

EFFECTS OF INSTITUTIONS ON ENTREPRENEURS' TRUST AND ENGAGEMENT IN CROWDFUNDING

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ABSTRACT

Crowdfunding offers an innovative financing tool for entrepreneurs to facilitate capital access when they start and scale new businesses. The global crowdfunding market grows at an accelerated rate along with the evolving environment, which consists of different institutions and structures that arise to impact entrepreneurial activities. The aim of this study is to understand the effects of dimensions of institutions -including regulatory, cognitive, and normative- on entrepreneurs' trust and engagement in crowdfunding. We also provide empirical evidence of how engagement in a crowdfunding community affects satisfaction and WOM behavior. We first conducted a qualitative research including in-depth interviews with entrepreneurs and crowdfunding industry experts in Turkey to gain insights about this unexplored subject. We then collected data in a quantitative study from 360 entrepreneurs to test the proposed research model. The results showed that cognitive and normative dimensions of institutions had impacts on entrepreneurs' perceptions and behaviors. The results of this study have implications for the theoretical development of the crowdfunding research and managerial practices.

Keywords: Crowdfunding; Institutional theory; Entrepreneur; Trust; Engagement

1. Introduction

Crowdfunding has become a popular approach for entrepreneurs to raise money and launch new businesses. It is a novel business practice for individual entrepreneurs and small and medium enterprises (SMEs) to obtain funds from a large number of people on an online platform. Because of crowdfunding, entrepreneurs do not need to solely depend on the traditional financing system to raise money to support their innovation projects. Hence, crowdfunding has democratized the traditional entrepreneurial ecosystem and enabled the emergence of the sharing economy. The crowdfunding practice has rapidly spread around the world. The global market size was \$34.4 billion in 2015 [Massolution's CF Industry Report 2015] and is estimated to grow to \$162.47 billion by 2022 [Technavio 2018].

In order to seek sustainable market growth, the crowdfunding industry needs to increase its legitimacy status [Beugre 2014] to establish a convenient and healthy institutional environment for entrepreneurs to adopt the crowdfunding practice. The institutional theory suggests that there exist different institutions which shape organizations to become legitimate players in the institutional environment [Suchman 1995]. These institutions impose significant impacts on organizations' activities [DiMaggio & Powell 1983; Scott 2001] so that organizations

have to take legitimacy as a driving force and proactively react to these institutions that either support or limit entrepreneurial activities [Gnyawali & Fogel 1994].

In the context of crowdfunding, institutions may influence the scale and size of new initiatives launched on a crowdfunding platform. This is seen obviously in the growth of the crowdfunding market in different countries such as Turkey [Demiray & Burnaz 2019], where this study was conducted. Turkey enacted the first regulative framework of the crowdfunding market in November 2017, which significantly regulated crowdfunding platforms and limited the range of crowdfunding activities. However, the first legislation framework had a narrow scope and only described the crowdfunding concept and the main structure of a platform. Therefore, the Capital Market Board (CMB), the governmental authority to regulate the crowdfunding system in Turkey, further introduced other regulations and imposed a few other institutional policies. For example, CMB published a Draft Communique on Equity-based Crowdfunding in January 2019 and collected public comments and reviews. The final version of the Communique was released in October 2019. According to this Communique, while donation and reward-based crowdfunding activities are not strictly regulated, lending-based and real estate crowdfunding are definitely prohibited. To leverage crowdfunding legitimacy, the Communique establishes detailed rules and regulatory arrangements and specifies the roles of all actors in crowdfunding, including government, platforms, entrepreneurs and investors.

Clarifying the roles of different actors in the institution is crucial for the prevention and decline of illegitimacy. Whether an organization gains its legitimacy depends on the trust developed at both the individual level and the organizational level [Burlea & Popa 2013], because trust, the belief of meeting expectations of peer actors, leads to enhanced collaborations among these actors [Dellmuth & Tallberg 2020]. Therefore, without established institutional rules and norms, entrepreneurship cannot be advocated and promoted [Bruton et al. 2010]. Welter and Smallbone [2006] suggests that entrepreneurship is mostly influenced by interpersonal trust and institutional trust. Trust can be established when one party relies on the other party, and this feeling can lead to engagement and involvement [Gefen et al. 2003]. Since it is critical for entrepreneurs to handle various factors in the dynamic crowdfunding environment, it is important to understand the position of entrepreneurs in crowdfunding and the underlying reasons of their engagement in crowdfunding to sustain long-term success of the whole crowdfunding industry.

Previous studies have provided insights about the motivations of entrepreneurs and their engagement in crowdfunding [i.e. Gerber & Hui 2013; Lin et al. 2014; Yang et al. 2016]. A meta-analysis has also found that the practice of micro-credit lending had significant impacts on several outcomes of entrepreneurial activities [Chliova et al. 2015]. However, limited research has been conducted to examine the impacts of institutional factors on entrepreneurial activities from the perspective of entrepreneurs. To address the research gap, this study intends to contribute to the crowdfunding literature and practice by examining how the three dimensions of institutions influence entrepreneurs' trust and engagement in crowdfunding as well as the consequences of their engagement behaviors. In this study, we develop a research model based on the institutional theory. We conducted an empirical study by collecting data from Turkey.

