Assistant Professor Hasnan BABER
E-mail: h.baber@endicott.ac.kr
Endicott College of International Studies
Woosong University, Daejeon, South Korea
Associate Professor Mina FANEA-IVANOVICI, PhD
E-mail: mina.ivanovici@economie.ase.ro
Department of Economics and Economic Policies
The Bucharest University of Economic Studies

WHAT DRIVES PEOPLE TO CROWDFUND MOVIES AND WEB SERIES? THE MEDIATING ROLE OF PERCEIVED TRUST AND RISK

Abstract. *The digital revolution has largely influenced the way of doing business, of financing projects, and even of producing creative-cultural goods. Crowdfunding has become a last resort for raising capital in filmmaking, which is a costly and risky endeavor. We investigate the intention to crowdfund movies and web series in exchange of a capital share. Using PLS-SEM, we analyzed the influence of inner innovativeness, economic value, financial projections and equity share on perceived trust and perceived risk; the two variables were further tested in relation to their influence on participation intention (N=432). We find that the perceived trust in the platform and project initiator has a positive influence on the intention to crowdfund, whereas the perceived risk has a negative influence. Trust is significantly dependent on inner innovativeness, on the economic value attached to the investment and on disclosed financial projections. However, equity share is seen as a risk generator, due to the downsides of equity-based crowdfunding, such as equity dilution and potential changes in management and control.*

Keywords*: Equity-Based Crowdfunding, Movies, Web Series, Extrinsic Motivation, Perceived Risk, Perceived Trust, Equity, Economic Value.*

JEL Classification: A14, M20,O35

1. Introduction

Although it emerged timidly and mostly relying on charitable acts, crowdfunding later grew to become a fully-fledged Internet-based financial instrument. The first forms of crowdfunding were the reward- and donation-based, whereby the community would participate in exchange of no financial reward or no reward at all. Initially, crowdfunding was used for projects belonging to culture and arts, such as music and film. However, existing research shows that the full

DOI: 10.24818/18423264/55.3.21.18

potential of crowdfunding is yet to be explored through regulation in order to foster trust and entice more investors.

Crowdfunding regulation started with the enactment of the Jumpstart Our Business Start-ups (JOBS) Act in 2012, in the United States. However, it took four more years for the instrument to go into effect. Regulation brings about diversification of crowdfunding types, i.e. the advent of equity-based, lending-based, hybrid types. The more crowdfunding models, the better this FinTech instrument will manage to arouse the interest of the would-be supporting community. Through enactment, crowdfunding is exempted from expensive registration requirements and allows new types and opportunities of funding, along with the inherent business risks. Schwienbacher (2019) considers that the main challenges still pending in equity crowdfunding matters are: "delivering appropriate risk-adjusted returns to investors, enhancing platforms' own profitability and enabling exit of investors from start-ups." However, the United States is not the only country having regulated equity-based crowdfunding. Large legal variations exist among countries. For instance, UK, Germany and France have non-restrictive regulations based on an investor-oriented approach, whereas Spain and Italy have more restrictive regulations. Such variations have been explained by some authors through differences in national institutional environments – the more business-friendly the legal environment is, the larger the crowdfunding market (Di Pietro and Buttice, 2020). Di Pietro and Buttice (2020) also argue that individualistic societies experience higher crowdfunding activity, and long-term oriented societies are more likely to experience high levels of equity-based crowdfunding. Thanks to the legal crowdfunding advancements and governance, the US, Asia and Europe have become the leading regions in the world in terms of number of campaigns, raised funds and number platforms. In this context, the study aims at analyzing two crowdfunding emerging regions, namely Asia and Europe.

The decision to financially support creative and cultural projects has been largely explained by a certain pro-social behavior, by affinities and reciprocity within the gift economy. Crowdfunding involves a mix of market exchanges, consumption, financial contribution and commitment to project, idea or cause in various proportions. The altruistic orientation prevails in reward- and donation-based models, which are also known as non-investing crowdfunding types. By contrast, the gift exchange theory has it that self-interest orientation is predominant in equity- and lending-based crowdfunding models, which are the investing crowdfunding models. The interplay between selfish motivations and altruistic behavior is best seen at work in the crowdfunding phenomenon. The hereby study is focused on the equity-based crowdfunding model in film and web series by bringing together two contrasting views. On the one hand, we analyze a financing tool that yields interest to the investor, and on the other hand we investigate it in relation to a creative-cultural project, the implementation of which is often considered uncertain. The main objective is to unveil the main reasons behind the

investment behavior in an area normally seen as risky. Remote revenues and profits along with a high rate of failure in the filmmaking industry would normally deter prospect investors. It is estimated that only one in ten projects is successful (Gold, 2017).

The long established privilege of financing films by the wealthy is now drawing to an end. In the past, movies could only be made if affluent individuals agreed to finance such costly projects or if philanthropic donors were talked into contributing. At least that was the case in America (Gold, 2017). The financial power of the wealthy has indirectly dictated the main coordinates of film production, which led to very little diversity. White male characters have been at the forefront until recently in an industry with strong entry barriers (Gold, 2017). In European countries, democratizing access to filmmaking has also been difficult. Film production has largely depended on the limited public funding and on European funds (Fanea-Ivanovici, 2019). Given the scarce resources, fierce competition over the limited amounts of money has been a common occurrence among filmmakers. While competition per se is a desideratum in any field of activity, the young and less experienced or less renowned filmmakers are highly unlikely to benefit from public funding. This is because funds are granted to filmmakers who can demonstrate past experience and previous success. Such a practice basically keeps the younger filmmakers away from mainstream finance. It is in this context that crowdfunding has stepped in and upturned this long-lived hierarchy opening up new opportunities for all filmmakers to move from idea to product. By way of example, successful films have been financed through crowdfunding in the early days of this phenomenon. At the beginning, only reward-based crowdfunding campaigns could be used in filmmaking. The joint efforts of a whole community of fans have resulted in successful productions, such as: Veronica Mars (funded with 5.7 million USD on Kickstarter in 2014) (Gold, 2017).

