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Gender Bias in Venture Capital Funding for Startups in Germany

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List of Abbreviations

VC	Venture capital
SME	Small and medium enterprise
IPO	Initial public offering
R&D	Research and development
GDP	Gross domestic product
GEM	Global Entrepreneurship Monitor

1 Introduction

Although female entrepreneurship has grown significantly in the past two decades, substantial disparities between male and female founded startups persist across the globe. In Germany, women accounted for only 19% of all startup founders in 2024, despite a recent recovery in industry growth following a period of stagnation (Hirschfeld et al., 2025). Female entrepreneurs hold great potential to contribute to the economic growth within the startup ecosystem by creating employment opportunities and fostering innovation, as founder heterogeneity is associated with greater diversity of ideas (Koch et al., 2025). Even though, startups represent a relatively recent organizational phenomenon, they have already proven to be important catalyzers for growth, innovation and technological advancement in the economy (Silva et al., 2021; Metrick & Yasuda, 2021; Nosella et al., 2025). The rapid rise of German startups such as Flink and Razor, both of which reached valuations of $1 billion within their first twelve months of operation, illustrate the exponential growth potential of young, innovative companies (Crunchbase, 2025). Germany's startup ecosystem has attracted considerable public attention due to its favorable promotion system, which consists of public support programs, funding initiatives, a well-developed infrastructure and the availability of both private and public venture capital (Grote, 2020; Täube et al., 2025; Federal Ministry for Economic Affairs and Energy, 2017).

Venture capital (VC) plays a particularly crucial role in mobilizing innovation and scaling high-growth startups. Research shows that venture-backed firms tend to grow faster and exhibit higher levels of innovation, benefiting not only from financial capital but also from investors' expertise, network, and guidance (Peneder, 2010; Petreski, 2006; Gompers & Lerner, 2001). The economic relevance of venture capital is further highlighted by the fact that, as of May 2020, seven of the eight largest companies worldwide by market capitalization had previously received venture capital funding, including Apple, Amazon, Facebook, and Microsoft in the United States, as well as Alibaba in China (Lerner & Nanda, 2020). Despite the importance of venture capital, access to this form of financing remains highly unequal. In 2024, only 1% of the total venture capital funding in Germany was allocated to startups with exclusively female founding teams. This amounts to €43 million and represents a decline of 58% compared to 2023 (EY, 2025). In contrast, male-founded startups received €6.2 billion in equity capital, reflecting an increase of 25% compared to 2023. These figures reveal a pronounced gender gap in venture capital financing within the German startup ecosystem.

Existing research on female entrepreneurship has primarily focused on investigating general barriers, examining differences between male and female entrepreneurs, and studying motivations for venture creating. However, comparatively little attention has been devoted to systematically investigating women's access to financing options, including venture capital funding. Considering the critical importance of financial resources and especially venture capital for the growth and success of new ventures, this literature gap is problematic. Moreover, the mechanisms influencing women's ability to secure equity funding remain insufficiently understood. Germany offers a relevant geographical context for this thesis, as high-income countries exhibit lower levels of gender-based financing discrimination due to highly regulated financial markets, which can reduce the influence of confounding factors (Bosma et al., 2021).

The purpose of this thesis is to address this research gap by providing a comprehensive analysis of the subject. This thesis employs a mixed methods approach, combining qualitative and quantitative components by integrating descriptive empirics within an analytical framework that provides context for interpretation. Specifically, this study aims at examining the impact of founder gender on venture capital access and to investigate factors that may explain observed differences. Based on the findings, this research seeks to offer recommendations for relevant stakeholders.

Accordingly, the study's objective is to answer the following research questions:

> **RQ1:** How does gender impact the access to venture capital funding for startups in Germany?
>
> **RQ2:** Which factors contribute to disparities in venture capital funding access for female founders in Germany?
>
> **RQ3:** Which measures can stakeholders in the German startup ecosystem implement in order to reduce gender-based barriers in venture capital funding?

This thesis is structured into seven chapters. Following the introduction, Chapter 2 presents the theoretical foundations, including definitions of key concepts and an overview of the German venture capital market. This chapter provides the conceptual framework necessary for interpreting the analysis conducted in Chapter 4. Consequently, Chapter 3 outlines the methodology applied in this study. Chapter 4 examines the factors contributing to funding barriers, which are categorized into sociological and structural dimensions. The analysis integrates insights from existing literature with available empirical evidence. Chapter 5 discusses the key findings of the study and outlines their implications for relevant stakeholders, while Chapter 6 addresses the limitations of the research and offers recommendations for future studies. The thesis concludes with a summary of the main findings and contributions.

2 Theoretical foundations

2.1 Definitions

2.1.1 Startup

Startups are a very important catalyzer for innovation, growth and technological advancement in the economy (Silva et al., 2021). When it comes to defining startups as a distinctive organizational entity, scholars have identified key characteristics that are differentiating startups from other small and medium enterprises (SMEs).

Historically, startup was a term that referred to "[…] all new economic entities entering the market." (Skala, 2019, p. 2). However, this definition has since been challenged, particularly as the concept became increasingly connected with the information and technology sector, resulting in the emergence of a very specific category of business (Skala, 2019). Startups have traditionally been concentrated in technological industries for several reasons. Firstly, the costs associated with developing software products are lower than those required to establish traditional industrial companies, therefore lowering the barriers for entry (Silva et al., 2021). Secondly, the technology markets offer significant potential for rapid, exponential company growth and the generation of high returns for investors (Metrick & Yasuda, 2021). Although a large proportion of startups are operating within the information and technology sector, startups may also emerge in diverging markets or industries. This illustrates that a startup's industry is neither strictly defined nor fixed, yet there are certain fields that still dominate.

Consequently, many academics emphasize the importance of scalability in the paradigm of startups, defining a venture as the attempt to "[…] search for a repeatable and scalable business model." (Spender et al., 2017, p. 1). Startup business models have attracted considerable public attention due to their disruptive potential, as innovative product concepts and services have fundamentally altered how certain sectors operate (Silva et al., 2021). The high innovation capacity typical for startups originates in the young, dynamic and flexible nature of a venture in the first stages of operation. However, at the same time startups report high failure rates, reflecting the inherent complexity and risk of entrepreneurial ventures facing a high degree of uncertainty (Nosella et al., 2025).

For the purpose of building a theoretical foundation for the following chapters, this research defines a startup as an economic unit that

(1) is in the early phase of its lifetime cycle (0-10 years)

(2) inhibits strong innovation capabilities

(3) adopts disruptive business models or technologies

(4) has the goal to scale fast and attain high returns.

The classification of startups into three maturity stages is commonly accepted in literature and practice. The seed stage refers to the initial phase of venture formation and setting up business operations, followed by the early stage, during which the startup starts operations and enters a crucial time period, during which it strives for commercialization. Finally, the late stage describes a mature startup that has reached profitability and is approaching a potential exit in the near future (Metrick & Yasuda, 2021). This study in particular examines startup in the seed and early stages.

2.1.2 Venture capital funding

Venture capital firms are strongly associated with startups in the mainstream discourse. Accordingly, the following section defines venture capital firms and establishes their main characteristics in order to explain their role in the financing of startups. The distinctive features of startup firms, especially their particular risk return profile, has led to the emergence of VCs within the financial ecosystem (Gompers & Lerner, 2001). In response to the lack of traditional investors in capital markets, VCs created an entirely new market segment and developed into the main source of external equity funding for startups across the globe (Petreski, 2006).

The term venture capital was brought to Germany in the late 1980s from the US, where the industry finds it historical origin (Schefczyk, 2006). Venture capital firms are defined as specialized financial intermediaries that collect funds from institutional investors and inject the capital in young firms with high growth potential. These startups receiving venture capital financing are called portfolio companies (Peneder, 2010). Venture capital funds typically stem from very large institutions such as pension funds, financial firms, insurance companies and university endowments that put a very small portion of their portfolio into high risk investments (Zider, 1998). Usually, VCs hold equity stakes in the firm, while it is still privately held and engage in advisory functions by sitting on the board of directors (Gompers & Lerner, 2001). The challenge and ultimate goal of a VC is to maxize the financial return by exiting investments through an Initial Public Offering (IPO) or sale of the portfolio company (Metrick & Yasuda, 2021). Venture capitalists are required to provide premium returns to their private equity investors in order to compensate them for the high risk business venture and simultaneously provide sufficient return to its own participants (Zider, 1998). VC companies have emerged as a solution for startup funding, since traditional investors such as banks or investment funds are constrained in their ability to invest capital due to the high risk and lack of a hard assets that could function as collateral (Deutsche Bundesbank, 2000). Startups must finance research and development (R&D) cost as well as additional expenditures associated with establishing business operations while being limited by the

small equity market of friends and family and their inability to issue dept (Petreski, 2006). Further, startups require long-term injection of capital, without interest or dividend payments hindering the liquidity of the young venture in a growth phase (Deutsche Bundesbank, 2000).