The paper is organized as follows. The following section reviews the literature, followed by the development of the research model and hypotheses. We then describe the research method and report the results. The next section discusses theoretical and managerial implications. The final section provides conclusions and limitations.

2. Literature Review

2.1. Institutional Theory

Institutional theory states that organizations are characterized by the regulatory system, governmental agencies, legislations, rules, special-interest groups, and beliefs of the society [Scott 1987]. An organization's actions and decisions are shaped by different political, cultural, social, and business-related dynamics and driven by relevant institutions [Cai et al. 2010; Meyer & Rowan 1991; Bruton et al. 2010; Gichuke & Okello 2015; DiMaggio & Powell 1983]. An organization has to conform to these rules, norms and values in order to demonstrate legitimacy [Meyer & Rowan 1991; DiMaggio & Powell 1983; Scott 2001], which is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definition" [Suchman 1995, p. 574]. Legitimacy represents a situation that has cultural, normative, and legal alignments [Scott 2001] and an organization tends to position itself to leverage its legitimacy status in the institutional environment [Meyer & Rowan 1991].

The institutional environment has a significant role for understanding the dynamics that influence entrepreneurial activities which may result in the success of entrepreneurs [Bruton et al. 2010; Tolbert et al. 2011]. First, entrepreneurs who are sensitive to the values of a certain society can be motivated to adhere to these norms. Also, entrepreneurs can be persuaded to accept that certain methods (systems) are valuable for establishing business

opportunities. Last, institutional pillars can have impacts on rules and laws and act as a framework that decreases the risk and cost with regard to certain entrepreneurial actions. Therefore, the institutional environment influences the amount and size of new businesses launched [Gnyawali & Fogel 1994].

Scott [2001] identifies three dimensions of institutions. The regulative dimension refers to formal rules, legislation, and industrial agreements that organizations are compelled to abide, as well as rewards and punishments based on sanctions [Geels 2004]. This dimension provides directions for entrepreneurs and organizations and regulates the business environment by monitoring and enforcing the rules [Bruton et al. 2010]. The cognitive dimension is related to the cognitive structure of the individual which plays a role in one's perception and behavior [DiMaggio & Powell 1983]. This dimension is subjectively and gradually shaped by standard rules and meanings that determine beliefs and activities [Bruton et al. 2010]. For example, symbols (words, concepts, signs) have impacts on meanings that an individual attribute to a certain subject [Geels 2004]. This dimension may occupy at the individual level in respect to cultures and languages [Scott 2001]. It is significant for understanding how entrepreneurs use cognitive frameworks and shape meanings and beliefs to elect and process information. Finally, the normative dimension is associated with common norms in a society [Gichuke & Okello 2015], which is based on values, norms, role expectations, tasks, responsibilities and privileges incorporated through socialization processes [Geels 2004; Bruton et al. 2010]. The normative dimension influences individuals and newly emerging organizations because of the social obligations to obey.

Institutions have significant impacts on crowdfunding. For instance, equity-based crowdfunding has increased its market volume because of the introduction of a regulation called the Jumpstart Our Business Startups (JOBS) Act in the USA in 2012 [Beugre 2014]. The Act has established the legitimacy status of crowdfunding and increased the visibility of crowdfunding with the help of media coverage and regulatory arrangements [Heminway & Hoffman 2010].

2.2. Entrepreneurs' Trust and Engagement in Crowdfunding

Institutions may help the development of trust in a community [Cai et al. 2010], regarding the regulations, policies, and social mechanisms that regulate social behaviors. At the individual level, trust can be built when an individual believes that the other party is credible, and this belief leads to behaviors and commitments to a certain action [Gefen et al. 2003]. At the organizational level, the dynamic structures of institutions may affect an organization's motivation to build trust with other system actors [Cai et al. 2010]. Doney and Cannon [1997] reveals that the main effect of an organization's trust in a business transaction is to take part in a governance mechanism which reduces opportunisms and increases legitimacy. When organizations decide to trust other business organizations, their judgements are firmly formed based on their institutional environment [Cai et al. 2010]. According to the institutional theory of trust, an individual's perception of fairness and effective legal structures has a critical role in the formation of an individual's trust in a community [Stolle 2004]. In addition, institutional structures establish trust among investors [McLaren 2004] because formal standards promote credibility and legitimacy [Henisz & Zelner 2005]. Moreover, when an entrepreneur decreases the uncertainties in business activities, investors are more likely to rely on the entrepreneur in crowdfunding communities [Moradi & Dass 2019]. Therefore, an entrepreneur's trust in a crowdfunding community depends on the institutions that impact this novel financing system.

Engagement, another significant concept in communities, is explored in this study since it is accepted as the central concept of communities and co-creation networks [Brodie et al. 2013]. Specifically, customer engagement is the "intensity of customer participation with both representatives of the organization and with other customers in a collaborative knowledge exchange process" [Wagner & Majchrzak 2007, p. 20]. It represents a person's psychological and motivational situations in interactive activities [Bowden 2009; Brodie et al. 2011]. In addition, community engagement is "the consumer's intrinsic motivations to interact and cooperate with community members" [Algesheimer et al. 2005, p. 21]. Higher level of engagement in a community leads to higher cooperation and interactions that most likely generate more positive outcomes in the community [Habibi et al. 2014]. Moreover, when organizations build a structure that supports to strengthen engagement, they can have a higher success rate in their business initiatives [Harter et al. 2002]. Therefore, engagement is necessary for creating value and maintaining the existence of a community [Van Doorn et al. 2010].

