Believe or not believe? The effect of local religion on individuals’ participation on cross-regional reward-based crowdfunding projects

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**Abstract**
This paper aims to investigate the influence of the religion of the geographical context in which investors reside on their propensity to support cross-regional vs. local crowdfunding projects. Relying upon an empirical analysis of about 5,000 individual investments through three Swiss reward-based crowdfunding platforms, we find that the living in regions with high levels of religiosity increases the likelihood of supporting cross-regional crowdfunding projects. Also, we show that the presence of a dominant religion in the region increases the likelihood to invest in local crowdfunding projects. However, this result differs when considering two different religious denominations: when the dominant religion is Catholic, investors prefer to finance cross-regional projects, when the dominant religion is Protestant, local crowdfunding projects are chosen. This study opens new research avenues by extending explanations for individual investment via crowdfunding. We identify religion as an antecedent to the individual propensity to invest via crowdfunding influencing the choice between cross-regional and local investments.
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Abstract

This paper aims to investigate the influence of the religion of the geographical context in which investors reside on their propensity to support cross-regional vs. local crowdfunding projects. Relying upon an empirical analysis of about 5,000 individual investments through three Swiss reward-based crowdfunding platforms, we find that the living in regions with high levels of religiosity increases the likelihood of supporting cross-regional crowdfunding projects. Also, we show that the presence of a dominant religion in the region increases the likelihood to invest in local crowdfunding projects. However, this result differs when considering two different religious denominations: when the dominant religion is catholic, investors prefers to finance cross-regional projects, when the dominant religion is protestant, local crowdfunding projects are chosen. This study opens new research avenues by extending explanations for individual investment via crowdfunding. We identify religion as an antecedent to individual propensity to invest via crowdfunding influencing the choice between cross-regional and local investments.

Keywords: reward-based crowdfunding, religions, dominant religion, geographical context, cross-regional and local crowdfunding investments.
Introduction

Crowdfunding, as a new tool of online financing allows to lower the geographical barriers and gives to entrepreneurs the possibility to approach and leverage networks across regions and countries for fundraising purposes. Despite the benefits of the Internet in reducing many distance-related frictions, prior works have found that distance still matters in crowdfunding investment decisions proving that many Internet-based activities, including online transactions, are more likely to occur between buyers and sellers in the same geographical area (see e.g. Agrawal et al. 2011, Ordanini et al. 2011; Lin and Viswanathan, 2016; Hortaçsu et al. 2009).

Although most alternative finance platforms across models are operating internationally, cross-border transaction flows still represent only a modest share of platforms’ volumes. In 2016, in Europe, 77% of platforms reported some level of cross-border inflows in support of local campaigns. Despite a larger share of platforms overall reporting cross-border transactions, most still indicate relatively modest levels of such activities reporting cross-border inflows as representing up to 10% of their overall transaction volumes (Ziegler et al., 2018).

A support of this thesis, scholars have empirically demonstrated that geographical proximity between proponents and backers helps attract contributions (Agrawal et al. 2011; Ordanini et al. 2011; Hornuf and Schimtt 2016; Mendes-Da-Silva et al. 2016), as it reduces information asymmetries between the two parties. Agrawal et al. (2015) has found that backers located near a proponent are less responsive to information about capital raised, which is an important signal of project quality (Colombo et al. 2015a). In a similar vein, Lin and Viswanathan (2016) have documented the existence of a home bias in lending-based crowdfunding, attributing its existence to both economic and behavioral motive.

Due to the importance of geographical proximity in online financing and we aim at digging more on the mechanisms that determine the local-bias online investment by looking at the characteristics of the geographical areas in which investors reside.

Research contended that the individuals’ participation in social activities is strongly influenced by the characteristics of geographical area in which the individuals reside (Alesina and La Ferrara, 2000).
However, the crowdfunding literature is almost silent in this regard, with the exception of a few studies that proved the importance of the characteristics of geographical area, local altruisms and social capital, in which a company (e.g Giudici, Guerini, Rossi-Lamastra, 2018; Butticè et al., 2017; Mollick 2014; Colombo et al. 2015a; Vismara 2016a; Vismara 2016b) reside in affecting this Internet-based financing.