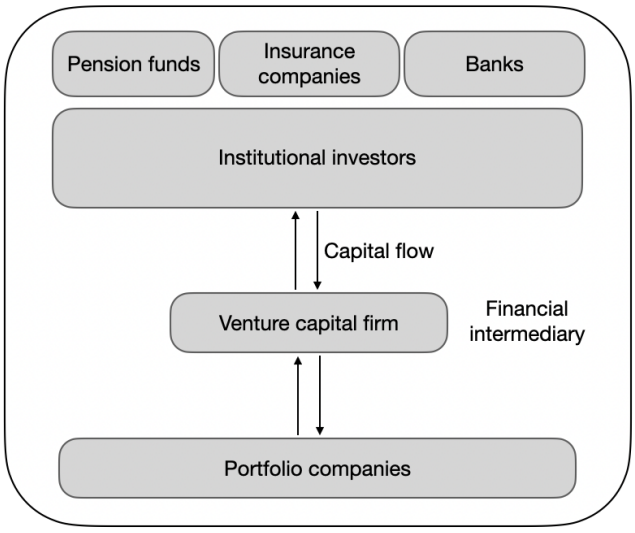

Figure 1: Structure of venture capital funding

Source: Own illustration based on Peneder (2010)

Since risk is playing a determining role in startup financing, it is crucial to consider the high uncertainty environment startups are operating in (Peneder, 2010). Kerr (2014, p. 1) argues that entrepreneurship is to a large extent about experimentation, since it is "[…] virtually impossible to know whether a particular technology or product or business model will be successful, until one has actually invested in it". In venture capital the distribution of returns has a low median value but very high variance, since most new venture fail while very few turn out to be successful (Kerr et al., 2014). Google is an example that illustrates the conditions VCs are dealing with. In 1999, VC firm Sequoia Capital and Kleiner Perkins Caufield & Byers has invested $12.5 million into Google and sold its stake in 2005, when the investment was worth over $4 billion, returning 2320 times the cost (Kerr et al., 2014). At the time of the investment, it is very hard to predict the outcome, signaling the high risk that is characterizing the industry. As VCs invest into multiple ventures, so called portfolio companies, they can significantly reduce the risk of their portfolio through the diversification effect that occurs when you spread your investments into multiple baskets (Deutsche Bundesbank, 2000). This is one of the reasons why VCs traditionally focus on investing in technology startups. They expect these startups to substantially grow within 5-7 years, enabling a successful exit and sufficient financial return to satisfy investors. This exponential growth trajectory is typically unattainable in traditional industries (Metrick & Yasuda, 2021).

To establish a working definition of a venture capital firm, this paper summarizes the preceding findings into four key characteristics that differentiate VCs from other equity investors, such as angels.

Venture capital firms

(1) are specialized financial intermediaries that collect funds from large institutional investors in order to inject the capital into startups.

(2) finance the growth of young, innovative, and unlisted startups, typically in the technology industry by purchasing equity stakes.

(3) engage in advisory functions to monitor the growth of the venture.

(4) aim at maximizing the financial gain by exiting through an IPO or a sale.

In addition to their primary role as financing providers, venture capitalists fulfill other important functions as well. For example, they connect young startups to other crucial agents in the network, making it easier to attract talent and specialists to gain access to expertise and knowledge (Spender et al., 2017). Further, VCs inhibit a crucial signaling function due to their reputation, indicating trustworthiness to other stakeholders including clients, suppliers, or additional investors (Ferrary & Granovetter, 2009). Despite the benefits connected to venture capital, VC funding comes at the cost of relinquishing control rights (Peneder, 2010). Kaplan & Strömberg (2001) have described the principal agent problem between the entrepreneur and the investor. Potential conflict of interests inhibits the possibility for opportunistic behavior. Therefore, VCs hold a special power of codetermination and control of the startup by governing through contractual provisions, such as stock options and structuring financial contracts to allocate cashflow and control rights accordingly (Kaplan & Strömberg, 2001). This illustrates that venture capital is more than merely a source of financing, as it represents a form of partnership with mutual benefits.

There are many ways to classify VCs while literature commonly differentiates loosely between private sector and public sector venture capital firms. Even though, limited partnership is the most common form, the private spectrum also entails banks or incumbent firms setting up venture funds (Luukkonen, 2008). On the other hand, the public sector involving government backed funds leads to different investment incentives and value-added profile of these firms. In conclusion, this study will examine both private and public sector firms since these differences don't affect the outcomes for the research questions.

2.1.3 Gender bias

To study gender bias in this paper, it is essential to arrive at a consistent understanding of its definition. The following subchapter examines the concept of bias and further

investigates the dimension of gender, thereby introducing an interdisciplinary perspective that has been the subject of scholarly debates.

In psychology, bias refers to the systematic error that occurs in individual's decision-making processes. Scholars argue that individuals face countless minor as well as significant decisions daily, whereby bias describes the mental shortcuts used to help make decisions fast. Bias occurs when the brain is in the so called System 1 state, during which it operates fast, automatic and intuitive without effort or voluntary control (Suveren, 2022).

Further, taking the dimension of gender into account requires the examination of the difference between gender and sex. Sex describes the set of biological attributes that includes both physical and physiological features, such as chromosomes, gene expression, hormone levels and reproductive anatomy. Although, typically categorized as female or male, a variation of biological elements defining sex exists as well (Wang, 2024). Gender on the other hand relates to the socially constructed roles, behaviors, expressions and identities of individuals rather than a biological construct (Phillips, 2005). Gender is not binary, but rather fluid with a high diversity of gender identities. This distinction between sex and gender has been criticized by scholars arguing that it disregards the interaction between gender and biology, therefore perpetuating an unrealistic suggestion of choice while social roles are often ascribed to individuals automatically (Phillips, 2005).

However, this distinction supports the explanation of gender bias, as it highlights the socially constructed roles and expectations surrounding gender. Social role theory has been established to emphasize that "[…] the societal origin of gender stereotypes revolves around gender-typical social roles that mirror the sexual division of labor and gender hierarchy of the society." (Doughman et al., 2021, p. 34). The division of labor that is being referred to, entails men fulfilling tasks that require strength and the possibility to be away from home for long periods of time, while women traditionally engaged in tasks involving the household and children (Doughman et al., 2021). Gender stereotypes that emerged as a result, have been previously categorized as descriptive and prescriptive in nature, depicting how women and men are as well as prescribing norms on how they should be (Heilman et al., 2024, p. 167). Stereotypical thinking was found in children as young as three years old, as they are forming belief systems based on messages from families, communities and media around them (Dunham, 2017). These stereotypes link men with traits such as independence, dominance, ambition, success and rationality, whereas women are associated with characteristics such as communal, kind, helpful and benevolent (Doughman et al., 2021).

Taken these considerations into account, gender bias has often been defined as the tendency to prefer one gender over the other, causing unfair treatment or discrimination (Wang, 2024). Others define it as a penalty for norm violations of stereotypes (Heilman et al., 2024).

This paper defines gender bias as the distortion of individuals' perception of men and women that is based on gender stereotypes and manifests itself in gender discrimination. Generically, discrimination is defined as the unequal treatment of similar individuals placed in the same situation but who differ by a certain characteristic such as race, ethnicity, gender, sexual orientation or other (Fibbi et al., 2021, p.13). Consequently, gender bias leads to distorted perceptions of individuals based on gender stereotypes that cause discrimination, penalizing those who deviate from stereotypical gender norms. The following chapters will refer to men and women, treating the intersection between gender and sex as a unit rather than isolated elements. However, this section acknowledges that gender identity and biological sex are far more diverse and fluid than the widely established binary system indicates.

2.2 The market for venture capital in Germany

2.2.1 Economic and political framework

Examining the country specific conditions relevant for the survival, growth and advancement of startups is crucial for the analysis of the current state of the venture capital industry. The following chapter will address economic as well as political factors that characterize the startup ecosystem in Germany. These factors include indicators of the physical infrastructure, macroeconomic stability, access to capital, availability of skilled workers, political stability as well as the ecosystem maturity.

In 2024, Germany reached a gross domestic product (GDP) of €4.3 bn, making it the third largest economy in the world, ranking just after the United States and China (Glunz, 2025). With that it also accounts for 24% of European GDP (Germany Trade & Invest, 2025). The economic success can be largely attributed to big corporations in the core sectors such as automotive, mechanical engineering, and chemicals as well as the well-established small and medium-sized businesses, the so called German Mittelstand (Dörner et al., 2021). These SMEs make 99.2% of all companies and employ 54% of the country's workforce, making it the backbone of the economy and crucial driver of prosperity (Germany Trade & Invest, 2025). Goods from the chemical, automotive as well as machinery and equipment industry are highly demanded worldwide, making Germany a global player in exports (Germany Trade & Invest, 2025). However, Germany's industrialized economy has been facing challenges and periods of stagnation in the last years, experiencing geopolitical turmoil, political instability and high global uncertainty. After Covid, the economy was slow to recover compared to other advanced economies, with the GDP of 2024 reaching only pre-pandemic levels of 2019 (European Commission, 2025). Russia's war against Ukraine threatened the industry-based economy through massively rising energy costs. Luckily, the industry has

been able to mitigate direct energy price shocks quite well due to its profitability and financing as well as temporary government assistance measures (Deutsche Bundesbank, 2023). In the first half of 2025 exports grew strongly as the announcement of US tariffs led to the frontloading of exports to the US (European Commission, 2025). Consumer spending remains low since the pandemic, as illustrated by a high savings ratio of 10.3% in first half of 2025 (Glunz, 2025). Nonetheless, consumption is expected to gradually recover from late 2025 onwards due to higher public spending and lower inflation rates supporting sustainable private consumption growth (European Commission, 2025). In March 2025, Germany adopted a constitutional reform of its national fiscal framework that among other implications includes a new infrastructure fund worth €500 bn that was set outside the scope of the „debt brake“, that intents to finance projects in transport, healthcare, energy, education, research and digitalisation (European Commission, 2025; Federal Ministry of Finance, 2025). Transformation processes such as digitalization and decarbonization will require a large supply of skilled workers, while Germany is currently experiencing a shortage in the workforce due to demographic change. This challenge is being counteracted by employing foreigners (Deutsche Bundesbank, 2023).

Moreover, the country is characterized by a high innovation rate and diverse innovation landscape, having spent €129 bn on research and development in 2023 (Germany Trade & Invest, 2025). The German government shows commitment to the promotion of startups and the establishment of innovative companies in Germany by promoting the entrepreneurship ecosystem. Public support programs such as counselling measures, strategic projects and financing have advanced over the years and differentiated to target individual phases of the startup process, certain regions or sectors (Grote, 2020). The strengths and main advantages of the German ecosystem include the particularly well-developed physical infrastructure, availability of public funding programs and the protection of intellectual property rights (Federal Ministry for Economic Affairs and Energy, 2017). The Global Entrepreneurship Monitor (GEM) assesses twelve different indicators across political, economic, social and cultural dimensions in order to evaluate countries and their entrepreneurial state. The GEM report of 2024/2025 clearly identifies Germany’s biggest potential for improvement in the area of societal norms and values as well as educational training programs in universities (Täube et al., 2025). Germany as a startup economy is characterized by a promotion system made up of public sector measures, private and public venture capital, incubators and accelerators, marker labs and new business centers (Grote, 2020). More than 40,000 new businesses have received support by German innovation centers and have created more than 248,000 jobs (Federal Ministry for Economic Affairs and Energy, 2017). Germany’s startup ecosystem is based on a diversified support infrastructure which is providing

advice, networks and financial resources, built on the country's strengths, traditions, and values.