As crowdfunding has since developed, previously expensive capital raising methods have become more affordable and easier to use. The amounts raised within a certain timeframe cannot, however, exceed a certain maximum threshold, whereas certain limitations are set as to the investment limits. In addition, investors will face the risk of dilution the more numerous is the pool of investors who decide to contribute to the project. Last, but not least, all investors in crowdfunding projects face the risk of fraud. This can occur if there is a different use of funds than the one initially stated or in the case of scams. Nonetheless, it can still be a viable financing method for start-ups and small-scale projects.

2. Literature Review and Hypothesis Development

2.1. Inner innovativeness

Inner innovativeness has been defined as the acceptance of a new idea or making a decision about a new idea by an individual (Bagheri et al., 2019). Personal propensity towards new ideas may be a spur behind crowdfunding participation, especially when the project initiator comes up with a novel or creative perspective in the proposed film or web series. Individuals characterized

by inner innovativeness may as well easily embrace new technologies, goods or services while at the same time being less risk averse towards investment (Davis et al., 2017). According to Rogers (1995), it is the individual personality that determines perceptions and generates behaviors with reference to novel outputs. Inner innovativeness has been found to be inversely correlated with perceived risk, indirectly favoring equity contribution in crowdfunding campaigns (Kim and Chang, 2020). Moreover, diversity of ideas, which can reach high levels in film production and in any other creative industry, has been found to have a significant influence on the community's attitudes regarding crowdfunding participation intentions (Kim and Hall, 2019). The link between crowdfunding and innovation has been particularly discussed by Herve et al., (2019). They found that there is a twofold connection: crowdfunding gives rise to innovation and it enables the community to participate in the innovation process. Di Pietro and Buttice (2020) further discuss the connection between start-up innovation in crowdfunding context, and how crowd equity investors generate open innovation and ensure chances for later business success. A community aware of its ability to be at the origin of innovation is a community likely to be eager to crowdfund innovative projects, whence the two proposed hypotheses formulated below.

Hypothesis H1a: Inner innovativeness has positive influence on the perceived trust.

Hypothesis H1b: Inner innovativeness has negative influence on the perceived risk.

2.2. Economic Value

Taking into consideration the latest developments and regulations of equity-based crowdfunding, we can affirm that it has actually become a genuine financial instrument. Project initiators should do their best to make it at least as appealing to investors as the film project itself. From an investor's point of view, an appealing instrument refers, inter alia, to the perceived value presented by the investment. Customer's perceived value has been assessed using the 19-item PERVAL measure, which encompasses four dimensions: emotional, social, quality/performance and price/value for money (Sweeney and Soutar, 2001). For the purposes of our study, which focuses on investment intention, we will retain the last two dimensions in view of grasping economic value. According to Sweeney and Soutar (2001), these dimensions aim at explaining attitudes and behavior. We will therefore employ said dimensions to explain why the public is willing to invest in an equity-crowdfunded film. Monetary valuation plays a crucial role in the new crowdfunding digital economy. Economic return, as an expression of economic value, has been found to be one of the main extrinsic motivation conditions for participation intention in investing crowdfunding (Martinez-Climent et al., 2020). Martinez-Climent et al. (2020) have identified an inverse correlation between the importance of economic returns and the share of wealth invested. Florez-Parra et al. (2020) argue that financial characteristics, such as return on equity, are relevant for sustainable business return and investor decision, on one hand, and for analysis

of risks, on the other hand. Other authors indicate that the total return is a determinant of campaign success, which is, indirectly, an indicator of investor participation (Borrero-Dominguez, 2020). In understanding equity crowdfunding success, valuation, financial snapshot and likely returns have been considered among the topics of discussion that influence investor behavior (Kleinert and Volkmann, 2019). Nitani et al. (2019) have noticed that investors choose projects that have better growth opportunities and in doing so they maximize returns. Such projects normally belong to young companies (Nitani et al., 2019). From the above literature review, we formulate two hypotheses involving the economic value and its influence on perceived trust and perceived risk.

Hypothesis H2a: Economic value has positive influence on the perceived trust.

Hypothesis H2b: Economic value has negative influence on the perceived risk.

2.3. Financial Projections

Financial forecasts have raised the interest of investors and fundraisers alike on equity-based crowdfunding platforms. This is because this FinTech, like any other financial instrument, poses both risks and benefits, and a clear analysis of the financial situation and earnings and of attached risks is of paramount importance in deciding to invest. Initial estimations fail to be achieved, as noticed by Gold (2017), generating failure rates of up to 90% in the film industry. According to Nitani et al. (2019), signals stemming from financial statements provide information that investors need to interpret. This information is used for making decisions and selecting investment opportunities. The authors find that high sales growth forecasts entice the rational participants to the market in an attempt to maximize benefits and minimize risks. According to the specialized literature, equity crowdfunding faces market, execution and agency risks. More precisely, typical risks include adverse selection due to information asymmetry and moral hazard, such as fraud, in addition to herding, insolvency, equity dilution, bad management, etc. (Martinez-Climent et al., 2020). In the visitor economy, which also includes creative media and culture, uncertainty was found to have a positive impact on equity-based crowdfunding participation (Kim and Hall, 2019). Raising new capital means a higher degree of equity dilution, with the entrance of a large number of new shareholders who are entitled to benefits. On the one hand, such major changes in the company ownership structure and future governance have a certain influence on prospective investors (Moedl, 2020). Moedl (2020) casts a shadow on equity crowdfunding risks and identifies deal breaking criteria for future investment decisions. Based on the role played by financial projections on crowdfunding success, we formulate the following two hypotheses.

