	99.1
FBS	65	27.280	14,486	0.11	52.06

Table 2: Descriptive statistics

Table 3 shows the variance inflation factor (VIF) analysis as well as the correlation analysis. The VIF study reveals that there are no multicollinearity issues. VIFs results have an average value of 1.67 and range from a low of 1.16 (MAS) to a high of 2.39 (PDI). The threshold beyond which multicollinearity concerns emerge, according to Myers (1990), is 10 and, by basing on the evidence that our VIFs results had values less than this threshold, we may infer that multicollinearity does not complicate data interpretation.

These conclusions are supported by the correlation analysis reported in the second section of Table 3. In fact, we used Pearson rank correlation to explore the relationship between Hofstede's dimensions and Crowdfunding Transaction Value. The second part of Table 2 reports the Pearson rank correlation results, the highest coefficient is equivalent to 0.7150 between PDI and IDV. According to Farrar and Glauber (1967), there are no multicollinearity issues until the correlation coefficients reached ± 0.8 or ± 0.9 .

Regression analysis

Research hypotheses were tested through a linear multiple-regression model. The results of the analysis are summarized in Table 4. This table shows the results of the regression coefficients for all independent variables using CTRV as the dependent variable.

VARIABLES	COEFFICIENT	STANDARD ERROR	P-VALUE	SIGN.
Cons	6.24e+07	4.36e+07	0.149	
PDI	- 576896.3	279990.0	0.044	**
IDV	- 627394.7	273821.7	0.026	**
MAS	352166	196614	0.079	*
UAI	202738.8	176346.7	0.255	
LTO	46841.4	181825	0.035	**
IVR	- 155972.8	198685.5	0.436	
PCH	3.107	0.218	0.053	*
SMP	- 459212.1	352591	0.198	
FBS	1373529	399223.7	0.001	***

Notes:
 n = 65
 Adj R2 =0,783

***Significant at the 1% level; **Significant at the 5% level; *Significant at the 10% level

Table 3: OLS regression model results

The adjusted R2 has a value of 0.7833, which shows how our regression model can explain about 78% of the variance in the dependent variable.

The results support hypothesis 1 (H1). PDI shows a significantly negative association with crowdfunding transaction value (CTRV) at $p = 0.044$, suggesting that crowdfunding campaigns in countries with higher levels of power distance are less likely to produce successful campaigns both in terms of value raised and number.

The results also support hypothesis 2 (H2). The findings show a significant and negative association between IDV and CTRV at $p = 0.026$, suggesting that campaigns conducted in more individualistic countries are less successful than campaigns conducted in more collectivist-oriented.

The results also support hypothesis 3 (H3). The findings show a significant and positive association between MAS and CTRV at $p = 0.079$, suggesting that campaigns conducted in

countries characterized by higher levels of masculinity are more successful in terms of total amount of transactions.

The results do not support hypothesis 4 (H4). The findings show a negative association between UAI and CTRV but it is not significant. Although the coefficient shows a negative impact of societies characterized by fear of unknown or ambiguous situations on crowdfunding campaigns this dimension seems not to be related to the value of crowdfunding campaigns.

The results also support hypothesis 5 (H5). The findings show a significant and positive association between LTO and CTRV at $p = 0.035$, suggesting that campaigns conducted in more long-term oriented countries are more successful than campaigns conducted in countries characterized by a low level of long-term views.

The results do not support hypothesis 6 (H6). The findings show a negative association between IVR and CTRV but it is not significant.

Finally, the study has revealed significant results related to two control variables. The first variable, PCHO, has a positive and statistically significant impact on CTRV at $p = 0.053$. PCHO indicates the estimated number of households in the selected region that own at least one personal computer, and it is not surprising that it has a positive effect on CTRV. Personal computers are known to increase people's propensity to surf the internet and visit crowdfunding websites.

The second variable, FBS, which represents the number of fixed-broad band subscriptions per 100 inhabitants in the chosen region, also has a positive and statistically significant impact on CTRV at $p = 0.001$. Fixed-broadband connections generally provide better quality in terms of upload and download speeds, and this is crucial for crowdfunding campaigns. Users need to be able to navigate internet pages with large amounts of data such as text, images, and videos seamlessly, which positively impacts their behavior.

Discussion

The study revealed significant variations in the amount of crowdfunding transaction value among nations, which are influenced by national culture. Specifically, the analysis confirms the impact of cultural variables such as power distance (PDI), individualism (IDV), masculinity (MAS), and Long-Term Orientation (LTO).

The negative impact of power distance (PDI) on crowdfunding transaction value (CTRV) can be attributed to the existence of gaps in compensation, authority, and respect, resulting in more centralized power and control levels, as described by Hofstede (2010). This cultural trait contradicts the fundamental principle of crowdfunding, which seeks to expand the participant base of the capital structure, allowing a larger group of individuals who share the same entrepreneurial vision and ideas to participate. In the context of crowdfunding, the cultural trait of high power distance may cause individuals to hesitate to participate in crowdfunding campaigns, as they may not feel empowered or confident enough to invest in a venture where they have little control or influence over the decision-making process. Consequently, this can lead to a reduction in the amount of crowdfunding transaction value.

