

# Tackling gender bias in equity crowdfunding: an exploratory study of investment behaviour of Latin American investors

Antonella Francesca Francesca Cicchiello  
*Catholic University of the Sacred Heart, Piacenza, Italy and  
BANKS – Banking Research School, Piacenza, Italy, and*

Amirreza Kazemikhasragh  
*University Program of Studies on Asia and Africa (PUEAA),  
Universidad Nacional Autónoma de México, Mexico City, Mexico*

## Abstract

**Purpose** – Belonging to the financial technologies' companies, equity-based crowdfunding platforms offer investors the opportunity to become shareholders through the purchase of small equity stakes of new innovative ventures. This paper aims to investigate gender-related differences in the behaviour of investors in firms seeking equity financing in Latin America.

**Design/methodology/approach** – Using a unique database, with combined information from different equity crowdfunding platforms in Brazil, Chile and Mexico, the authors study the population of 492 projects between 2013 and 2017. To analyse the relationship between investors' gender-related differences and equity crowdfunding investment, this paper applies Poisson regression.

**Findings** – Results suggest that the probability that an investor finances a firm is based on gender bias. Investors prefer firms led by entrepreneurs that are similar to them in terms of gender. Furthermore, the authors find evidence that both female and male investors are risk-averse and are more likely to invest in the equity of firms that are older and offer a higher percentage of equity. However, female investors are associated with firms that are on average older and offer 0.02% more equity.

**Practical implications** – These findings have implications for crowdfunding platforms managers when selecting their target companies and policymakers when defining political actions to promote greater use of equity crowdfunding among female entrepreneurs and decrease barriers hindering women's access to investment.

**Originality/value** – Unique in its proposition and data usage, this study sheds light on the relationship between investors and entrepreneurs in the Latin American equity crowdfunding market.

**Keywords** Risk aversion, Latin America, Gender differences, Investment decision, Equity crowdfunding

**Paper type** Research paper



## 1. Introduction

New digital technologies that have developed around the world over the past decade have broken the established status quo of the financial services industry, bringing to light new business models, strategies and paradigms. Financial technologies (FinTech) companies compete with traditional financial institutions by providing consumers with new, user-friendly financial products and services, with a greater level of efficiency, transparency and automation. The reconfiguration of the financial services industry following the FinTech revolution is helping to bridge the financial gap that particularly affects Latin American small and medium-sized enterprises, which play a fundamental role in the productive development, employment and economic growth of the region. On the one hand, the emergence of new online financial platforms (such as crowdfunding platforms), with lower transaction fees and new techniques and sources of information for assessing credit risk, has helped promote small and medium-sized enterprises' access to credit (Cicchello, 2019). On the other hand, new payment solutions and digital tools not only promote the digitisation of transactions but also create new options for resolving information asymmetries – by making transaction history and digital footprint available to assess credit risks – with positive consequences for companies in terms of the opportunity to obtain financial support (Cicchello and Leone, 2020; Cicchello *et al.*, 2021b).

Belonging to the FinTech companies, equity-based crowdfunding platforms have recently emerged as new players in entrepreneurial finance, allowing innovative early-stage companies to obtain funding through small equity investments from a large range of investors via online platforms (Bruton *et al.*, 2015; Block *et al.*, 2018). In Latin America and the Caribbean (LAC), the equity crowdfunding industry has expanded rapidly over the past years, reaching US\$19.16m in 2018 (Ziegler *et al.*, 2021). The market is driven by Brazil (\$12.1m), Mexico (\$3.7) and Chile (\$2.63m), followed by Colombia (\$0.24) and Argentina (\$0.21). Brazil is a key player in South America in the crowdfunding space with 24 active platforms. Among them, [Broota.com.br](http://Broota.com.br) was the first equity crowdfunding platform to initiate its activities in 2013. Now there are three more – StartMe Up, EqSeed and EuSocio – and others are yet to rise. Substantial progress is being made in Mexico, in which a number of crowdfunding platforms are already operating today. [PlayBusiness.mx](http://PlayBusiness.mx), the market leader in equity crowdfunding, has channelled over \$117.38m from more than 15,000 active users, with 2,000 startups uploading to the platform and more than 82 funded projects throughout the world since 2014.

[Broota.com](http://Broota.com) was the first equity crowdfunding platform in Chile and throughout Latin America. Currently, it is one of the largest entrepreneurship networks in the region. There is still a huge challenge for the policymakers and regulators across the region in terms of regulatory convergence through the creation of a group of essential principles on which the regulations of each jurisdiction can adhere to. Many governments supported by international institutions have issued or are in the process of issuing specific regulations for crowdfunding. In Mexico, for instance, the National Banking and Securities Commission and the Ministry of Finance and Public Credit have issued the Financial Technology Institutions Law (FinTech Law), which specifically includes crowdfunding as one of four FinTech types of businesses regulated. Similarly, regulations aimed at creating rules for alternative finance have been published in Brazil. In Chile, the Commission for the Financial Market has recently published the White Paper “General Guidelines for the Regulation of Crowdfunding in Related Services” to contribute to the proper functioning and development of the crowdfunding market.

Until now, the emerging equity crowdfunding literature has found limitations in data availability. In fact, as stated by Giudici *et al.* (2020), most studies on the subject only

analyse one (or a handful of) crowdfunding platforms. Furthermore, many of these studies lack data on the characteristics of individual investors and firms. In this paper, we take advantage of the opportunity to use data on the Latin American equity crowdfunding market, from the inception of the platforms (2013 for Chile and Brazil and 2014 for Mexico) to the end of 2017 (four years of observations). We hand-collected data on the total number of successful and unsuccessful equity crowdfunding campaigns with individual-level information on the identities of firms and investors. Such rich data availability has allowed us to analyse the underlying gender-related drivers of behaviours on investment decisions. In particular, grounding in homophily theory (Reuf *et al.*, 2003), we explore gender differences in investment evaluation to understand if investment decisions are gender embedded and depend on the gendered image of the entrepreneurial team. A number of studies analyse the relationship between gender and equity crowdfunding in different European countries and the USA (Vismara *et al.*, 2017; Mohammadi and Shafi, 2018; McGuire, 2020), but it is important to understand the impact of equity crowdfunding in the context of Latin America as the region hosts some of the largest alternative finance markets in the developing world. The recent literature recognises that equity crowdfunding has the potential to reduce the gender gap in entrepreneurial finance by democratising access to financing and investment opportunities for under-represented groups of potential entrepreneurs and investors, including women who are typically disadvantaged compared to men (Cumming *et al.*, 2019). Gender discrimination in Latin American societies significantly reduces women's participation in entrepreneurship and prevents them from investing in new business development in the region (Messina and Silva, 2021). Women entrepreneurs suffer discrimination because of their gender and face more barriers in accessing finance to develop their enterprises. Consequently, they are forced to rely on their personal savings, microloans or to borrow money from friends and family (Sánchez-Ancochea, 2020). In addition, due to the increased risk aversion and lack of resources, a very small proportion of women is involved in making investments. Therefore, we investigate whether the gender composition of the entrepreneurial team influences the likelihood of attracting female (or male) investors. We also investigate gender differences in risk perception to explain the determinants of gender-related investment outcomes in equity crowdfunding. This is of great importance as in the equity crowdfunding market decision-making takes place under high risk and uncertainty.