3. Research Model and Hypotheses

Based on the above literature review, we develop a research model (Figure 1) and corresponding hypotheses.

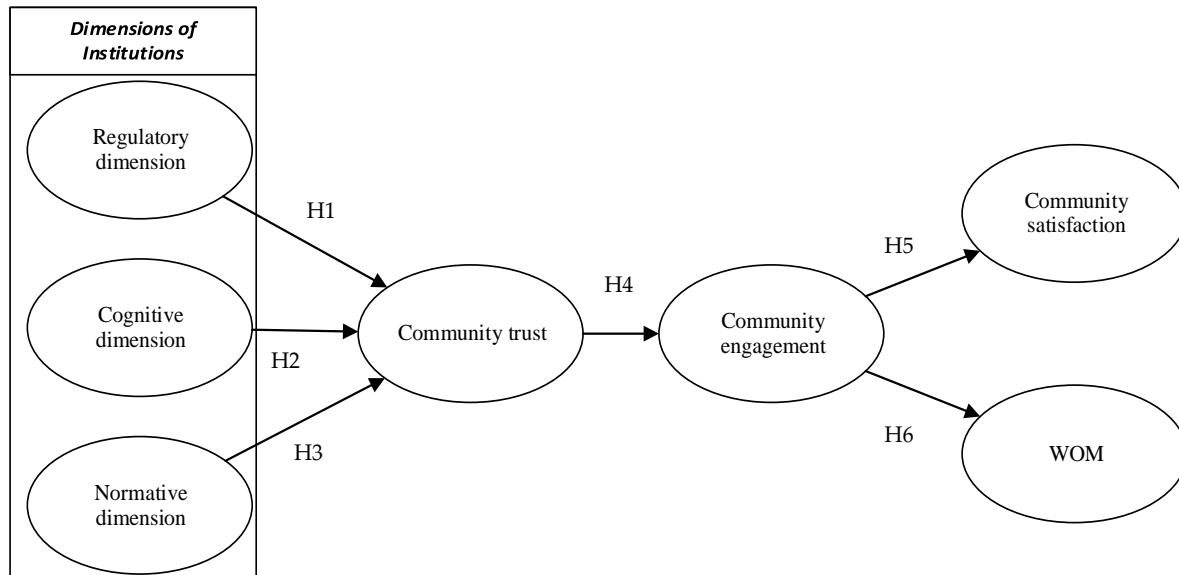


Figure 1. Research Model

Concerning the regulatory dimension, legal and regulatory structures and government policies encourage start-ups, decrease the risk of launching an initiative, and promote entrepreneurial activities [Busenitz et al. 2000]. Accepted as an example of the regulatory dimension in the entrepreneurship ecosystem, government support may lead to a governance mechanism which serves to guide and manage firm actions and eliminate conflicts [Cai et al. 2010]. It also helps organizations access resources and encourages entrepreneurship [Rondinelli & Kasarda 1992]. For example, the U.S. government guides entrepreneurs to launch their initiatives and gives money to start-ups for developing new technological products [Busenitz et al. 2000]. Legal protection in a country may support trustworthiness of an entrepreneurial mechanism (such as crowdfunding) and protects entrepreneurs from abuse [Tolbert et al. 2011]. Legal protection is also important since it affects an individual's attitudes and enhances the level of trust [Oxley & Yeung 2001].

Organizations are obliged to abide by legislations and regulatory arrangements to gain the legitimacy ensured by legislators [Chen et al. 2018], which may lead to an organization's trust in the relevant mechanism. In addition, legislative rules can build public trust through reports and audits made by governmental agencies [O'Rourke 2003]. Governmental support may influence an entrepreneur's attitude toward developing trust in their crowdfunding activities within the community. Therefore, in the crowdfunding context, the regulatory dimension may lead to the entrepreneur's trust in the crowdfunding community.

H1: *Perceived regulatory dimension is positively associated with the entrepreneur's trust in the crowdfunding community.*

The cognitive dimension includes the knowledge and capability of individuals with regard to launching and running a new initiative [Busenitz et al. 2000]. This dimension is critical when entrepreneurs and managers try to decrease complexity and interpret ambiguous signals [Yang et al. 2019]. An individual's perceived cognitive dimension can be originated from shared views of the society which result in shared procedures to provide legitimacy [Sinha & Akoorie 2010]. Therefore, the cognitive dimension is used to explain the adoption of new practices in the institutional environment. Innovative ideas and knowledge can be institutionalized to become shared social knowledge [Lau & Woodman 1995]. Hoffman [1999] states that the cognitive dimension is the most established dimension, which means it has a high degree of resistance to change.

