

# Women and Minority-Owned Businesses in Regulation Crowdfunding

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# Regulation Crowdfunding (“Reg CF”)

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- Introduced as part of the Title III of the 2012 JOBS Act
  - Effective on May 16, 2016
- Allows startups and small businesses to raise capital from the crowd via registered online platforms
- **Non-accredited investors** can invest in startups

# Can Reg CF Support Women and Minority Business Owners?

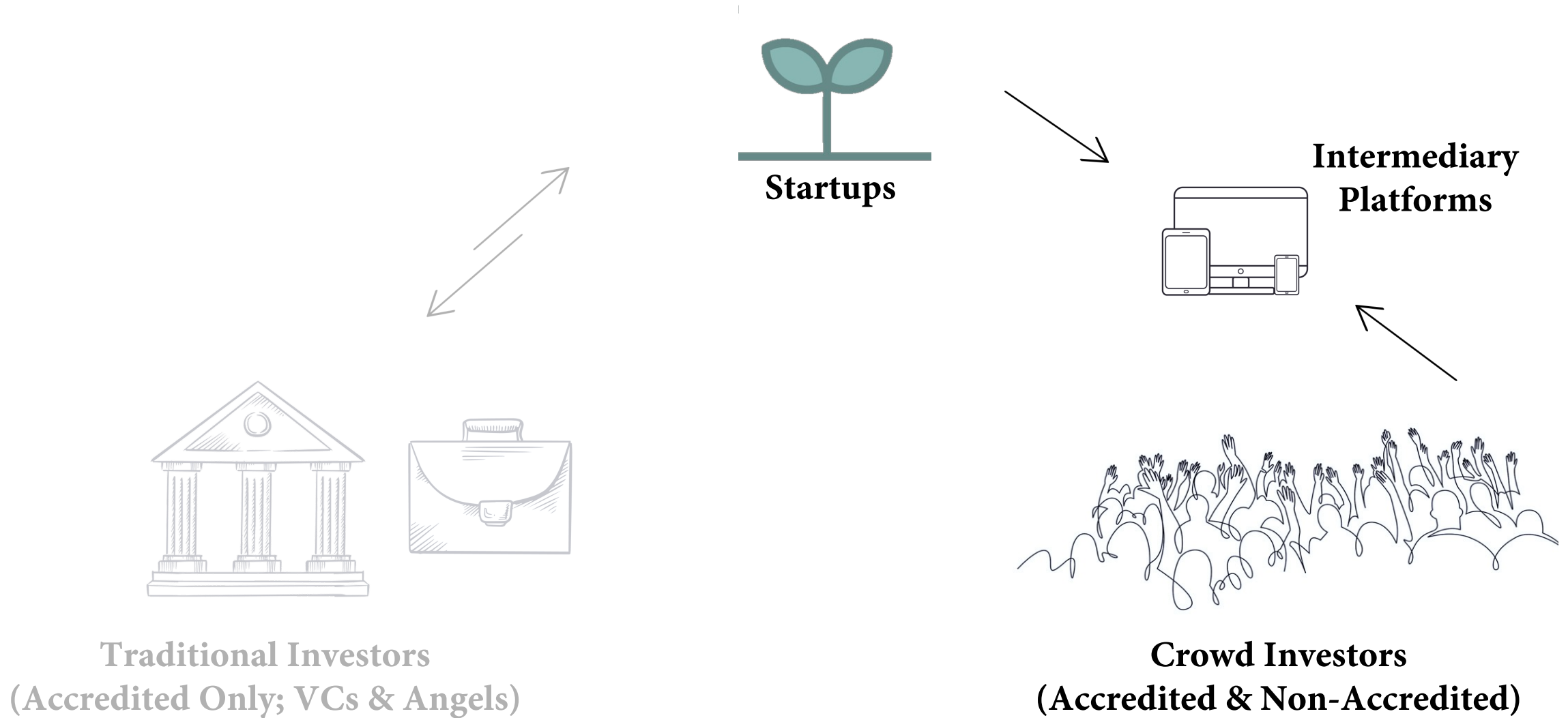
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## Disparities in VC investments