As discussed in detail below, our work finds that investors prefer firms led by entrepreneurs that are similar to them in terms of gender. This provides a better understanding of the relationship between investors and entrepreneurs in the Latin American equity crowdfunding market. Furthermore, we find evidence that both female and male investors are risk-averse and are more likely to invest in the equity of firms that are older and offer a higher percentage of equity. However, female investors are associated with firms that are on average older and offer 0.02% more equity. This adds to the equity crowdfunding literature exploring risk-related gender differences in investors' behaviour by analysing, for the first time, the Latin American market. The remainder of the article proceeds as follows: Section 2 presents the literature review and hypotheses. Section 3 describes the research methodology. Section 4 reports the empirical results. Finally, in Section 5, we provide the discussion and conclusions of this research.

## 2. Theoretical background

### 2.1 Gender-related differences in investment behaviour

The literature on entrepreneurial finance offers suggestive empirical evidence that investor decision-making can be influenced by the characteristics of entrepreneurs (such as gender

and ethnicity), and that investors prefer to invest in entrepreneurs who are similar to themselves (Bengtsson and Hsu, 2015; Bernstein *et al.*, 2017; Gompers *et al.*, 2020). A small but growing body of literature recognised the impact of gender on entrepreneurial firm financing, providing evidence that investors exhibit a same sex gender bias. Alsos and Ljunggren (2017) adopt signalling theory to examine the role of gender in entrepreneur–investor relationships. Specifically, the authors examine how women and men signal the quality and legitimacy of their businesses when they approach investors, how these signals are interpreted by male and female investors and how they influence investment decisions. The findings indicate that signals between entrepreneurs and investors are gender embedded and that the entrepreneur’s gender and the gendered image of entrepreneurship are part of the evaluation. Analysing the impact of gender diversity on angel group investment behaviour, Becker–Blease and Sohl (2011) find that the gender composition of angel groups influence investment likelihood. The authors underline the necessity of greater participation of women investors in the angel marketplace to increase the availability of funds for women entrepreneurs. Based on a detailed analysis of business angels in the UK, Harrison and Mason (2007) show that a minority of women investors – operating in the angel market – would be willing to moderate their investment criteria to consider investing in female entrepreneurs or would spend time helping them become investment-ready. Using data from the “American Angel” survey, Huang *et al.* (2017) reveal that female angels take gender into account when making an investment decision much more than male angels (51% of female angel investors against 6% of male angel investors). The authors also find that women business angels put more emphasis on the social impact of a business when making an investment decision (33% of female angel investors against 16% of male angel investors). According to Brush *et al.* (2004), increasing the number and visibility of women venture capitalists would increase women’s access to capital.

Bellucci *et al.* (2010) investigate gender differences in the supply of banking capital, noting the existence of systematic differences in how male and female bank officers allocate funds. In a recent study, Raina (2019) compares the gender gap in performance between startups initially financed by syndicates led by Venture Capital with only male general partners and startups financed by syndicates led by Venture Capital with female general partners. The author finds evidence that startups led by women perform worse than startups led by men and that this disparity is driven by differences in the ability of Venture Capital with only male general partners to evaluate female-led startups.

Gender differences among investors can also be explained by the different risk aversion in the field of investment. There is extensive evidence that women are more risk-averse than men, even when decision makers of both genders have the same level of expertise and experience (Olsen and Cox, 2001). Furthermore, women choose more conservative investment strategies than men (Watson and McNaughton, 2007), and have less confidence in their investment decisions in equivalent circumstances (Graham *et al.*, 2002). Olsen and Cox (2001) analyse how professional men and women investment managers perceive and respond to risk differently. Results show that women investors weight risk attributes more heavily than male investors. Croson and Gneezy (2009) show that gender attitudes towards risk characterise investment decisions and that women show greater risk aversion than men both in experimental settings and in real investment conditions. According to the authors, these differences in risk attitudes between women and men could be explained by the fact that men are more overconfident in their success in uncertain situations. These results are in line with those of Estes and Hosseini (1988), which show that women have significantly lower confidence than men in their investment decisions on the stock market. Similarly, analysing the common stock investments of men and women, Barber and Odean (2001) find

that men are more overconfident than women and trade 45% more. [Marinelli et al. \(2017\)](#) confirm the presence of gender differences in the investment decision process, risk preferences and portfolio characteristics in Italian banks. The increased risk aversion of women leads them to make less significant investment decisions and to make fewer investments ([Huang and Kisgen, 2013](#)). Consequently, the Venture Capital market and the angel market are predominantly comprising male investors ([Greene et al., 2001](#)), and only a very small proportion of women is involved in making investments, either as venture capitalists or as business angels (according to [Sohl, 2017](#), female angel investors only represent about 20%–26% of all angel investors). Since in capital markets, women entrepreneurs tend to seek funding from investors of the same sex ([Becker–Blease and Sohl, 2011](#)), the male dominance among investors and the consequently limited participation of women helps to explain how gender differences constrain women entrepreneurs' search for, and access to, capital ([Coleman and Robb, 2009](#)). From this, it can be inferred that having more women in the angel and Venture Capital markets could enhance the supply of finance to women entrepreneurs and increase their involvement in the wealth creation process ([Harrison and Mason, 2007](#)). In this paper, we investigate gender-related differences among equity crowdfunding investors who may differ from traditional investors in ways that favour female entrepreneurs. In equity crowdfunding, capital is raised from a crowd of inexperienced investors who are in most cases unable to evaluate the potential adverse selection risks and moral hazard problems inherent in equity investments ([Ahlers et al., 2015](#)). As a consequence, crowdfunding investors are more likely to make uninformed investments, exposing themselves to greater risks than they are able to sustain. Moreover, in equity crowdfunding, the communication between entrepreneurs and investors takes place through an internet platform, reducing trust and causing information asymmetries. Accordingly, we investigate whether gender influences investors' attitudes towards risk in equity crowdfunding.

### *2.2 Crowdfunding overview*

Crowdfunding (CF) can be defined as a new form of funding projects, companies or ideas by raising many small amounts of capital from a large number of individual funders, typically via online platforms ([Stanko and Henard, 2017](#); [Cicchello, 2020](#)). Belonging to the FinTech companies, crowdfunding platforms provide funding in a digital environment. Advancements in information and communication technology (ICT) allow crowdfunding platforms to eliminate the requirement for physical interaction and consequently making easier for those seeking funding (whether people or companies) to reach a high number of professional and amateur investors (for a detailed description, see [Belleflamme et al., 2014](#)). Investors will receive some form of physical or moral reward in proportion to the invested funds ([Zhang and Liu, 2012](#)). Since its inception, several forms of crowdfunding have been developed, depending on the way in which investors are recompensed. The main types of crowdfunding models include donation-based crowdfunding, reward-based crowdfunding, lending-based crowdfunding and equity-based crowdfunding ([Mollick, 2014](#)). Donation-based crowdfunding is generally used for social or charitable causes. The investors are mainly driven by altruistic motivation, and they donate money without expecting something in return ([Liu et al., 2018](#)). Reward-based crowdfunding is mainly used for creative entrepreneurial projects, ranging from arts, music, games, design and technology. As the name suggests, funders receive a non-monetary reward based on the amount of money they brought to the project. Reward model is often used as a form of pre-selling before market entry ([Shneor and Munim, 2019](#)). Lending-based crowdfunding, in both consumer (P2P – peer-to-peer) and business (P2B – peer-to-business) lending form, is a

feasible alternative to traditional loans. In this type of crowdfunding, funders (lenders) lend money to consumers or entrepreneurs (borrowers) in return for a certain rate of interest (Kgoroeagira *et al.*, 2019). Equity-based crowdfunding offers investors the opportunity to become shareholders in the funded company through the purchase of a small equity stake. In return for their contributions, investors will share the potential profits and risks of the company (Estrin *et al.*, 2018). Over the past decade, equity-based crowdfunding has established itself as a new player in entrepreneurial finance (Block *et al.*, 2018), providing young innovative firms with the possibility to raise capital by issuing securities simply and inexpensively. Given the rapid growth of crowdfunding (Bruton *et al.*, 2015), increasing attention has been paid by practitioners, policymakers and researchers alike. A growing literature recognises the importance of crowdfunding (notably in the equity-based form) as a new and powerful tool able to democratise entrepreneurial finance by providing, on the demand-side, more access to funding to under-represented categories of entrepreneurs, and, on the supply-side, greater investment opportunities for female investors (Cumming *et al.*, 2019). The democratising force of equity crowdfunding platforms in early-stage financing is due to their role in facilitating the interaction between entrepreneurs and a multitude of non-professional small investors through the use of the internet (Wang *et al.*, 2019; Zhao *et al.*, 2020). While traditional funding channels are limited to a relatively small group of private investors, the equity crowdfunding provides customers with the opportunity to become investors, thereby allowing entrepreneurs to raise funds from diversified sets of investors. By democratising entrepreneurial finance, equity crowdfunding enables under-represented groups of potential entrepreneurs and investors to entry in the capital market.