Hypothesis H3a: Financial projects have positive influence on the perceived trust.

Hypothesis H3b: Financial projects have negative influence on the perceived risk.

2.4. Equity Share

Equity-based crowdfunding gives investors the right to hold equity shares in the company. This would normally come with profit sharing opportunities, such as dividends on earnings, and voting rights. Existing literature has shown that voting rights may be granted only if a certain investment threshold is reached (Cumming et al., 2019). Cumming and al. (2019) have also found that clearly separating ownership from control rights lowers the likelihood that the offering is successful, which in turn has consequences on long-run success. However, Nitani et al. (2019) found that investors try to minimize risk by choosing to invest in companies that choose to keep a large equity stake post-offering. The importance of continued control, post crowdfunding campaign, has been analyzed by Bodily (2016). Kim and Hall (2020) argue that there is a positive correlation between venture quality and crowdfunding participation. Profit sharing is one of the motivations behind crowdfunding contribution. Kleinert and Volkmann (2019) have analyzed how discussions on topics related to shareholder rights affect campaign success, and it turned out that they actually harm it. In light of stakes regarding continued control, voting rights, profit sharing schemes and equity dilution risks discussed above, we formulate the following two hypotheses.

Hypothesis H4a: Equity share has positive influence on the perceived trust.

Hypothesis H4b: Equity share has negative influence on the perceived risk.

2.5. Perceived Trust

Crowdfunding intention has been found to be in direct relation with perceived trust in the crowdfunding platform and the project initiator (Kang et al., 2016). According to the trust theory, good communication between funder and fundraiser may be as important as the features of the platform (Kim et al., 2020a; Kang et al., 2016; Kim et al., 2020b). Regular and pertinent communication with the pool of investors is a source of trust. Communication is enhanced by the platform functionalities, because project initiators are supposed to provide thorough information about the project in the presentation section, to post updates about the campaign and project implementation phase in the update section, and to answer any questions in the comments section. The social ties built between investors and the community was been documented to have positive effects on project success (Troise et al., 2020), and they may be even stronger in film production, as there are emotional bonds involved, too (Kang et al., 2016). Trust in the project initiator can also be built by assessing past experience in the field of activity, passion for the project or proven honesty (Davis et al., 2017). In the film industry, equally important are the filmmaker's identity, fame, and previous successful productions, which have been found as determinants of funding behavior (Fanea-Ivanovici, 2018). Nevertheless, emotional bonds and social identification, which are created within the communication and interaction between the two parties, weigh more in the investor's decision to fund than the creditworthiness of the project initiator (Kang et al., 2016). Troise et al. (2020) argue that the relational dimension positively influences equity-based

crowdfunding performance, partly due to trustworthiness. The more intense the social interactions the higher the level of investment is (Herve et al., 2019). Herve et al., (2019) also highlights that interaction reduces information asymmetry. Platform owners can reduce information asymmetry, and thus contribute to increase in trust. Trust management through entrepreneur-sponsor message interactions significantly promotes fundraising performance.

Sufficiency and transparency of information, while protecting investors' data privacy, are determinants of positive investors' behavior due to increased trust and perceived informativeness (Kim et al., 2020b). Full and updated financial information ensure accountability and prevent undesired behavior (Fanea-Ivanovici, 2018). Perceived trust in the platform is a result of what investors believe about the expertise and trustworthiness of the hosting crowdfunding platform. The main functions the platform should accomplish are that of monitoring the financial activity and the implementation of the project. Therefore, the platform and the community help achieve accountability on the part of the project initiator. Of the two perceived trust determinants, project initiator and platform, the latter was found to count more in the investors' opinion (Kim et al., 2020b). Given that previous research has found that perceived trust positively influences crowdfunding participation, we intend to check this hypothesis for the specific case of equity-based crowdfunding in the film industry (Kang et al., 2016).

Hypothesis H5: Perceived trust has positive influence on the participation intention.

2.6. Perceived Risk

The specialized literature is rich in studies investigating how perceived risk influences crowdfunding intention or participation (Shneor and Munim, 2019; Kang et al., 2016). Some studies confirm that the level of perceived risk is negatively correlated with crowdfunding participation (Borrero-Dominguez et al., 2020), while some others identify no correlation between the two variables (Kim et al., 2020a). Kleinert and Volkmann (2019) particularly bring into discussion the market risk a negative determinant of campaign success. Adverse selection and moral hazard are just one side of the story. Less credible information could endanger the success of the campaign, but this risk can be mitigated by social networks (Nitani et al., 2019). The online environment may be a source of fraud, and crowdfunding is not an exception to it, but project failure may also result from not sticking to the initial project or script or from not meeting deadlines (Gold, 2017). Martinez-Climent et al. (2020) have looked into risks such as herding, insolvency, equity dilution, which can be mitigated by regulation. Financing risk associated with the projects motivates the project owner to voluntarily disclose information. Inability to raise the entire capital needed may be another risk of investors who contribute to the project, as they see their money not generating the expected returns. Actual loss may also deter investors from contributing. The contribution intention has been found to be negatively influenced by perceived behavior (Kim et al., 2020a; Bagheri et al., 2019; Shneor and Munim, 2019) or by

lack of experience of managers (Nitani et al., 2019). The way risk is managed by platforms is yet another determinant of participation (Martinez-Climent et al., 2020). Many studies have so far focused on the influence of perceived risk on crowdfunding intention in general, and this article fills the gap of knowledge regarding the influence of perceived risk on filmmaking equity-based crowdfunding projects.