# Regulation Crowdfunding

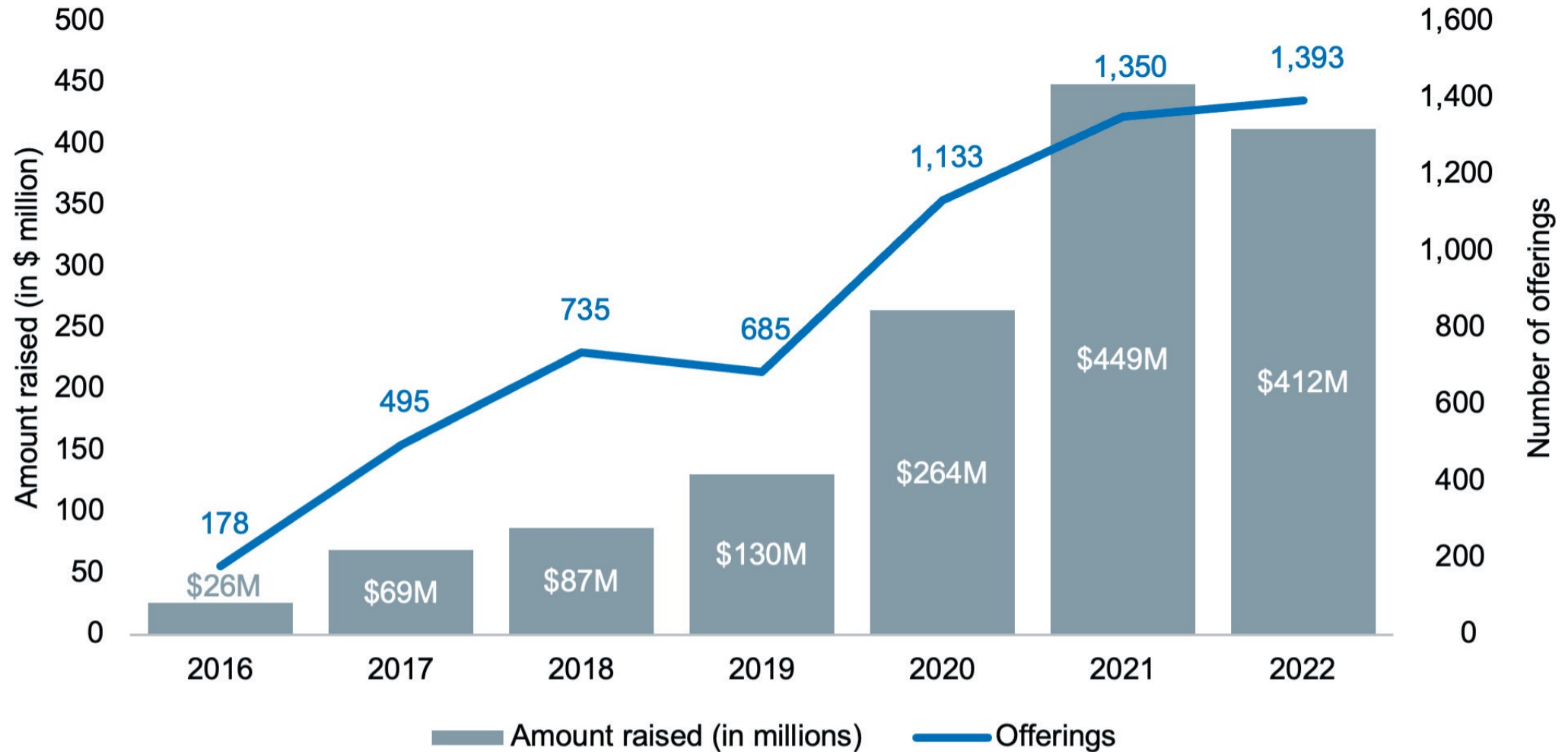
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- #1 Regulation Crowdfunding Overview
- #2 Participation of Women and Minority-Owned Businesses
- #3 Regulation Crowdfunding Outcomes
- #4 Future Participation and Outcomes
- #5 Conclusion and Policy Recommendations