Additionally, to date our knowledge of the characteristics of the geographical contexts where investors resides and how they shape their contribution to crowdfunding entrepreneurial projects remains limited. Individuals residing in diverse geographical areas are heterogeneous along many dimensions that may influence their willingness to invest in a cross-regional reward-based crowdfunding.

This paper helps filling this gap by answering the following research question: Do the characteristics of the geographical area where an investor resides affect individuals’ propensity to support cross-regional reward-based entrepreneurial projects?

We focus on reward-based crowdfunding, as one of the most common tools that individuals have in order to contribute to entrepreneurial projects aiming at raising important amounts of money (Younkin and Kashkooli 2016). The backers of the projects receive non-monetary benefits in return for the money they pledge, e.g. often the possibility of pre-ordering products or services (Belleflamme et al. 2013, p. 317). Being reward-based crowdfunding a less regulated phenomenon compared to for instance equity crowdfunding, and therefore easy and widely accessible financing mechanism, it is of paramount importance to better understand how the characteristics of the geographical area can influence individuals’ willingness to support entrepreneurial projects via crowdfunding.

Understanding how the characteristics of the geographical area where investors reside affect their investment propensity in cross-regional reward-based entrepreneurial projects is relevant to the current debate on community participation within the economic geography (Guiso et al. 2004) and crowdfunding literature (Giudici et al., 2018) and an interesting addition to this literature that clarify which are the external conditions that contribute to enhance cross-regional community participation in entrepreneurial activities.
Along this line of reasoning, we argue and document that culture of people residing in a geographical area, influences the propensity of the local pool of potential backers to contribute to cross-regional reward-based entrepreneurial projects. In particular, this paper focuses on the role played by local community religiosity – important yet unexplored cultural aspects, as a primary source of moral injunctions and beliefs (La Porta et al. 1999; Siegel, Licht and Schwartz, 2011) – in affecting individual investing in cross-regional vs. local crowdfunding projects in Switzerland.

We test our conjectures using a hand-collected dataset of about 5,000 individual investments through three Swiss reward-based crowdfunding platforms. Our choice to study Switzerland is due to its relatively homogeneity in terms of its general economic conditions while presenting intra-country cultural diversity of religious affiliations. Its peculiar historical and religious backgrounds have resulted in Swiss cantons hosting various combinations of Protestant and Catholic minorities and majorities. Additionally, the geographical distribution of the tradition of confession is determined historically and is persistent over time.

We find that living in regions with high level of religiosity increases the likelihood of supporting cross-regional crowdfunding projects. Also, we document that the presence of a dominant religion in the region increases the likelihood to invest in local crowdfunding projects. However, this result differs when considering two different religious denominations: in regions where Catholic is the dominant religion (the higher % of the population in the region report to be Catholic), investors prefer to finance cross-regional projects, whereas in regions where Protestant is the dominant religion, local crowdfunding projects are chosen.

Our study offers three contributions to the crowdfunding and more broadly the entrepreneurial finance literature. First, it adds to the crowdfunding literature contributing to our understanding of type of ecosystem required to help crowdfunding flourish, providing evidence of an association between religiosity and local and cross-regional crowdfunding investments. Second, it adds to the literature on cross-cultural distance by exploring an additional cultural dimension – religiosity - to the ones proposed by Hofstede (Beugelsdijk, Kostova, and Roth, 2017: 31). Third, it responds to calls for studies of entrepreneurship in international settings (Gupta and Gupta, 2015; Wales, Gupta, and Mousa, 2013) by focusing on a country where different religious beliefs coexist.
Conducting research in a multicultural setting provides a better understanding of entrepreneurial phenomena, and allows the development of more robust theories (Liñan and Chen, 2009).

