

A cross-national study of entrepreneurial intent: The contextual effect of social trust and trust in government

Dr. Amirhossein Maleki
Assistant Professor,
Northeastern Illinois University,
5500 N St. Louis Ave., Chicago, IL, 60625,
(509) 339-4646
amaleki@neiu.edu

Dr. Charles Funk
Associate Professor,
Northeastern Illinois University,
5500 N St. Louis Ave., Chicago, IL, 60625,
c-funk@neiu.edu

Dr. Kaveh Moghaddam
Associate Professor,
University of Houston-Victoria,
3007 N. Ben Wilson St., Victoria, TX 77901,
MoghaddamK@uhv.edu

Dr. Mahdi Tajeddin
Assistant Professor
Strategy and Entrepreneurship
Sobey School of Business at Saint Mary's University
Halifax, Nova Scotia, CA
mahdi.tajeddin@smu.ca

Dr. Amon Simba
Senior Teaching and Research Academic
Nottingham Business School
Nottingham Trent University, UK
Corresponding Author email: amon.simba@ntu.ac.uk

Dr. Amirhossein Maleki: Amirhossein is an Assistant Professor of Management at Northeastern Illinois University, Chicago, Illinois. His current research interests include the impact of public policy and formal/informal institutions on the entrepreneurship process through cross-level and cross-national analysis.

Dr. Charles Funk. Charles is an Associate Professor of Management at Northeastern Illinois University, Chicago, Illinois. He received his Ph.D. from Washington State University, Pullman, Washington. Charles' current research focuses on country-of-origin effects and strategic alliance formation, evolution and management.

Dr. Kaveh Moghaddam. Kaveh is an Associate Professor of Management at the University of Houston-Victoria. He received a Ph.D. Degree in Strategic Management and International Business from Old Dominion University in Virginia. He has published in such academic journals as *Journal of International Management and Strategic Entrepreneurship Journal*.

Dr. Mahdi Tajeddin. Mahdi is an assistant professor of Entrepreneurship and Strategy, at Sobey School of Business, Saint Mary's University, Canada. He has been studying the internationalization process of firms in emerging economies contexts, particularly Sub-Saharan Africa. His papers have been placed in peer-reviewed journals such as *Entrepreneurship Theory and Practice* and recognized international conferences, including *AOM, AIB, and EGOS*.

Dr. Amon Simba. Amon is an established research and teaching scholar at Nottingham Business School (NBS) in the UK, and his expertise lies in entrepreneurship, innovation and strategy. He is an Associate Editor for the *International Journal of Entrepreneurship and Small Business* and *Journal of Small Business & Entrepreneurship (JSBE)*. He is also an Research Grants Board Member for the Economic and Social Research Council (ESRC). He has published his work in leading journals including *Journal of Business Research, Small Business Economics, Journal of Small Business Management, International Marketing Review and International Journal of Entrepreneurial Behaviour Research*.

Abstract

Individuals engaged in venture creation are well-represented in entrepreneurship research. However, understanding of the institutional factors that either amplify or attenuate latent entrepreneurial intentions across different nations remains limited. Drawing from institutional hierarchy theory and social relations perspectives this study explores the impact of fear of failure, social trust and trust in government on entrepreneurial intentions across 43 nations. It utilises multi-level modelling and logit to examine 142,582 survey records on nation trust, social trust and trust in government accessible through Adult Population Survey (APS), Global Entrepreneurship Monitor (GEM) and World Values Survey (WVS) databases. Results suggest that in nations with high levels of social trust, individuals who fear failure of starting a new business are more likely to have entrepreneurial intentions. Thus and while social trust mediates fear of failure and positively influences entrepreneurial intentions, trust in government and fear of failure interact in a way that attenuates latent entrepreneurs' intention to start a business. The level of trust in government weakens the negative impact of risk-aversion on entrepreneurial intentions. That has far-reaching theoretical and practical implications as it encourages policy institutions to consider the accumulated effects of institutional reforms and entrepreneurship policies that induce individual-level entrepreneurship.

Keywords: entrepreneurial intention, institutional hierarchy, social trust, trust in government, institutions

1. Introduction

Research on the “allocation” of entrepreneurship (defined here as the characteristics and types of entrepreneurship outcomes and activities) is a growing area of interest in the entrepreneurship field (Audretsch *et al.* 2022). However, this research stream has largely focused on the activities of “emergent” entrepreneurs who have already taken the action to start or continue a new business. There is limited scholarly research paying attention on “latent” entrepreneurs who have identified an entrepreneurial opportunity to start a business but have not yet taken the initiative. Within this limited but growing body of knowledge, there is recognition that entrepreneurship is not strictly a dichotomous process; there can be stages and activities that precede new business creation, and not everyone intending to start a business ultimately does so (Caiazza *et al.* 2020; Mickiewicz and Rebmann 2020). Accordingly, and given the importance of entrepreneurship to national economies (Beynon *et al.* 2020), the ultimate success of these latent entrepreneurial intentions should be a policy and research priority as they are critical to the development of new entrepreneurs and micro–enterprises.