# **REGULATION CROWDFUNDING OVERVIEW**

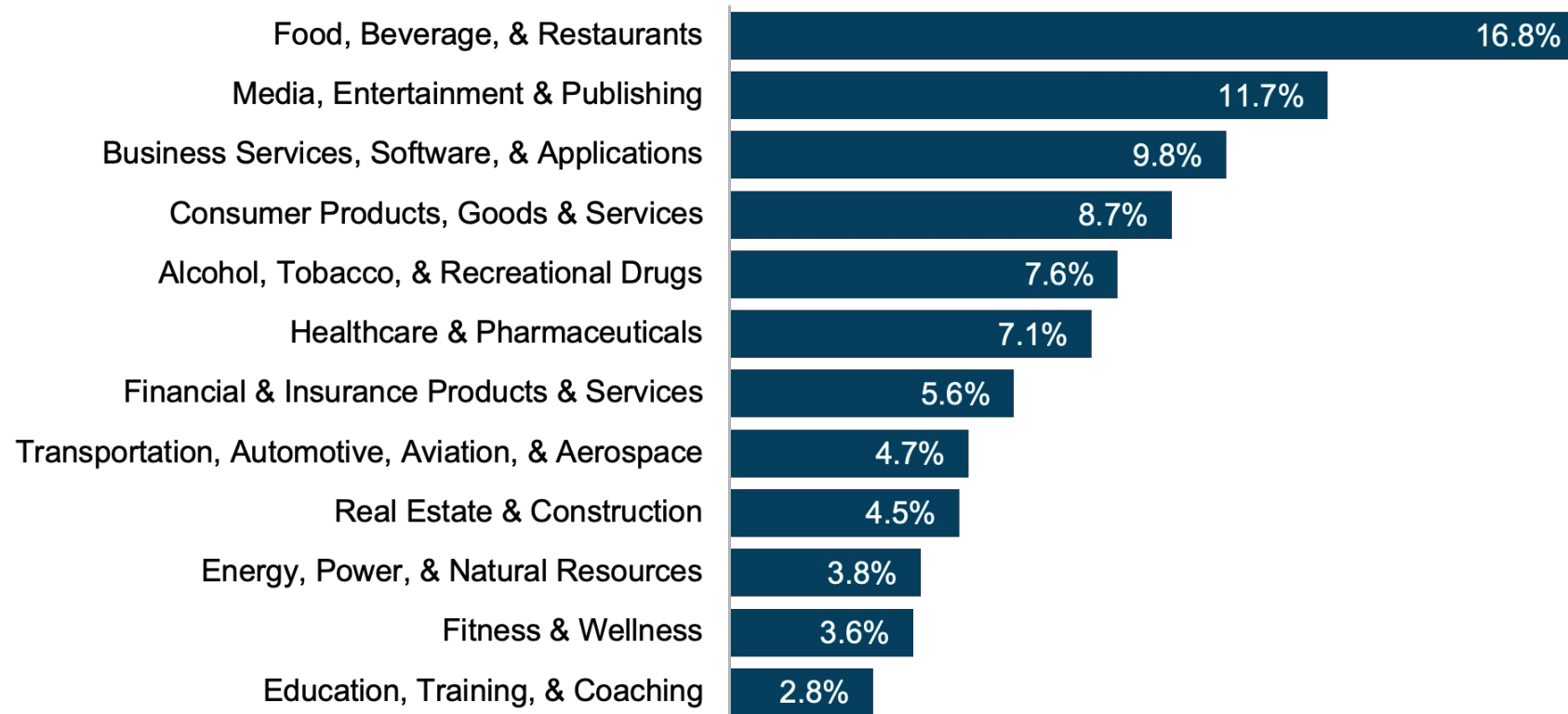
# 5,969 Reg CF offerings by 5,211 businesses Total Raise of \$1.4B (2016-2022)