Theoretical Background

Local religion and crowdfunding investment propensity

The literature on crowdfunding has rapidly grown over the last few years (see e.g. Di Pietro et al. 2018; Giudici et al. 2018, Butticè et al., 2017). Crowdfunding has emerged as a new form of fundraising, through the Internet, whereby a pool of people provides individual contributions to support a particular business idea (Allison et al., 2015; Mollick, 2014; Schwienbacher and Larralde, 2010). Lambert and Schwienbacher (2010) classify crowdfunding typologies according to the nature of the reward for those who invest in the projects, distinguishing among donations and material investments.

Concerning the key factors beyond the success of a crowdfunding campaign, three main elements have been emerged (Agrawal et al., 2010): (i) the shortage of capital produced by the global crisis that inhibits to raise funds for entrepreneurial projects; (ii) the rapid evolution of Web 2.0 technologies, which has made much easier to develop and use new platforms that enable project initiators and providers interactions among individuals and (iii) the achievements of the companion crowdsourcing phenomenon. However, while these factors explain the success of the crowdfunding as a whole, they do not account for the investor propensity to contribute to the success of a campaign providing his/her own money.

Recent studies have demonstrated the important role of geographical proximity (Ordanini et al. 2011; Agrawal, et al. 2011) and the characteristics of the local area of the proponents’ projects, such as local altruism (Giudici et al. 2018) and local social capital (Mollick 2014; Colombo et al. 2015a; Vismara 2016a; Vismara 2016b; Butticè et al. 2017) in affecting crowdfunding projects’ success.

In this paper we focus on a particular characteristics of the geographical area where investors reside –religion – on influencing their willingness to invest in a cross-regional reward-based crowdfunding.
Religion is a key cultural variable (Guiso, Sapienza and Zingales, 2003) since it represents a longstanding driver of human conduct and plays a key role in the lives of most people (Jones, 1996; Elkins et al., 1988). One of the most widely used definitions of religion is that it is, “any shared set of beliefs activities and institutions premised upon faith in supernatural forces” (Iannaccone, 1998: 1431).

Local religion plays an active role in promoting certain kinds of behaviors and censoring others, with important repercussion for economic outcomes (Audretsch et al., 2007; 2013; Guiso et al., 2003; Putnam and Campbell, 2012). Weber (1905) was among the first to relate religion and risk taking, attributing the development of capitalism to Protestantism. The Protestant reformation changed beliefs about the pursuit of wealth not merely for personal advantage but as an individual responsibility (Weber, 1905). This change had a deep impact on individual behaviors giving legitimacy to the bourgeoisie to disrupt the existing order and introduce a new one, based on the pursuit of individual prosperity.

Later studies have used religion for studying the government quality across countries (La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 1999). Stulz and Williamson (2003) found that a country’s principal religion helps to predict the cross-sectional variation in creditor rights and it is an important predictor of how countries enforce rights. Guiso et al. (2003) pointed out that, across countries, religion is conducive to higher per capita income and growth. Guiso et al. (2003) have looked at the effect of religion on trust and find that regular attendance at religious services induces higher levels of individual trust towards others. Parboteeah, Walter, and Block (2015) have studied that the impact of religion on entrepreneurship.

Therefore, existing literature infers that religion is an important part of counties’ culture, which, in turn, indirectly influences the development of the firms and of the economy that are located in those counties.

We believe that local religion plays an important role in affecting individual propensity towards crowdfunding cross-regional investments. We identified three mechanisms through with local religion works: the individual responsibility effect, the trust effect, and the altruistic effect.
Pertaining the individual responsibility effect, Guiso et al. (2003) has claimed that religious individuals are less likely to break the law and legal rules, they are less willing to trade off equality for incentives they have a stronger belief that the market outcome is fair, and they believe that people are in need because they lack willpower or are lazy rather than because society treats them unfairly. Studies have shown that individuals with a higher sense of responsibility are more likely to consider investing their money in a crowdfunding project.