The negative impact of individualism (IDV) on crowdfunding transaction value (CTRV) may be attributed to cultural values that prioritize self-sufficiency and competition over the collective good, as noted by Hofstede (2010). In the context of reward-based crowdfunding and the broader ecosystem of crowdfunding models, the fundamental concept is based on the collective idea, which is translated into crowdsourcing. Entrepreneurs and start-up founders view the success of their venture as dependent on the opinions of those who accept or reject their idea and invest in it. Similarly, funders perceive participation in a crowdfunding campaign as a reflection of the belief that the success or failure of a business project is directly linked to the involvement of numerous people and individuals. In cultures with high individualism, individuals may prioritize their personal interests over the collective good, which may discourage them from investing in crowdfunding campaigns where they must share control and decision-making power with a group. Thus, high individualism can have a negative impact on crowdfunding transaction values by reducing the number of individuals willing to invest in a campaign.

The positive impact of masculinity (IDV) on crowdfunding transaction value (CTRV) can be attributed to male values such as assertiveness, ambition, control, and materialism, which are prioritized. According to Hofstede (1991), masculinity examines how clearly social roles are established and how monetary achievement becomes a central value. In contrast, feminine countries emphasize values such as the importance of personal relationships, quality of life, and service to others. In modern culture, masculinity is also defined as a preference for success through achievement,

heroism, assertiveness, and financial gain (Hofstede, 2001). As Bernardino and Santos (2022) stated, masculine societies are more entrepreneurially oriented, and successful entrepreneurs are rewarded with respect and acknowledgement for their accomplishments. Moreover, individuals from more masculine societies may be more willing to take risks when investing their money. They may be more comfortable with the uncertainty and potential volatility of crowdfunding investments, and more likely to invest larger amounts of money in the hopes of a big return. Additionally, people from more masculine societies may place a higher value on material success and financial gain, which could motivate them to invest more in projects they believe have the potential for financial success. Therefore, the higher level of entrepreneurial engagement in male-dominated civilizations may result in more use of crowdfunding sites.

The positive impact of long-term orientation (LTO) on crowdfunding transaction value (CTRV) can be attributed to a cultural value that emphasizes perseverance, thrift, and a focus on the future (Hofstede, 2010). This cultural value is based on the idea that some societies prioritize long-term planning and investment, while others prioritize immediate gratification and short-term gains. In future-oriented societies, individuals accept and contribute to societal advancements, such as technological innovation (Picoto and Pinto, 2021). Studies by Kitchell (1995) and Leidner et al. (2006) suggest that individuals and groups in cultures with a long-term focus are more inclined to accept advanced technology. Furthermore, long-term oriented societies are also more tenacious and have less of a need for rapid gratification (Chen, 2013). In the context of crowdfunding, investors support start-ups and new businesses that may generate future revenues. Additionally, Celikkol et al. (2019) provide evidence of the positive benefits of long-term orientation on entrepreneurial abilities, ambitions, and success (Celikkol et al., 2019). LTO can have a positive impact on transaction value in crowdfunding campaigns that have a long-term focus, and a clear plan for how funds will be used to achieve future goals. These types of campaigns are more likely to appeal to investors from cultures with a high LTO. Furthermore, LTO cultures place a higher value on trust, loyalty, and social networks. In the context of crowdfunding, this means that investors from high LTO cultures may be more likely to invest in campaigns that are associated with trusted networks or individuals, such as campaigns run by friends or family members, or campaigns that are endorsed by well-respected organizations or institutions.

Although the coefficient between Uncertainty Avoidance Index (UAI) and Crowdfunding Transaction Value (CTRV) is not statistically significant, it aligns with Hypothesis 4. High levels of uncertainty avoidance can negatively affect crowdfunding because risk-averse individuals may prefer investing in safer projects or avoid investing altogether, resulting in lower transaction values. Additionally, building trust and social networks is crucial for successful crowdfunding, but cultures with high uncertainty avoidance may find it challenging to establish trust and engage in social networks, further reducing transaction values and hindering crowdfunding campaigns' success.

Although the coefficient between Indulgence versus Restraint (IVR) and CTRV is not statistically significant, it is still somewhat unexpected. Future studies should investigate this further by increasing the sample size. In the context of crowdfunding, high levels of indulgence may lead to a lack of commitment and follow-through, as individuals prioritize their enjoyment over fulfilling commitments to crowdfunding campaigns. Furthermore, high levels of indulgence may also decrease individuals' motivation to invest in crowdfunding campaigns, even if they believe in the project's potential benefits.

While the relationship between cultural values and CTRV is complex, the lack of a significant relationship between UAI and IVR with CTRV does not discount their importance in crowdfunding practices. Instead, there are likely other factors at play, such as context, policies, regulations, and cultural norms that influence crowdfunding practices. It is critical to consider these factors when examining the impact of cultural values on crowdfunding transactions.