Overtime, the cognitive dimension would evolve into shared knowledge and be accepted as the legitimate action. Shared knowledge about risk assessment [Tolbert et al. 2011] and legal protection [Cai et al. 2010] can be regarded as examples of the cognitive dimension. Perceived risk is affected by an individual's existing attribution in the mind so that risks cannot be considered without the cognitive dimension [George et al. 2006]. Previous studies reveal that there is a positive relationship between low risk and trust due to less uncertainty [Höhmman & Malieva 2005], especially in the case of new initiative establishment or when looking for new business associates [Welter &

Smallbone 2006]. Crowdfunding, as an emerging phenomenon, has to increase its legitimacy level in entrepreneurs' minds [Beugre 2014]. Additionally, shared knowledge about a crowdfunding project has significant impact on crowdfunding performance [Zheng et al. 2014]. Therefore, the cognitive dimension, i.e., shared knowledge and public awareness including information and legal protection concerning the crowdfunding mechanism, might affect the entrepreneur's trust.

H2: *Perceived cognitive dimension is positively associated with the entrepreneur's trust in the crowdfunding community.*

The normative dimension refers to the value system which addresses a society's admiration related to value creation through entrepreneurship and innovativeness [Busenitz et al. 2000]. It indicates people's appreciation of entrepreneurs who launch new initiatives and add values from their innovative activities. It also suggests that citizens believe that launching an enterprise is an eligible and honorable career opportunity. The normative dimension is derived from customers, investors, non-governmental organizations, media, communities, and the public [Chen et al. 2018], which includes shared values and norms to satisfy social ethical standards [Gichuke & Okello 2015]. Shared values can be identified as general beliefs, values, intentions, and behaviors that are accepted by a society and typically empower the community to accomplish missions or institutional objectives [Chang et al. 2013]. Additionally, shared values refer to common perceptions of quality, usability, and moral values [Yang et al. 2019].

Prior studies have revealed that a country's culture, values, beliefs, and norms influence its citizens' spirit of entrepreneurship [Knight 1997]. Trust is built on unwritten rules related to norms and values in a business environment and society [Welter & Smallbone 2006]. In the crowdfunding context, Gleasure and Feller [2018] posits that shared values contribute to decision processes and collective actions. The existence of shared values between a funder and an entrepreneur has a positive impact on the funder's trust [Yang et al. 2019]. Similarly, shared values may affect the degree of an entrepreneur's trust in the community.

H3: *Perceived normative dimension is positively associated with the entrepreneur's trust in the crowdfunding community.*

Community trust is a bridge between institutional mechanism and engagement in a certain group [Rothstein & Stolle 2001] because trustworthy institutions promote collaborations within a society [Levi 1998]. Indeed, relationships among individuals in a society (community) are embedded and outputs of the institutional structures depend on the level of trust in these connections [Hughes et al. 2008]. Sustainable relationships enable entrepreneurs to recognize the institutional environment and develop mutual trust, even though their interactions are online rather than offline. Developing trust within a community is a critical component of the degree of group self-esteem [Ellemers et al. 1999] since the role of trust is to eliminate uncertainty and information asymmetry and make individuals (here entrepreneurs) feel comfortable [Chiu et al. 2010].

Community engagement refers to identification with the community which leads to active members to participate in group activities [Brodie et al. 2011], support other community members, and stimulate community's value for themselves and others [Algesheimer et al. 2005]. In addition, community engagement can be seen as an interactive relationship building process. Previous research has revealed that trust is associated with participation in work and social interactions among members of a group [Farris et al. 1973]. According to Van Doorn et al. [2010], engagement is more than attitude, and can be extended to context-related behavioral activities that stem from motivational drivers (here trust). McLaren [2004] asserts that trust, which is established based on commonly accepted applications, leads to investors' engagement in a company. Increasing legitimacy depends on evolving policies and fosters shareholders' engagement toward a corporation [McNulty & Nordberg 2016]. Similar to these perspectives, trust in the community may be an important driver of an entrepreneur's level of engagement in the crowdfunding community.

H4: *The entrepreneur's trust in the community is positively associated with engagement in the crowdfunding community.*

Community-related outcomes including satisfaction with the community and word-of-mouth (WOM) behavior can be regarded as consequences of community engagement. Considered as social participation or "participation spirit", engagement may lead to the willingness to become a part of the community to support a person who needs fund to actualize a particular purpose in the crowdfunding context [Ordanini et al. 2011]. In the online community literature, one of the outstanding consequences of consumer engagement is satisfaction [Bowden 2009]. Satisfaction is identified as an individual's subjective assessment of his/her experience [Oliver 1980]. Although the concept of engagement is still developing in the literature, many studies have provided empirical evidence that engagement is a significant variable for clarifying satisfaction such as in work environments and in volunteer activities [i.e. Hallberg & Schaufeli 2006]. Therefore, we expect that the higher the entrepreneur's level of engagement, the higher the level of satisfaction with the community.

H5: *The entrepreneur's community engagement is positively associated with satisfaction with the crowdfunding community.*

WOM is the process of delivering information from one individual to another [Richins & Root-Shaffer 1988]. It is the transfer of knowledge and feelings among individuals (here entrepreneurs) about particular issues (i.e. products, services) [Westbrook 1987], which includes people sharing values, evaluations or decisions about experiences. In online communities, connecting with others may establish emotional bonds among members, as a result, positive WOM may occur [Wragg 2004]. Muniz and O'Guinn [2001] indicates that the connecting value of networks (which might reveal as WOM) is derived from individuals' engagement in a community. In addition, several studies reveal that members of a community who are highly engaged are more likely to develop positive WOM [Bergkvist & Bech-Larsen 2010]. In the crowdfunding context, it is found that funders exhibit advocacy behavior through positive WOM [Zheng et al. 2017].