2.2.2 Quantitative and qualitative indicators of the German startup ecosystem

Deutsche Bank has published recent figures on the state of the startup scene in Germany. In 2025, Germany is accounting for roughly 21.000 startups, having recovered after a phase of stagnation with 746 newly established ventures in Q1 (Walther, 2025). The industry growth rate, measured over a one-year period, reached 28.4% in April 2025 (Startup Blink, 2025). Berlin and Munich remain the main hubs for startups and important centers in the German startup ecosystem and its infrastructure. According to the Startup Monitor 2025 from Startup Verband, 18.8% of the surveyed startups originated in Berlin, while 7.5% were found in Munich (Hirschfeld et al., 2025). Further, universities continue to act as crucial accelerators in the system, as data suggests that in 2023, 3000 new found ventures originated in universities and 87% of all founders have a university degree (Walther, 2025). According to the monitor, the labor force working in startups fell by 16.4% compared to the figures from previous years, which can be attributed to big players in the deliveries field laying off employees in large amounts (Hirschfeld et al., 2025).

According to the Global startup ecosystem index 2025, Germany's startup ecosystem is ranked 7th worldwide, reflecting the public commitment to develop Germany's entrepreneurship culture (Startup Blink, 2025). This dynamic ecosystem is characterized by a high density of unicorns. Germany now accounts for 32 unicorns, as Parloa and Quantum achieve this status in Q2 of 2025 (Germany Trade & Invest, 2025). According to Crunchbase, a startup must reach a valuation over $1 bn in order to be considered as a one (Crunchbase, 2025). Taxfix, Scalable, Razor Group, Omio, Personio, GetYourGuide, N26, Trade Republic, Flixbus and Tier are examples of German unicorns. It takes on average approximately 7 years to built one, while some exceptions such as Gorillas, Flink and Razor reached this status within their first year (Crunchbase, 2025). Germany registered around 40,000 new patent applications in 2023, signalling high potential for innovation (Bundesministerium für Wirtschaft und Energie, 2023). According to the KfW dashboard, software is the most common industry to get funding. 16% of market share is inhibited by enterprise software which is followed by 10% health and fintech, only further highlighting the current trends, such as deep tech and artificial intelligence (Viete, 2025).

Government support is the most common form of financing (50%) followed by angel investors (32%) as well as VCs (19%) (Walther, 2025). The venture capital market in Germany has grown significantly over the past decade going from €2.7 bn invested capital in 2015 to €7.5 bn in 2025. In 2021 the investment volume reached its peak of €14.6 bn due to low interest rates (Hirschfeld et al., 2025). Ever since 2021 the entire industry has been

challenged by increasing inflation, higher interest rates and geopolitical uncertainty, similarly to other markets in the economy. However, it's beginning to stabilize again, reaching €4 bn in the first half of 2025 (Walther, 2025). 208 funding rounds took place in Q2 2025, out of which 98 had a volume of €1 m or more (Germany Trade & Invest, 2025). These positive developments can be attributed largely to foreign investors that are injecting capital into German startups (Germany Trade & Invest, 2025). In 2025, 34 exits have been recorded, notably due to acquisitions and one buyout transaction while the window for IPOs remains closed. As the central bank is reducing interest rates, it is also reducing cost of capital for M&A which is continuing to positively impact exit markets (Viete, 2025).

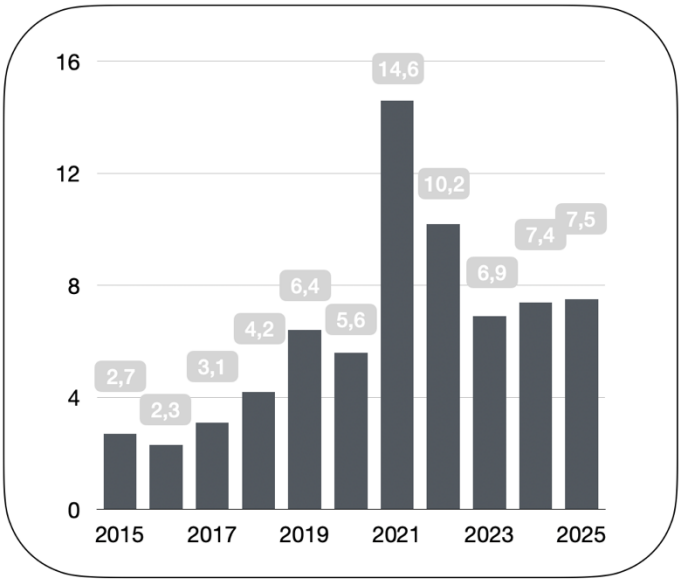

Figure 2: Venture capital funding volume in Germany from 2015-2025 in billion €

Source: Own illustration based on Hirschfeld et al. (2025)

The massive growth of the VC market in the US as well as Europe is crucial evidence for their success. Scholars have found that VC backed firms usually grow faster in terms of employment and sales revenue, while also being more innovative (Peneder, 2010). Further, on the basis of statistical matching procedures, a study investigating the influence of VC financing on the growth and innovation of young German firms found that venture-funded firms have a higher number of patent applications than those in the control group (Engel & Keilbach, 2007).

2.3 The role of gender in venture capital funding

2.3.1 Gender disparities in startup financing

Firstly, it's worth examining the composition of gender in founding teams in Germany. German startup teams are comprised of 64% entirely male teams, 26% mixed gender teams while female only founding teams account for around 10% (Hirschfeld et al., 2025). The Female Founders Monitor 2025 is stating that in 2025, women account for 19% of all startup founders in Germany (Hirschfeld et al., 2025). That represents a 64% increase in female founders, coming from 13% in 2010 to almost 20% (Rudolf Dömötör et al., 2022). This is not unique to Germany, in fact the number hovers around the 20% mark globally (Hirschfeld et al., 2025). Hereby, most of the female entrepreneurs in Germany are founding ventures in AgTech (25%), E-commerce (23%), Education (21.6%) and FoodTech (17.9%) (EY, 2025). This shows that female entrepreneurs are firstly, an underrepresented demographic group in entrepreneurship and secondly, that women tend to start ventures in other industries compared to men, which are usually less profitable. When it comes to the access to funding, data shows that 91% of venture capital volume is allocated towards the funding of startups founded by male teams, while 8% is invested into ventures started by mixed teams and only 1% of the entire funding volume is injected in female founded startups (Hirschfeld et al., 2025). This is a significantly disproportionate allocation of funds, even after taking into account that women belong to an underrepresented group amongst founders.

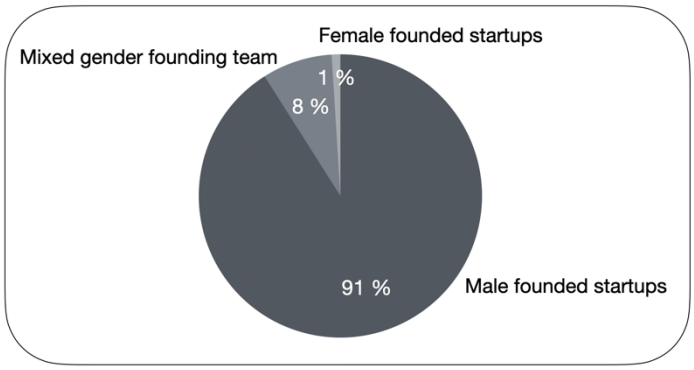

Figure 3: Allocation of venture capital funding by gender in Germany 2024

Source: Own illustration based on Hirschfeld et al. (2025)

The EY Startup Barometer states that in 2024, a total of 702 startups went through successful financing rounds (EY, 2025). Hereby, €6.2 bn in investments went towards male founded startups, a 25% increase from the year before. In comparison, only €43 million were invested into female founded ventures, a decline of 58% compared to 2023 (EY, 2025). This highlights that the investment volume secured by female entrepreneurs is significantly smaller compared to funds raised by male founders.

Additionally, multiple studies using varied approaches, have investigated the impact of the entrepreneur's gender on funding outcomes of startups. A study examined the funding allocation based on the gender composition of founding teams, using a data analysis of over 48,000 companies on Crunchbase. Further, they constructed a machine learning model that is able to predict whether startups will get funding or not. Interestingly, they found out that the CEO's gender is the primary determinant factor in attaining funds, concluding that male CEOs have a higher change of achieving funding (Cassion et al., 2021). A different study investigating the gender distribution of key professionals in over 8000 venture capital funded digital start-ups found that women's participation has a negative relationship with VC funding, making it more difficult to secure equity financing (Schillo & Ebrahimi, 2022).

Despite the fact that this research focuses on woman's access to equity financing, it's worth noting that women also experience barriers in dept funding, receiving significantly less capital from banks with higher interest rates and stricter payback schedules (Li et al., 2025). A study confirms this relationship, stating that female entrepreneurs have difficulty in raising external financing, including institutional and informal investments (Na & Erogul, 2021). Scholars suggest that worldwide, an estimated $1.7 tn financing gap for women-owned small- and medium-sized enterprises exists (Malmström et al., 2024). A chrunchbase report suggests that in 2019, only 3% of venture dollars were raised by female founded startups, putting the data from Germany into an international context (Crunchbase, 2019). Notably, according to the Global Entrepreneurship Monitor's 2021/22 Women's Entrepreneurship Report, female entrepreneurs in high income countries such as Germany or the US experience the least gender discrimination in financing (Niels Bosma et al., 2021). This relationship can be partially explained by the fact that finance markets are better developed alleviating some of the barriers. Nonetheless, gender disparities persist across all development levels of capital markets (Li et al., 2025). This can be detrimental, since securing funding is crucial when competition for financial capital is intense and availability of capital is critical to startups surviving (Snellman & Solal, 2023). Additionally, female founders also miss out on the expertise and the network VCs can provide, imposing even more challenges in the entrepreneurial journey (Koch et al., 2025).

