Faculti Summary

The paper builds on previous research by Professors Mark Carlin and Sue Marlow, examining gender differences in financing activities and outcomes for UK small businesses, especially during the financial crisis. It challenges the notion of gender discrimination in lending, revealing that female entrepreneurs often have lower demand for finance but may receive equal or sometimes better financing outcomes than their male counterparts, particularly in adverse economic conditions. This video video phenomenon is attributed to the perception of female entrepreneurs as more risk-averse, which lenders may favor.

The current paper seeks to explore the mechanisms behind these findings, including how deviations from gender stereotypes affect financing outcomes. It focuses on the overconfidence levels of female entrepreneurs and examines how this trait influences their financing requests and outcomes. Despite women being generally risk-averse, overconfident female entrepreneurs may take on riskier financial options compared to their male counterparts.

On the demand side, the study finds that while female entrepreneurs still prefer internal finance, overconfident women exhibit a tendency towards riskier, longer-term financing options. On the supply side, lenders show a preference for moderate overconfidence; however, excessive overconfidence in female entrepreneurs can lead to lower chances of loan approval due to perceived risk-taking.

The research utilizes data from a UK SME Finance Monitor, analyzing firm characteristics and financing outcomes related to overconfidence. It concludes that there is no inherent gender discrimination in lending, but deviations from gender norms can affect the approval process disproportionately for women. This video video highlights the need for lenders to balance the use of hard and soft information in their decision-making processes to avoid misjudging borrowers based on gender stereotypes.