H6: *The entrepreneur's community engagement is positively associated with WOM behavior.*

In addition, we include gender, age, and education as control variables in the research model. To elucidate possible slight variations, the effects of control variables on mediating variables (trust and engagement) and endogenous variables (satisfaction and WOM) are investigated.

4. Method

The study was conducted in Turkey where one of the main drivers for economic growth was new businesses [Global Entrepreneurship Monitor Report 2019]. Despite the huge potential of entrepreneurship in Turkey, access to capital was among the outstanding difficulties for entrepreneurs. Therefore, crowdfunding was used as an alternative funding mechanism in Turkey for almost a decade. While donation and reward-based crowdfunding platforms were actively operating, some platforms were planning to apply for equity-based crowdfunding license in the near future. By the end of 2019, more than 300 projects were able to reach their targets, out of almost one thousand crowdfunding campaigns and nearly 14 million Turkish lira (2 million USD) that were pledged.

Due to the limited prior knowledge about perceptions of the institutional environment, especially dimensions of institutions in the crowdfunding context, our study included both a qualitative component and a quantitative component. The qualitative part consisted of in-depth interviews with entrepreneurs and experts to provide deep insight into the effects of dimensions of institutions in crowdfunding. In the quantitative part, we used survey instrument to collect data from entrepreneurs to determine certain drivers and their roles in building trust and engagement within a crowdfunding community.

4.1. Qualitative Research and Institutional Crowdfunding Environment

First, the authors conducted in-depth interviews with two groups including 8 experts (founders and/or managers of crowdfunding platforms, angel investors, managers at incubator and accelerator organizations, consultants in entrepreneurial ecosystem) and 10 entrepreneurs who were current and prospective fundraisers in Turkey. Semi-structured questionnaire forms were used and open-ended questions were asked to collect data about their knowledge and perceptions related to the concept of crowdfunding, its institutional environment in the country, its legal arrangements, as well as the impact on participants' awareness and familiarity with this novel system. Additionally, respondents were requested to answer questions about projects that they launched (for entrepreneurs) and practices they liked and/or criticized (for entrepreneurs and experts) to explore their attitudes and behaviors toward crowdfunding. Findings from these interviews enabled the authors to discover the perceptions about crowdfunding regulations, norms and knowledge affecting satisfaction and WOM through crowdfunding community trust and engagement.

The qualitative research showed that establishing legitimacy status was reported as one of the critical issues in the crowdfunding system. Most of the participants agreed that legitimacy was problematic for crowdfunding platforms and activities due to the lack of a legal framework in Turkey. For example, one of the leading crowdfunding platforms avoided to emphasize that it was owned by a well-known telecommunication company. Also, crowdfunding platforms were not engaged in promotional activities such as internet advertisements or commercials in Turkey. Respondents clearly stated that they were waiting that the Turkish government would enact legislations about crowdfunding activities to consider themselves as legitimized.

The need for legal protection was put forward by many entrepreneurs who had concerns about intellectual property rights, with the belief that it could build trust for the crowdfunding system. Also, almost all participants agreed that government could provide supports such as tax reduction to encourage crowdfunding activities. Although some of the participants believed that cultural norms of the country were convenient for using crowdfunding system, the lack of comprehensive institutional arrangements might discourage prospective fundraisers and funders/investors.

4.2. Quantitative Research and Measurement Scales

To test the proposed research model, we adopted measurement items from the previous literature with adaption to the crowdfunding context. To measure perceptions about dimensions of institutions, the scale of the country-specific institutional profile by Busenitz et al. [2000] was used. For community trust and engagement, the scales were adapted from Hur et al. [2011] and Zhang et al. [2017]. Finally, the measure of satisfaction was based on Casalo et al. [2010] and that of WOM was adapted from Hur et al. [2011]. Each construct was measured using a seven-point Likert scale (1: “strongly disagree” and 7: “strongly agree”). (Table A in the Appendix). All the items were translated into Turkish, with back translation to provide conceptual equivalence.

4.3. Sample and Data Collection

Several crowdfunding platforms and organizations in the crowdfunding ecosystem in Turkey participated in the study and helped distribute the survey. The final sample, after incomplete and invalid responses were eliminated, consisted of 360 entrepreneurs. We checked the representativeness of the sample with the help of the Crowdfunding Association in Turkey which consisted all crowdfunding platforms as members. We found that our sample data had similar characteristics of the population in terms of gender, age, and education. Concerning the demographic characteristics of the respondents in our study (as shown in Table 1), 75.3 % were male and 76.4% were single. Forty-five percent of the participants aged from 21 to 30. Regarding education, 61.3% had up to 4-year college degree. As for participation in crowdfunding, almost 37% of the respondents had either launched a crowdfunding campaign or were in the preparation phase for publishing a crowdfunding project. 61.4% joined the crowdfunding community less than a year and approximately 28% of the respondents visited the crowdfunding platform multiple times a week.

