

Challenges and opportunities of women in entrepreneurship

Citation for published version (APA):

Theunissen, P. L. H. M. (2022). *Challenges and opportunities of women in entrepreneurship: Essays on motherhood and access to finance*. [Doctoral Thesis, Maastricht University]. Ridderprint. <https://doi.org/10.26481/dis.20220405pt>

Document status and date:

Published: 01/01/2022

DOI:

[10.26481/dis.20220405pt](https://doi.org/10.26481/dis.20220405pt)

Document Version:

Publisher's PDF, also known as Version of record

Please check the document version of this publication:

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
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Chapter 6

Research Impact

Entrepreneurs and self-employed individuals are the main drivers of economic growth and prosperity both in developed and developing countries. They do so by fostering job creation and innovation, by challenging the status quo of established industries, and by increasing the competitiveness within business ecosystems. In many countries, solutions to current societal challenges like climate change, the use and allocation of scarce natural resources, and improved social cohesion come from entrepreneurial firms. Yet, compared to men, women are still underrepresented as entrepreneurs and this has dire consequences for society at large: a deficit in entrepreneurial ventures means missed opportunities for growth, development and modernization. Governments increasingly recognize the need to encourage more women to start their business, and pathways to promote and facilitate female entrepreneurship are at the center of numerous government initiatives. Policymakers have recognized several hurdles and challenges that are particularly challenging to women in the early stages of business ventures. The three empirical studies in this thesis focus on two major challenges as set out by the European Commission: access to finance, and reconciling business and family concerns.

The first study evaluates the consequences of changes in parental leave policies on mothers' decision to become self-employed. Many western societies offer mothers the possibility to take parental leave after childbirth and this period of paid time-off from employment makes it easier for women to combine motherhood with a professional career. My study shows that contractionary policies that reduce the generosity of parental leave will deter mothers from becoming self-employed. The findings show that this effect is not driven by a reduction in the level of cash benefits but by the reduction in the length of the parental leave period, hinting that mothers use the paid time off from parental leave to incubate their business idea.

The second study examines whether female entrepreneurs benefit from increased access to finance when requesting a business loan through crowdfunding. Access to finance is especially challenging for women as they face more stringent loan conditions than their male counterparts in traditional loan markets. I find that female entrepreneurs enjoy faster campaign completion times compared to male entrepreneurs when requesting a business loan through a crowdfunding platform. This effect comes from the herding behavior exhibited by investors, who - when faced with uncertainty - tend to mimic the behavior of fellow fund providers. In such a situation, it is the *wisdom of the crowd* that comes to the rescue and reduces the perceived level of asymmetric information present in the loan market. This finding calls into question the methods used to assess loan applications in traditional loan markets, where women potentially face discrimination.

The third study looks at the labor market consequences of self-employment during early childhood years. My findings suggest that the labor market does not reward self-employment experience in terms of increased hourly wage upon return into wage employment, once the child reaches school age. If the labor market experience acquired during the time spent in self-employment is not rewarded by employers, these mothers might be better off in other occupations during the early childhood years when they cannot continue their employment in their current job. However, my results also indicate that mothers who decide to be self-employed, even for a very short period of time, demonstrate a greater labor market attachment compared to wage employed mothers. In this respect, self-employment experience may increase the opportunities offered to mothers in the labor market once the children reach school age.

Altogether, the studies contained in my thesis "*Challenges and opportunities of women in entrepreneurship*" offer new perspectives for the research on female entrepreneurship and identify potential opportunities available to women in entrepreneurship. The findings of my studies are relevant for various target groups: (prospective) female entrepreneurs, policy makers, researchers and investors. For female entrepreneurs and women aspiring to start their own business the results of my thesis are relevant by showing the potential of crowdfunding and several consequences of starting a business after childbirth. Additionally, I highlight the presence of a large group of potential entrepreneurs often overlooked by policymakers: mothers, and I help these policy makers by more profoundly considering the intended and non-intended consequences of policy decisions on parental leave. To researchers, I identify possible gaps in the entrepreneurial (finance) landscape, and show amongst others the relevance to consider the impact of short periods of self-employment experience after childbirth. To

investors, I demonstrate that alternative sources of finance such as crowdfunding are particularly attractive when females seek to obtain a business loan.

In order to reach out to the relevant target groups, the three empirical studies included in this thesis have been presented at several international conferences.¹ Chapter 2 is available as ROA Research memorandum paper series 2018/6, and is currently under review in *the Small Business Economics Journal*. Chapters 3 and 4 are also being prepared for submission to a journal.

¹ Amongst others, Chapter 2 was presented at the European Academy of Management Conference (EURAM 2018), the European Association of Labour Economists Conference (EALE 2018), and the Asian and Australasian Society of Labour Economics (AASLE 2019). Chapter 3 was presented at the Research in Behavioural Finance Conference (RBFC 2018), The Scottish Economic Society Conference (2019), and the Research in Entrepreneurship Conference (RENT 2020). Furthermore, this chapter was accepted for the European Academy of Management Conference (EURAM 2020), unfortunately, this participation was cancelled due to the Covid pandemic. Chapter 4 is accepted for presentation at the Research in Entrepreneurship Conference (RENT 2021).