Additionally, women are also underrepresented on the supply side of venture capital. Data shows that female founding partners only make up 2.4% of all partners at VC firms (Wahid, 2019). Less than 4% of assets are managed by a female led VC, while women represent less than 10% of the VC industries new hires between 1990 and 2016 (Butticè et al., 2023). Further, only 12% of venture firms in the US had woman in decision making roles while studies show that woman are twice as likely to invest into female founded businesses, creating structural barriers for woman. This illustrates that female entrepreneurs trying to

secure venture funding are operating in a highly male dominated industry, whit a majority of investors being male. This relationship becomes even more relevant for further chapters.

These findings indicate a significant gender-based gap in the access to startup financing, particularly venture capital funding. Data on VC funding allocation as well as empirical studies provide evidence and a context for further analysis. Additionally, the VC ecosystem represents a highly masculine environment, where women are underrepresented as both investors and founders.

2.3.2 The performance gap hypothesis

As a response, the mainstream body of literature has developed a gender performance gap hypothesis, essentially stating that female owned businesses underperform their male founded counterparts. The hypothesis is a well-established and disputed notion in entrepreneurship research with conflicting evidence (Irene et al., 2021). The following section examines existing studies that investigate this assumption.

A study tracked the performance of about 4,700 German start-up firms, drawing on data from the KfW/ZEW Start-Up Panel and looking at performance indicators related to size, growth and profitability (Gottschalk & Niefert, 2011). The authors observed that female founded firms perform worse across all indicators, however also noting that there are major differences in formal education and professional experiences, with female founders being part of smaller startup teams and overrepresented in retail and service industries, with low representation in tech sectors (Gottschalk & Niefert, 2011). Evidence from a test conducted on a large Swedish sample of 4200 entrepreneurs in all sectors of the economy confirms the results of previous studies and shows that female entrepreneurs tend to underperform relative to men when the data is examined on an aggregate level (Du Rietz & Henrekson, 2000). In their research Du Rietz and Henrekson argue that there are sharp structural differences that are calling for the need of statistical controls to test the hypothesis. After an extensive multi variate regression, the gap disappears in three out of four performance variables. These structural differences have been uncovered and described in multiple studies. Female entrepreneurs usually run smaller firms, have lower levels of education, show less industry and leadership experience, therefore lacking essential human capital, while also concentrating in different industries compared to men (Fairlie & Robb, 2008). These gender differences in explanatory variables can explain a large part of the gap, while the unexplained part of the decomposition can be attributed to hard to measure factors such as risk aversion, networks or lending discrimination (Fairlie & Robb, 2008).

At the same time, many studies provide evidence for the lack of a performance gap, arguing that the female underperformance hypothesis should not be perpetuated as a legitimizing

myth or stereotype. A study investigating the influence of CEO gender on key performance factors for VC funded firms from 2011-2016 used a matched case-control sample approach and found that gender is not a reliable predictor for firm performance (Brush & Elam, 2024). A study conducting a financial analysis of a sample of innovative, technology based Italian startups investigated variables for success including size, profitability, efficiency, financial structure and financial management (Demartini, 2018). They found that female led startups show similar performance to male led startups, while woman are more likely to be oriented towards goals with social impact (Demartini, 2018). Another study used a matched sample approach to investigate the difference in success between male and female owned businesses (Farhat, 2016). According to their analysis of survival rate, profitability, growth, and financial capital injection measurement, they did not find any gender gaps in terms of business performance (Farhat, 2016).

In contrast, researchers found that companies with higher proportion of women in top management positions show 34% higher return on equity and 42% higher return on invested capital (Sinha & Lebec, 2023). Further, an analysis of 350 companies by BCG found that companies founded or cofounded by women receive an average funding amount totaling up to $935,000 while companies found by men receive $2.1 m in capital (Abouzahr et al., 2020). At the same time woman perform better over time, generating 10% more in cumulative revenue over a five-year period: $730,000 compared with $662,000, making investments into female founded ventures more efficient (Abouzahr et al., 2020). Moreover, a report by Pitchbook found that female founders typically exit in substantially less time compared to men, as it takes around 6.9 years for companies with at least one female founder to exit and 7.4 years for all male teams (Van Le et al., 2019). In the private market, time is money, and a quicker exit positively impacts fund returns (Van Le et al., 2019).

To conclude, this paper finds that while some evidence suggests an underperformance of female founded businesses, a large part of that gap can be explained by structural differences. If the existence of unmeasurable factors is taken into account, the performance gap could be a limited to non-existent. Further, a large body of literature indicates no differences between the performance of female and male founded startups. For these reasons the performance gap hypothesis does not provide a valid explanation for funding discrepancies and the limited access to equity funding for female entrepreneurs.

3 Methodology

This study applies a mixed method approach that combines qualitative and quantitative components. This methodological choice is appropriate to address the research questions,

as it allows for theoretical analysis and empirical validation. This section describes the methodology applied in this thesis and provides a justification for the chosen approach.

This research uses an analytical framework in form of a literature review that establishes a theoretical background for the analysis and serves as an interpretative perspective for the empirical investigation. This framework is used to contextualize and interpret descriptive empirical findings, which consist of observations that provide insights into the research questions. The analytical framework refers to the set of theories that define the context in which the empirical research can be applied to, enabling interpretation of observations in relation to the research objectives. Further, by grounding the empirical analysis in theory, it establishes the foundation for embedding the necessary empirics into this study. The literature review clarifies the relevance and implications of the selected theories, therefore facilitating a systematic interpretation of the findings. In this context, the empirical data will be analyzed through the theoretical lens to assess whether they support existing theories or offer diverging explanations.

This inclusion of a qualitative component, namely the analytical framework, adds great academic value to this thesis. Since the study investigates gender bias in venture capital funding, a qualitative perspective is critical. Gender bias is often implicit, unconscious and hard to quantify, making it important to study the underlying mechanisms, origins and manifestations in order to gain meaningful insights. However, the theoretical explanations alone are not sufficient. Observing real world phenomena to test theoretical assumptions through empirical evidence is crucial. The quantitative component examines whether sociological

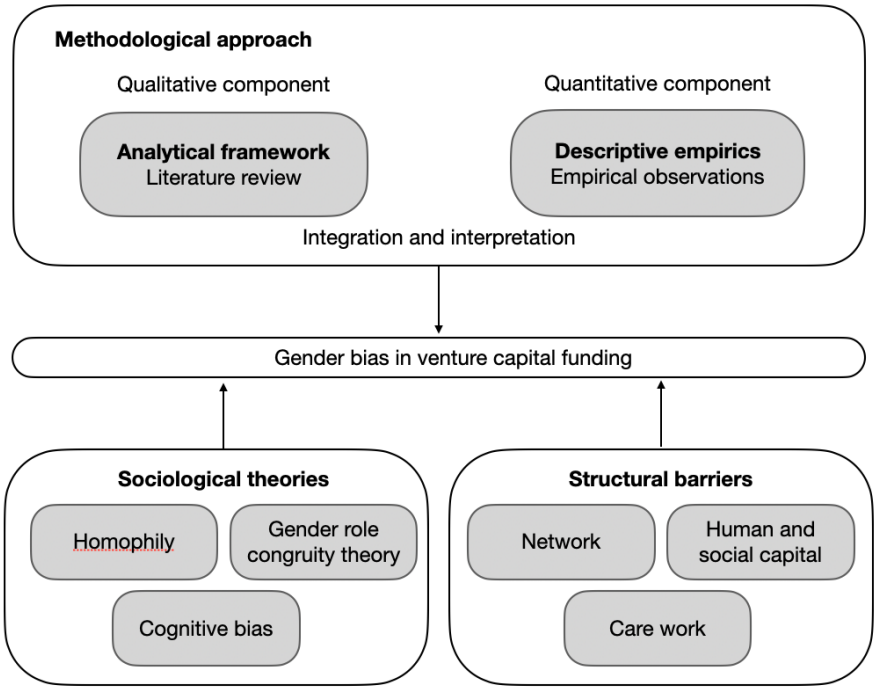

Figure 4: Illustration of the methodological approach
Source: Own illustration

theories of gender bias are reflected in empirical patterns, hereby offering academic credibility and practical relevance. For these reasons, the mixed-methods approach is particularly appropriate for this interdisciplinary analysis.

The analysis could have been structured in several way, as existing literature categorizes the explanatory variables differently. Some scholars distinguish between supply-side and demand-side factors, while others prioritize findings based on their relative importance. However, this study instead classifies factors in sociological theories and structural barriers. Within sociological theories, the thesis analyses the gender role congruity theory, homophily as well as cognitive bias. Further, within the category of structural barriers, the thesis examines differences in human and social capital, the role of networks and care work.

In the outset of the analysis, the venture capital allocation process and investment criteria are outlined, as they identify critical factors prioritized by investors. This overview establishes the foundation for the subsequent analysis, thereby enabling the systematic application of theories to barriers in venture capital funding.

4 Gender bias in the capital allocation process of venture capital firms

4.1 Venture capital value creation

4.1.1 Stages in the investment process

The goal of every venture capital investor is to make the right investment decision that enables the portfolio company to achieve exponential growth and generate high returns for equity holders. For this reason, investors spend a significant amount of their time evaluating ventures. Therefore, scholars argue that the investment decision-making process represents one of the most important strategic activities of a VC (Petty et al., 2023). There is a long-standing tradition in the venture capital field suggesting that investments are largely driven by intuition or “gut feeling” (Macmillan et al., 1997), and that “[…] the decision-making process adopted by VCs is more an art than a science” (Hudson & Assoc, 2005, p. 2). This highlights the informal nature of the investment process, which has contributed to a lack of cohesion within the body of literature (Hudson & Assoc, 2005; Zacharakis & Meyer, 1998). Nevertheless, scholars have attempted to investigate the decision-making process of VCs by examining the stages and venture evaluation criteria used to assess investment opportunities with the goal to identify the determinants of funding success. This line of research is not only valuable for entrepreneurs seeking to pitch their venture to potential investors, but also for VCs aiming to improve their time efficiency and returns by increasing their understanding of internal processes (Monika & Sharma, 2015).