Research identify factors that include fear of business failure and poor social and governmental support as the main obstacles impeding latent entrepreneurs’ intentions to engage in business activities (Cacciotti and Hayton 2015). Indeed and according to a recent Kauffman Foundation survey conducted in 2020, 70% of aspiring entrepreneurs who participated in the survey mentioned fear of failure, 53% of them pointed towards lack of social support and restrictive laws, and about 62% identified policies and regulations as the main obstacles constraining their ability to start a business (Looze and Desai 2020). Entrepreneurship research elsewhere integrates these three barriers by identifying social and governmental factors that cause or mitigate an entrepreneur’s fear of business failure (see Cacciotti *et al.* 2016, 2020). As an example, people’s attitudes toward entrepreneurial activity can be affected by social norms

(informal institutions) that consider business failure a shameful experience (Hessels *et al.* 2011; Vaillant and Lafuente 2007), as well as a lack of government support (formal institutions) in promoting and facilitating entrepreneurial activity (Dutta and Sobel 2021; Jennings *et al.* 2013). Arguably, institutional support can have an impact on a latent entrepreneur's fear of business failure and entrepreneurial intentions because it can change both the nature and value of an entrepreneurial opportunity as well as their risk assessment of relying on societal and/or government institutions to aid in pursuing the opportunity (Shane and Venkataraman 2000; Welter 2012). These changes in turn impact the latent entrepreneur's trust as they weigh their intentions to start a new business against additional uncertainty of business success that could be introduced by institutional change (Audretsch *et al.* 2022). In many countries entrepreneurial activities are often embedded in socio-cultural norms, codes of conduct and values as well as governmental laws and regulations (Thai *et al.* 2020). Accordingly, latent entrepreneurs' trust in such institutional structures can be critical. However, entrepreneurship research remains silent about their relationship to their contextual factors (Welter 2012) which has led to a knowledge gap concerning the interplay between individual-level and national-level factors that either cause or limit latent entrepreneurs' to fulfil their intentions to start a business.

In the light of the potential economic value of latent entrepreneurs to national and regional economic development and the importance of institutional trust in reducing fear of failure impacts on latent entrepreneurial intentions, this study develops and test a multi-level theoretical model to explore these relationships. It adopts and connects the theory of institutional hierarchy (Williamson 2000) with the concept of social relations (Granovetter 1985) to frame a model for investigating an entrepreneurship phenomenon occurring across national boundaries.

Through utilising its integrated theoretical framework, the study fully examines trust in

social and government structures and thus providing new understanding on how country-level contextual factors mitigate individual-level impacts of fear of failure on entrepreneurial intentions. The integrated framework provided an anchor necessary to develop novel perspectives that help to untangle the complex interplay between country and individual level factors and their impact on fear of failure on entrepreneurial intentions. At the micro- (individual) level of analysis, cross-country effects of fear of failure on the decision to start a business were examined. Similarly, to analyse macro- (country) level factors, the study examined multi-level moderating effects of social trust and trust in government on the relationship between the fear of failure to start a business and entrepreneurial intentions. For that purpose, the study applied multi-level modelling (MLM) techniques and Global Entrepreneurship Monitor (GEM) cross-national data from 45 countries to test the validity of the macro- and micro-level results in different institutional contexts (Bosma *et al.* 2012). Additionally, a complete robustness check of the results was carried out. The outcomes of this study contributes to entrepreneurship research in at least four major ways.

First, the study extends previous findings by confirming a cross-national negative relationship between fear of failure and entrepreneurial intentions while also showing that higher levels of social trust and trust in government negatively moderate the relationship. Second, the study sheds new light on comparative institutional aspects of entrepreneurship research. Thus, it provides new perspectives that contribute to research that has examined the moderating impact of formal and informal institutional forces on different phases of entrepreneurship (Audretsch *et al.* 2022). Crucially, the study demonstrates the influence of the institutional features of social trust and trust in government on cross-country entrepreneurial perceptions.

Accordingly, it accounts for how institutional processes affect intentions to start a business and clarifies institutional complexity by applying a comparative institutional design.

Third, while prior research addresses institutional trust as a single macro-level variable, this study disintegrates and tests two dimensions of trust (social and government) and links both perspectives to intentions based on recent empirical findings (Mickiewicz and Rebmann 2020). Thus and by investigating the moderating effects of social trust and trust in government on fear of failure and entrepreneurial intentions, the study fills a knowledge gap concerning institutional effects on cross-national entrepreneurial perceptions. Finally, through applying multi-level modelling to the cross-level impact of trust across different nations, this research not only improves and clarifies previous study designs (see for example: Afandi *et al.* 2016; Beynon *et al.* 2016; Ding *et al.* 2015), but it also extends the validity of previous results as well as uncover cross-level institutional impacts.

2. Theoretical Background

2.1 Trust: An Informal Institutional Force

Institutions affect economic exchange and form the context in which organizations and entrepreneurs operate via institutional composition, size, and other characteristics (Audretsch *et al.* 2019; Omeihe *et al.* 2021; Scott 1995, 2001). Regarding entrepreneurship, institutions impact the decision to start a business, the rewards of business ownership, and the switching and transaction costs in operating a business (Amorós *et al.* 2019; Webb *et al.* 2020). Williamson's (2000) hierarchy of institutions provides structure to the impact of institutions on entrepreneurship.

The hierarchy of institutions perspective assumes that social institutional embeddedness (informal institutions, norms and customs) directly impacts a more formal institutional environment (such as the political system and judiciary) which creates rules, laws and property

rights that govern societal contracts and transactions. Institutional governance affects the allocation of resources and employment, resulting in economic performance. Thus, focusing on the initial embeddedness level as these informal settings can direct how entrepreneurs are perceived in their communities (Omeihe *et al.* 2021). Likewise, such research efforts advance understanding on how entrepreneurs perceive and react to other individuals, regulations and governmental factors (Baumol 1996). As a primary factor of embeddedness, social relations facilitate and provide required resources for entrepreneurial activity (Granovetter 2018). In shaping norms and shared contexts among people, these relations provide a context for mutual information–sharing that helps latent entrepreneurs decide to give up or work on their new business idea.

As previously explained, the decision to start a new business is therefore a trust–sensitive choice (Price 2012) because entrepreneurs trust customers to provide timely payments for products and/or services that customers trust to provide expected value. A new business also depends on the entrepreneur extending trust to people (family, friends, co–workers, classmates, mentors etc.), who have promised to provide financial and technical support. Additionally, and since the prime responsibility of a government is to protect and declare property rights, self–employment activities proceed based on an entrepreneur’s trust that government officials will not weaken the value of property rights created in the assets and resources of the business. Thus, self–employment activity is a function of trust in other people as well as government (Bowen and De Clercq 2008).