# Main Street Businesses to High-Tech Startups

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## Industry Distributions

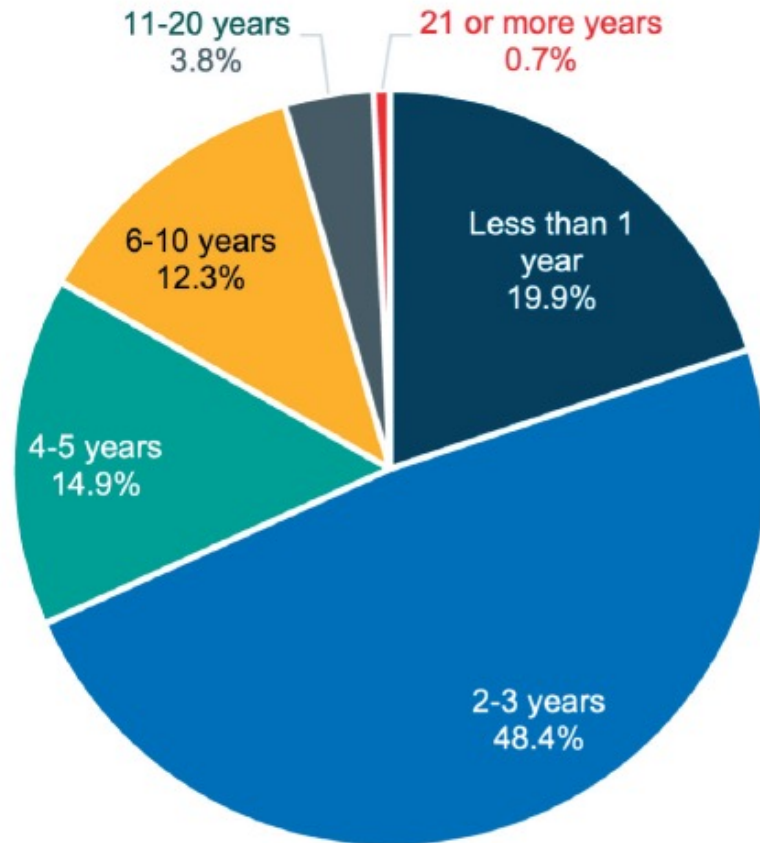




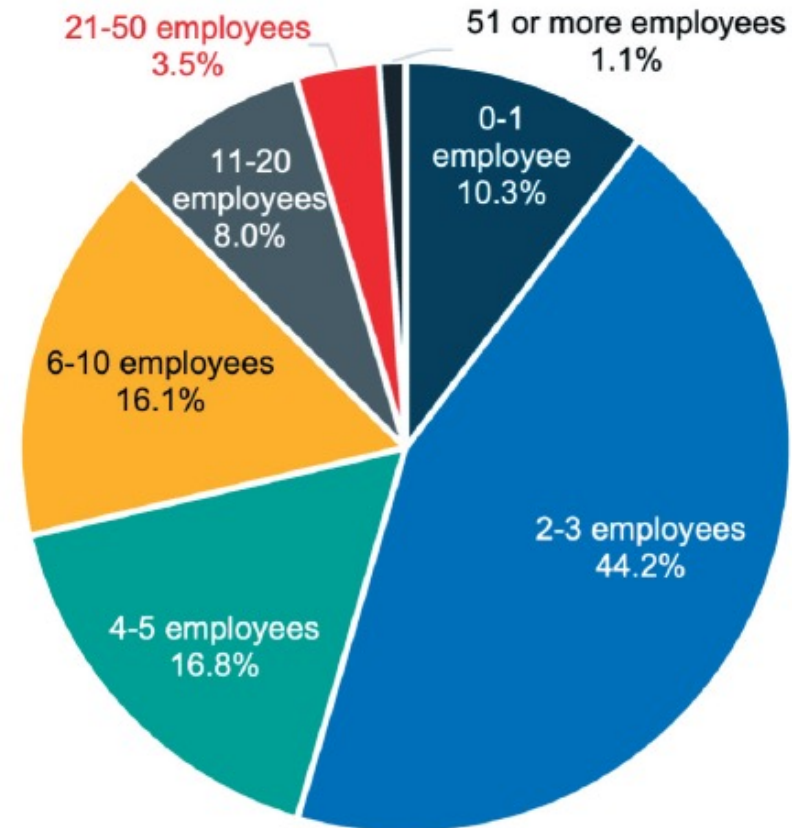