Tyebjee & Bruno (1984) were among the first to depict the activities of venture capitalists as a process of five sequential steps: 1) deal origination, 2) deal screening, 3) deal evaluation, 4) deal structuring and 5) post-investment activities. Literature later on proposed variations of this framework, with some scholars defining up to seven stages by adding due diligence and exit as separate stages in the investment cycle (Petty & Rabi, 2025, p. 1200; Hudson & Assoc, 2005). This multistage selection process is oftentimes referred to as the deal funnel (Gompers et al., 2016). At each stage of the process, the investor decides whether a propasal should be advanced or rejected, with the evaluation becoming increasingly meticulous as the proposal progresses through the funnel (Petty et al., 2023). The stages prior to deal structuring primarily address the question of whether to invest or not, whereas later stages focus on how the investment should be structured and executed (Payne et al., 2009). VCs report high rejection rates with estimates suggesting that only 1-3% of all proposals successfully pass through the entire deal funnel and ultimately receive funding (Petty et al., 2023).

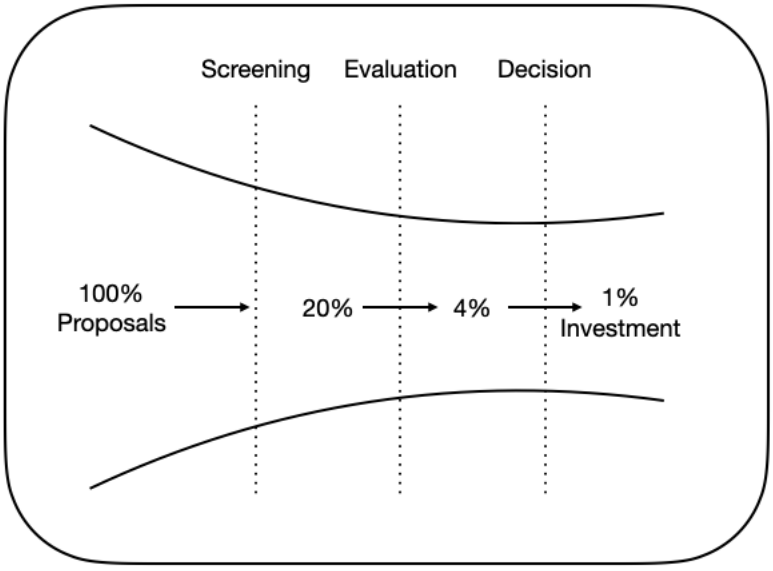

Figure 5: Venture capital deal funnel

Source: Own illustration based on Petty et al. (2023)

Empirical research has shown that networks play a particularly important role in the early stages of the deal funnel. A study surveying 885 institutional venture capitalists at 681 firms to investigate the stages of the deal funnel found that VC networks are crucial to generate a pipeline of high-quality investment opportunities (Gompers et al., 2016). Further, they identified deal sources and categorized them into professional networks, referrals by other investors or portfolio companies, company management and a small portion of self-generated opportunities. They state that “Few VC investments come from entrepreneurs who beat a path to the VC’s door without any connection.” (Gompers et al., 2016, p. 15), emphasizing the significance of networks in the industry. Additionally, a study analyzing unique longitudinal data of 2383 proposal selection processes found that proposals referred by

trusted sources are more likely to advance further in the process and investors tend to spend more time on their evaluation (Petty et al., 2023). Scholars argue that overlapping networks between the investor and the founder provide VCs with additional information regarding the reliability and integrity of the entrepreneur, counteracting high levels of information asymmetry in early-stage investments (Stuart & Sorenson, 2005).

To conclude, the activities of venture capitalists can be described as a multistage decision-making process in which a deal funnel progressively filters investment proposals. During this process, networks and referrals are crucial for the generation of an investment pipeline. This consideration becomes critical in a later section of this thesis, which will examine gender differences in networks and their implications for VC financing outcomes.

4.1.2 Investment evaluation criteria

Venture capitalists apply a multitude of evaluation critera to determine the economic value of a venture in order to make an informed investment decision (Monika & Sharma, 2015). Nevertheless, the literature consistently concludes that the quality of the entrepreneur as well as the future management team are among the determining factors influencing funding decisions (I. C. Macmillan et al., 1985; Muzyka et al., 1996; Payne et al., 2009). One frequently cited study surveyed one hundred venture capitalists with the aim to identify the most influential criteria used in new venture evaluation. The results reveal that five of the ten most important criteria were connected to the entrepreneur's experience or personality (I. C. Macmillan et al., 1985). Later on, a Portuguese pilot study using participant observation technique within a venture capital firm confirmed these findings arguing that VCs place significant emphasis on the individual entrepreneur (Silva, 2004). Further, Gruber (2004) investigated venture team characteristics in greater detail by conducting a conjoint experiment and found that industry experience of teams was the most influential variable, accounting for approximately 30% of the team evaluation, followed by educational background and leadership experience.

Secondly, studies agree that VCs adopt a multi-criteria perspective, while the most influential criteria are clustered into six different categories that are comprised of management skill and experience, venture team, product attributes, market growth and size, and expected return (Monika & Sharma, 2015). Hereby, scholars have highlighted that the relevance of specific criteria varies across stages of the investment process (Payne et al., 2009). The initial screening stage involves very rapid decision making, taking on average less than six minutes per proposal. Whereas the evaluation stage allows for greater depth of analysis and compensatory rules, suggesting that a low score in one criteria can be offset by a higher score on another criteria (Hall & Hofer, 1993).

However, it is necessary to highlight the limitations of this research, as findings are not easily applicable in practice. Moritz et al. (2022) investiged the influence of investors' education and professional experience on the screening process, finding that these characteristics shift investors' focus towards different evaluation criteria. Investors with a background in natural sciences pay increased attention to the value added of the product while those with an engineering background focus more strongly on break-even profitability and comparatively less on the management team (Moritz et al., 2022). These findings illustrate the presence of bias in investors' decision-making while highlighting methodological limitations. Consequently, the use of VC response questionnaires has been criticized for introducing errors and bias connected to self reporting into research findings (Hudson & Assoc, 2005) while others criticize that research is heavily focused on the US market (Muzyka et al., 1996). At the same time scholars assume that the investment process and assessment critera are consistent over time with very limited consideration for context and the dynamic nature of the multi-stage decision making process (Petty et al., 2023).

In conclusion, the significant emphasis on the entrepreneur's personality, leadership experience and education, combined with a lack of standardized evaluation criteria and individual bias, leads to subjective venture evaluations. This has strong implications for gender bias, which will be investigated in greater detail in later sections, studying gender-based human capital differences as well as cognitive bias in VC.

4.2 Sociological theories

4.2.1 Gender role congruity theory

Derived from sociological literature, the gender role congruity theory has been widely applied to the field of management in order to explain the existence of gender-based prejudice and discrimination in the workplace for issues such as pay inequality, promotion barriers and leadership effectiveness (Del Carmen Triana et al., 2024). Therefore, the theory has also attracted significant attention in studies of gender-based funding discrimination. This section, together with the subsequent subchapters, combines insights from sociology, psychology and behavioral finance to provide an interdisciplinary perspective on gender bias in VC funding.

The concept of role congruity originates in social role theory, which explains that individuals are assigned to social groups based on certain characteristics, such as gender or age. These group memberships are associated with socially shared expectations regarding appropriate behaviors and traits (Butticè et al., 2023). Role congruity refers to the degree of consistency between societal expectations connected with multiple social roles occupied by

an individual (Del Carmen Triana et al., 2024). Individuals whose behavior conforms to social expectations are rewarded, whereas deviations are penalized, leading to the stigmatization of individuals violating gender-based norms (Butticè et al., 2023). Historically, women have been associated with communal characteristics, such as empathy, showing concern and taking care of others, while men have been more commonly linked to agentic traits, including confidence, assertiveness and dominance (Hoyt & Burnette, 2013). Leadership roles in corporate, political, military and other areas of society have traditionally been male dominated, resulting in a strong cultural association of leadership with masculine traits (Hoyt & Burnette, 2013). Research suggests that stereotypically male traits are highly associated with great leaders, thereby disadvantaging women in pursuit of leadership positions (Powell et al., 2002). When women occupy leadership roles, they are perceived as violating normative gender expectations, which has significant consequences for their evaluation (Butticè et al., 2023).

This incongruity manifests in less favorable attitudes toward women in positions of power and authority. Female leaders frequently face disapproval and negative assessments of both competence and social acceptance (Heilman, 2001). Empirical evidence suggests that even when men and women produce identical work, women's work will often be regarded as inferior, undervaluing their accomplishments and value (Heilman, 2001). Further, it is more likely that women's successes are attributed to external factors rather than individual ability or effort (Heilman, 2001). Eagly & Karau (2002) studied the implications of gender role congruity theory, demonstrating that women are evaluated less favorably than men as potential leaders. Simultaneously individuals perceive leadership behavior more negatively when the leader is a woman (Eagly & Karau, 2002).

Scholars have applied this theory to the context of female entrepreneurship and venture capital financing. Entrepreneurship is oftentimes categorized as a male-type occupation, which makes female entrepreneurs incongruent with prevailing gender role expectations. (Koch et al., 2025). As a result, female founders may be evaluated less favorably by investors. This line of argumentation is supported by a study from Malmström et al. (2017). The authors conducted an analysis of government venture capitalist's investment decisions and found that attributes associated with successful venture creation were ascribed to male entrepreneurs (Malmström et al., 2017). These findings suggest that venture capitalists implicitly associate entrepreneurial traits with masculinity, reinforcing gender-based disparities in access to VC funding. Overall, gender role congruity theory provides a theoretical foundation for understanding deeply embedded social gender norms and how they systematically disadvantage women in venture capital decision-making.