2.2 Social Trust

Trust is studied by scholars in various fields influencing many phenomena and taking place at different levels of society (Rousseau *et al.* 1998; Thai *et al.* 2020; Wang and Gordon 2011). According to the literature, one aspect of trust concerns particular trust versus general trust (Freitag

and Traunnlüller 2009; Glanville and Paxton 2007). While particular trust defines a limited domain of acquainted others, general trust covers a broader group of strangers and is essential in day-to-day communications with other entrepreneurs and communities (Delhey *et al.* 2011; Ojong and Simba 2020). This study focuses on such general trust, which Fukuyama (1995) terms “social trust” and defines as “the trust extended to unknown others within society.” Social trust is a society-level construct that emerges when “a community shares a set of moral values in such a way as to create the expectation of regular and honest behaviour” (Hardin 2006). Social trust offers a mechanism for lowering the “internal complexity of social interaction,” (Giddens, 1980) allowing agents to create reciprocated prospects of future behaviour (Dyer and Chu 2003). The social capital and institutional literatures emphasize these aspects of social trust in financial and venture performance.

As an informal institutional factor, social trust is considered an entrenched element of associations between people and institutions (Granovetter 2018; Zucker 1986). Research suggests that increasing “labour heterogeneity” potentially disrupts social trust but maintains “economic order” gradually re-established by the institutionalisation of socially created mechanisms that produce trust (Zucker 1986). Social trust is viewed by some scholars as the greatest single determinant of social capital (Delhey and Newton 2003; Fukuyama 2001; Putnam 1993; Shi *et al.* 2015) as it helps entrepreneurs find required resources for business creation through their networks (Granovetter 2018).

Yamagishi *et al.* (1998) found that, compared with Americans, Japanese participants placed much less trust in “unknown others.” According to Huff and Kelley (2003), executives in countries such as Japan whose social interactions are characterised with collectivism showed lower levels of trust than their counterparts in more individualistic nations, such as the United States, while

placing more trust in executives belonging to a similar group. Regarding the entrepreneurship domain, Ding *et al.* (2015) suggest that people in nations that have a greater level of social trust are more likely to participate in angel investing. Thus and while social trust positively affects social and commercial entrepreneurship, the impact is stronger in social entrepreneurship (Pathak and Muralidharan 2016).

2.3 Trust in Government

As previously explained, entrepreneurial activity is also embedded in governmental institutions because its success greatly depends on foundations provided by transparent legal structures, property rights protection, etc. (Turkina and Thai 2013). As an example, if entrepreneurs do not trust a government's ability to address legal issues that arise between borrowers and financial agencies, crucial business decisions based upon technical measures such as debt/equity ratios could be flawed, resulting in suboptimal gains, profits, and return on assets (Price 2012). Thus, the level of trust in governmental institutions may play a pivotal role in entrepreneurial intention. Research suggests a positive impact of trust in government on different stages of the entrepreneurial process. Such trust has a significant positive impact on self-employment decisions (Doh and Zolnik 2011).

Trust in government seems to play a more important role in later stages of the entrepreneurial process, such as venture creation and business growth (Höhmman and Welter 2005). Price's (2012) single-country study highlighted that the growth and performance of black-owned businesses have been inhibited by comparatively low levels of trust in the U.S. government.

Turkina and Thai (2013) suggest that higher levels of institutional trust may encourage immigrants to engage in entrepreneurial activities. While trust in government positively influences the later stages of entrepreneurial process, it may negatively affect entrepreneurial intentions (Afandi *et al.* 2016). Regarding the relationship between social trust and institutional trust, Welter and Smallbone (2006) concluded that they are not mutually exclusive, where the latter requires the former to be improved and continued. In that context efforts to provide a comparative viewpoint of entrepreneurship by investigating how social trust and trust in government vary across communities and countries can advance entrepreneurship research.

3. Hypothesis Development

3.1 Entrepreneurial Intentions and Fear of Failure

The decision to undertake an entrepreneurial activity may be seen as voluntary, logical and time-based (Krueger *et al.* 2000; Kyrö and Carrier 2005). Entrepreneurial intentions, therefore, can be seen as a first step in the extensive process of establishing a business venture (Lee and Wong, 2004) and intentional factors such as demand, values, desires, and beliefs can affect how entrepreneurial activity is carried out (Liñán and Chen 2009).

From a behavioural standpoint (Cacciotti and Hayton 2015) and based on achievement motivation theory (McClelland 1985), the disposition of avoiding failure has a relationship with the perceived risks of entrepreneurial activities (Grant *et al.* 2014; Rauch and Frese 2007). Defined as the primary factor of risk aversion (Wagner and Sternberg, 2004) or as a general mindset of risk (Langowitz and Minniti 2007), fear of failure can impact the decision to start a business (Cacciotti

et al. 2020; Politis and Gabrielsson 2009). From a social psychology perspective, people's attitude toward entrepreneurial activity can be affected by social norms that consider business failure a shameful experience (Hessels *et al.* 2011; Vaillant and Lafuente 2007). Hence, fear of failure can be seen as a socio-cultural trait (Beynon *et al.* 2018; Cacciotti *et al.* 2016).

As a primary factor of risk aversion, people are less willing to engage in activities or situations characterized by a high risk of failure such as entrepreneurship (Hashemi *et al.*, 2021). Additionally, Arenius and Minniti (2005) found that those who fear the failure of a business venture are only two-thirds as likely to start a venture as those who do not. Shinnar and colleagues (2012) found the same negative relationship in their cross-national study in China, the U.S., and Belgium. An individual seeking an entrepreneurial activity may experience one or more of the following types of fear while deciding to start a business venture (Cacciotti *et al.* 2020): fear of losing wealth; fear of a perceived inability to undertake entrepreneurial actions such as opportunity recognition, resource acquisition, and team building; fear of a negative image after failure; and fear of losing the investment in a failing business. Thus, the following hypothesis is proposed:

H1: Fear of failure of starting a business is negatively related to entrepreneurial intentions.