### *2.3 Crowdfunding and female investors*

The literature has analysed the matching between the characteristics of entrepreneurs and investors in crowdfunding with a specific focus on gender issues. Although women seem to be less aware of crowdfunding in general than men (Groza *et al.*, 2020; Vaznyte *et al.*, 2020), Gafni *et al.* (2021) show that on the leading reward-based crowdfunding platform – Kickstarter almost half of the investors are women (44%) who invest more than 40% in campaigns led by women. Only 23% of the projects in which men invested were led by a woman. Cumming *et al.* (2020) reveal that in equity crowdfunding, the cognitive biases at play in the decision-making process of investors are significantly less pronounced among women. Using data from the donation-based crowdfunding platform DonorsChoose, Radford (2016) finds that disclosing the gender of campaign promoters causes inequality in project funding. Greenberg and Mollick (2017) conducted lab experiments and showed that women are more likely to succeed at reward-based crowdfunding than men. The authors also find that a small proportion of female investors disproportionately support women-led projects in areas where women are historically under-represented. According to the authors, the advantage of women in crowdfunding can be attributed to the activist choice homophily according to which individuals are attracted not only by the similarity between them but also rather from the perception of shared structural barriers stemming from a common social identity based on group membership. Similarly, Wesemann and Wincent (2021) reveal that on the reward-based crowdfunding platform Indiegogo, female entrepreneurs are associated with better funding outcomes, especially when they operate in male-dominated sectors. Gafni *et al.* (2020) find similar results in the context of prosocial crowdfunding. According to the authors, female micro borrowers are funded faster than men, especially when applying for basic needs loans. Using data from Kickstarter, Johnson *et al.* (2018) examine investor stereotypes and implicit bias in crowdfunding decisions. According to the authors, gender biases increase investors' perceptions on female stereotypes in the form of

trustworthiness judgements, which subsequently increases investors' willingness to invest in early-stage women-led ventures. Pierrakis (2019) investigates the characteristics of 630 investors of the UK P2P lending platform Funding Circle. The author finds that P2P lenders are typically highly educated and relatively wealthy men looking for a financial return. A number of studies have examined the concept of homophily in the area of equity crowdfunding revealing gender-related differences in investment behaviour [1]. Using a sample of 58 equity offerings of the UK crowdfunding platform Seedrs, Vismara *et al.* (2017) point out that in the equity crowdfunding, the interaction between demand and supply of equity capital is affected by gender. From the supply-side, the authors find that firms with a female Chief Executive Officer (CEO) have higher success rates. From the supply-side, results show that while the number of male investors is slightly higher in campaigns launched by male-led firms, female investors strongly prefer firms led by women. Giudici *et al.* (2020) extend the perspective of Vismara *et al.* (2017), considering a more complete set of investors' characteristics (age, gender, geographical proximity) in 13 Italian equity crowdfunding campaigns. The authors find a significant effect of geographical proximity and age similarity on the probability that an investor finances a campaign, but they do not detect any significant effect related to gender. Analysing a sample of 40 campaigns from the Swedish equity crowdfunding platform FundedByMe, Mohammadi and Shafi (2018) find opposite results. The authors find empirical evidence that female investors are more risk-averse than their male counterparts and tend to favour male-led ventures over female-led ventures. Similarly, Hervé *et al.* (2019) find that women invest less in the riskiest investments but more in safer ones. Investors located in more "socially friendly" areas also invest more, especially if the investor is a woman. Horvat and Papamarkou (2018) investigate gender differences in entrepreneurs and investors behaviour in equity crowdfunding. Using a sample of 727 campaigns launched between 2012 and 2016 on a UK-based leading equity crowdfunding platform, the authors find that women entrepreneurs benefit from higher success rates in fundraising and that female investors tend to choose campaigns that have lower success rates. In a very recent study, McGuire (2020) finds that female investors are more likely to invest in female firms and provides evidence that the activity of female investors increased relative to male investors after the entry into force of Title II of the JOBS Act, which legalised equity crowdfunding in the USA and made it easier to find firms seeking investment and decreased barriers to entry to investing. Analysing data from one of the leading US equity crowdfunding platforms, Ewens and Townsend (2020) show that male investors are less interested in female entrepreneurs compared to observably similar male entrepreneurs. In contrast, female investors are more interested in female entrepreneurs. Despite their individual limitations, these studies collectively reveal the existence of homophily in terms of gender between investors and entrepreneurs and that female investors are more likely to invest in female-led businesses. Consistent with these studies, this paper investigates gender-related differences in the behaviour of investors in firms seeking equity crowdfunding financing in Latin America. Firstly, we explore whether the investment evaluation across different gender groups of investors is influenced by the gender composition of the entrepreneurial team of the firm asking for equity crowdfunding financing. Hence, we hypothesize the following:

- H1a.* In the equity crowdfunding market, female entrepreneurial teams are more likely than male entrepreneurial teams to receive financial backing from women investors.
- H1b.* In the equity crowdfunding market, male entrepreneurial teams are more likely than female entrepreneurial teams to receive financial backing from men investors.

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Secondly, given the role played by gender in risk-taking behaviour, we explore whether the gender of investors affects the extent to which they choose risky projects in equity crowdfunding. Accordingly, we develop the following hypothesis:

- H2.* In the equity crowdfunding market, female investors are less likely than male investors to finance risky projects.

### 3. Research methodology

#### 3.1 Data and sample

This paper explores gender-related differences in the behaviour of investors in firms seeking equity financing in Latin America. Following [Cicchello \*et al.\* \(2020, 2021a\)](#), we use data from all existing equity crowdfunding platforms in Brazil, Chile and Mexico at the date of data collection (November 2017). The analysis covers Brazil, Mexico and Chile, which are the leading equity crowdfunding markets in LAC ([Ziegler \*et al.\*, 2021](#)). Specifically, the sample includes data from [Broota.com.br](#), Eqseed, Start Me Up and EuSocio from Brazil, [Broota.cl](#) from Chile and [Crowdfunder.mx](#) and Play Business from Mexico [2] (see [Appendix](#)). The analysed platforms work according to the traditional “All-or-Nothing” model ([Cumming \*et al.\*, 2015](#)), thus a project is considered as successful or funded only if 100% of the funding goal or more is reached within the specified time period, which is generally of 60–180 days. Once the campaign is over, the invested amounts are transferred from the escrow accounts to the founders’ accounts. Automatically, investors become shareholders of the company and acquire all established rights. If the funding goal is not reached, the platforms repay the invested amount to investors. Successful campaigns are displayed on platforms websites following a similar structure, ensuring homogeneity and comparability for the collected information. We collected information on the offers’ properties (i.e. the fundraising goal, the amount of collected capital at the end of the campaign and the percentage of equity offered), on the founders’ team (i.e. the total number, the number of women [male] founders, their social networks’ connections) and on investors (i.e. the total number, the number of women [male] investors, the average investment). We obtained information on unsuccessful campaigns from the platforms’ CEOs and Chief Technology Officers, as these are deleted at the end of the fundraising round. We obtain additional information about firms asking for equity investments (e.g. industry and firm age) from Orbis Bureau Van Dijk database. This database collects accounting data’s information from income statements and balance sheets, including demographic data, such as nomenclature of economic activities industry codes and Country International Organization for Standardization codes. The final sample is made up of 492 projects, out of which 382 (77.6%) were successful in reaching their fundraising goal, considering a time period spanning four years, i.e. from the inception of the platforms (2013 for Chile and Brazil and 2014 for Mexico) to the end of 2017.