Concerning the trust effect, religious people are more likely to trust others individuals and the government, the police and the legal system (Guiso et al, 2013). Research in finance also documents the importance of trust in fostering private investment in equity markets (Guiso, Sapienza, and Zingales 2008) Additionally, recent studies in reward-based crowdfunding, have shown that investors’ trust on the proponents’ ability and will to realize the projects is a stronger determinant of the decision to pledge in a reward-based crowdfunding (Cholakova and Clarysse 2015; Zheng et al. 2016; Butticè, Colombo, Wright, 2017).

Pertaining the altruistic effect, altruism is a key value taught by many religions. A sense of selflessness and duty towards the poor is central to all major religions (Fehr and Fischbacher 2003). In essence it urges religious people to engage in social activities such as volunteering on behalf of others in need (Batson et al. 1993; Cnaan et al. 1993; Ellison 1992). Religious involvement may change the nature or priority of people's motives (Weiss Ozorak 2003). There has been some tendency to relate the spirit of altruism to particular religious’ traditions, most commonly the Judeo-Christian tradition rooted in the Old Testament commandment to “treat your neighbor as yourself” (Leviticus, Chapter 18) (in Salamon and Sokolowski 2009). Altruism has proven to increase individuals’ participation in important crowdsourcing phenomena (Franzoni and Sauermann 2014; Giudici, Guerini, Rossi-Lamastra, 2018). In reward-based crowdfunding, studies have shown that investors have both consumption and altruistic motivation to support entrepreneurial initiatives (Gerber and Hui 2013; Qiu 2013; Zhang 2012).

Given the above-identified mechanisms, we expect that there is a strong and positive link between religion and the propensity to invest in crowdfunding projects. Therefore, we posit:
Hypothesis 1: Religious beliefs have a positive impact on individuals’ propensity to support cross-regional crowdfunding projects.

Does the impact of religion differ if there is a dominant religion?

Before inquiring whether there are differences between religions in affecting the individuals’ propensity to support cross-regional crowdfunding project, we want to analyze the effect of local religion from the effect generated by the presence of local regional dominant religion. A dominant religion often becomes tangled up with the local culture and it is transferred from one generation to the next. Therefore, the presence of a dominant religion in the region might influence people propensity to support cross-regional crowdfunding projects.

Hypothesis 2: The presence of a dominant religion has a positive impact on individuals’ propensity to support within-regional crowdfunding projects.

The impact of different religions

So far we have provided evidence that local religion matters in general in influencing people propensity to support cross-regional crowdfunding projects. However, most of the debate in the literature, it is not about the role of religion per se, but about the role of different religions (Guiso et al. 2003). Audretsch et al. (2007; 2013) suggest that some religions might be conducive to entrepreneurship, and that others might inhibit it. They found that Christians and Muslims tend to have a higher propensity to become entrepreneurs compared to Buddhists and Hindus. Their finding is confirmed in Metcalf et al., (1996); their study reveals that the influence of religion is one of the reasons why Pakistanis are less successful than Indians in self-employment because Islam prohibits the payment of interest on bank loans. Cousins (1996) posits that religious beliefs can dampen the entrepreneurial spirit. This applies to Buddhism which emphasizes the afterlife over practical activities. Also, religious beliefs affect women’s decisions to start a business. Basu and Altinay (2002) found that since Muslims are generally more conservative than other religious groups in their attitudes to women working outside the home, fewer Muslim women than Muslim men start their own
businesses. Religious beliefs influence the type of business the entrepreneur wants to launch. From a psychological perspective, Catholics should have a more “collectivistic” personality which values social connections and group affiliation because Catholicism emphasizes sense of community and group ritual. Thus, Catholics should feel a deep sense of obligation toward the community which might induce them to subordinate their individual desires to the benefit of the collective good (Cohen and Hill, 2007). Stulz and Williamson (2003) further find that countries where Catholicism is the primary religion, exhibit low levels of creditors’ protection rights, as anti-usury culture is pervasive in Catholic tradition.

Conversely, Protestants should have an individualistic personality that emphasizes personal goals, uniqueness, and personal control (Cohen and Hill, 2007). Protestants believe in the autonomy of conscience which is the ultimate judge of an individual’s actions even if they conflict with established political or religious institutions. Protestantism compared to Catholicism is conducive to self-reflection, research, and investigation, and less inclined to mysticism.