4.2.2 Homophily

Homophily is a well documented and extensively researched social phenomenon that has been widely applied in management theory to describe interpersonal and interorganizational relationship dynamics (Qin et al., 2022). It has been defined as "[…] the tendency to associate with similar others" (Ertug et al., 2022, p. 38), reflecting the idea that network ties are more likely to form between parties that share similar characteristics (Blount et al., 2023). Homophily has been identified as a fundamental force shaping the compositions of social groups across a wide range of social settings, with relevant implications for individuals and organizations in society, as it tends to facilitate stronger interpersonal connections (Parker, 2009; Theisen et al., 2025).

Scholars have attempted to explain homophily with evolutionary mechanisms, such as conflict avoidance as a human survival strategy in highly uncertain environments. However, literature has emphasized the consequences of homphily rather than the underlying mechanisms (Theisen et al., 2025). Researchers differentiate between ascribed characteristics, such as sociodemographic dimensions including ethnicity, gender and age, and status or value related characteristics. Status related characteristics typically involve occupation or educational qualifications, whereas value homophily refers to the way individuals think or similarities in beliefs (Blount et al., 2023).

Homophily has been shown to strongly impact outcomes related to performance evaluation, perception formation and networking. For example, Ertug et al. (2022) found that cultural and linguistic similarity between decision makers and candidates in a job interview is positevily connected with the evaluation of the talent. These findings have important consequences for female entrepreneurs in particular. Female founders are oftentimes excluded from key venture capital networks, due to the fact that historically they have been male dominated, with men comprising the majority of both entrepreneurs and investors (Greenberg & Mollick, 2017). Scholars note that, "[…] affinity for similar people may be a superficial reaction rooted in self-love: a male funder may be more comfortable or likely to favor a man over a woman because he sees himself in the former" (Greenberg & Mollick, 2017, p. 343). Although gender-based homophily is considerably less pronounced than homphily based on race, education or other social dimensions, work establishments remain highly gender segregated, showing significant amounts of baseline homophily (McPherson et al., 2001). Researchers have studied this phenomenon intensively among upper level management and entrepreneurs, consistently demonstrating that entrepreneur networks are characterized by a high degree of homophily (McPherson et al., 2001). Further, a study by Matusik et al. (2008) illustrates that homophily between founders and VCs positively affects VCs' perceptions of the founders' human capital, leading to more favorable

evaluations. However, homophily effects are not limited to male investors. Empirical evidence from a major German crowdfunding platform suggests gender related homophily in equity crowdfunding, as female investors tend to prefer ventures with female representation in top management positions (Wang & Prokop, 2025).

These findings support the argument that homophily, the degree of similarity between individuals, highly impacts performance and personality assessments of founders during financing rounds, thereby disadvantaging female founders in a predominantly male-dominated industry. Simultanously, this highlights the importance of increasing representation of women within venture capital firms as investors.

4.2.3 Cognitive bias distortions

Classic financial theory holds the assumption that investors are rational agents who make optimal decisions based on the available information. However, recurring market anomalies and financial crisis have caused scholars to question this principle and explore the influence of psychological and emotional factors in financial decision-making (Tansuchat & Thaicharo, 2025). As a response, behavioral finance has emerged as a distinctive literature branch, explaining that investment decisions are shaped by cognitive errors and psychological bias that distort rational investment behavior (Mer & Vishwakarma, 2024).

Within behavioral finance, literature investigates heuristics, which refer to the use of mental shortcuts under conditions of time pressure and information uncertainty, and herding bias, which highlights investors' tendency to follow the actions of a majority rather than relying on independent analysis (Fadillah & Patrisia, 2025). A growing body of empirical evidence has examined the influence of cognitive bias on investors and VCs. A mixed method study investigated how investors value new tech ventures analyzing 900 seed investments rounds between 2010 and 2020 worldwide (Rueda & Miguel, 2022). The authors found that investors often rely on intuition, mental models, prior assumptions and subjective judgement, leading to mental shortcuts and cognitive bias that distort the valuation process. Especially the scarcity effect, signaling, herd mentality and stereotypes based on the entrepreneurs' race, gender and religion were identified as the most impactful biases (Rueda & Miguel, 2022). Importantly, research also confirmed that these biases are present in both male and female investors (Yuliawati et al., 2021).

Further, evidence has specifically studied the influence of cognitive bias on gender disparities in VC funding. Kanze et al. (2018) conducted a field study based on question-and-answer interactions at TechCrunch Disrupt New York City during 2010 through 2016, demonstrating the presence of gender bias in the types of questions investors pose to entrepreneurs during the evaluation process. Male entrepreneurs are asked promotion-

focused questions that yield growth-oriented answers, while female founders are more often asked prevention focused questions that elicit loss-oriented responses (Kanze et al., 2018). The results draw on the work of Higgins and the regulatory focus theory, a psychological model established in 1997, explaining that individuals attaining certain goals are motivated by either the pursuit of gains or the prevention of losses. By framing questions differently, investors influence founder's responses, ultimately generating more favorable answers from male entrepreneurs and negatively affecting the funding outcomes for women (Kanze et al., 2018).

Additional evidence of gender bias can be provided by research on pitching. A study consisting of field observations from entrepreneurial pitch competitions and experiments, found that pitches presented by male entrepreneurs are evaluated more favorably than identical pitches presented by female entrepreneurs (Brooks et al., 2014). Scholars have pointed out that the preference for male voices may partially explain these differences (Tigue et al., 2012). A substantial number of experimental and observational studies conclude that lower pitched voices are associated with leadership capabilities (Klofstad et al., 2012). The voice pitch refers to the perceived highness of a voice, which influences perception of attractiveness, physical strength and social dominance (Anderson & Klofstad, 2012). Lower pitched voices have shown to be associated with traits such as integrity, strength, competence and trustworthiness. Findings demonstrate that both men and women prefer leaders with lower voice pitches (Klofstad et al., 2012). Because women's voices are, on average, approximately twice as high pitched as men's, this systematically disadvantages women in leadership evaluations (Klofstad & Anderson, 2018). Research argues that this bias may also contribute to the persistent underrepresentation of women in leadership positions worldwide (Korenman et al., 2023).

Due to the fact that cognitive bias is oftentimes unconscious, its influence on investors is difficult to observe and measure. Nevertheless, recent research has attempted to empirically quantify gender bias in equity funding. Using sensitivity questioning technique, a study surveyed 362 international venture capitalists to capture gender bias within the field. The findings reveal that 26,9% of participants believed that the presence of a woman in a founding team is overrated, 15,3% perceive women as poor entrepreneurs and 11,9% report that they're unwilling to invest in female-founded ventures (Koch et al., 2025).

Most importantly, cognitive bias and heuristics immensely impact venture capitalist's decision making, causing distortions in the investment process. The evidence provided in this section reflects gender bias in founder pitch evaluations, including biased question framing, preferences for male-led pitches and male voices, reliance on gendered stereotypes, and negative attitudes toward female founders, all of which adversely affect funding outcomes.

4.3 Structural barriers

4.3.1 Differences in human and social capital

Literature on human and social capital in entrepreneurship extensively studied how these factors influence an individuals' ability to discover and exploit an entrepreneurial opportunity (Shane & Venkataraman, 2007). In economics and particularly the Marshall theories of economic growth, human capital accumulation is viewed as an accelerator of growth (Lange & Topel, 2006). Human capital refers to an individuals' formal education, professional experience, attitudes, beliefs and perceptions, encompassing both observable and internal components (C. Brush et al., 2017). Research distinguishes between two primary dimensions of human capital including sociodemographic characteristics, such as age or gender, and intellectual human capital, which is aqcuired through education and work experience (Carter et al., 2003). Human capital can be further categorized as firm or industry specific. Firm specific human capital denotes skills or knowledge aquired within a particular firm, whereas industry specific human capital refers to expertise related to industry standards, norms, and regulations that are not easily transferable across industries (Pennings et al., 1998).

Coleman (1988) first introduced the idea of social capital to explain how forms of social organization affect economic exchange. The author states that "Social capital is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors." (Coleman, 1988, p. 98). Individuals in the economy are shaped by a social context that involves norms, interpersonal relationships, trust, social networks and organizations. The resources embedded into these social systems constitute social capital (Strobl et al., 2014). Combined, human and social capital factors have been widely used to explain successful entrepreneurs, arguing that the accumulation of both expertise and social networks enable entrepreneurial activity. Empirical research provides evidence in support of their importance.

A study used a sample of Swedish adults to investigated influences of human and social capital factors, such as education, work experience and social networks, on the likelihood of entrepreneurial success. The authors found that formal education and previous startup experience can predict who will attempt to engange in entrepreneurial activity while social capital variables were strong predictors of successful firm emergence, measured by a first sale or profit (Davidsson & Honig, 2003). Similarly, Dakhli and De Clercq (2004) analysed effects of human and social capital on the innovation level of a country, using secondary data from the world development report. They discovered a strong positive relationship, while acknowledging that innovation often stems from dynamics that occur in tight social

groups (Dakhli & De Clercq, 2004). Cooper et al. (1994) further examined the effect of human capital factors on new venture performance by looking at 1053 new ventures across multiple sectors and geographic regions, finding that general human capital measures positively impacts both venture survival and growth (Cooper et al., 1994). These findings are supported by Millán et al. (2014), who reported that high employee qualifications have positive and statistically significant effects on survival rates of ventures.

While evidence confirms the importance of human and social capital factors for the ability to operate a successful venture, research also suggests relevant gender differences in these factors. Evidence from Serbia reveals statistically significant gender differences in the entrepreneurs' education, previous management and entrepreneurial experience, favoring male founders (Stošić-Panić, 2017). Mcgowan et al. (2015) argue that insufficient levels of human and social capital among female entrepreneurs may constrain their leadership potential. Similarly, a study conducted with a sample of nascent entrepreneurs in Canada found that women's educational background is not sufficient and their tendency to start businesses in unattractive industries is negatively affecting venture financing outcomes (Gasse et al., 2004). This pattern is also reflected in evidence indicating that men tend to start businesses in high growth industries, such as information technology, while women more frequently establish businesses in consumer-oriented sectors (Gottschalk & Niefert, 2011).

Differences in human and social capital factors are relevant for funding outcomes, as female entrepreneurs possess lower levels of formal education and leadership as well as industry experience, leading to less favorable evaluations. These systematic differences can reinforce gender bias, shaped by structural inequalities and translating to unequal access to VC funding. The following subchapter examines the role of networks in greater detail, building on the idea of social capital introduced in this section.