#### 3.2 Dependent and independent variables

To examine the relationship between investors’ gender-related differences and equity crowdfunding investment, we use as dependent variables the total “number of investors” and the count of the “number of female (male) investors” at the end of the campaign. To investigate whether the investment evaluation across different gender groups of investors is influenced by the gender of entrepreneurs, we use as the independent variable of interest the gender composition of the entrepreneurial team of firms asking for equity crowdfunding financing. In particular, we include three variables: “all-female” is an indicator equal to one for those teams that are all female or a single female entrepreneur and zero for those teams



with 100% male composition (“all-male”); “both” is an indicator equal to one for those teams that have at least one female, and equal to zero if the team is all male or all female. To investigate whether the risk-taking behaviour of investors is correlated with gender, we consider some characteristics of firms and campaigns which may influence investors’ decisions by signalling the riskiness of the investment. Following [Mohammadi and Shafi \(2018\)](#), three variables are used as proxies for risk. Firstly, we consider the firm age at the time of the crowdfunding campaign (“firm age”) measured by subtracting the campaign’s year from the firm incorporation date reported on the Orbis database. This is an important proxy of risk because older companies are less opaque to the market and bear less uncertainty on their future prospects ([Barbi and Mattioli, 2019](#)). Therefore, investments in older companies can be considered to be safer ([Ralcheva and Roosenboom, 2016](#)). Contrarily, investments in younger firms are considered as riskier because young firms suffer from liabilities of novelty and smallness, have a short track record and have had less time to accumulate tangible resources ([Stinchcombe, 1965](#)). Firms in our sample are on average two years old, with the oldest company in our sample being 26 years of age and the youngest being established the same year of the campaign. On average, investors invest in firms that are 1.8 years old. Secondly, following [Mohammadi and Shafi \(2018\)](#), we include the percentage of “equity offered” to investors – the complement of which is the percentage of equity retained – reported on the presentation pages of each campaign made available by the platforms. According to the literature ([Ahlers et al., 2015](#); [Vismara, 2016](#); [Cumming et al., 2019](#); [Ralcheva and Roosenboom, 2019](#)), a higher percentage of equity offered suggests that a firm is riskier, while a higher percentage of retained equity is considered by investors as a strong sign of entrepreneurs’ commitment to their firms. Indeed, founders will retain a large amount of equity only when they have confidence in the future potential of their company and therefore, they expect the future cash flow to be higher than its present value. Therefore, we expect that a higher percentage of equity offered negatively affects the likelihood of a campaign receiving funding. On average, investments in our sample are in firms that offer 11.9% of their equity.

The third proxy for risk is the “industry” in which firms operate, represented by a dichotomous variable denoting 1 for firms operating in the technology industry and 0 otherwise [3]. Technology firms commonly deal in electronics, computers and scientific research, and are involved in developing and commercialising products technologically sophisticated. In line with [Hall and Lerner \(2010\)](#), we expect that investing in technology firms will be considered high risk due to the high uncertainty in revenues, the strong competitiveness of the market and the rapid evolution of technology, making it subject to obsolescence. In total, 84% of the firms in the sample are active in the technology industry.

### 3.3 Control variables

In an attempt to rule out alternative explanations, we control for other important factors that may affect investment decisions in the crowdfunding context ([Mollick, 2014](#); [Colombo et al., 2015](#); [Vismara, 2016](#)). If not included as control variables, the estimates may suffer from omitted variables bias. With regard to the structure of the campaign, we control for the target amount of capital to be raised in a million US\$ (“fundraising goal”) as reported on the presentation pages of each campaign made available by the platforms. In line with previous studies ([Mollick, 2014](#); [Ahlers et al., 2015](#); [Vismara, 2016](#); [Cumming et al., 2019](#); [Ralcheva and Roosenboom, 2019](#)), we expect that a high fundraising goal negatively affects investment. Following [Ralcheva and Roosenboom \(2016\)](#), we control for the presence of an “advisor” offering consulting services to the entrepreneurial team as indicated on the page of the campaign on the platforms’ websites. We expect that the presence of professional advisors

can increase the level of investor confidence. Following [Mejia et al. \(2019\)](#), we control for the presence of “financial information” about the company provided by the founders’ team to attract investors. To attract potential investors, founders may open a Facebook, Twitter or LinkedIn profile of the project in addition to their personal one, and they may link these social network profiles to the platform accounts, to interact with potential investors, by providing them additional information about the company and the team activity and by sponsoring the campaign. By following [Mollick \(2014\)](#), [Colombo et al. \(2015\)](#) and [Vismara \(2016\)](#), we recorded the number of connections of each founder on his LinkedIn profile, and then we calculated the average number of the LinkedIn connections of all founders (“LinkedIn”). In line with these studies, we expect that a larger number of founders’ LinkedIn connections encourages investment by reducing the information asymmetries between founders and investors, and thus the uncertainty surrounding equity crowdfunding projects. In the same vein, we also measure the average number of founders’ Facebook followers and the average number of founders’ Twitter followers. Founders can attract potential investors by using presentation videos through which additional information about the company and its team is provided. Thus, we control for the number of visualisation (on YouTube and Vimeo) of the video used to promote the campaign (“video”). In line with [Mollick \(2014\)](#) and [Vismara \(2016\)](#), we expect that including a video can encourage investment by reducing the information asymmetry. We also control for the campaign duration in days (“campaign days”), the “minimum and maximum investment” allowed for each campaign in millions US\$, and the “average investment” for each campaign calculated by the total amount raised at the end of the campaign divided by the number of investors. Following [Ralcheva and Roosenboom \(2016\)](#), we also consider the company’s location by including the variable “urban areas” – a dichotomous variable denoting 1 for firms located in medium-sized and small urban areas and 0 otherwise [4]. We expect that firms located in medium-sized and small urban areas, due to the lower concentration of potential investors, are less effective in attracting investors than those located in large metropolitan areas. Finally, we control for the country effect by including the variables “Brazil,” “Chile” and “Mexico,” and for the “female-male investors’ ratio” (normalised to 100) to describe the degree of balance between female and male investors.

Data sources and variables are presented in [Table 1](#).

### 3.4 Methodology and summary statistics

Following the procedure stated by [Mohammadi and Shafi \(2018\)](#), we measure the relationship between investors’ gender-related differences and equity crowdfunding investment using Poisson regression, with the following model specification:

$$Y_i = \beta_0 + \beta x_i + \epsilon_i$$

In this model,  $\beta x_i$  is the coefficient for each used variable. In the above equation, X represents the explanatory variables, Y represents the response variables and  $\epsilon_i$  represents the error term.