Table 1. Sample Profile.

	n	%
Gender		
Male	271	75.3
Female	89	24.7
Marital Status		
Married	85	23.6
Single	275	76.4
Age		
Less than 21	89	24.7
21-30	164	45.6
31-40	73	20.3
More than 40	34	9.4
Education		
Less than high school	7	1.9
High School	103	28.6
2-year College Degree	29	8.1
4-year College Degree (BA, BS)	160	44.4
Master's Degree-Doctoral Degree	61	16.9

5. Results

5.1. Measurement Model

For measurement assessment, we examined loadings, composite reliability (CR), average variance extracted (AVE), and discriminant validity [Hair et al. 2014]. As illustrated in Table 2, all the loadings were higher than the recommended threshold of 0.70. CRs and Cronbach's Alpha were above 0.70. In addition, AVEs exceeded the threshold of 0.50 for all constructs.

Table 2: Construct Validity

Construct	Item	Loading	Cronbach's alpha	CR	AVE
Regulatory Dimension (REG)	REG1	0.904	0.927	0.948	0.819
	REG2	0.930			
	REG3	0.912			
	REG4	0.874			
Cognitive Dimension (COG)	COG1	0.904	0.889	0.931	0.818
	COG2	0.903			
	COG3	0.907			
Normative Dimension (NOR)	NOR1	0.888	0.912	0.938	0.792
	NOR2	0.876			
	NOR3	0.906			
	NOR4	0.889			
Community Trust (TR)	TR1	0.902	0.936	0.954	0.840
	TR2	0.938			
	TR3	0.918			
	TR4	0.908			
Community Engagement (ENG)	ENG1	0.913	0.938	0.956	0.844
	ENG2	0.935			
	ENG3	0.921			
	ENG4	0.906			
Satisfaction (SAT)	SAT1	0.921	0.869	0.920	0.793
	SAT2	0.912			
	SAT3	0.836			
WOM	WOM1	0.815	0.815	0.891	0.731
	WOM2	0.874			
	WOM3	0.875			

Concerning discriminant validity, the Fornell and Larcker [1981] criterion and cross-loading criterion were assessed. As shown in Table 3, the diagonal values illustrated the square root of AVE for all the latent constructs and non-diagonal entries were correlation scores. All diagonal entries were greater than inter-construct correlations, conforming discriminant validity. Additionally, Table 4 confirms discriminant validity by demonstrating cross-loadings of the items where a construct's own item loadings (bold values) must be above the threshold of 0.5 and greater than all of its cross-loadings with other constructs.

We also examined common method bias. In PLS-SEM, common method bias was controlled by using a collinearity assessment approach [Kock 2015]. Based on this approach, VIFs should be less than the 3.3 threshold. In this study, all VIFs met the criteria. In addition, Harman's single-factor test [Podsakoff et al. 2003] was applied in which all survey items were tested. The findings revealed that the single factor explained 45% of the variance. Therefore, there was no common method bias in this study.

Table 3: Discriminant Validity

	REG	COG	NOR	TR	ENG	SAT	WOM
REG	0.905						
COG	0.677	0.905					
NOR	0.597	0.661	0.890				
TR	0.297	0.372	0.439	0.916			
ENG	0.334	0.415	0.377	0.586	0.919		
SAT	0.272	0.372	0.385	0.706	0.660	0.891	
WOM	0.308	0.405	0.496	0.626	0.597	0.741	0.855

Table 4: Cross-loadings

Items	REG	COG	NOR	TR	ENG	SAT	WOM
REG1	0.904	0.589	0.527	0.294	0.349	0.247	0.296
REG2	0.930	0.625	0.534	0.302	0.318	0.29	0.321
REG3	0.912	0.600	0.578	0.251	0.273	0.228	0.267
REG4	0.874	0.648	0.532	0.209	0.252	0.206	0.211
COG1	0.700	0.904	0.618	0.346	0.373	0.327	0.362
COG2	0.612	0.903	0.574	0.313	0.392	0.321	0.365
COG3	0.525	0.907	0.600	0.348	0.363	0.360	0.372
NOR1	0.482	0.602	0.888	0.430	0.354	0.371	0.458
NOR2	0.556	0.614	0.876	0.348	0.324	0.314	0.452
NOR3	0.573	0.589	0.906	0.378	0.318	0.334	0.413
NOR4	0.524	0.551	0.889	0.396	0.343	0.346	0.441
TR1	0.270	0.305	0.394	0.902	0.512	0.630	0.542
TR2	0.254	0.331	0.406	0.938	0.482	0.622	0.574
TR3	0.278	0.357	0.410	0.918	0.544	0.646	0.556
TR4	0.283	0.366	0.398	0.908	0.601	0.683	0.619
ENG1	0.319	0.410	0.350	0.573	0.913	0.637	0.580
ENG2	0.307	0.349	0.334	0.545	0.935	0.617	0.564
ENG3	0.289	0.375	0.368	0.536	0.921	0.589	0.523
ENG4	0.311	0.390	0.334	0.495	0.906	0.58	0.523
SAT1	0.257	0.335	0.343	0.675	0.616	0.921	0.653
SAT2	0.263	0.383	0.404	0.710	0.593	0.912	0.697
SAT3	0.204	0.272	0.278	0.490	0.553	0.836	0.630
WOM1	0.293	0.391	0.386	0.471	0.505	0.573	0.815
WOM2	0.217	0.311	0.450	0.621	0.485	0.692	0.874
WOM3	0.277	0.335	0.436	0.518	0.538	0.637	0.875