Hypothesis H6: Perceived risk has negative influence on the participation intention.

Crowdfunding participation intention can also be assessed through the lens of age, gender and backing experience, too. Martinez-Climent et al. (2020) have looked into whether age affects investing behavior in crowdfunding campaigns, and the conclusion reached is that the young aged 26 or less invest less than other age groups. Risk aversion rather than gender can explain differences in investment behavior (Herve et al., 2019).

3. Research Methods

3.1. Data collection

Two regions were chosen to collect data and compare the results, Asia and Europe. Asia is the market with the highest potential for crowdfunding in general, and for equity-based crowdfunding in particular. Asia stands third in the list of regions with the highest number of platforms after the US and EU. Asia is home to the two largest populated countries, and it is the crowd that makes projects and platforms successful. Europe has been the most active region from the inception of the concept of crowdfunding. It is the region with the highest number of platforms. The volume of European crowdfunding was estimated at around 18 billion USD in 2018 and has grown by 51% from 2017. A number of 432 people participated in the survey and data was collected through a two-stage sampling method. Using the convenience sampling method, countries were chosen from both regions, and then the snowball sampling method was used to collect the data from respondents within these countries. We shared the survey link within our network, and they further shared it in their own networks. In Asia most of the respondents were from India (43%), followed by Uzbekistan (13%) and 9% from South Korea. In Europe, 28% were from Romania and 5% were from Belgium, Bulgaria, Norway and UK. Our sample size is quite young, as 49.7% of the respondents are in the age of group 21-30, followed by 31-40 (26.8%), 19.4% were aged 18-20 and the rest were above 41. Around 60% of people have never participated in crowdfunding campaigns; however, 40% of people have already contributed towards crowdfunding projects. Male respondents were in majority (57%) and females constitute 43% of the total sample.

When the target population is huge, there is always the peril of a non-response bias error. The sample is said to be suffering non-response bias error when the people who did not participate in the survey might have responded differently than those who participated. To check whether our sample has this error or not, we conducted a wave test. We divided the population into two equal groups

of 216 samples based on the time of response. The first group also called as first are the people who responded to the survey in the first go and the second group are the late responders. The wave test or extrapolation method assumes that those people who respond unenthusiastically or considerably late are more likely bearing the characteristics of people who did not respond to the survey at all. An independent sample t-test was done on the variables age, gender and contributions made last year, to examine the differences across the two groups. Levene's test for homogeneity of variances shows that there is no significant difference in terms of homogeneity of variances between the early and late responses for each demographic variable. Hence, our study sample has no attached non-response bias.

3.2. Measurement model

The data were analyzed through the Partial Least Squares structural equation modelling (PLS-SEM) approach using SmartPLS 3.2 software. PLS-SEM is more useful in the earlier phases of theory development, it helps in exploration and theory development, provides more accurate estimates with small sample sizes, it is more likely to result in model convergence when studying many observed and/or latent variables, and it is more suitable when models are complex (Hair Jr et al., 2020). All these characteristics are fit for our study as we going to predict the intentions of participants. Hair Jr et al. (2020) stated that PLS-SEM should be chosen when prediction is a focus of the study. PLS-SEM is helpful in models that comprise formative (causal) and reflective (consequent) constructs as in our proposed model (Figure 1).

All the items of the eight variables were adopted and modified from past studies. The items of Inner innovativeness were taken from Kim and Chang (2020), Economic value from Sweeney and Soutar (2001), Financial projections from Kim and Hall (2020), Equity share from Kim and Hall (2020), Trust in the platform and Trust in the fundraiser from Kim et al. (2020), Perceived risk from Kim et al. (2020) and participation intention Baber (2020). The Trust in the platform and Trust in the fundraiser are the first-order constructs that form the second-order construct, Perceived trust. Thus, Perceived trust is a formative construct.

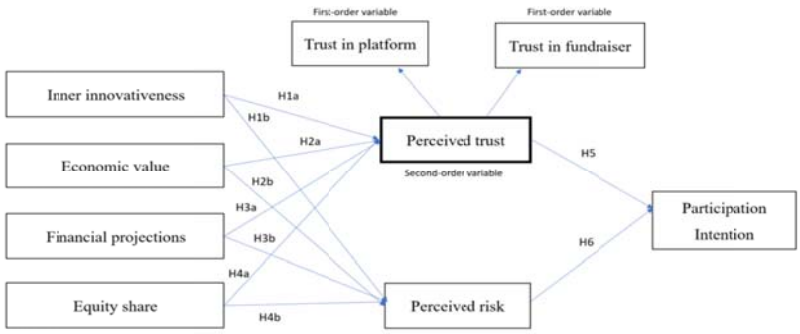

Figure 1. Research Model

The measurement of factor loadings, Cronbach's alpha, composite reliability, and average variance extracted (AVE) are shown in Table I. All the values of factor loadings meet the minimum threshold value of 0.7 except the item PRSRSK2, which was deleted for further analysis (Hair et al., 2020). The values of reliability measurements-Cronbachs' alpha and composite reliability values are also above the minimum acceptable level of 0.7 (Hair et al., 2020). Also, no reliability value was above 0.95, which sidelines the error of redundancy. To check the validity of data, convergent validity measurement was checked through the Average variance extracted (AVE) and all the values were found to be above the accepted level of 0.5 (Hair et al., 2020). The variance inflation factor (VIF) values help to evaluate the collinearity of the formative indicators. Ideally, the values of VIF should be around 3 or lower (Hair et al., 2020).