Given the general characteristics of variables in this study, we use Poisson regression because of the nature of our dependent variables. Poisson probabilities are used to model the number of occurrences of an event ([Greene, 2003](#); [Cameron and Trivedi, 2013](#)) and are widely used in entrepreneurship research ([Haeussler et al., 2012](#)). [Table 2](#) reports the summary statistics, [Table 3](#) reports the frequencies and [Table 4](#) reports the correlation matrix.

The frequencies table ([Table 3](#)) shows that 344 out of 492 female investors invested in Mexico and 260 out of 492 female investors invested in the technology sector. According to

**Table 1.**  
Notes on variables  
and data sources

Variable	Description	Data sources
<i>Dependent variable</i>		
No. of female investors	The number of female investors at the end of the campaign	Platforms*
No. of male investors	The number of male investors at the end of the campaign	Platforms
Number of investors	The number of investors at the end of the campaign	Platforms
<i>Independent variables</i>		
All female	Binary variable equals to 1 for teams composed of all-female or a single female entrepreneur and 0 otherwise	Platforms
All male	Binary variable equals to 1 for teams composed of all-male or a single male entrepreneur and 0 otherwise	Platforms
Both	Binary variable equals to 1 for teams that have at least one female and equal to 0 if the team is all male or all female	Platforms
Firm age	The company age at the time of the crowdfunding campaign	Orbis/platforms
Industry	Binary variable equals to 1 for firms operating in the technology industry and 0 otherwise	Orbis
Financial information	Binary variable equals to 1 whether the company give financial information and 0 otherwise	Platforms
Equity offering (%)	The percentage of equity offered to investors	Platforms
Minimum investment	The minimum investment allowed for each campaign	Platforms
Maximum investment	The maximum investment allowed for each campaign	Platforms
Average investment	The total amount raised at the end of the campaign divided by the number of investors	Platforms
Campaign days	The campaign duration in days	Platforms
Fundraising goal	The amount that founders seek to raise using crowdfunding in thousands US\$	Platforms
Female-male investors' ratio	The ratio of male investors to women investors normalised to 100	Platforms
Urban area	Binary variable equals to 1 whether the company is located medium-sized and small urban areas and 0 otherwise	Orbis
Country	The country in which the platform operates (Brazil, Chile or Mexico)	Platforms
Advisor	Binary variable equals to 1 whether the company have an advisor and 0 otherwise	Platforms
LinkedIn founders' connections	The average number of founders' LinkedIn connections	LinkedIn
Facebook founders' followers	The average number of founders' Facebook followers	Facebook
Twitter founders' followers	The average number of founders' Twitter followers	Twitter
Video	The number of video's visualisation on YouTube or Vimeo	Platforms

**Note:** (\*) Platforms: [Broota.com.br](http://Broota.com.br), [Eqseed](http://Eqseed), [Start Me Up](http://Start Me Up) and [ExoSocio](http://ExoSocio) from Brazil, [Broota.cl](http://Broota.cl) from Chile and [Crowdfunder.mx](http://Crowdfunder.mx) and [Play Business](http://Play Business) from Mexico

Variable	Obs	Mean	SD	Min	Max
Number of investors	492	26.36789	44.44711	0	362
No. of female investors	492	5.178862	12.29179	0	94
No. of male investors	492	21.10976	33.32948	0	271
All female	356	0.05898	0.2359353	0	1
All male	356	0.941011	0.2359353	0	1
Both	492	0.276423	0.4476836	0	1
Firm age	492	1.899543	2.628649	0	26
Industry	451	0.840355	0.366684	0	1
Financial info	458	0.401746	0.4907873	0	1
Equity offered (%)	492	0.1190242	8.130079	0.2	68.38
Minimum investment	481	601.1148	4,570.913	4.827	57,090
Maximum investment	391	31,174.45	61,102.99	128.6878	423,000
Average investment	492	1,272.789	2,603.447	15.27	25,450
Campaign days	492	83.65854	47.09514	60	180
Fundraising goal	491	73,942.56	96,647.28	578.9	926,240
Urban area	440	0.8863636	0.3177304	0	1
Brazil	492	0.178861	0.383626	0	1
Chile	492	0.121951	0.327562	0	1
Mexico	492	0.699187	0.459078	0	1
Advisor	452	0.130531	0.33726	0	1
LinkedIn	427	302.0295	182.7127	0	501
Facebook	368	14,124.36	67,711.65	0	1,160,824
Twitter	308	905.3994	3,261.255	0	34,700
Video	492	2,872.713	0.376657	1	418,989
Female-male ratio	378	0.216446	0.312975	0	1

**Table 2.**  
Descriptive statistics

Variables	No. of female investors	No. of male investors	All female	All male
Technology sector	260	316	18	50
Financial info	292	280	20	128
Urban area	390	328	19	287
Brazil	404	404	3	62
Chile	432	426	1	48
Mexico	344	249	17	225
Advisor	257	393	20	48

**Table 3.**  
Frequencies

the National Institute of Statistics and Geography data, 37% of entrepreneurs in Mexico are women, which translates into four million women entrepreneurs. Thus, female entrepreneurship is a phenomenon that is growing steadily in Latin America. However, the reality shows that there are still pending challenges among the main limitations faced by female entrepreneurs. Also, weak public policies on entrepreneurship and female entrepreneurship models involve only small companies, there is also a need for training in entrepreneurship focused on women. Finally, we carry out some preliminary examinations to assess multicollinearity. For this reason, we use the variance inflation factor test (VIF) in Stata 15 (Table 5). The results of VIF show that all values are less than 10, and we consider as a linear combination of other independent variables. So, the results show that multicollinearity is not a significant concern because the VIF values do not exceed the threshold (Das, 2019).

**Table 4.**  
Correlation matrix

Variables	No. of inv.	No. of fem. inv.	No. of mal. inv.	Average inv.	Camp. days	Firm age	Advisor	Financial info.	Urban area	All female	All male	Fund. goal	Min. inv.	Max. inv.
No. of inv.	1													
No. of fem. inv.	0.5929	1												
No. of mal. inv.	0.9864	0.4678	1											
Average inv.	0.1831	0.0386	0.1951	1										
Camp. days	0.3361	0.0181	0.3743	0.1104	1									
Firm age	0.2654	0.0959	0.2699	0.1451	0.241	1								
Advisor	0.3168	0.0944	0.3332	0.3426	0.6244	0.2431	1							
Financial info.	0.3011	0.2069	0.3058	0.012	0.4893	0.1829	0.2908	1						
Urban area	0.0127	0.045	0.0037	0.0039	0.1013	0.0752	0.1428	0.073	1					
All female	-0.1584	0.007	-0.1749	-0.1058	-0.1057	-0.0605	-0.108	-0.1722	0.0825	1				
All male	0.1584	-0.007	0.1749	0.1058	0.1057	0.0605	0.108	0.1722	-0.0825	-1	1			
Fund. goal	0.4419	0.1611	0.4559	0.6869	0.0848	0.2382	0.3005	0.07	0.0333	-0.1221	0.1221	1		
Min. inv.	0.2332	0.3462	0.1942	0.0635	-0.0654	0.0161	0.0564	0.0102	0.0696	-0.0419	0.0419	0.125	1	
Max. inv.	0.2337	0.0692	0.2274	0.6177	-0.1485	0.1495	0.1191	-0.1208	-0.0533	-0.1109	0.1109	0.7703	0.0398	1
Industry	-0.0963	0.0019	-0.0949	-0.1028	0.0747	-0.3193	0.0716	0.1874	-0.0012	-0.1729	0.1729	-0.1957	-0.1	-0.1906
Brazil	0.3775	-0.0248	0.4118	0.1248	0.9095	0.2196	0.5407	0.3516	0.0444	-0.1162	0.1162	0.0896	0.0737	-0.0629
Chile	0.2252	0.2814	0.1987	0.4168	-0.2733	0.205	0.1146	-0.0364	0.0959	-0.1135	0.1135	0.5009	0.33	0.6867
Mexico	-0.5103	-0.2152	-0.5173	-0.4563	-0.5442	-0.359	-0.5563	-0.2685	-0.1183	0.1941	-0.1941	-0.497	-0.2146	-0.5234
LinkedIn	0.3171	0.2095	0.3154	0.2396	0.2807	0.2359	0.3318	0.1496	0.1906	-0.1032	0.1032	0.3032	0.1008	0.2068
Facebook	0.0495	0.065	0.0507	0.0684	0.1617	0.194	0.2279	0.0546	-0.0191	0.0031	-0.0031	0.1313	0.0514	0.1037
Twitter	0.1578	0.1512	0.1489	0.2497	0.141	0.0391	0.0401	0.1184	0.092	-0.0559	0.0559	0.2853	0.1967	0.1707
Video	0.0848	0.1119	0.0719	0.0662	-0.0603	-0.0067	0.0829	0.023	0.0938	-0.2335	0.2335	0.0309	0.0304	0.0787
Fem-male ratio	-0.092	0.465	-0.1868	-0.0319	-0.1528	0.0077	-0.0877	-0.1038	0.0341	0.3147	-0.3147	-0.0849	-0.1132	-0.0433
Equity offered	0.0482	0.038	0.0385	-0.049	-0.1485	-0.0647	-0.1511	-0.1456	-0.0189	-0.0185	0.0185	0.0719	-0.0671	0.248