Lastly, the availability and use of personal computers in households (PCH) and fixed- broadband subscriptions as a share of the population (FBS) can positively affect the transaction value of crowdfunding campaigns. This is because more PCH and FBS mean more people have access to the internet, resulting in more potential backers who can contribute to campaigns and lead to higher transaction values. Additionally, the convenience of contributing online from home can encourage more people to participate, while the increased trust in online transactions due to reliable and secure internet connections can also lead to higher contributions and transaction values. In conclusion, the greater availability and use of PCH and FBS can contribute to the success of crowdfunding campaigns by increasing participation and transaction values.

Conclusions and implications

FinTech has become an invaluable resource for small businesses and entrepreneurs who face challenges in securing funding from traditional sources like banks, venture capitalists, and business angels (Lazzaro, 2017). Crowdfunding platforms, among other online financial platforms, have made it simpler to obtain SME loans by reducing transaction fees and introducing new credit risk assessment methods.

As a result of the FinTech revolution, obtaining credit has become easier, enabling investors to receive a physical or moral reward proportionate to their investment in projects. Crowdfunding has become a popular tool for bridging the funding gap between small and medium-sized enterprises (SMEs) and multinational corporations (Cicchello et al., 2022; Hutter & Throsby, 2008; Klamer, 1996) by connecting entrepreneurs with innovative ideas, projects seeking investment, and investors. Crowdfunding is a new method of financing projects, companies, and ideas through small donations from numerous individuals, typically through online platforms. Despite this, little research has been done to examine how cultural

dimensions affect crowdfunding adoption on a macro level. In order to address this gap, our study investigates how national cultural dimensions of Hofstede's framework (Hofstede, 2010) influence crowdfunding adoption worldwide.

To test our six research hypotheses, we analyzed a sample of 65 nations by combining Statista's original dataset with Hofstede Insight's cultural dimension variables (Hofstede, 1991, 2001). Our results suggest that power distance and individualism have a negative impact on crowdfunding transaction value, while long-term orientation and masculinity have a positive effect. Uncertainty avoidance and indulgence versus restraint are not significant and do not appear to be related to the amount of crowdfunding transaction value. These findings have significant theoretical and practical implications. On the one hand, they extend the application of Hofstede's framework to a new disruptive phenomenon, and on the other hand, they contribute to our understanding of the determinants of crowdfunding campaign success. Additionally, understanding the impact of cultural dimensions on crowdfunding can benefit entrepreneurs, investors, and policymakers in developing effective crowdfunding strategies. Furthermore, maximizing crowdfunding's potential for economic growth and development can have a positive impact on society as a whole. For example, firms would benefit from launching campaigns in countries with low levels of individualism and power distance, and where cultures are more masculine and long-term oriented, to raise more funds.

Although our study offers valuable insights, it has certain limitations that call for future research. First, the sample size of 65 nations is quite small although it is representative of the entire world. Secondly, while consistent with other studies that used Hofstede's variables as independent variables, we employed a cross-sectional approach instead of a longitudinal one. Lastly, we only used crowdfunding transaction value as a dependent variable, omitting other factors such as the growth of transaction numbers. While these limitations do not invalidate our findings, they suggest areas for further exploration. We encourage our colleagues to expand the analysis to include more nations, adopt a longitudinal approach given the increasing significance of crowdfunding, and consider additional growth factors as dependent variables. Moreover, future studies could explore the influence of cultural variables on the success of various campaign types, such as hi-tech, sustainable, and charitable initiatives.



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КАКО МОГУ ДА ВАС ФИНАНСИРАМ? МЕЂУКУЛТУРАЛНА АНАЛИЗА ДИФУЗИЈЕ НАГРАДА ЗАСНОВАНА НА АКТИВНОСТИМА ГРУПНОГ ФИНАНСИРАЊА

Апстракт: ФинТек или реорганизација индустрије финансијских услуга, као одговор на нове финансијске технологије, помаже да се затвори јаз у финансирању фирме. Нове онлајн финансијске платформе, а посебно платформе за групно финансирање, које карактеришу ниже накнаде за трансакције и нови начини и извори информација за мерење кредитног ризика, олакшале су малим и средњим предузећима (МСП) да добију кредите. Иако је групно финансирање активно стекло популарност широм света, није било много покушаја да се раде међукултуралне студије; штавише, да би се разумело како дигитална иновација (нпр. платформа за групно финансирање) добија на ширењу, снажно се предлаже међукултурна компаративна студија. Циљ овог рада је да истражи утицај који националне културне димензије Хофстедеовог оквира имају на усвајање групног финансирања у земљама широм света, такође процењујући иницијативе за групно финансирање из међукултуралне компаративне перспективе. Да бисмо тестирали хипотезу истраживања, оригинални скуп података који је преузео статистичар спојен је са скупом података прикупљеним о варијаблама културних димензија. Резултати показују да дистанца моћи и индивидуализам негативно утичу на дифузију групног финансирања, који се, уместо тога, негује дугорочном оријентацијом и мушкошћу. Ови налази нуде важне импликације и за теорију и за праксу.

Кључне речи: ГРУПНО ФИНАНСИРАЊЕ, ХОФСТЕДЕ, КУЛТУРА, ФИНТЕК, ДИГИТАЛНА ТРАНСФОРМАЦИЈА