Table 1: Measurement model

Construct	Item Code	Item	Factor Loading*	VIF	Alpha	CR	AVE
Inner innovativeness	ININOV1	I like to watch and read new movie scripts.	0.915	2.983	0.890	0.932	0.820
	ININOV2	I am interested in news stories that deal with new ideas and concepts.	0.909	2.601			
	ININOV3	I like original scripts that have not been filmed yet.	0.893	2.418			
Economic value	ECOVL1	I think crowdfunding is a reasonably good option for investment in the film and web series making industry.	0.827	1.552	0.799	0.882	0.713
	ECOVL 2	I think participating in film and web series crowdfunding will give good returns.	0.862	1.983			
	ECOVL3	I think participating in film and web series crowdfunding will offer value for money in the future.	0.844	1.770			
Financial projections	FINPR1	The film and web series crowdfunding should provide financial forecasts.	0.893	2.413	0.874	0.923	0.799
	FINPR2	The film and web series crowdfunding should offer detailed earnings forecasts.	0.914	2.716			
	FINPR3	The film and web series crowdfunding should have a disclaimer that summarizes and explains potential risk factors.	0.874	2.124			
Equity share	EQUSH1	The film and web series crowdfunding should provide rights to vote.	0.829	1.668	0.813	0.889	0.728
	EQUSH2	The film and web series crowdfunding should offer profit sharing opportunities.	0.897	2.080			
	EQUSH3	The film and web series crowdfunding should give	0.832	1.788			

		dividends on the earnings.					
Trust in platform	**TRSTPL1**	I trust the information on crowdfunding platforms.	**0.881**	**1.964**	**0.828**	**0.897**	**0.744**
	TRSTPL2	I believe that crowdfunding platforms are trustworthy for financial transactions.	**0.860**	**1.925**			
	TRSTPL3	I believe crowdfunding platforms keep their promises.	**0.846**	**1.798**			
Trust in fundraiser	**TRSTFR1**	I will contribute, if I believe that the crowdfundraiser is renowned.	**0.916**	3.721	**0.930**	**0.950**	**0.827**
	TRSTFR2	I will contribute, if I believe that the crowdfundraiser is successful in past projects.	**0.916**	3.685			
	TRSTFR3	I will contribute, if I believe that the crowdfundraiser is honest.	**0.907**	3.357			
	TRSTFR4	I will contribute, if I believe that the crowdfundraiser does their best for the project.	**0.899**	3.180			
Perceived risk	**PRSRSK1**	The project may be different from that written in script on the crowdfunding platform.	**0.724**	**1.428**	**0.803**	**0.871**	**0.629**
	PRSRSK2	If I invest in the film and web series crowdfunding platform, I may suffer a monetary loss due to fraud.	**0.688****	**1.961**			
	PRSRSK3	I would be concerned about whether the film and web series crowdfunding platform appropriately manages funders' private information.	**0.823**	**1.670**			
	PRSRSK4	If I support a project from the film and web series crowdfunding platform, I would be concerned about whether the project is successful.	**0.784**	**1.731**			
	PRSRSK5	I would be concerned if the crowdfundraiser did not respect deadlines throughout the campaign and then during project implementation.	**0.836**	**1.428**			
Participation Intention	**PRTINT1**	Given the chance, I intend to financially contribute to film and web series crowdfunding campaigns.	**0.923**	3.284	**0.908**	**0.942**	**0.844**
	PRTINT2	Given the chance, I predict that I would financially contribute to film and web series crowdfunding campaigns in the future.	**0.925**	3.047			
	PRTINT3	I have the intention to financially contribute to film and web series crowdfunding campaigns.	**0.908**	**2.749**			

* All values are significant at 5% **Deleted for further analysis.
CR-Composite Reliability, AVE- Average Variance Extracted

To check the discriminant validity of the items means that each item measures a different factor from the other different items. Discriminant validity is established when the shared variance within a construct is above the shared variance between the constructs. Fornell-Larcker criteria (Table II) were used to test the discriminant validity. All the values of AVEs are higher than the shared variance between the constructs; therefore discriminant validity is established (Hair et al., 2020). For PLS-SEM, a more accurate measure of discriminant validity, the heterotrait-monotrait ratio of correlations (HTMT), was recently recommended (Henseler et al., 2015). The HTMT ratio further supports divergent validity as all values are below the cutoff scores such as 0.85 and 0.90 (Hair Jr et al., 2020).

Table 2. Fornell-Larcker criteria

Construct	IV	EV	FP	ES	TIP	TIF	PR	PI
Inner innovativeness (IV)	0.906							
Economic value (EV)	0.384	0.844						
Financial projections (FP)	0.391	0.462	0.894					
Equity share (ES)	0.296	0.434	0.337	0.853				
Trust in platform (TIP)	0.024	0.250	0.222	0.249	0.863			
Trust in fundraiser (TIF)	0.414	0.382	0.533	0.180	0.172	0.909		
Perceived risk (PR)	0.025	0.099	0.113	0.180	0.141	0.191	0.793	
Participation Intention (PI)	0.074	0.183	0.200	0.063	0.268	0.348	0.174	0.919

4. Results

For the robustness of the estimated results, we have estimated two models — one without the control variable and the latter with control variables. The latter included age, gender, and the contributions made during the last year as control variables to examine if there is any change in the relationship. For the contributions made, we create two dummy variables - 0 for no contributions and 1 for contributions made (one or more). Figure 2 illustrates the estimated PLS-SEM model with control variables. The results of both models are shown in Table IV. There is almost no change in path relationships.