4.3.2 The role of networks

The concept of networks is closely related to the notion of social capital. Social network theory studies the structure of relations among social actors and the patterns that influence outcomes (Stuart & Sorenson, 2005). The discourse on networks primarily focused on classification and description, whereby literature on entrepreneurship emphasized the importance of networking to entrepreneurial success. An entrepreneur's personal network entails individuals with whom a direct relation exists, including suppliers, customers, VCs, bankers, distributors and family members (Aldrich et al., 1989).

De Janasz & Forret (2008, p. 630) have previously defined networking as the "[…] proactive attempts by individuals to develop and maintain personal and professional relationships

with others for the purpose of mutual benefit in their work or career". Other authors have explained that networking "[…] refers to the expectation that both parties are investing in a long-term relationship." (Reese & Aldrich, 199, p. 126). While these definitions emphasize the relationship between individuals as well as the mutual benefit that these parties can gain, scholars have also described that social networks represent pathways for the transmission of private information (Stuart & Sorenson, 2005). Further, networks are governed by social phenomena like power, trust and influence rather than legal frameworks, highlighting the informal nature of social ties (Strobl et al., 2014). Granovetter's (1973) theory of weak ties differentiates between weak and strong ties, with tie strength determined by factors, such as the frequency of contact, the emotional intensity, trust and reciprocity (Watson, 2012). Studies suggest that entrepreneurship requires a high portion of weak ties since they enable access to diverse information by linking the entrepreneur to otherwise disconnected social groups (Elfring & Hulsink, 2007). Accordingly, scholars identified three key characteristics that determine the quality of the network, measured by the degree to which an individual is able to benefit from it, including the size of the network, the strength of relationships as well as the pattern of relationships within the network itself (De Janasz & Forret, 2008). The structural hole theory by Burt (1992) argues that networks in which parties are not connected to each other provide access to more diverse information (Watson, 2012).

The network success hypothesis assumes a positive connection between a founders' networking activities and startup performance, as social capital allows founders to access resources at lower costs compared to the general market (Witt, 2004). Resources can be tangible or knowledge based, including information, capital, skills, labor, services, advice and support (Strobl et al., 2014). Entrepreneurs leverage indirect ties by accessing information provided by people beyond the immediate contacts (Aldrich et al., 1989). Numerous studies highlight the importance of network development, showing that successful founders purposefully use network capabilities in an intentional way (Nosella et al., 2025). Spender et al. (2017) investigated the impact of four network characteristics on funding outcomes, revealing that networks positively affects the ability to attract funding as long as they are not too strong or too complex.

Considering the importance of networking for startup success, research has increasingly examined how gender shapes entrepreneurial networks, arguing that gender-based differences may partially explain financing disparities. Gender is an organizational factor in social life and shapes patterns of social interaction in networks (Hanson & Blake, 2009). As previously discussed, the venture capital industry remains heavily male dominated, posing significant challenges for women seeking access to influential and informal "old boys' networks", predominantly male and informal social circles (Dawson et al., 2011). Homophily further amplifies these challenges, as individuals tend to form ties with similar others,

resulting in gender-segregated networks. Some scholars suggest that women view social relations differently than men, leading to different networking behavior and less developed personal networks (Watson, 2012).

Trusted referrals are widely recognized as the primary deal sourcing method for many VCs operating under extreme information asymmetry. Consequently, entrepreneurs with extensive networks are structurally advantaged in securing VC funding. Howell & Nanda (2024) provide relevant evidence of gendered networking effects in a study of participants in the Harvard Business School New Venture Competition. They found that male participants who were randomly exposed to more VC investors on their panel were significantly more likely to start a VC backed startup post-graduation, independent of the quality of ideas. In contrast, female participants do not experience similar benefits from investor exposure, as they were less likely to reach out to the VC to whom they were exposed to. The authors theorize that the reasons for this are different beliefs about appropriate networking norms between men and women, homophily in networking settings as well as anticipated discrimination (Howell & Nanda, 2024).

Additional research indicates that women's professional networks are often less powerful and effective regarding the exchanged benefits compared to those of men. A study interviewing 37 high profile female leaders in German corporations, identified two main explanations for this, including barriers of structural exclusion from powerful networks as well as intrinsic barriers related to moral considerations in social interactions and gendered modesty (Greguletz et al., 2019). To explain intrinsic barriers, the authors draw on social exchange theory, which views social interaction as a process of reciprocal exchange between participants, whereby the "[…] norm of reciprocity obliges individuals to strive for a balance, even when the benefits exchanged are intangible or not explicitly agreed upon or when there is a time lag between receiving and giving." (Greguletz et al., 2019, p. 2). The tendency to avoid over benefiting from networking causes women to shy away from networking activities in fear of the inability to return favors, with many female leaders expressing their discomfort with engaging in professional-instrumental networking events (Greguletz et al., 2019).

In sum, professional and personal networks function as crucial mechanisms through which social capital is converted into access to information, resources and financing, making networks a critical asset for founders. Exclusion from male networks, homophily and intrinsic barriers systematically disadvantage female founders in the venture capital market. As a result, networking dynamics represent an important structural barrier through which gender bias in VC funding is reproduced.

4.3.3 Care work as a hurdle

The impact of care work on female entrepreneurship draws on research on the work family conflict within management literature (Shelton, 2006). Due to persistent traditional gender roles, women remain to be the primary caregivers, taking on disproportionate responsibility for childcare, eldercare and household labor (Ferguson & Durup, 1998). The concept of care work has largely been influenced by feminist scholars seeking to make unpaid domestic labor of women visible, which historically remained unnoticed due to its repetitive and routine nature (Au et al., 2023). This literature emphasizes that care work combines both emotional labor and physical tasks, making it a physically and emotionally demanding activity (Au et al., 2023). Work life conflict refers to the inter role conflict arising from competing demands across social roles under conditions of limited time and energy resources. Since women take on the majority of care work, women experience higher work life conflict than men as a consequence (Ferguson & Durup, 1998). Work life conflict in the context of female entrepreneurship remains insufficiently studied, resulting in limited theoretical knowledge and evidence of its effects. Nevertheless, given its continued relevance, this section examines existing empirical findings.

Empirical evidence highlights the magnitude of the gender care gap and its economic implications. In Germany, the gender care gap amounts to 43,4% in 2025, indicating that women spend almost twice as much time as men on unpaid care labor (Bundesministerium für Bildung, Familie, Senioren, Frauen und Jugend, 2025). The data is based on a time use survey conducted by the German Federal Statistical Office. These disparities have far reaching economic implications for employment, female entrepreneurship as well as the gender pension gap. In Germany, among women aged 20 and 49 with a child under six years old, only 27% work full time compared to 91% of men in the same demographic (Hirschfeld et al., 2025). Data shows that most founders start their venture between the ages 35 and 45, which potentially coincides with major life events, such as starting a family. Mothers who launch a startup have significantly less time for their ventures compared to women without children, while no comparable difference is observed among male entrepreneurs (Hirschfeld et al., 2019).

Additional evidence highlights the role of accessible childcare in increasing female entrepreneurship. A study investigating the first universal childcare program in China finds that more accessible childcare increases the number of female entrepreneurs, while having no measurable effect on male entrepreneurs (Wang, 2015). This illustrates the tension between caregiving responsibilities and entrepreneurship for women and underscores the importance of family friendly policies in reducing gender disparities in entrepreneurial participation (Q. Wang, 2015).

Work life conflict and unequal care responsibilities represent structural limitations of female entrepreneurship, restricting women's ability to allocate time and resources to venture creation and growth, while no similar constraint impacts male founders. These structural differences not only cause gender disparities in entrepreneurial participation, but also shape access to external financing by reinforcing patterns of gender inequality within the VC ecosystem.

5 Discussion and implications

This chapter discusses the findings of the study and puts them in relation to the research questions and existing literature. Finally, it will draw implications that can be derived from the findings and highlight the contributions of this study. The aim is to interpret and critically evaluate the results.

> **RQ1:** How does gender impact the access to venture capital funding for startups in Germany?

This study illustrates the persistent gender disparities in venture capital funding between male- and female founded startups that exist in Germany. The findings draw on data regarding venture capital allocation in Germany (Hirschfeld et al., 2025) as well as prior research applying diverse methodological approaches, including machine learning models (Cassion et al., 2021) and ordinary least squares regression analysis (Schillo & Ebrahimi, 2022). The evidence indicates that being a female founder has a significant negative impact on both the likelihood of receiving venture capital financing and the total volume of financial funds. This can be more pronounced in industries in which female founders are even more underrepresented, such as information technology (EY, 2025). The results demonstrate that female entrepreneurs face considerable barriers in accessing equity funding, which are consistent with existing research on female founders' access to venture capital funding. Furthermore, this includes dept financing as well as institutional and informal financing (Na & Erogul, 2021). This holds true not only for the German geographical context, but applies to female founders globally, whereby the extent of the bias is slightly lower due to the institutional framework (Niels Bosma et al., 2021).

> **RQ2:** Which factors contribute to disparities in venture capital funding access for female founders in Germany?

The study shows that differences in access cannot be explained by any single factor but instead emerge from the interaction of multiple influences. These factors must be examined both individually and in combination to capture the complexity and interdisciplinary nature of the issue. A detailed understanding of these mechanisms enables the formulation of targeted implications for stakeholders seeking to reduce existing barriers.

The study finds that negative stereotypes arising from different societal role expectations of men and women impacts the way that society perceives and assesses female entrepreneurs, leading to prejudice and gender-based discrimination. Social role theory holds that individuals are evaluated based on how much their behavior aligns with socially defined expectations associated with gender (Powell et al., 2002). The role of a founder and business leader is culturally perceived as a male occupation, since leadership positions in society have been largely occupied by men in past (Hoyt & Burnette, 2013). Female founders are often viewed incongruent with their gender role and face a penalty for violating gender expectations (Butticè et al., 2023). This thesis showed how these stereotypes disadvantage women, including less favorable evaluations regarding competence and social acceptance, even when their performance is equivalent to that of men (Heilman, 2001). Investors associate entrepreneurial success with masculine traits, disadvantaging female founders in funding decisions. Empirical evidence from studies on venture capital investment decisions supports this inherit gender bias of investors, demonstrating that investors tend to attribute key entrepreneurial characteristics to men, thereby reinforcing gender-based funding disparities (Koch et al., 2025).