5.2. Structural Model

All parameters were estimated using a bootstrapping procedure with 5000 resamples to verify the statistical significance of a parameter [Nevitt & Hancock 2001]. Dimensions of institutions explained about 21% of the variance in the entrepreneur's trust. The results (Table 5) indicated that perceived regulatory dimension did not have a significant impact on trust, therefore H1 was not supported. However, perceived cognitive dimension and perceived normative dimension had positive impacts on trust. Hence, H2 and H3 were supported. Additionally, the entrepreneur's trust explained approximately 34% of the variance in engagement. Trust was positively associated with engagement in the crowdfunding community, supporting H4. Further, community engagement accounted for almost 44% and 36% of the variance in community satisfaction and WOM behavior, respectively. Engagement had positive impacts on both satisfaction and WOM. Therefore, H5 and H6 were supported.

With respect to control variables (gender, age, and education), age was found to have a significant impact on trust ($\beta = 0.167$, $p < 0.05$) while all the other effects were insignificant.

Table 5: Results

Hypothesis		Std. β	t-value ^a	Decision
H1	Regulatory Dimension \rightarrow Community Trust	-0.013	0.182	Not Supported
H2	Cognitive Dimension \rightarrow Community Trust	0.152	2.100*	Supported
H3	Normative Dimension \rightarrow Community Trust	0.346	4.670**	Supported
H4	Community Trust \rightarrow Community Engagement	0.586	15.617**	Supported
H5	Community Engagement \rightarrow Satisfaction	0.660	20.291**	Supported
H6	Community Engagement \rightarrow WOM	0.597	15.811**	Supported

^a t-values for two-tailed test; * p-value < .05; ** p-value < .01

6. Discussion

The results showed that although perceived cognitive and normative dimensions had impacts on the entrepreneur's trust in the crowdfunding community, there was no significant relationship between perceived

regulatory dimension and community trust. One possible reason of this finding is that, when the data were collected, Turkey policy makers had just published a Draft Communiqué on Equity-based crowdfunding. Therefore, the entrepreneurs' perception of the regulatory dimension was weak. Further, the finding was consistent with the findings of previous studies [Oxley & Yeung 2001; Cai et al. 2010] which investigated the impact of institutional environment on trust. Finally, consistent with the studies of Hughes et al. [2008] and McLaren [2004], this study revealed that entrepreneur's trust influenced engagement. Similar to previous studies [Wragg 2004; Bergkvist & Bech-Larsen 2010], the entrepreneur's satisfaction with the crowdfunding community and WOM behavior occurred as a result of engagement.

6.1. Theoretical Implications

Through qualitative and quantitative studies, the present research contributes to the existing crowdfunding literature in several ways. First, a major theoretical contribution of this study is to extend the institutional theory to the crowdfunding context. Limited research has analyzed the effect of institutional pillars on entrepreneurs' perceptions in the crowdfunding community. Our results highlighted the importance of two of the three dimensions of institutions for the crowdfunding industry to gain legitimacy as a newly emerging system. This study also provides insights for scholars by drawing attention to crowdfunding as a legitimate source of fundraising. Due to the legitimacy gained through established rules and norms, positive perceptions of entrepreneurs in crowdfunding and their crowdfunding activities can be formed. This is an important finding because, as a result of legitimacy, trust was built at both the individual level and the community level.

Second, different from prior crowdfunding studies that were focused on funders/investors [i.e. Yang et al. 2019], this research investigates entrepreneurs' attitudes and behaviors to provide a complementary understanding of the crowdfunding phenomenon. The results supported that perceptions of entrepreneurs and entrepreneurial activities can be influenced by dimensions of institutions. Specifically, the approach of institutional profile including cognitive and normative dimensions can be successfully applied to conceptualize the institutional approach in exploring entrepreneurs' trust and engagement in the crowdfunding community. Indeed, the entrepreneur's trust was more sensitive to the normative dimension than the cognitive dimension, which may direct the attention to the public's interest in and emphasis on entrepreneurship and innovativeness. In parallel with the findings of prior studies [Knight 1997; McLaren 2004] which found that a county's culture, values, beliefs, and norms had impacts on entrepreneurship, this study provided supports that a society's admiration about creativeness and entrepreneurial spirit in crowdfunding encouraged entrepreneurial activities since perceived normative dimension enhanced the entrepreneur's trust.

Third, this study contributes to the understandings of the antecedents and consequences of community trust and engagement based on the institutional theory, which could be critical for WOM behavior and satisfaction. The concept of community engagement which is critical to the development of sustainable relationships in co-creation networks can be extended to the crowdfunding context. We provide empirical evidence to understand the underlying reasons and possible outcomes of entrepreneurs' engagement. The findings of this study extend our understandings of the concept of engagement from the traditional consumer behavior research to the crowdfunding context.