The hypothesized relationships were analyzed using PLS-SEM without control variables. There was evidence of the positive relationship of Intrinsic innovativeness on Perceived trust (β: 0.145), Economic value on Perceived trust (β: 0.185), Financial projections on perceived trust (β: 0.409), Equity share on Perceived risk (β: 0.165), Perceived trust on Participation intention (β: 0.380), and Perceived risk on Participation intention (β: 0.091, $P<0.10$). Most path coefficients are statistically significant at 1% and 5% significance levels except H6 as shown in Table III. Therefore, we accept the hypotheses H1a, H2a, H3a, H4b, H5 and H6. All the control variables are insignificantly associated with the participation intention variable. The relationships in the control variable model are similar; however, the perceived risk does not influence participation intention under control variables observed.

Table 3. Estimated path relationships

		Hypothesized model			Control variable model			
H#	Path relationships	β	T-Value	P Values	β	T-Value	P Values	Remarks
H1a	Inner innovativeness → Perceived trust	0.145	2.724	0.007	.151	3.446	.001	Supported
H1b	Inner innovativeness → Perceived risk	-0.059	0.969	0.333	-.033	-.760	.448	Not-Supported
H2a	Economic value → Perceived trust	0.185	3.146	0.002	.189	3.992	.000	Supported
H2b	Economic value → Perceived risk	0.016	0.256	0.798	.010	.222	.825	Not-Supported
H3a	Financial projections → Perceived trust	0.409	6.777	0.000	.411	9.008	.000	Supported
H3b	Financial projections → Perceived risk	0.073	1.210	0.227	.070	1.527	.128	Not-Supported
H4a	Equity share → Perceived trust	-0.015	0.259	0.796	-.028	-.640	.523	Not-Supported
H4b	Equity share → Perceived risk	0.165	2.730	0.006	.104	2.366	.018	Supported*
H5	Perceived trust → Participation Intention	0.380	8.008	0.000	.383	8.456	.000	Supported
H6	Perceived risk → Participation Intention	0.091	1.927	0.054	.058	1.034	.302	Not-Supported
	Age → Participation Intention				.066	1.005	.315	
	Gender → Participation Intention				-.009	-.141	.888	
	Contribution Made → Participation Intention				.028	.632	.528	

* Supported, however, positively

Whenever there are complex models to study, it is better to examine the mediating effects of the constructs to understand the model better. The role of mediating variables - Perceived trust and the Perceived risk - was examined, and indirect effects were analyzed as shown in Table IV. The important mediating role of perceived trust has been affirmed again in the context of crowdfunding. Perceived trust plays a significant mediating role between Inner innovativeness, Economic value, and Financial projections with the participation intention. The perceived risk seems to have no mediating effect in creative projects like movies and webs series. The R^2 values of perceived trust, perceived risk, and participation intention are 0.352, 0.038, and 0.171, respectively, as shown in Figure 2. This indicates that the moderate variance in the endogenous variable is explained by the exogenous variables.

Table 4. Indirect effects

Path relationships	Original Sample (O)	T Statistics (|O/STDEV|)	P Values
Inner innovativeness → Perceived trust → Participation Intention	0.055	2.666	0.008
Inner innovativeness → Perceived risk → Participation Intention	-0.005	0.754	0.451
Economic value → Perceived trust → Participation Intention	0.070	2.809	0.005

Economic value → Perceived risk → Participation Intention	**0.001**	**0.222**	**0.824**
Financial projections → Perceived trust → Participation Intention	**0.156**	**5.020**	**0.000**
Financial projections → Perceived risk → Participation Intention	**0.007**	**0.888**	**0.375**
Equity share → Perceived trust → Participation Intention	**-0.006**	**0.257**	**0.798**
Equity share → Perceived risk → Participation Intention n	**0.015**	**1.484**	**0.138**

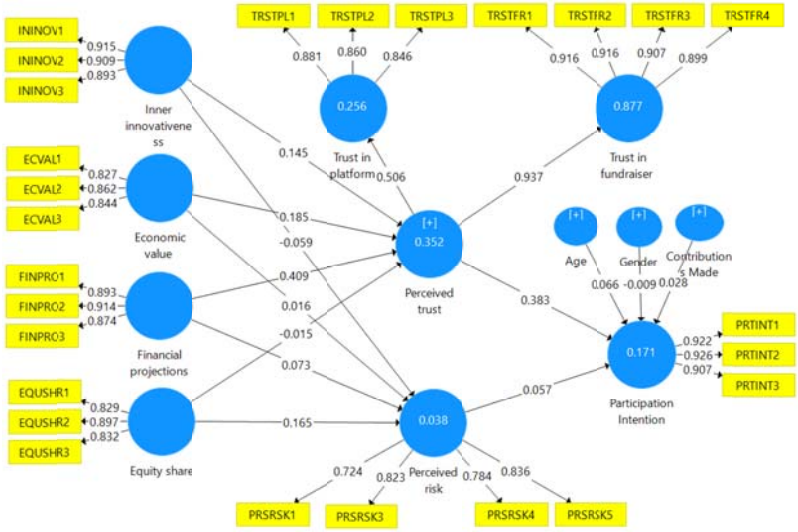

Figure 2: PLS-SEM estimated model

5. Discussion

Creative projects with a touch of innovativeness always attract investors. The newness and innovation projects especially in technology often find it easy to access the financers. Funders in crowdfunding projects are often attracted towards innovative projects. The results of this study found inner innovativeness positively influencing the perceived trust on the crowdfunding platform as well as on the fundraiser. The investors are often rational and prefer to invest in the projects that will yield them good returns in the future. The perceived trust is the basic foundation of creating preference and attracting investments. The relationship between the perceived trust and inner innovativeness remains significantly positive under the observed control variables of age, gender and contributions made already. The results signify that there is no relationship between inner innovativeness and perceived risk because innovativeness does not guarantee good returns and hence, may not reduce the risk associated with the equity crowdfunding projects. This finding is similar to the results of Kim and Chang (2020). The difference between the equity and reward-based crowdfunding is the tangible