Looking at different Western religions, research found that Jews are the least risk adverse and Protestants are the most, while Catholics are in the middle (Barsky, Juster, Kimball, and Shapiro, 1997). However, a more recent study find that Catholics and Jews can sometimes be more risk-averse (e.g., when it comes to the demand for life insurance) than Protestants (Halek and Eisenhauer, 2001).

Given the above differences, we expect that different religious denominations will exert a different impact on cross-regional crowdfunding investment propensity. Therefore, we posit:

*Hypothesis 3: Different dominant religion denominations have a different impact on individuals’ propensity to support cross-regional crowdfunding projects.*

**Methodology**

**Sample and Data**

We analyze reward-based crowdfunding entrepreneurial projects in Switzerland. The Swiss territory is divided into 26 different cantons: Zürich, Bern, Lucerne, Uri, Schwyz, Obwalden and Nidwalden, Glarus, Zug, Fribourg, Solothurn, Basel-Stadt and Basel-Landschaft, Schaffhausen,
Appenzell Ausserrhoden and Appenzell Innerrhoden, St. Gallen, Graubünden, Aargau, Thurgau, Ticino, Vaud, Valais, Neuchâtel, Geneva, and Jura and presents unique characteristic of coexistence of religions. According to the 2015 census, the two biggest religious groups are Catholics - 37.25% of the population, and Protestants - 24.93% of the population with 23.94% of the population atheists. Figure 1 shows the geographical distribution of religious affiliations in the Swiss confederation in 2000.

[Insert Figure 1 Here]

The sample of proponents and individuals we use in this paper is drawn from diverse platforms, a rarity in crowdfunding studies, which usually draw their data from a single platform. Data were collected from July 2016 to December 2016, from three reward-based Swiss crowdfunding platforms - I care for you (www.icareforyou.ch) which was founded in 2015 in Zurich to finance humanitarian and social projects, I believe in you (www.ibelieveinyou.ch) focused on support team and individual sport challenges founded by Olympians following the 2012 Olympic Games in London, and Wemakeit (wemakeit.com) - founded in 2012 in Zurich, a sector agnostic platform.

The three platforms considered followed “all or nothing approach” allowing entrepreneurs to collect funds only if the target amount of the campaign were reached. If the goal is reached, the funds are released and the backers receive their compensation. The first platform, I care for you, focuses on projects with a humanitarian and social scope. It was founded in 2015, it is based both in Zurich and Bern. Similarly, to I believe in you, the project creators can choose between 30, 50 or 80 days as time limit to raise their target amount. I care for you retains 10% of the target amount as project success fee, 6% as administration fee and 4% as a transaction fee. 23 projects were selected from this platform.

The second platform, I believe in you, focuses only on projects related to sport in Switzerland. The platform retains 9% success fees from the project target amount, if is reached, 5% as administration fee and 4% as a transaction fee. 23 projects were selected from this platform.

The last platform considered, Wemakeit, the leading reward-based platform active in Switzerland in term of transaction amount. Founded in 2012, in Zurich, Wemakeit is present also in Basel, Lausanne,
Vienna, Berlin and Bellinzona and owns a success rate of 65%, one of the highest rates worldwide (Dietrich & Amrein, 2015). Differently from the other two platforms, it offers the possibility to found projects belonging to different sectors. The platform retains 6% of the target amount as success fee, and 4% as transaction fee. 42 projects were selected from this platform.

Overall, we selected 88 crowdfunding projects, that successfully closed their fundraising during our data collection period (July-December 2016) on the three platforms. For each campaign we collected data about the entrepreneurial project and individual investors who backed the projects. Approaching three different crowdfunding platforms allowed us to include in our sample projects belonging to different industries, form technology and start-up projects to humanitarian, fashion, sport, and social projects. Our dataset contains 4,351 observations, representing individual investment in reward-based crowdfunding projects.