3.2 Social Trust and Trust in Government

While fear of failure is considered one of the primary individual-level dimensions used to assess an entrepreneur's intention to start a new business (Arenius and Minniti 2005), people vary in their personality, observations, and perceptions of an environment, all of which can influence the choice to become self-employed (McMullen and Shepherd 2006; Szerb *et al.* 2007). Despite this recognition, little attention has been paid to fear of failure's interaction with nation-level institutional factors such as social trust and trust in government or the impact of such environment-

related interactions on entrepreneurial intentions. Therefore, to explore how social trust and trust in government moderate the relationship between fear of failure and entrepreneurial intention, the study draws on theory of institutional hierarchy (Williamson 2000).

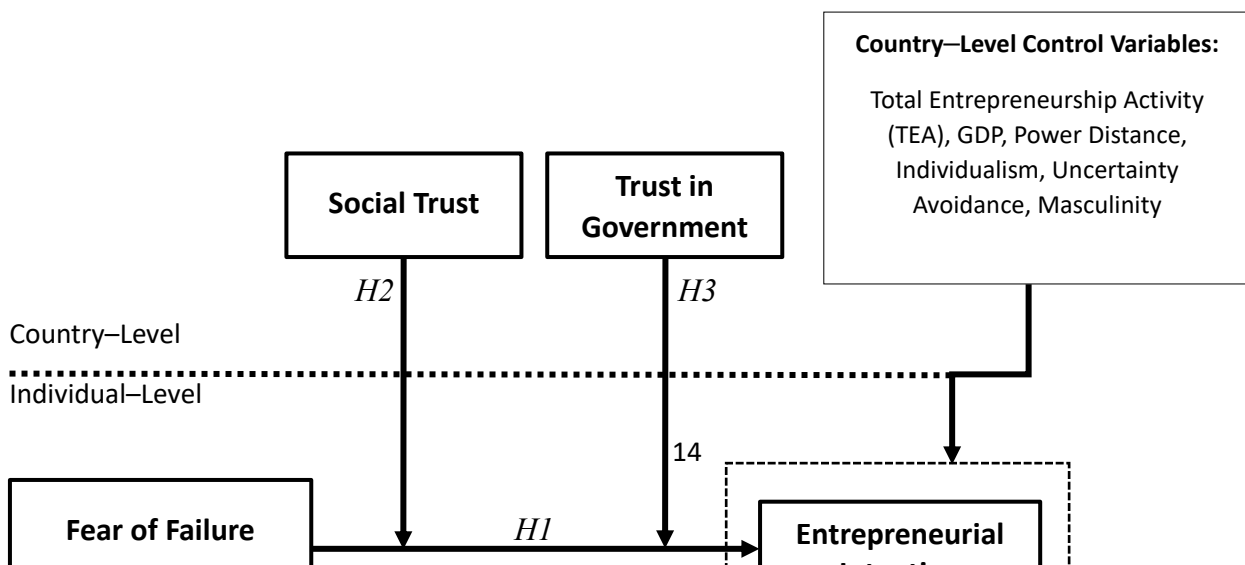
Its implied assumptions provide a strong baseline for grounding explanations about how social trust and trust in government shape the viability of pursuing entrepreneurial activity (entrepreneurial intention). Broadly, institutional hierarchy asserts that, at the primary level, embeddedness (informal institutions, norms, and customs) can reduce the uncertainty and risk in conducting business in a country. Accordingly, this study focusses on social trust and trust in government to advance the argument that informal institutions can impact entrepreneurial activity more than formal institutions do (Thornton *et al.* 2011). When social trust is high, an enterprising individual perceives that members of the society are trustworthy and less likely to engage in opportunistic behaviour (Ding *et al.* 2015), and the perceived risk of starting and growing a venture is likely to be low. When trust in government is high, entrepreneurs have faith in the government's ability to provide entrepreneurial support when needed, and the perception of risk is likely to be low (Bendell *et al.* 2020).

Building on from these ideas, this study develops and tests hypotheses that suggest how social trust and trust in government reduce the perceived risk in conducting entrepreneurial activities, and hence, weaken the relationship between fear of failure and entrepreneurial intention.

To advance the notion that entrepreneurship is a nexus between the individual and the opportunity (Shane and Venkataraman 2000), emerging studies have highlighted that entrepreneurship rates vary by country (Urbano *et al.* 2019). Institutions tend to differ significantly across country markets in terms of their level of development, the degree to which governance

mechanisms are effectively in place, and the norms, values, beliefs, regulations, and laws that are salient (Holmes *et al.* 2013). Institutional hierarchy has been quite robust in explaining why rates of entrepreneurship vary across different nations and why certain types of start-ups may be more successful in one country than in another (Audretsch *et al.* 2019). Therefore, this research considers how social trust and trust in government can affect entrepreneurial intentions as a cross-level moderator of the association between individual-level decision-making factors and entrepreneurial behaviour. Figure 1 illustrates both the individual-level and country-level dimensions of the theoretical framework for this study.

Figure 1: Theoretical Framework



3.3 The Moderating Effect of Social Trust

The perception of a fear of failure provides a sense of uncertainty and lack of control (Shinnar *et al.* 2012). An innate tendency toward risk aversion also diminishes people's confidence in contributing to or initiating new ventures (Weber and Milliman 1997). Arenius and Minniti (2005) show that this results in a lower propensity toward self-employment.