(continued)

Variables	Industry	Brazil	Chile	Mexico	LinkedIn	Facebook	Twitter	Video	Fem-male ratio	Equity offered
No. of inv.										
No. of fem. inv.										
No. of mal. inv.										
Average inv.										
Camp. days										
Firm age										
Advisor										
Financial info.										
Urban area										
All female										
All male										
Fund. goal										
Min. inv.										
Max. inv.										
Industry	1									
Brazil	-0.0281	1								
Chile	-0.0965	-0.5984	1							
Mexico	0.105	0.2659	0.2317	1						
LinkedIn	-0.1728	0.1202	0.1269	-0.4209	1					
Facebook	-0.083	0.1202	0.1269	-0.2089	0.2498	1				
Twitter	-0.0386	0.0906	0.2248	-0.266	0.1112	0.1713	1			
Video	0.1004	-0.0372	0.0871	-0.0416	0.0198	0.0721	0.0414	1		
Fem-male ratio	0.0282	-0.1887	0.1166	0.0626	0.0415	0.0987	-0.0071	0.0897	1	
Equity offered	-0.0694	-0.1068	0.1049	0.0028	-0.0231	-0.2157	-0.1094	-0.1082	-0.0265	1

Table 4.

EBR 34,3	Variables	VIF
	Average investment	2.09
	Campaign days	4.95
	Firm age	1.27
	Advisor	2.33
	Financial information	1.52
	Urban area	1.67
	All female	1.27
	All male	1.28
	Both	1.25
	Fundraising goal	3.73
	Minimum investment	4.38
	Maximum investment	4.67
	Industry	3.22
	Brazil	4.54
	Chile	4.91
	Mexico	5.66
	LinkedIn	1.36
	Facebook	1.17
	Twitter	1.31
	Video	1.17
	Equity offered (%)	2.34
	Fem-male ratio	1.26
	<b>Note:</b> Mean VIF 2.61	

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**Table 5.**  
Multicollinearity tests

#### 4. Results

Table 6 shows the results of independent variables coefficients by using the Poisson regression. To check that the model we have assumed is correctly specified, we ran the deviance goodness-of-fit test as well as the Pearson's chi-squared test as a post estimation command. These tests allow us to verify the goodness-of-fit of the Poisson model and the significant interaction between variables (Greenwood and Nikulin, 1996). The post estimation results are significant and confirm that there is significant interaction between variables (Stata 13 Base Reference Manual). The first hypothesis predicts that the investment evaluation across different gender groups of investors is influenced by the gender of the entrepreneurial team of the firm asking for equity crowdfunding financing.

The results indicate the gender of the entrepreneurial team is significantly related to the investment evaluation across different gender groups of investors. Specifically, results show that all-female teams (i.e. teams of individuals that are all women or a single female entrepreneur) are significantly more likely to receive investments from female investors than from male and mixed investors (number of female investors,  $b = 0.44, p < 0.05$ ). At the same time, all-male teams (i.e. teams of individuals that are all men or a single male entrepreneur) are significantly more likely to receive investments from male and mixed investors than from female investors (number of male investors,  $b = 1.08, p < 0.1$ ). Finally, results also show that male investors invest more in mixed teams (with at least a woman) compared to female investors. The findings confirm previous results in the literature showing that there is gender bias in equity crowdfunding financing and that investors prefer to invest in entrepreneurs who are similar to themselves, especially if they perceive discrimination against their type (Vismara *et al.*, 2017; McGuire, 2020).

Variables	Model 1	Model 2	Model 3
	No. of investors Coef. (Sth. err)	No. of female investors Coef. (Sth. err)	No. of male investors Coef. (Sth. err)
Average investment	-0.01** (0.01)	-0.01** (0.01)	-0.01** (0.05)
Campaign days	0.01** (0.01)	-0.01** (0.01)	-0.01** (0.01)
Firm age	0.02* (0.01)	0.07* (0.02)	0.03* (0.01)
Advisor	0.61** (0.05)	0.54* (0.15)	0.01 (0.05)
Financial information	0.45** (0.04)	0.84** (0.27)	0.41** (0.04)
Urban area	-0.23** (0.05)	-0.47** (0.19)	-0.26** (0.06)
All female	0.37 (0.27)	0.44* (0.41)	0.43 (0.31)
All male	0.87** (0.19)	0.34** (0.29)	1.08** (0.21)
Both	1.06** (0.19)	0.68* (0.43)	1.14** (0.22)
Fundraising goal	0.01** (0.01)	0.01* (0.01)	0.01** (0.01)
Minimum investment	-0.01** (0.01)	-0.01** (0.01)	-0.01** (0.01)
Maximum investment	0.01** (0.01)	0.01* (0.01)	0.01** (0.01)
Industry	0.02 (0.04)	-0.15 (0.38)	0.04 (0.05)
Brazil	1.25** (0.09)	0.68** (0.36)	1.18** (0.1)
Chile	0.77** (0.07)	0.67** (0.19)	0.81** (0.08)
Mexico	0.09** (0.05)	0.02* (0.01)	0.12** (0.07)
LinkedIn	0.01** (0.01)	0.01** (0.01)	0.01** (0.01)
Facebook	0.01 (0.01)	0.01 (0.01)	0.05 (0.01)
Twitter	0.02 (0.01)	0.01 (0.01)	0.02 (0.01)
Video	0.35** (0.14)	1.29** (0.71)	0.32** (0.14)
Equity offered (%)	0.01** (0.01)	0.02** (0.01)	0.01* (0.01)
Fem-male ratio	-0.17** (0.07)	1.15** (0.13)	-0.67** (0.09)
_cons	3.13** (2.55)	1.40** (1.34)	1.21** (0.02)
Specification	Poisson	Poisson	Poisson
Deviance goodness-of-fit	298.14	308.22	228.34
Prob > $\chi^2$	0.72	0.61	0.69
Pearson goodness-of-fit	312.54	327.87	242.31
Prob > $\chi^2$	0.73	0.62	0.69
LR $\chi^2$	261.45	283.59	190.52
Prob > $\chi^2$	0.00	0.00	0.00