Data were collected from three main sources: through the crowdfunding platforms’ websites we gathered data about the (i) crowdfunding project - e.g. amount requested, fund raised, sector, number of investors, city and region of the project proponent, and (ii) investors- e.g. gender, city, region, and amount invested.

We have consulted official Swiss statistical databases such as the Swiss Federal Statistical Office (census 2015, www.bfs.admin.ch), and USTAT - statistics office of the canton Ticino, to gather macroeconomic information about each canton (corresponding to a regional-level of aggregation, NUTS3), – e.g. as income per capita, cultural expenses, digital literacy as well as data about religiosity and the coexistence of different religious denomination in each canton.

**Variables and Measures**

**Dependent variable**

Our main dependent variable is Cross-regional financing, which measures the cross-regional crowdfunding project participation as a dummy variable that takes the value 1 if an investor has supported a crowdfunding project outside his/her region and 0 otherwise. We considered the region of the project proponent and the region of each individual investor who financed the project.

**Independent variable**
Religiosity is one of our main independent variables calculated as 1 minus the percentage of people in each region having no religious affiliation. Data were gathered from the Swiss Federal Statistical Office website and refers to the year 2015 and refers to the population residing in Switzerland older than 15 years which were asked to indicate their religious affiliation among Protestant, Catholic, other Catholic affiliations, Islamic, Jewish, other religious affiliations, and atheist - i.e. no religious affiliation.

Our second main independent variable, Dominant religion, is a dummy variable that takes value 1 is there is a dominant religion in the region, 0 otherwise. A region would have a dominant religion if the share of people belonging to one religious denomination is higher than the sum of the share of people belonging to all the other religious denominations in the region.

Lastly, we have identified which religious has a dominant presence in the region, specifically distinguishing regions in which either the Catholic - Dominance Catholic - or the Protestant - Dominance Protestant - religion was dominant. We considered region with Dominance of Catholic religion if the share of the population in the region reporting to belong to Catholic affiliation was higher than the share of people belonging to all other religions denomination represented in the region. Our choice stems from the fact that Catholic and Protestant religions are the most common in Switzerland, and in our sample 34% of the population declared to be Catholics and 34% to be Protestant. Other religions, such as Islamic and Jewish were represented by a small portion of the population, respectively 5% and 1%.

Control variables

We include control variables related to characteristics of the region, project, and individual that might influence the propensity to support cross-region crowdfunding projects. At the regional level we included controls for the amount of Income per capita (in CHF) in 2013, amount of Cultural expenses (in CHF) in 2014, and Digital literacy, measuring the percentage of people that daily use internet from a sample of individuals aged over 14 years old. Data were gathered from the Swiss Federal Statistical Office (www.bfs.admin.ch), and USTAT - statistics office of the canton Ticino. We control also for crowdfunding campaign characteristics, such as Overfunding, a dummy variable taking value 1 when the fund raised amount was higher than the funding target amount; Number of
Investors, indicating the numbers of individuals who financially supported the project, Target amount, representing the funding amount requested by the proponent of the projects; Sector of the company, classified as technology oriented, humanitarian/social oriented, sport/community, integration, kids, and fashion, as indicated in the crowdfunding campaign webpage of each project; Platform used for fundraising, a categorical variable representing the three platforms considered in our study.

Lastly, we controlled for the Gender of the investors, a dummy variable taking value 1 for female and 0 for male investors.

**Descriptive Statistics**

We considered 88 crowdfunding projects, that successfully closed their fundraising during our data collection period (July-December 2016) on the three platforms. The average amount raised by the projects proponents was 16,759 (CHF) from 162 investors. Considering the individual investors religious denominations of our sample, 34% of the individuals declared to be Catholics and 34% to be Protestant. Other religions, such as Islamic and Jewish were represented by a small portion of the sample, respectively 5% and 1%. Moreover, 35% of the sample were from a region in which a dominant religions denomination is present, of which 13,5% were from Catholic-dominant regions and 21,61% from Protestant-dominant regions.