monetary benefits associated with the equity-based crowdfunding. Therefore, economic value shows a positive significant association with perceived trust in the project. A higher economic value - in terms of returns, capital gains, wealth maximization, decision-making privilege and higher market value of shares in future - will build trust in the project's owners and the project itself. Surprisingly, the economic value does not seem to influence the perceived risk, which is in line with the findings of Kim and Chang (2020). The reason may be that people perceive movie or web series projects less risky, and intangible gains from producing a movie will mitigate the risk associated with the investments. However, this may also reflect the poor knowledge of business in the film industry, which has very low success rates in crowdfunding and traditional financing conditions; even well-established film producers finance break-even projects or projects incurring losses using the gains obtained from successful projects (Gold, 2017).

Financial projections are strongly influencing the perceived trust as compared to other variables. They provide an estimate to the investors about future returns and yield from the investment. The movies and web series returns may be more accurately anticipated based on the demand for OTT and other platforms. The price of web series content will be somewhat known to the producers, which will help them to anticipate the returns from the project. Some filmmakers already make deal with distributors before the production, which makes return quite reliable and prospects rather optimistic. The financial projection description and the confidence of the filmmaker on the project will bring a certain trust on the project from the investors' perspective. Forecasts will also allow investors to plan their future investments based on the returns from this project. Again, financial projections do not reduce the perceived risk of the investor. Movies and web series projects are more dependent on the acceptance of the audience. Therefore, these factors that are related to the project or the fundraiser do not influence the perceived risk. The other findings of perceived risk loosely influencing the participation intention also support its irrelevance in creative projects. When observed under the control variables, the relationship becomes insignificant.

Equity share option in creative projects positively influences the perceived risk associated with the project. This finding substantiates that when investors treat creative projects as a source of income and agree on sharing the profits this increases their risk of investing in the project. The voting rights, sharing of profit and receiving dividend expectations increase their perceived risk of being associated with the project and expectations not getting fulfilled. The results suggest that equity share privilege for an investor does not create any trust in the project. The choice and the scope of equity investment opportunities are wide and varied with investors; therefore, sharing profits will not create a trust in the minds of customers. On the contrary, having a large or very large community of investors sharing the equity poses the problem of equity dilution; thus, the opportunity of having a share in the equity is not seen as an enabler of trust, but rather as a factor

of risk. Equity dilution comes with uncertainty regarding company control, management, decision making and opportunistic behavior on the part of investors in the later stages of raising capital. Kim and Hall (2020) found financial projections and equity share positively influencing the uncertainty level, a formative variable which further positively influences the participation intention.

The study reaffirms the mediating role of perceived trust between the variables and intention to participate. The trust in platform and fundraiser has been studied and confirmed in the past studies, with few exceptions. However, in equity-based creative projects perceived trust positively influences the participation intention of the investors. The demographic variables like age, gender and past contributions do not influence the future intention to invest in the equity-based crowdfunding projects. Under the observed control variables, the hypothesized relationship remains somewhat the same except the perceived risk, which signifies that age, gender and previous investments in crowdfunding do not influence the relationships between the endogenous and exogenous variables.

6. Conclusion

The article at hand investigates the main drivers behind equity-based crowdfunding contribution in film and web series. It provides early-stage entrepreneurs in the industry (and other creative entrepreneurs) with a set of cues as to what helps achieve larger crowd participation. We have looked into the influence of inner innovativeness, economic value, financial projections and equity share on the perceived trust and perceived risk. Then, we analyzed how perceived trust and perceived risk influence intention to participate with capital in this creative industry, and noticed that gender, age or previous backing experience do not have significant influence on participation. In an increasingly digitalized era, crowdfunding is not just a FinTech tool. It builds support communities around projects, validates ideas, and creates a critical audience, with far greater benefits for the industry than traditional financing tools. The results of the study are particularly useful for project initiators, especially for planning the campaign. Stressing on project novelty is likely to attract more supporters, whereas highlighting the value of invested money and forecasting future benefits will have a positive impact on investors' perceived trust. Findings show that equity share is rather perceived as a risk and should not be at the core of the campaign. The study can guide crowdfund raisers when determining whether equity-based crowdfunding is the most appropriate method to finance the project. Other creative entrepreneurs can also draw useful conclusions from the study. From a theoretical perspective, the article is original in that film equity-based crowdfunding has been little explored. It primarily investigates the influence of equity-specific features on investors' participation. Future research directions would explore investors' crowdfunding participation intention in other creative industries, taking into consideration their specificities, such as costs involved, fandom, time required to complete the project, etc.

