

Women seeking crowdfunding financing for start-ups are perceived as more trustworthy

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While men have benefited from a gender bias against women when seeking financing for business start-ups, the opposite may be true for

female entrepreneurs seeking initial investment through crowdfunding efforts, according to research from Indiana University's Kelley School of Business.

Historically, female-led ventures have found it difficult to procure private equity, bank financing and [venture](#) capital, often because of psychological stereotypes inferring that business leaders should be masculine. But an article in print at the *Journal of Business Venturing* reports that [gender](#) bias may make crowdfunding investors more likely to invest in new ventures led by [women](#).

"Our results show that on average, crowdfunders think female entrepreneurs are more trustworthy than male entrepreneurs," said Regan Stevenson, assistant professor of management and entrepreneurship at Kelley. "These judgments increase overall investment in female-led ventures over male-led ventures.

"When a crowdfunder holds high levels of implicit gender bias, the funder is actually more likely to invest in a woman because they perceive the woman as trustworthy," Stevenson said. "This is the opposite effect of what has been demonstrated in prior research in the venture capital setting."

Using three years of data from the crowdfunding platform Kickstarter, Stevenson and his colleagues examined investor stereotypes and implicit bias in crowdfunding decisions. Through a study sample of 416 projects, they examined the [entrepreneur](#)'s gender, the financial backing received and funding success.

They found that women were more likely than men to have their Kickstarter projects funded. To discern why this was the case, the researchers conducted an experiment with 73 amateur investors based in the eastern U.S.

The results from the second half of the study supported the researchers' view that perceptions about trustworthiness facilitate financial backing and that implicit gender bias influenced funders' willingness to fund female entrepreneurs.

This is significant because earlier research has found that female-led firms receive only 1.3 percent of [venture capital financing](#). They are often asked to surrender a greater proportion of ownership when receiving private funding. But in crowdfunding—where a "crowd" of amateur investors make small investments in new companies—empirical observations revealed a funding advantage for women.

"Previous research in venture capital setting has advocated that women should downplay feminine characteristics to increase their chances of obtaining funding," Stevenson said. "This advice not only appears to be dogmatic, but our data shows it is simply bad advice for female entrepreneurs when they are obtaining funding through crowdfunding platforms."

The paper also shows that [crowdfunding](#) provides a means for building trust with funders, which later may improve women's broader entrepreneurial prospects.

"These findings demonstrate an alternative pathway for women entrepreneurs that may allow them to overcome the negative aspects of gender [bias](#) and

More information: Michael A. Johnson et al, A woman's place is in the... startup! Crowdfunder judgments, implicit bias, and the stereotype content model, *Journal of Business Venturing* (2018). [DOI: 10.1016/j.jbusvent.2018.04.003](#)

Provided by Indiana University

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