**Estimation Model**

Given our interest in understanding the impact of religiosity on individual propensity to support cross-regional crowdfunding projects, we employ a logit model estimation (Greene, 2003). This model uses all the available information from the explanatory variables including those with zero values for the dependent variable. The pair-wise correlations among our variables are presented in table 1.

[Insert Table 1 here]

To control for multicollinearity, we computed the variance inflation factor (VIF) and tolerance values. The average VIF score of our main variables of interest scored 1.69, which suggests
multicollinearity is not an issue (Hair et al., 2006). Table 2 reports the logit model and the model fit statistics.

[Insert Table 2 here]

Model I in table 2 reports the effect of the control variables including Income per capita, Cultural expenses, Digital Literacy, Overfunding, Number of investors, Target Amount, Sector, and Platform on our dependent variable Cross-regional financing.

In model II we introduce Religiosity. We expect Religiosity to be positively associated to cross-regional crowdfunding investment (H1). In line to our expectations, we found a significant a positive association between religiosity and individuals’ propensity to invest in cross-regional crowdfunding projects ($p = 0.000, b = 2.603$).

Next, we introduced the variable Dominant religion to test our second hypothesis (H2). The results in Model III show that the presence of a dominant religion in the region where investors resides is negatively associated to individuals’ cross-regional investments via crowdfunding.

To test our third Hypothesis (H3), we include in the model IV the two variables Dominance Catholics and Dominance Protestant in order to take into account which dominant religions affiliation is present in the region where investors reside.

In line with our conjecture (H3), religious affiliations have different impact on the propensity to invest in cross-region crowdfunding projects. Specifically, we find that individuals living in a region where Catholic is the dominant religious affiliation, are more inclined to support cross-region crowdfunding projects ($p = 0.002, b = 0.345$). However, we found opposite results when considering individuals living in a region where Protestant is the dominant religious affiliation. They are more inclined to support local crowdfunding projects ($p = 0.000, b = -1.002$).

**Discussion and Conclusion**

This paper aims to investigate the influence of the religion of the geographical context in which investors reside on their propensity to support cross-regional vs. local crowdfunding projects. We
specifically looked at the influence community religiosity in Switzerland regions and the presence of dominant religious affiliations.

We find that living in regions with high level of religiosity increases the likelihood of supporting cross-regional reward-based crowdfunding projects. We suggest that this could be due to the importance of religion in developing a sense of altruism (Fehr and Fischbacher 2003) and trust (Guiso et al., 2003) which might induce individuals to subordinate their desires to the benefit of the collective good (Cohen and Hill, 2007) which spans across region. A sense of altruism and trust are fundamental ingredients for the success of crowdfunding initiatives (Butticè, Colombo, Wright, 2017; Franzoni and Sauermann 2014; Giudici, Guerini, Rossi-Lamastra, 2018): projects that seek funding through these innovative avenues usually are at a very early stage, hence they require trust on the ability of the proponent to develop a new product or service. Additionally, the relationship between the projects’ proponents and the potential funders is mediated by the platform with the result that the possibility to assess the accuracy of the information provided to demonstrate the quality of the projects is scarce as also is information on the use of the funding raised.

Also, we document that the presence of a dominant religion in the region increases the support of local crowdfunding projects. Moreover, exploring deeper the influence of a dominant religion, we found that its influence differs when considering different religious denominations. Specifically, we found that in regions where Catholic is the dominant religion investors prefer to finance cross-regional projects, whereas in regions where Protestant is the dominant religion, local crowdfunding projects are chosen. We posit that this is due to the more “collectivistic” personality which values social connections and group affiliation because Catholicism emphasizes sense of community and group ritual (Cohen and Hill, 2007). Thus, Catholics should feel a deep sense of obligation toward the community which might induce them to support cross-regional crowdfunding project. On the other hand, the individualistic personality of Protestants that emphasizes personal goals, uniqueness, and personal control (Cohen and Hill, 2007) would make individuals more focused on supporting crowdfunding project from their own region.