REFERENCES

[1] **Baber, H. (2020),** ***Intentions to Participate in Political Crowdfunding- From the Perspective of Civic Voluntarism Model and Theory of Planned Behavior***; *Technology in Society*, 63, 101435;
[2] **Bagheri, A., Chitsazan, H. and Ebrahimi, A. (2019),** ***Crowdfunding Motivations: A Focus on Donors' Perspectives*****;** *Technological Forecasting and Social Change*, 146, 218–232;
[3] **Bodily, S.E. (2016),** ***Reducing Risk and Improving Incentives in Funding Entrepreneurs***; *Decision Analysis*, 13(2): 101–116;
[4] **Borrero-Domínguez, C., Cordón-Lagares, E. and Hernández-Garrido, R. (2020),** ***Sustainability and Real Estate Crowdfunding: Success Factors***; *Sustainability*, 12(12): 5136;
[5] **Cumming, D., Meoli, M. and Vismara, S. (2019),** ***Investors' Choices between Cash and Voting Rights: Evidence from Dual-class Equity Crowdfunding***; *Research Policy*, 48(8): 103740;
[6] **Davis, B.C., Hmieleski, K.M., Webb, J.W. and Coombs, J.E. (2017),** ***Funders' Positive Affective Reactions to Entrepreneurs' Crowdfunding Pitches: The Influence of Perceived Product Creativity and Entrepreneurial Passion***; *Journal of Business Venturing*, 32(1): 90–106;
[7] **Di Pietro, F. and Butticè, V. (2020),** ***Institutional Characteristics and the Development of Crowdfunding across Countries***; *International Review of Financial Analysis*, Vol. 71, 101543;
[8] **Fanea-Ivanovici, M. (2019),** ***Filmmaking and Crowdfunding: A Right Match?*****;** *Sustainability*, 11(3): 799;
[9] **Flórez-Parra, J.M., Rubio Martín, G. and Rapallo Serrano, C. (2020),** ***Corporate Social Responsibility and Crowdfunding: The Experience of the Colectual Platform in Empowering Economic and Sustainable Projects*****;** *Sustainability*, Vol. 12(13): 5251;
[10] **Gold, A. J. (2017),** ***Equity Crowdfunding of Film – Now Playing at a Computer Near You;*** *Texas Law Review*, 95(6): 1367-1392;
[11] **Hair, J.F., Jr., Howard, M.C. and Nitzl, C. (2020),** ***Assessing Measurement Model Quality in PLS-SEM Using Confirmatory Composite Analysis*****;** *Journal of Business Research*, 109, 101–110;
[12] **Henseler, J., Ringle, C.M. and Sarstedt, M. (2014),** ***A New Criterion for Assessing Discriminant Validity in Variance-based Structural Equation Modeling***; *Journal of the Academy of Marketing Science*, 43(1): 115–135;
[13] **Hervé, F., Manthé, E., Sannajust, A. and Schwienbacher, A. (2019)**, ***Determinants of Individual Investment Decisions in Investment-based Crowdfunding***; *Journal of Business Finance & Accounting*, 46(5–6):762–783;

[14] **Kang, M., Gao, Y., Wang, T. and Zheng, H. (2016),** ***Understanding the Determinants of Funders' Investment Intentions on Crowdfunding Platforms*****;** *Industrial Management & Data Systems*, 116(8): 1800–1819;
[15] **Kim, H. and Chang, B. (2020),** ***A Study on the Effects of Crowdfunding Values on the Intention to Visit Local Festivals: Focusing on Mediating Effects of Perceived Risk and e-WOM***; *Sustainability*, 12(8): 3264;
[16] **Kim, M.J., Bonn, M. and Lee, C.-K. (2020a),** ***The Effects of Motivation, Deterrents, Trust, and Risk on Tourism Crowdfunding Behavior*****;** *Asia Pacific Journal of Tourism Research*, 25(3): 244–260;
[17] **Kim, M.J. and Hall, C.M. (2019),** ***Can Co-Creation and Crowdfunding Types Predict Funder Behavior? An Extended Model of Goal-Directed Behavior*****;** *Sustainability*, 11(24): 7061;
[18] **Kim, M.J. and Hall, C.M. (2020),** ***Investment Crowdfunding in the Visitor Economy: The Roles of Venture Quality, Uncertainty, and Funding Amount*****;** *Current Issues in Tourism*, 23(20): 2533–2554;
[19] **Kim, M.J., Hall, C.M. and Kim, D.-K. (2020b),** ***Why Do Investors Participate in Tourism Incentive Crowdfunding? The Effects of Attribution and Trust on Willingness to Fund***; *Journal of Travel & Tourism Marketing*, 37(2): 141–154;
[20] **Kleinert, S. and Volkmann, C. (2019),** ***Equity Crowdfunding and the Role of Investor Discussion Boards*****;** *Venture Capital*, 21(4): 327–352;
[21] **Martínez-Climent, C., Guijarro-García, M. and Carrilero-Castillo, A. (2020),** ***The Motivations of Crowdlending Investors in Spain*****;** *International Journal of Entrepreneurial Behavior & Research*, 27(2): 452–469;
[22] **Moedl, M.M. (2020),** ***Two's a Company, Three's a Crowd: Deal Breaker Terms in Equity Crowdfunding for Prospective Venture Capital*****;** *Small Business Economics*, https://doi.org/10.1007/s11187-020-00340-0;
[23] **Nitani, M., Riding, A. and He, B. (2019),** ***On Equity Crowdfunding: Investor Rationality and Success Factors;*** *Venture Capital*, 21(2–3): 243–272;
[24] **Rogers, E. M. (1995)**, ***Diffusion of Innovation*****;** *Springer, Berlin*;
[25] **Schwienbacher, A. (2019),** ***Equity Crowdfunding: Anything to Celebrate?*****,** *Venture Capital*, 21(1): 65–74;
[26] **Shneor, R. and Munim, Z.H. (2019),** ***Reward Crowdfunding Contribution as Planned behaviour: An Extended Framework*****;** *Journal of Business Research*, 103, 56–70;
[27] **Sweeney, J.C. and Soutar, G.N. (2001),** ***Consumer Perceived Value: The Development of a Multiple Item Scale*****;** *Journal of Retailing*, 77(2): 203–220;
[28] **Troise, C., Tani, M. and Jones, P. (2020),** ***Investigating the Impact of Multidimensional Social Capital on Equity Crowdfunding Performance*****;** *International Journal of Information Management*, 55, 102230.