**Notes:** (\*) Significant at the  $p < 0.05$ , (\*\*) Significant at the  $p < 0.1$ , Obs: 492

**Table 6.**  
Results of independent's variables coefficients by using the Poisson regression

The second hypothesis predicts that the gender of investors affects the extent to which they choose risky projects in equity crowdfunding. Following [Mohammadi and Shafi \(2018\)](#), we use the following risk proxies: the firm age at the time of the crowdfunding campaign, the percentage of equity offered to investors and the industry in which firms operate by distinguishing the firms operating in the technology industry from those operating in all other sectors. The coefficients of the variables relating to investors are positive and statistically significant ( $p < 0.05$ ), suggesting that both female and male investors are more likely to invest in older firms. In terms of magnitude, female investors, compared with male investors, are associated with firms that are, on average older (0.07). These results can be explained by the fact that equity crowdfunding is still a relatively new financing tool in Latin America, and the lack of appropriate regulations creates an unpredictable environment and a state of uncertainty that discourages investors ([Ziegler et al., 2019](#)). In addition, due to the cultural considerations and “machista” attitudes (i.e. attitudinal beliefs that consider it appropriate for women to remain in traditional roles, and thus encourages



male dominance over women), female investors tend to be less confident and more risk-averse than their male counterparts (Messina and Silva, 2021). Regarding the percentage of equity offered, results reveal that regardless of gender, investors are all more likely to invest in firms with a higher equity offering ( $p < 0.05$  and  $p < 0.01$ ). The coefficient implies that female investors, compared with male investors, are associated with firms that, on average, offer 0.02% more equity. These results are not fully in line with the literature (Ahlers *et al.*, 2015; Vismara, 2016; Ralcheva and Roosenboom, 2019), according to which larger percentages of equity offered are negatively associated with crowdfunding investments. However, this may be due to the fact that in Latin America platforms may set a minimum percentage of equity that companies must offer to investors. The Chilean platform Broota, for example, establishes that companies must offer at least 30% of their equity up to a maximum of 50%. We do not find statistically significant empirical evidence that the industry in which the firm operates influences investors. Altogether, these results provide supporting evidence in favour of our second hypothesis.

Regarding the control variables, we report that female investments increase when firms have advisors onboard ( $b = 0.54$ ,  $p < 0.05$ ). One main reason for this is that in informal funding contexts characterised by severe information asymmetry such as equity crowdfunding, the presence of professional advisors offering consulting services to the team can increase the level of investor confidence (Ralcheva and Roosenboom, 2016). In equity crowdfunding, capital is raised from a crowd of inexperienced investors who are, in most cases, unable to evaluate the potential risks and benefits of an investment opportunity. Thus, according to the signalling theory (Ahlers *et al.*, 2015), the presence of an advisor may signal the trustworthiness of the entrepreneurial team, thus attracting a greater number of investors. However, the presence of an advisor does not affect the number of male investors. This result can be explained by the fact that men seem to be more aware of crowdfunding in general than women (Groza *et al.*, 2020; Vaznyte *et al.*, 2020). We find that financial information has a positive impact on the investors' number, especially female investors who invest in campaigns with more financial transparency. This suggests that investors, regardless of gender, place greater trust in the financial information provided by the company. As stated by Lukkarinen *et al.* (2016), the availability of income statement data and forecasts may be considered a sign of credibility and capability. Conversely, the absence of financial information may be considered dubious or unprofessional by investors. A large number of founders' LinkedIn connections and a higher number of video's visualisation are consistently associated with a large number of female and male investors. This lends support to Mollick (2014) argument about signalling the quality of the project and the commitment of its proponents through the inclusion of a video used to promote the campaign. We do not find statistical support for the average number of founders' Facebook and Twitter followers. Our findings also show that the fundraising goal affect campaigns' capacity to raise higher amounts of funds by female and male investors. As Lukkarinen *et al.* (2016), we find that the fundraising goal is positively associated with the number of investors. While in reward-based crowdfunding, higher funding targets can negatively impact investors (Mollick, 2014; Zheng *et al.*, 2014), in equity-based crowdfunding, investors may be interested in campaigns with higher funding targets. Indeed, according to Lukkarinen *et al.* (2016), larger target sums may signal to investors the company's willingness to take more substantial measures for growth and value enhancement. At the country level, the results show that all countries are positive and statistically significant related to the number of investors. In all countries analysed, equity crowdfunding campaigns are more likely to attract male investors than female investors ( $p < 0.1$ ). This

reflects the male dominance among investors and the consequently limited participation of women involved in making investments (Greene *et al.*, 2001).

Due to the lower concentration of potential investors, firms located in medium-sized and small urban areas are less effective in attracting investors than those located in large metropolitan areas. Results also show that longer campaigns (in days) attract a large number of female investors. Conversely, campaigns of shorter duration attract a large number of male investors. It can be inferred that female investors are more likely to follow other investors' decisions because of the risk aversion and the potential circulation of investment information (Mohammadi and Shafi, 2018).

As the number of (female and male) investors increase, the average investment per campaign decreases. The minimum and maximum investment have a significant impact on the dependent variables. The results show that increasing the minimum investment amount by regulators can reduce the number of investors. Conversely, increasing the maximum investment amount can increase the number of investors. The results show that the female-male ratio used as a control variable confirms the gender variables' results by having a positive and significant correlation against to the number of female investors and negative impact on the number of male investors and the number of investors in total. These results show that female investors in the studies countries are less involved in investment opportunities; it means that women are 67% less likely than men.

## 5. Discussion and conclusions

The inadequacy of early-stage finance represents a major constraint for female entrepreneurship in Latin America (Battaglia *et al.*, 2021; Terjesen and Lloyd, 2015). Female investment activities are essential for the economic growth of Latin American countries (Terjesen and Amorós, 2010). Equity crowdfunding can generate great opportunities by allowing female investors to enter the financial markets and, consequently, increasing the likelihood that female-founded firms received funding (McGuire, 2020). In this study, we set out to investigate gender-related differences in the behaviour of investors in firms seeking equity financing through online platforms in Latin America. Firstly, this study contributes to the literature by examining the existence of homophily in terms of gender between investors and entrepreneurs in Latin American equity crowdfunding campaigns. Grounding in homophily theory (Reuf *et al.*, 2003), our results suggest that the probability that an investor finances a firm is based on gender bias and stereotypes about the entrepreneurial team. Indeed, investors prefer firms led by entrepreneurs that are similar to them in terms of gender (number of female investors,  $b = 0.44$ ,  $p < 0.05$ ; number of male investors,  $b = 1.08$ ,  $p < 0.1$ ). Our results also add to the open debate in the literature on the gender gap in entrepreneurial finance in Latin American economies. Although there is a growing consensus on gender-based differential treatment in external financing to the detriment of female entrepreneurs [5], this study is the first to estimate gender differences in equity crowdfunding financing. According to our results, equity crowdfunding represents an opportunity for Latin American female entrepreneurs to raise a higher amount of early-stage financing. Equity crowdfunding increases financing to female entrepreneurs by enabling additional female investors to enter the market. An increased number of female investors in the market have a greater benefit for female entrepreneurs, as female investors are more likely to invest in female-led businesses. Secondly, this paper explores whether the gender of investors affects the extent to which they choose risky projects in equity crowdfunding. We find that both female and male investors are risk-averse and are more likely to invest in the equity of firms that are older and offer a higher percentage of equity. This is probably due to the recent introduction of equity crowdfunding in Latin America and the lack of appropriate