6.2. Managerial Implications

Due to the emerging nature of crowdfunding, how to regulate crowdfunding and what regulations should be implemented have not yielded rich outcomes for managers. Therefore, the findings of this study could contribute to management and marketing fields and offer valuable implications for the actors of the crowdfunding system including policy makers, managers of platforms and fundraisers (individuals, entrepreneurs, SMEs). First, policy makers who want to empower crowdfunding can provide mechanisms for entrepreneurs to achieve legitimacy, expand the sharing economy, and facilitate entrepreneurial activities. They can benefit from the results of the current study which revealed the relationships between institutional environment and entrepreneurs' attitudes and behaviors. Understanding these relationships could be vital since crowdfunding is able to expand the level of creativity and foster technology-related innovations, offer new employment opportunities, and encourage the development in the entrepreneurship ecosystem. Second, exploring the effects of dimensions of institutions on the entrepreneur's trust may help multinational crowdfunding platform managers develop country-specific strategies to increase trustworthiness for entrepreneurs. At this point, this paper is one of the first studies to offer the analysis from the institutional viewpoint related to entrepreneurs' perceptions on crowdfunding. We also provide a novel empirical demonstration of how dimensions of institutions can serve as remarkable factors of the crowdfunding mechanism. Third, the results of the current study can prove the legitimacy of crowdfunding from the entrepreneurial perspective since it might be implied that the way of raising capital could shift from the conventional methods to crowdfunding. Therefore, actors in the crowdfunding ecosystem must attempt to position themselves accordingly. Fourth, based on the findings of the present study, managers of crowdfunding platforms can understand the attitudinal and behavioral patterns of entrepreneurs and develop strategies and objectives related to rules, norms and values to attract

entrepreneurs as potential fundraisers. Finally, since it is revealed that community engagement had a very strong positive impact on both community satisfaction and WOM behavior, marketers could enhance values in communities by emphasizing engagement in the crowdfunding community and develop effective integrated communication strategies.

7. Conclusion

Crowdfunding offers new opportunities for entrepreneurs and businesses [Motylska-Kuzma 2018], promotes the collaborative or sharing economy [Menor-Campos et al. 2019], and encourages innovations by facilitating access to capital. According to the institutional theory, legitimacy is one of the main concerns for organizations to be approved trustworthy in their institutional environment. In this study, the effects of dimensions of institutions including regulatory, cognitive, and normative dimensions on perceptions of entrepreneurs' trust and engagement are investigated in order to understand the position of entrepreneurs in the crowdfunding system and how to maintain the sustainability of crowdfunding activities. In addition, trust enables engagement which builds positive WOM and satisfaction toward the crowdfunding community.

There are several limitations in the current research. Although the institutional approach is applicable to all crowdfunding markets including developed and emerging markets, qualitative and quantitative parts of this research were conducted in a developing crowdfunding market. Therefore, the focus on a single country as a crowdfunding market limited the generalizability of the results. On the other hand, further research can be conducted to examine the effect of dimensions of institutions across different countries to verify the applicability of the research model developed in this study. The scales used in the current study to examine the crowdfunding context can be also validated in future studies. Finally, potential moderators such as different types of crowdfunding models could be analyzed.

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APPENDIX

Table A: Construct and description of items

Construct	Item	Description of items
Regulatory Dimension	REG1	Even after failing in an earlier business, the government assists entrepreneurs in starting again in the area of crowdfunding.
	REG2	The government sponsors organizations that help new businesses develop in the area of crowdfunding.
	REG3	Local and national governments have special support available for individuals who want to start a new business in the area of crowdfunding.
	REG4	Government organizations in this country assist individuals with starting their own business in the area of crowdfunding.
Cognitive Dimension	COG1	Most people know where to find information about markets for their products in the area of crowdfunding.
	COG2	Those who start new businesses know how to deal with much risk in the area of crowdfunding.
	COG3	Individuals know how to legally protect a new business in the area of crowdfunding.
Normative Dimension	NOR1	People in this country tend to greatly admire those who start their own business in the area of crowdfunding.
	NOR2	Entrepreneurs are admired in this country in the area of crowdfunding.
	NOR3	In this country, innovative and creative thinking is viewed as the route to success in the area of crowdfunding.
	NOR4	Turning new ideas into businesses is an admired career path in this country in the area of crowdfunding.
Community Trust	TR1	I believe that I get the right answers from this crowdfunding community.
	TR2	This is an honest crowdfunding community.
	TR3	I trust this crowdfunding community.
	TR4	I believe that real experiences are shared in this community
Community Engagement	ENG1	I am an integrated member of this community.
	ENG2	I am an active member of this community.
	ENG3	I am a participating member of this community.
	ENG4	I am an interacting member of this community.
Satisfaction	SAT1	Overall, I am satisfied with my experience in this community.
	SAT2	I am sure I made the correct decision in using this community.
	SAT3	I have obtained several benefits derived from my participation in this community.
WOM	WOM1	I leave positive comments on community sites.
	WOM2	I recommend this crowdfunding community to others.
	WOM3	I often tell others about this crowdfunding community.