

Kickstarter levels the financial playing field for women

August 18 2014

Numerous studies have shown that women engage less than men in either entrepreneurship or business investing. Women also launch firms with significantly less capital than men, which limits their ability to grow their firms and increases their risk of financial distress in periods of adversity.

Now, new research from the Hebrew University of Jerusalem shows that crowdfunding could level the playing field for women wishing to raise capital for their ventures, and in some cases even give them an advantage.

Crowdfunding is a recent form of fundraising that involves financing projects or ventures by raising small amounts of money from many people, usually via the Internet. To investigate whether crowdfunding could reduce the barriers of female entrepreneurs to raise capital, the researchers analyzed a Kickstarter dataset that included 13,533 entrepreneurs classified by gender, 898,491 investors classified by gender, and investments totaling over 120 million dollars, from April 2009 through March 2012. Kickstarter is the world's leading crowdfunding platform for creative projects.

The researchers—Dr. Dan Marom and Prof. Orly Sade from the Jerusalem School of Business Administration at the Hebrew University of Jerusalem, and Dr. Alicia Robb, a senior fellow at the Kansas City-based Kauffman Foundation and at UC Berkeley—found that women made up about 35% of the project leaders and 44% of the investors on the Kickstarter platform.

They documented that while on average, men on Kickstarter seek significantly higher levels of capital for their projects and raise more funds than women, women enjoy higher rates of success in funding their projects. Women enjoyed a 69.5% success in getting funded vs. 61.4% for men, with further analysis showing that it was not the women's more modest financial goals that accounted for their higher rate of success.

The researchers found a positive correlation between the gender of the project leader and the percentage of the same gender investors. Kickstarter projects led by a female entrepreneur were on average mainly financed by female investors. And even though women comprised 35% of the project leads on Kickstarter, male investors only invested in about 23% of projects that had female project leads.

The researchers wanted to check if this tendency for same-gender investing is due to the [female entrepreneurs'](#) tendency to focus and dominate areas such as food, fashion and dance, or if it is related to gender equality perceptions of male investors. By conducting a survey among a sample of Kickstarter investors, the researchers found that those male investors deemed to have a greater openness to gender equality were more likely to invest in female-led projects.

The researchers conjecture that if women are able to access financial capital through crowdfunding platforms where women are more likely to be investors, there could be a jump in female entrepreneurship in male-dominated fields such as comics and games, which may offer more growth opportunities than more traditional fields.

According to the Hebrew University's Prof. Orly Sade, "These findings indicate that the increasing prevalence of crowdfunding platforms may lead to increased participation of women as [investors](#), and to an increase in the flow of capital to projects led by women. In order to further this trend it is important to encourage [women](#) to pursue opportunities is less

traditional, male-dominated fields such as games, which may offer more growth opportunities than more traditional fields; and at the same time to work to change perceptions in the general population regarding gender equality, as those perceptions play a role in investment decisions."

The research, presented at conferences and cited by policy related reports as "Gender Dynamics in Crowdfunding: Evidence on Entrepreneurs, Investors, and Deals from Kickstarter," received financial support from the Kauffman Foundation, the Asper Center, the Kruger Center at the Hebrew University and the Israel Science foundation.

More information: The proposal paper is available online:
www.funginstitute.berkeley.edu...default/files/Alicia%20Robb_Berkeley%20Crowdfunding%20Conference.pdf

Provided by Hebrew University of Jerusalem

Citation: Kickstarter levels the financial playing field for women (2014, August 18) retrieved 9 April 2024 from <https://phys.org/news/2014-08-kickstarter-financial-field-women.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.