However, the uncertainty and ambiguity that may result from undertaking risky entrepreneurial activities is lessened in high-trust communities via the efficient exchange of information, constructive collaboration between agents, and socially constructed mechanisms (Ding *et al.* 2015). In addition, the conflicts and disputes that may occur between entrepreneurs and other agents during the development of a venture may lead to greater risk aversion (Sarasvathy *et al.* 2010). As trust helps with cooperative problem solving (Dyer and Chu 2003), greater social trust may encourage constructive conflict and compromises when issues arise, leading to a

decreased fear of failure. In short, this study argues that social trust moderates the relationship between the levels of risk aversion and entrepreneurial intentions. Although fear of failure is negatively related with entrepreneurial intentions, a greater level of social trust may weaken this relationship. Therefore, in nations with higher levels of social trust, people may be more likely to overcome fear of failure to become an entrepreneur. Thus, it is hypothesised that:

H2. In countries with higher levels of social trust, the negative impact of fear of failure on entrepreneurial intentions is weaker.

3.4 The Moderating Effect of Trust in Government

This study advances the notion that trust in government potentially moderates the association between the perceived risk of starting a business and entrepreneurial intentions. Trust in government refers to the extent to which individuals in a society feel confident about the government's ability to effectively provide public services (Lerman 2019).

As an example of this phenomenon and in the context of self-employment among U.S. African-Americans, Price (2012) defines trust in the federal government of the U.S. as the belief that the federal government can protect the self-employed African-Americans from behaviours that lower their welfare. Examples of welfare lowering behaviours would include possible discrimination by white customers and financial institutions. Furthermore, based on the context of the 2020 COVID-19 pandemic, Bendell and colleagues (2020) mentioned that the ability of the government to fund "slack" hospital beds as well as equipment and personnel to help contain the

rapid spread of viruses will determine the level of trust that the citizens show toward their government. In the context of entrepreneurship, trust in government affects the perception of starting and growing a business; confidence in the government's ability to address the impact of a business downturn or an economic recession will reduce the perceived risk of entrepreneurship (Bendell *et al.* 2020). Based on these assumptions, it is to be expected that in societies with high trust in government, individuals are more likely to overcome the fear of failure and show a higher intention to engage in entrepreneurial activity. Therefore, it is hypothesized that:

H3. In countries with higher levels of trust in government, the negative impact of fear of failure on entrepreneurial intentions is weaker.

4. Methodology

4.1 Data collection

The individual-level data in the present study came from the Adult Population Survey (APS), Global Individual Level Data 2016 provided by the Global Entrepreneurship Monitor (GEM 2016/2017 Global Report 2017).

All country-level data were extracted from wave 7 of World Values Survey (WVS) for 2016–2020 (Haerpfer *et al.* 2020). The GEM APS sample included adults 18 and over, covering 194,824 observations across 65 countries. For this research, there are reliable measures of the dependent variables as well as the individual-level independent variable for a subset of 45 nations, which is aligned with available data from WVS. Thus, the dataset for this study includes individual-level data from 142,582 people as well as nation-social trust and trust in government data from 43 countries. The sample size ranged from 2,000 individuals for Croatia to 22,000

individuals for Spain. This study compared the countries with available data and those excluded from the list and found no significant difference between entrepreneurial intentions ($t(42) = 0.429, p < 0.671$). In other words, no material difference exists between selected countries and those not selected, although the included countries, generally from the world's major economies, had a slightly higher gross domestic product (GDP) and higher level of entrepreneurship. Regardless of coverage, the WVS sample under-represents African and Middle-Eastern countries. Secondary data has both strengths and weaknesses; in this study variables with proven validity were used to remove any possible confounding effects by controlling for variables such as GDP and cultural values.

4.2 Dependent Variable

Entrepreneurial intentions includes those who expect to start a new business in the next three years (Bosma *et al.*, 2012). Respondents in the GEM Adult Population Survey were asked to indicate whether "alone or with others, [do you] expect to start a new business, including any type of self-employment, within the next three years?" (yes or no, dichotomously). Intentions to start a business may differ from nascent entrepreneurship.

For some entrepreneurs, particular activities are undertaken to get the business operating, which is not always the case for people who want to start a business. The average proportion of entrepreneurial intention as a percentage of total observations was 24%, with the largest percentage (66.3%) in Egypt and the smallest (4.9%) in Russia.

4.3 Individual-level (level-1) Independent Variables

The individual-level predictor variable represents the focal individual attribute that may

affect entrepreneurial intentions. Previous studies based on the GEM have used single items as proxies for focal variables rather than full measurement scales (Ding *et al.* 2015). The measure for fear of failure is borrowed directly from the GEM Adult Population Survey (Global Entrepreneurship Monitor 2017). A two–point scale item asks the following question: “Would fear of failure prevent you from starting a business?” (Bosma *et al.* 2012). For this study, the authors utilised a measure that has been validated by research (e.g., Shinnar *et al.* 2012). Although secondary data may have less elasticity and accuracy than primary data, their application is common, particularly in research that examines many nations and has a large sample size (e.g., Parboteeah *et al.* 2008).

4.4 National–level (level–2) Independent Variables

4.4.1 Social Trust. Social trust is the first country–level independent variable that was tested, in this study, through the WVS survey. It measures the proportion of subjects in each country who think that others can be trusted, by asking the following question, “In general, do you think that most people can be trusted, or [do you think] that one can not be too careful when [it comes to] dealing with people?”

It is worth noting that social trust may be seen as a country–level variable rather than an individual–level one, since this may determine the general level of interpersonal trust toward unknown others (Kozlowski and Klein 2000). Instead of focusing on family members and acquaintances, for example, this variable measures the community’s opinion of “most people,” and ignores the fact that even those with a high level of trust may find some people untrustworthy under certain conditions (Uslaner 2011). Diverse versions of this measure have been utilized by the U.S. Census and others (e.g., Blanchflower and Freeman 1997; Knack and Keefer 1995; Miller and Mitamura

2003). The social trust measure from WVS has been compared with scales from other collective behavioural structures such as the pervasiveness of violent misconducts and corruption (Uslaner 2011) and confirmed to be a robust measure (Bjørnskov, 2006).