Overall, our study shows that religious beliefs can constitute a fertile cultural milieu for the lowering the geographical barriers of online financing via crowdfunding projects but can be an
inhibitor of the financing of cross-regional entrepreneurial projects. This result is based on the effects of religious affiliations on economic activities suggested by Guiso et al. (2003).

Our study offers three contributions to the crowdfunding and more broadly the entrepreneurial finance literature. First, it contributes to refine our understanding of characteristics of geographical contexts required to help crowdfunding flourish, providing evidence of an association between religiosity and local and cross-regional crowdfunding investments.

Second, our study also adds an important explanation of cultural value diversity in influencing early-stage investment. New ventures tend to suffer from scarcity of resources, and resource commitment is a key step in the entrepreneurial process (Shane, 2008). Therefore, it is especially important to identify the main factors that encourage and hamper investment in early-stage companies. Securing capital is one of the most important factors for entrepreneurial success, particularly in the early stages of venture development (Florin et al., 2003). A recent report (Wardrop et al., 2015) highlights how different development of the market for early stage investment at the national level in Europe is affected by cultural, financial, and regulatory factors. Our research responds to the European Community call highlighting the need to consider the culture of a given geographical area to obtain a more comprehensive understanding of entrepreneurship (see the Entrepreneurship 2020 Action Plan, European Commission, 2013). Therefore, our study adds to the literature on cross-cultural distance – religiosity - by exploring an additional cultural dimension to the ones proposed by Hofstede (Beugelsdijk, Kostova, and Roth, 2017: 31).

Third, we add to the emergent literature on intra-country cultural value diversity (Dheer, Lenartowicz, and Peterson, 2015) which explores the effect of a driver of firm expansion and performance. Guiso et al. (2003) contend that the extant literature is based on cross-country studies, and that this impact of religious beliefs is confounded by profound differences related to other institutional factors. There is a growing consensus about the need to understand how intra-country cultural value diversity affects economic activities but the contributions so far have been limited by data availability. Thus, Switzerland which includes the co-existence of different religious affiliations, represents a unique empirical setting.

At the same time, this study has some limitations. First, we focus on a single country; our
analyses should be repeated on a sample of different countries. Second, we focus on religion as a crucial element of intra-country cultural value diversity that explains individuals’ propensity to invest via crowdfunding; other variables could be considered in future analysis. For instance, Switzerland presents intra-country variation in spoken languages. Language is a principal means of transmitting knowledge, and the primary means allowing access to others’ thinking and beliefs, and is likely to affect crowdfunding investment propensity. Third, our regional level data on religiosity did not allow us to assess whether each individual investor was religious. Additionally, we did not assess whether those seeking funding are religious. Future work could investigate whether this would affect the relationship between religious beliefs and cross-regional crowdfunding investment. Last, the majority of the population in Switzerland belongs to the two main religious affiliations, namely Catholics and Protestant. Future research could replicate our study in contexts where all religious denominations are well represented.

Despite its limitations, this paper has interesting implications for proponents of reward-based entrepreneurial projects, managers of crowdfunding platforms, and policymakers. First, understanding the cultural value determinants of individual propensity to invest in cross-regional early-stage companies via crowdfunding can provide insights useful for the development of policy focused on promoting entrepreneurship. Second, by emphasizing the importance of religious beliefs and religious affiliations for influencing investing behavior via crowdfunding, our study should help entrepreneurs and managers of crowdfunding platform in deciding in which country to launch the campaign and platform respectively.
References


Dietrich, A., & Amrein, S. Crowdfunding Monitoring Switzerland 2015.


Tables and Figures

Figure 1: Geographical Distribution of Religious Affiliations in the Swiss Confederation in 2000

Source: Swiss Federal Statistical Office.
<table>
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Table 2: Effect of religiosity beliefs on cross-regional crowdfunding investment

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<th>DV: Cross-regional financing</th>
<th>Model I</th>
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<td>Dominance Catholic</td>
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<td>Dominance Protestant</td>
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Notes: DV, dependent variable