Moreover, this study explains homophily in VC funding, a sociological phenomenon that describes the tendency of individuals to associate with others who share similar characteristics (Ertug et al., 2022). Considering the fact that the venture capital industry is strongly male dominated, this leads to disadvantages for female founders seeking financial funds from VC investors. Research shows that homophily affects performance evaluations, perceptions, and networking outcomes. Entrepreneurial networks are characterized by high levels of homophily, and similarity between founders and venture capitalists positively influences how founders' human capital is assessed (McPherson et al., 2001; Matusik et al., 2008).

This paper found that in the context of venture capital, where early-stage investment decisions frequently lack standardized valuation methods, cognitive biases play a significant role in shaping funding outcomes (Rueda & Miguel, 2022). Cognitive bias impacts venture capital funding for women by influencing how female founders are evaluated, questioned, and perceived throughout the investment process in ways that favor male founders, even when objective venture quality is equivalent (Brooks et al., 2014).

Research on human and social capital highlights their central role in entrepreneurial success and venture growth, factors that are also highly relevant for venture capital investment decisions (Shane & Venkataraman, 2007). Female entrepreneurs, on average, possess less prior management and entrepreneurial experience (Stošić-Panić, 2017) and are more likely to operate in lower-growth industries compared to male founders (Gottschalk &

Niefert, 2011). These differences disadvantage female-founded startups in venture capital evaluations, as investors tend to favor founders with industry-specific experience, high-growth sector backgrounds, and strong professional networks. Consequently, gender disparities in human and social capital contribute to reduced venture capital access for female-founded startups.

Social networks are crucial for entrepreneurial success, providing access to resources such as information, capital, skills, and advice (Witt, 2004). Female entrepreneurs often have smaller, less influential networks due to homophily, structural exclusion from male-dominated networks, and intrinsic barriers such as norms of reciprocity or gendered modesty (Watson, 2012; Howell & Nanda, 2024; Greguletz et al., 2019). These limitations reduce women's access to venture capital, as exposure to VCs benefits men disproportionately. Therefore, gendered differences in network access and quality constitute a significant barrier to VC funding for female-founded startups.

The impact of care work and work-family conflict significantly affects female entrepreneurship. Women continue to take the majority of the responsibility for unpaid domestic and caregiving labor (Ferguson & Durup, 1998). This disparity leads to higher work-life conflict for women, limiting the time and resources they can allocate to entrepreneurial ventures. In Germany, women spend nearly twice as much time on unpaid care work as men, and mothers are substantially less likely to work full-time or dedicate time to launching startups (Hirschfeld et al., 2025).

> **RQ3:** Which measures can stakeholders in the German startup ecosystem implement in order to reduce gender-based barriers in venture capital funding?

In order to effectively address gender-based bias in VC financing, measures need to target both negative stereotypes towards female founders and structural barriers, such as the underrepresentation of women within in the VC industry. A variety of measures can contribute to mitigate these effects.

This study finds that the VC investment process is subject to cognitive bias, causing distorted evaluations and reliance on mental shortcuts (Mer & Vishwakarma, 2024; Fadillah & Patrisia, 2025; Rueda & Miguel, 2022). Further, the dynamic and multistage nature of the investment decision process creates the opportunity for context dependent judgements, limiting investor's ability to develop an understanding of their own evaluation criteria and process (Petty et al., 2023; (Macmillan et al., 1997). These findings highlight the need for the implementation of a standardized investment process and assessment criteria in order to reduce bias in their decision making. Simultaneously, increased standardization will also enable investors to reduce inconsistencies and allocate capital more efficiently. Additionally, to counteract negative attitudes toward female entrepreneurs arising from persistent

stereotypes, VC firms should raise awareness of the existence of such biases through designated training and awareness programs.

When it comes to addressing structural barriers, the promotion of women across the entire startup ecosystem and VC industry is essential, both as investors and entrepreneurs. The findings of this thesis indicate that homophily plays a significant role in shaping professional interactions, leading to homogenous networks and the exclusion of women from the male dominated VC sector (Greenberg & Mollick, 2017, p.343; McPherson et al., 2001; Parker, 2009). Given the fact that female investors are more likely to invest into female founded startups, this highlights the need to increase female representation in key decision-making roles (Van Le et al., 2019). Potential measures include the active promotion of female founders and investors through panels, industry events, partnerships, dedicated organizations and female networks. Gender quotas have also been widely discussed as a mechanism to increase female representation, despite the ongoing criticism regarding their effectiveness and legitimacy (Koch et al., 2025).

Further, policy tools can serve as powerful instruments to address structural differences. Such measures could include the implementation of targeted programs at universities, the provision of government incentives to promote women's participation in the ecosystem and the establishment of support infrastructures for care work responsibilities of female founders (Hirschfeld et al., 2025).

Lastly, the findings also have implications for female founders themselves. This study suggests that women's networks are less developed and powerful, oftentimes constrained by lower confidence or different attitudes to professional networking (Greguletz et al., 2019; Howell & Nanda, 2024; Watson, 2012). Adopting a more strategic approach to networking will improve positively influence financing outcomes. In addition, being aware of how questions are framed during pitches presentations will enable female founders to improve pitching strategies. However, it is important to consider that these action items can only help to mitigate the effects of gender bias and do not fully eliminate existing barriers.

6 Limitations and suggestions for future research

The research findings and outcomes of this study are subject to several limitations arising from the study design, the characteristics of the subject and the current state of academic literature. As a consequence, further research is necessary in order to expand the existing knowledge and depth of analysis. This section outlines the critical limitations and discusses suggestions for the direction of future research in this field.

Firstly, it is crucial to address methodological limitations that directly impact the quality of the findings. As described in the methodology part, a mixed method approach combining

qualitative and quantitative components was considered appropriate to address the research questions, however all research designs entail restrictions. The empirical studies applied in the analysis were conducted in different geographical contexts, which limits the transferability of the findings to the Germany context. Differences in institutional frameworks, cultural norms and market characteristics impact the extent to which the results can be applied in another country while maintaining their validity. Despite that, this study relied extensively on that research. Further empirical studies within the German startup ecosystem are required to assess the relevance of these outcomes and to gain a nuanced understanding of country specific differences.

Additionally, this exposes the study to limitations of the analyzed empirical research. Each study conducted is subject to biases connected to its respective methodology. A significant number of studies rely on survey-based methods, which opens the results to self-reporting bias (Hudson & Assoc, 2005). Moreover, this study is constrained by the availability and accessibility of existing research. Limited access to relevant studies can represent a study limitation as it can lead to selection bias, reducing the comprehensiveness of the analysis. This highlights the need for additional empirical research.

A possible future research branch could explore the impact of the caregiving role inhibited by female entrepreneurs in modern society on investors perception and investor decisions. While this study showed how care work affects female founders in their career, the extent to which anticipated future caregiving responsibilities may influence investor evaluations remains unexplored in the literature. Furthermore, the research gap considering mixed gender founding teams represent a possibility for future scholars. Current literature provides limited insights into the influence of gender composition on the access to venture capital financing. Researchers could examine whether the presence of male co-founders reduce gender-based bias and how the roles of female founders within mixed-gender teams influence funding outcomes.

7 Conclusion

This thesis investigated gender bias in venture capital funding for startups in Germany, with the objective to gain insights into the access of female founders to this form of equity financing, identifying and describing underlying factors contributing to gender-based disparities and outlining potential measures that stakeholders can implement to address gender bias in the industry. Empirical evidence was integrated into an analytical framework in order to interpret observations based on a theoretical context provided by the literature review, hereby contributing to an increased understanding of how gender bias manifests in venture capital markets.

The findings demonstrate that the gender of the founder significantly affects access to venture capital funding in Germany. Female-founded startups are less likely to receive venture capital investment and, when they do, tend to obtain lower funding volumes compared to male-founded startups. These disparities persist across industries and are particularly pronounced in sectors where women are strongly underrepresented, such as information technology. This holds true for female founders across the globe, confirming that gender-based inequalities in equity financing remain a persistent structural issue.

The study shows that disparities in venture capital access cannot be attributed to a single explanatory factor. Instead, gender bias emerges from the interaction of multiple components that are interrelated. Negative gender stereotypes and social role expectations disadvantage female founders by connotating entrepreneurship and leadership as predominantly masculine domains. These perceptions are reinforced by homophily within the venture capital industry, where men make the majority of investors and founders, contributing to homogeneous networks and the exclusion of female entrepreneurs. In addition, cognitive biases in the venture capital investment process, where standardized evaluation criteria are often absent, further distort funding decisions. Differences in human and social capital, network access, and the unequal distribution of unpaid care work exacerbate these effects, negatively influencing the evaluation of female founders and therefore their access to VC funding.

Further, the findings indicate that reducing gender-based barriers in venture capital financing requires action by multiple stakeholders within the startup ecosystem. The introduction of more standardized investment processes and evaluation criteria may help reduce the influence of cognitive bias and increase transparency as well as objectivity. Awareness training within venture capital firms can further contribute to reduce stereotypical thinking. To address structural barriers, increasing female representation among investors and in decision-making roles is crucial, as greater gender diversity has the potential to counteract homophily. For policy makers targeted support measures are recommended, including educational programs, financial incentives, and infrastructure addressing care responsibilities, as they can play a key role in promoting female entrepreneurship.

Overall, this thesis contributes to the literature by synthesizing existing evidence on gender bias in venture capital funding within the German context. The findings highlight that gender disparities in equity financing are not the result of individuals but are embedded in social gender norms, societal structures, investment processes and industry structures. Addressing these inequalities therefore requires systemic change through relevant actions. Future research should build on these insights by conducting Germany-specific empirical studies and by further examining underexplored dynamics.

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