4.4.2 Trust in Government. The second country-level independent variable is the level of trust in government (“Could you tell me how much confidence you have in the government: Is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?”). This study utilised the aggregate proportion of trust in government variable for each country. It also tested the multicollinearity of the national level variables and found no correlation between social trust and trust in government ($r = .2, p > .05$).

4.5 Control variables

The model controls for several variables at both the individual-level and the country-level. The individual-level control variables taken from the GEM database are age (Leloarne *et al.* 2017), education, gender, household income, and work status, as previous research has shown that these factors may be related to entrepreneurial intention (Shinnar *et al.* 2012).

At the country-level, the authors used the Total Entrepreneurship Activities (TEA) scale from the GEM and the natural logarithm of GDP (Purchasing Power Parity) from the Central Intelligence Agency database. GDP shows a country's wealth which determines engagement in investment activities and general institutional environment. The TEA assesses the percentage of a country's adult population involved in entrepreneurial activities such as establishing a new business or operating a start-up. Citizens of a country that feature active entrepreneurial activity often show a solid entrepreneurial intention (Burkeet *et al.* 2010). In subsequent tests for

Table 1.
Statistics and correlation matrix.

	Mean	S.D.	1	2	3	4	5	6	
1. Age	41.42	14.97							
2. Education	3.24	1.43	-0.09						
3. Income	1.98	0.81	-0.04	0.26					
4. Employment	1.80	0.39	-0.27	0.10	0.18				
5. Gender	1.50	0.50	0.02	-0.03	-0.07	-0.03			
6. Fear of Failure	0.41	0.49	-0.01	0.00	-0.02	0.00	0.07		
7. Ent. Intention	0.22	0.41	-0.19	0.04	0.03	0.06	-0.07	-0.07	
	Mean	S.D.	1	2	3	4	5	6	7
1. TEA	11.19	6.50							
2. GDP	26.80	1.62	-0.39						
3. Power Distance	57.74	19.95	0.22	-0.40					
4. Individualism	48.43	23.16	-0.41	0.53	-0.67				
5. Uncertainty Avoidance	49.42	19.24	-0.11	0.12	-0.00	0.21			
6. Masculinity	68.65	21.13	0.09	-0.03	0.28	-0.36	-0.13		
7. Social Trust	1.30	.17	-0.52	0.19	-0.63	0.22	-0.05	-0.46	
8. Trust in Gov.	2.19	.39	-0.00	-0.22	-0.05	-0.12	-0.00	-0.58	0.30

robustness, the authors examined the possible confounding effects of cultural values, with specific attention paid to dimensions of culture and social/institutional trust (Li and Zahra 2012).

4.6 Analysis

For this study, a Multi-Level Modelling (MLM) data analysis technique was applied in order to avoid Type-1 errors. Because the authors dealt with nested data, an MLM approach is the most appropriate to analyse interactions at different levels of analysis (Heck and Thomas, 2015). One problem with nested data structures is that they violate the independence assumption required by traditional statistical analyses such as ANOVA and ordinary least-squares (OLS) multiple regression. Previous studies used only aggregated data and simple regression analysis (e.g. Afandi *et al.* 2016). The scale of measuring intention was country-level (aggregate); assuming for all participants in each country the aggregate means of motivation. Such aggregated data ignore any variation at an individual level. Such independence violations make multilevel modelling necessary because traditional analysis models can produce excessive Type-1 errors and biased parameter estimates (Peugh, 2010). The empirical model proposed in this study is thus a two-level model, which separates variation within and between countries. In this way the study potentially

achieves a better understanding of the impact that social trust and trust in government have on intention.

The study employed a Bernoulli HLM to examine the hypotheses as this applies the logit link function $\eta_{ij} = \ln[\mu_{ij}/(1 - \mu_{ij})]$, where μ_{ij} is the probability of entrepreneurship intention by subject i in country j . Individual levels of the multilevel model can thus be defined as $\eta_{ij} = \beta_{0j} + \beta_{1j}X_{ij} + r_{ij}$, where X_{ij} designates the individual-level predictor variables, β_{0j} is the intercept when all X_{ij} are equal to zero, β_{1j} is a vector of the estimated coefficients for X_{ij} , and r_{ij} is the random error (unique effect connected to subject i in country j). The country-level is represented mathematically as $\beta_{0j} = \gamma_{00} + \gamma_{01}W_j + u_{0j}$, $\beta_{1j} = \gamma_{10} + \gamma_{11}W_j + u_{1j}$, where W_j defines the country-level explanatory variables, γ_{00} and γ_{10} are the intercepts, and u_{0j} -- u_{1j} denotes the random error. In terms of cross-level interactions used to test the moderating effect of risk on the risk-intention relationship, the slope model is $\beta_{2j} = \gamma_{20} + \gamma_{21}W_j + u_{2j}$.

The random coefficient for slope μ_{2j} considers cross-level interactions that involve social trust and trust in government and their effect on the fear of failure given entrepreneurial intentions (Heck and Thomas, 2015).

7. Results

This study estimates four hierarchical linear models (HLM) to test the hypotheses. First, it tested the null model with no predictor at either level. The analysis of the null model shows that the intraclass correlation is 15%, which offers adequate variability among and within countries (Geiser 2013). The design effect is high (100.12) because the average observations for each cluster is about 2,000. Design effect also shows the necessity of using a multilevel analysis in this context. Variables were incrementally added as shown in Table 2. In model 2 the authors added fear of

failure at the individual level. The test indicates a significant, negative relationship between higher levels of fear and lower levels of entrepreneurial intentions, which supports the first hypothesis ($\beta = -0.045, p < 0.001$).

Hypothesis 2 suggests that in nations with a high level of social trust, individuals who fear the failure of the new business are more likely to have entrepreneurial intentions. The results of model 3, shown in Table 2, suggest that social trust significantly interacts with fear and influence entrepreneurial intention ($\beta = 0.062, p < 0.1$). Therefore, Hypothesis 2 is supported.