regulations, which creates an unpredictable environment and a state of uncertainty among investors. However, we find that female investors are associated with firms that are on average older and offer 0.02% more equity. We do not find statistically significant empirical evidence that the industry in which the firm operates influences investors' decisions. These results contribute to the literature exploring risk-related gender differences in investors' behaviour in equity crowdfunding [6] by analysing, for the first time, the Latin American market. Our results provide some preliminary theoretical and practical insights for managers of crowdfunding platforms and policymakers. Crowdfunding platform managers should encourage companies to provide more (financial and non-financial) information to reduce information asymmetries and attract more (female and male) investors. For example, platforms could increase investor confidence by hiring external advisors who offer consulting services to firms. Furthermore, crowdfunding platform managers should consider more women-owned businesses when selecting their target companies and create a network of female advisors to support other female entrepreneurs with access to capital, coaching and connections. Some US internet platforms (i.e. IFundWomen and Kiva) have already successfully developed programmes aimed at financing exclusively women-led businesses through online fundraising. These programmes may serve as a good example for countries wishing to encourage women-led business. A second implication emerges from this study. The crowdfunding market needs tailored regulations to reach the maximum of its potential (Hornuf and Schwiendbacher, 2018). Therefore, Latin American policymakers should develop forward-thinking regulations that can support crowdfunding while providing the right level of protection for investors. According to Ziegler *et al.* (2019), the more investors and platforms perceive that the crowdfunding regulatory framework in force in their countries is adequate, the more likely these countries are to exhibit higher crowdfunding volumes per capita, as well as a larger share of business funding. Moreover, Latin American policymakers have the power to stimulate investment in female-led firms by implementing measures designed, on the demand-side, to promote greater use of equity crowdfunding among female entrepreneurs and, on the supply-side, to decrease barriers hindering women's access to investment. Finally, our results have implications for scholarly research. While past research in the equity crowdfunding context have focussed heavily on European countries and the USA (Mohammadi and Shafi, 2018; McGuire, 2020), the new wave of crowdfunding in the LAC region will likely have an impact on its study. For researchers, this will allow a better understanding of the equity crowdfunding phenomenon in Latin American countries, as well as in other emerging economies. In addition, we observed that gender is embedded in the investment process and that investors prefer firms led by entrepreneurs of their same gender. Since investors in the Latin American equity crowdfunding segment are predominantly men (Ziegler *et al.*, 2019), over time, this gender bias could pose a threat on the growth of female-led businesses. This raises the question that if women entrepreneurs shift the source of capital to equity crowdfunding, will they face a higher rate of failure than men entrepreneurs? Future studies could analyse the rationales for this investment bias by highlighting possible differences between male- and female-led businesses.

## 6. Limitations and future directions

Although our study is unique in its proposition and data usage, there are limitations that should be addressed to provide possible directions for future research. Firstly, according to our data, 70% of the observations come from Mexico, some of the variables could be "over-represented" or "under-represented" in the sample. Thus, the results require careful interpretation and further validation outside of this context. Future studies could expand the

experimental setting of our study by including other factors, such as the socio-economic-cultural context, and investigate whether our results continue to hold in different contexts, particularly in emerging funding contexts. Furthermore, researchers' energies should be devoted to pragmatic, pressing issues. For example, Latin American countries, like the rest of the world, are experiencing the socio-economic crisis due to the COVID-19 pandemic. Future researchers could investigate how the COVID-19 crisis impacts investment in the equity crowdfunding sector, and what role equity crowdfunding platforms can play in rebuilding after this crisis.

After the COVID-19 pandemic struck the world in the first quarter of 2020, its unprecedented effects – whose extent is still unknown – have disrupted the global business environment, especially in the least developed countries. The complexities that arose from closed borders and the lockdowns imposed to contain the spread of the virus have had serious effects on women entrepreneurs in Latin America, who before the pandemic represented 45% of business owners, the second-highest female ownership rate in the world (International Finance Corporation, 2019). According to the Inter-American Development Bank, due to the COVID-19 pandemic, 8 out of 10 entrepreneurial ventures – many of them women-led – will be strongly affected by the coronavirus-induced economic recession. In such challenging times, access to digital technologies enabled commercial and social services to continue to be produced and consumed at home, as well as education and health care to continue to be provided remotely. Telework allowed firms to reduce the risk of losing productivity and to continue earning incomes even during the lockdown. However, while the pandemic-driven rapid migration to digital technologies has brought new tools and opportunities for the LAC region to cope with the coronavirus crisis, it has also exacerbated existing gender inequalities, revealing that women entrepreneurs are still far behind in terms of connectivity and digitisation (Cepal, 2020). Indeed, as COVID-19 increased entrepreneurs' reliance on digital tools, the gap between women and men's access to and use of ICTs has grown. Given the potential role of women in Latin American economies, it is important to ensure that the rates of female ownership and investment in female-led companies do not decline in the post-COVID economy. To this end, innovative approaches are required to quickly address today's challenges faced by women entrepreneurs in LAC countries and help them develop the digital skills needed to enjoy the benefits of digitalisation.

## Notes

1. Homophily can be defined as the tendency to form strong social connections with people who share similar characteristics, such as age, gender and ethnicity (Reuf *et al.*, 2003).
2. The list of Mexican equity-based platforms is from the website of the Mexican Association of Crowdfunding Platforms (AFICO – Asociación de plataformas de fondeo colectivo) website and it refers to the members' list (available at: [www.afico.org/](http://www.afico.org/)). The list of Chilean platforms is from the website of the Association of FinTech Companies of Chile (FinteChile – Asociación Fintech de Chile) (available at: [www.fintechile.org/](http://www.fintechile.org/)). The Brazilian platforms list has been built up based on the record provided by the report "2017 The Americas Alternative Finance Industry Report" (Ziegler *et al.*, 2019) carried out by the Cambridge centre of alternative finance, the Polsky Center for Entrepreneurship and Innovation and the University of Chicago Booth School of Business. Since the list provided by this report includes all the typologies of crowdfunding, platforms have been double-checked on the Web and only the equity-based ones have been selected.
3. For the industry, we use the Global Industry Classification System.
4. We use the four classes of functional urban areas, identified by the Organisation for Economic Co-operation and Development, to distinguish between large metropolitan areas (i.e. areas with

population above 1.5 million), metropolitan areas (i.e. areas with population between 500,000 and 1.5 million) and medium-sized and small urban areas (i.e. areas with population, respectively, between 200,000 and 500,000 and 50,000 and 200,000).

5. Amorós and Pizarro (2007), Allen *et al.* (2008) and Terjesen and Lloyd (2015).
6. Mohammadi and Shafi (2018) and Hervé *et al.* (2019).

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### Further reading

StataCorp (2013), *Stata 13 Base Reference Manual*, Stata Press, College Station, TX.

Platform	City	Foundation year	Status	Total no. of projects	
	Brazil				<b>Table A1.</b> Equity-based crowdfunding platforms by country, foundation year, current state (active/inactive) and the total number of projects
Broota.br (currently Kria)	São Paulo	2014	Active	59	
Eqseed	Rio de Janeiro	2014	Active	12	
Eusocio	Rio de Janeiro	2013	Active	6	
Startmeup	São Paulo	2015	Active	11	
	Chile				
<a href="#">Broota.com</a>	Santiago	2013	Active	60	
	Mexico				
<a href="#">Crowdfunder.mx</a>	Mexico City	2015	Inactive	18	
PlayBusiness	Mexico City	2014	Active	326	

**Corresponding author**

Antonella Francesca Francesca Cicchiello can be contacted at: [antonella.cicchiello@unicatt.it](mailto:antonella.cicchiello@unicatt.it)

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