Table 2. Results for Fear of Failure and Interaction Effects				
	Model 1	Model 2	Model 3	Model 4
Individual–Level Variables (Level 1)				
Age	-0.004 (0.009)***	-0.004 (0.009)***	-0.004 (0.009)***	-0.004 (0.009)***
Education	0.015 (0.006)***	0.015 (0.000)***	0.015 (0.000)***	0.016 (0.000)***
Income	0.006 (0.001)***	0.005 (0.001)***	0.005 (0.001)***	0.004 (0.001)***
Job Status	0.001 (0.003)	0.000 (0.003)	0.001 (0.003)	0.001 (0.003)
Gender	-0.047 (0.002)***	-0.044 (0.002)***	-0.045 (0.002)***	-0.045 (0.002)***
Fear of Failure		-0.045 (0.002)***	-0.047 (0.000)***	-0.050 (0.006)***
Country–Level Variables (Level 2)				
Total Entrepreneurship Activity	0.577 (1.274)	0.793 (1.299)	0.796 (1.356)	1.128 (1.445)
GDP	-0.330	-0.157	-0.147	-0.178

	(0.168)*	(0.168)	(0.174)	(0.176)
Power Distance	0.002 (.005)	0.008 (0.006)	0.007 (0.006)	0.007 (0.006)
Individualism	0.006 (0.009)	0.001 (0.009)	0.001 (0.010)	0.001 (0.009)
Uncertainty Avoidance	0.003 (0.008)	0.002 (0.008)	0.001 (0.009)	0.003 (0.009)
Masculinity	-0.023 (0.008)**	-0.017 (0.008)*	-0.017 (0.008)*	-0.019 (0.008)*
Social Trust			0.040 (0.0144)**	
Trust in Government				0.001 (0.007)
Cross-Level Interaction				
Fear × Social Trust			0.062 (0.037)†	
Fear × Trust in Government				0.027 (0.016)†
Intercept	0.181***	0.182***	0.182***	0.180***
† p < 0.10. * p < 0.05. ** p < 0.01. *** p < 0.001.				

Hypothesis 3 predicts that trust in government will moderate the relationship between fear of failure and embarking on self-employment. The results of Model 4 show that trust in government and fear of failure interact to deter intentions to start a business ($\beta = 0.027, p < 0.1$). This interaction supports Hypothesis 3, which posits that the level of trust in government may weaken the negative impact of risk aversion on entrepreneurial intentions. Therefore, Hypothesis 3 is supported.

Figure 2: Fear of Failure and Social Trust Interaction

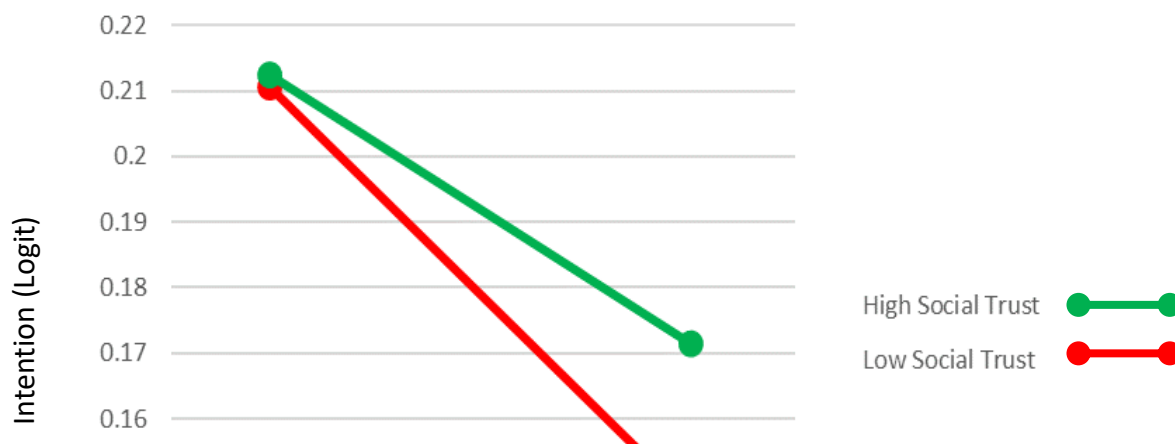


Figure 3: Fear of Failure and Trust in Government Interaction



7.1 Robustness check of institutional factors

7.1.1 GDP. Institutional forces correlate with a number of important national factors as caused by confounding country-level predictors. To check robustness and omit the probability of any spurious effect, the authors added GDP to the model and checked its interaction with the main variables. The moderating effects of social trust and trust in government persisted with GDP as a control variable. Thus, the moderating effect of GDP is unlikely to arise given a country's wealth.

7.1.2 Cultural Dimensions. This study added four cultural dimensions to remove possible confounding effects of culture on the model and then re-analysed the data. Four factors—power distance, individualism–collectivism, avoidance of uncertainty, and masculinity (Hofstede and Minkov 2010)—are cultural dimensions related to social trust and trust in government. These effects persisted even after adding cultural dimensions as control variables. Thus, the influence of trust was not related to cultural dimensions.

8. Discussion

Research in the field of entrepreneurship has shown that, along with efficiency, social/institutional forces can explain and predict perceptions, decisions, and behaviours regarding business venturing (Ding *et al.* 2015). To extend these, entrepreneurship researchers have looked for further evaluation of the relationship between entrepreneurship and institutional factors, as well as varying dimensions of national cultural (Jennings *et al.* 2013). The major objective of this study was to establish the validity of cross-national research, using fear of failure as an individual-level predictor and social trust and trust in government as country-level moderators of entrepreneurial intention. Accordingly, it contributes to the literature in four important ways.

First, the study extends previous results by showing a cross-national negative impact of fear of failure on entrepreneurial intentions. Also, and while it was not one of the aims of this study,

strong evidence supporting the notion that social trust plays an important role in determining entrepreneurial intention across national boundaries emerged. In other words, as social trust lowers the “internal complexity of social interaction,” allowing agents to create reciprocated prospects of future behaviour and weakening the influence of deterrent factors impacting entrepreneurial intentions at the country level. The study advances the idea that given better investment networks and opportunities in an environment with higher levels of social trust, individuals may perceive entrepreneurial activities as less risky and/or unprofitable; thus, they may take more risks when pursuing business activities. While expanding on how social trust affects entrepreneurial intentions, outcomes of this study regarding fear of failure and its impact on entrepreneurial intentions further demonstrate the robustness of earlier studies (Liñán 2004; Liñán and Chen 2009; Shinnar *et al.* 2012).

Second, the majority of studies on entrepreneurship and trust, including comparative literature, have focused on emergent entrepreneurship. However, scholars have not taken into account the entrepreneurial intentions of latent entrepreneurs (Audretsch *et al.* 2022). Accordingly, by utilizing theories such as institutional hierarchy and social networks, this study sheds light on how social trust and trust in government may affect self–employment intentions. Indeed, through elaborating on this process, this study fills a research gap by aiding understanding of the interactions between latent entrepreneurial perceptions and the institutional environment. This is important as many studies have only examined country–level indexes of entrepreneurial activities.

Third, the results show that higher levels of social trust weaken the negative impact of fear of failure on the intention to start a business. Several cultural and other normative factors may have an impact on the decision to start a new business; however, this study demonstrates the significant role of social trust in lowering the impact of fear of failure on this decision. In other words, in a

trusting environment, a sense of uncertainty and lack of control of start-up issues may be mitigated by conflict compromise and efficient exchange of information among agents. Thus, in countries with higher levels of social trust, fear of failure has less impact on the intention to start a business because people can benefit from the social capital generated by trusting networks. The presence of trustworthy agents in a business environment helps individuals rely on accurate information and benefit from support in difficult situations. Finally, the results of this research support the interactive effect of trust in government and fear of failure on entrepreneurial intentions. In a nation with high levels of trust in government, trust in institutions is expected to be reciprocated with supportive policies for members of the society.

For instance, given a generous unemployment system, individuals are more likely to pursue self-employment because they perceive more support from the official institutions to undertake a risky business activity (Hessels *et al.* 2008). In such countries, trust in government can weaken the negative impact of fear of failure on entrepreneurial intentions. Thus, individuals who are fearful of starting a new business will be more likely to do so in countries with a high trust in government.

8.1 Research implications

The results of this study offer suggestions for both future studies and industry. First, they suggest that the intention to become an entrepreneur and start a business is not only affected by cognitive factors such as motivational antecedents or subjective norms such as culture but also by formal and informal institutions. Scholars may wish to test the novel aspects of social trust and trust in government along with other phases of the entrepreneurship process. To add to commonly used measures of trust, future projects could focus on how a subject's employment status has an

impact on his/her intentions, given an existing level of social trust or trust in government (Audretsch *et al.* 2019). Moreover, while this study considers trust, future projects could take into account other types of formal and informal institutional factors that affect entrepreneurial intentions by conducting a cross-level analyses. As an example, it might be valuable to discover the processes through which institutions exercise their power (Jennings *et al.* 2013). From a practical perspective, in almost every developing country the central route to economic development is to invest in and enhance both formal and informal institutions (Ding *et al.* 2015). However, scholars and policy makers must consider the accumulated effects of institutional transformation.

Certain well-developed country-level policies, such as increasing public contribution, have been found to be antithetical to nascent entrepreneurship (OCDE, 2014). Given the risks associated with starting a new business, higher levels of social trust may reduce the effect. Thus, policy makers may focus on mechanisms that enhance the contribution to society to induce individual-level entrepreneurship.

Although this research provides significant insights into institutional trust and entrepreneurship, some limitations should be considered. First, the binary variables applied to test entrepreneurial intentions only explain a tendency to think about entrepreneurship dichotomously (i.e., to start a business or not). Future studies utilizing more advanced measurements would further validate the results of this study. A similar enhancement can be investigated for predictor variables, which is likely to expand the research to other related factors. Second, the application of the GEM data to investigate global entrepreneurial intentions ignores the extent and depth of measurement. For practical reasons, the study analyses single-item predictors utilizing highly valid variables (e.g., Liñán and Chen 2009) which justified the method of developing these as resource and

situational limitations constrained the application of scales (Ding *et al.* 2015). Nevertheless, the hypotheses could be examined by applying enhanced data using additional case studies and surveys.

Finally, the cross-sectional data do not permit a clear, explainable causality relationship. This could be fertile ground for future study, specifically because this study offers comprehensive theoretical arguments for the processual relationships and control for likely substitute explanations. If longitudinal or experimental analyses were applied to future work, different institutional forces may confirm the results of this study.

9. Conclusion

The theorisations developed in this study engender new perspectives of entrepreneurial intentions. Moreover, its proposed integrated forms a potent baseline that aided the development of novel perspectives about latent entrepreneurial intentions. Thus enhancing understanding of the complex interplay between country- and individual-level factors (social trust and trust in government) especially their impact on fear of failure on entrepreneurial intentions. Crucially, the study revealed that the intention to become an entrepreneur and actually start a business is not only affected by cognitive factors comprising motivational antecedents or subjective norms including culture, but also by formal and informal institutions. It showed that, in nations with high levels of social trust, individuals who fear failure of starting a new business are more likely to have entrepreneurial intentions. Thus, the study advanced that social trust mediates fear of failure and it positively influences entrepreneurial intentions. Furthermore, it argued that trust in government and fear of failure interact in such a way that attenuates latent entrepreneurs' intention to start a business. In some way, the study provided new insights on trust in government. It revealed that the

level of trust in government weakens the negative impact of risk aversion on entrepreneurial intentions. Overall, the study provides new knowledge illustrating how institutional features of social trust and trust in government influence cross-country entrepreneurial perceptions.

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