# Targeting Young and Small Businesses

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**Business Age**



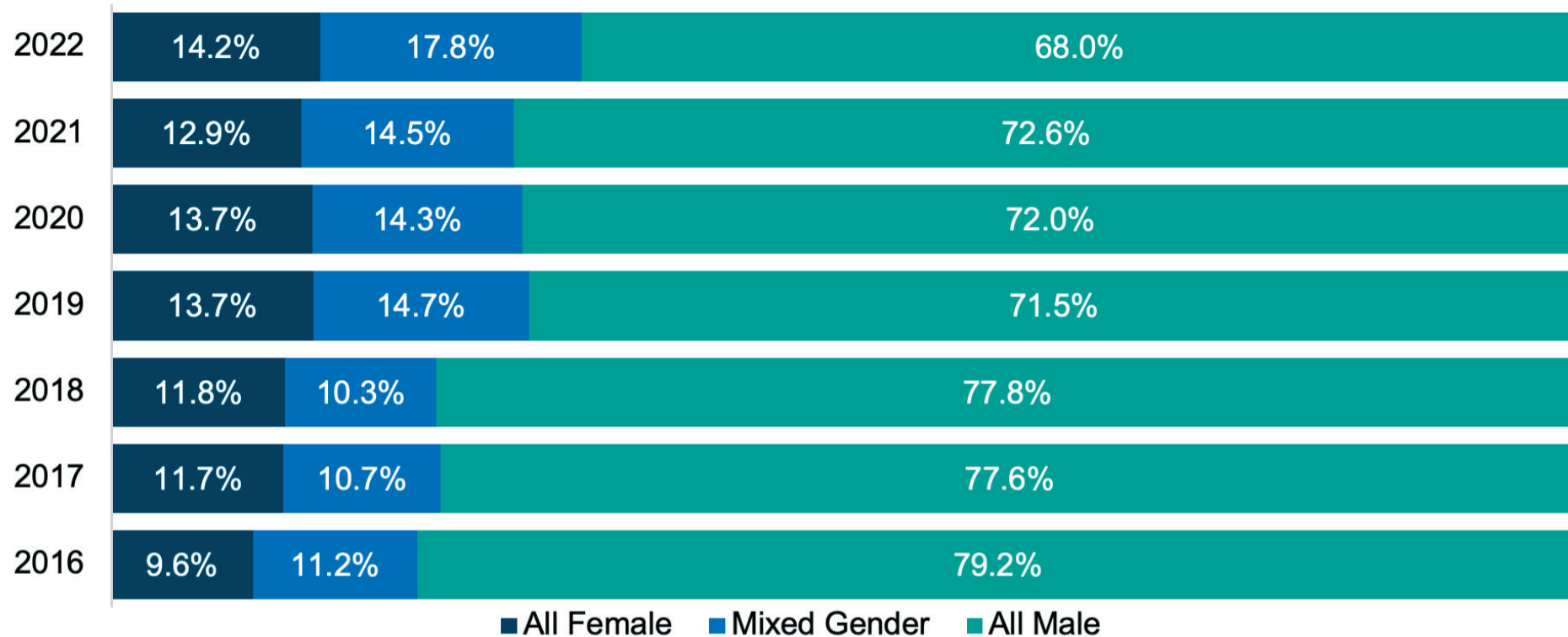
**Business Size**



# **PARTICIPATION OF WOMEN AND MINORITY-OWNED BUSINESSES**

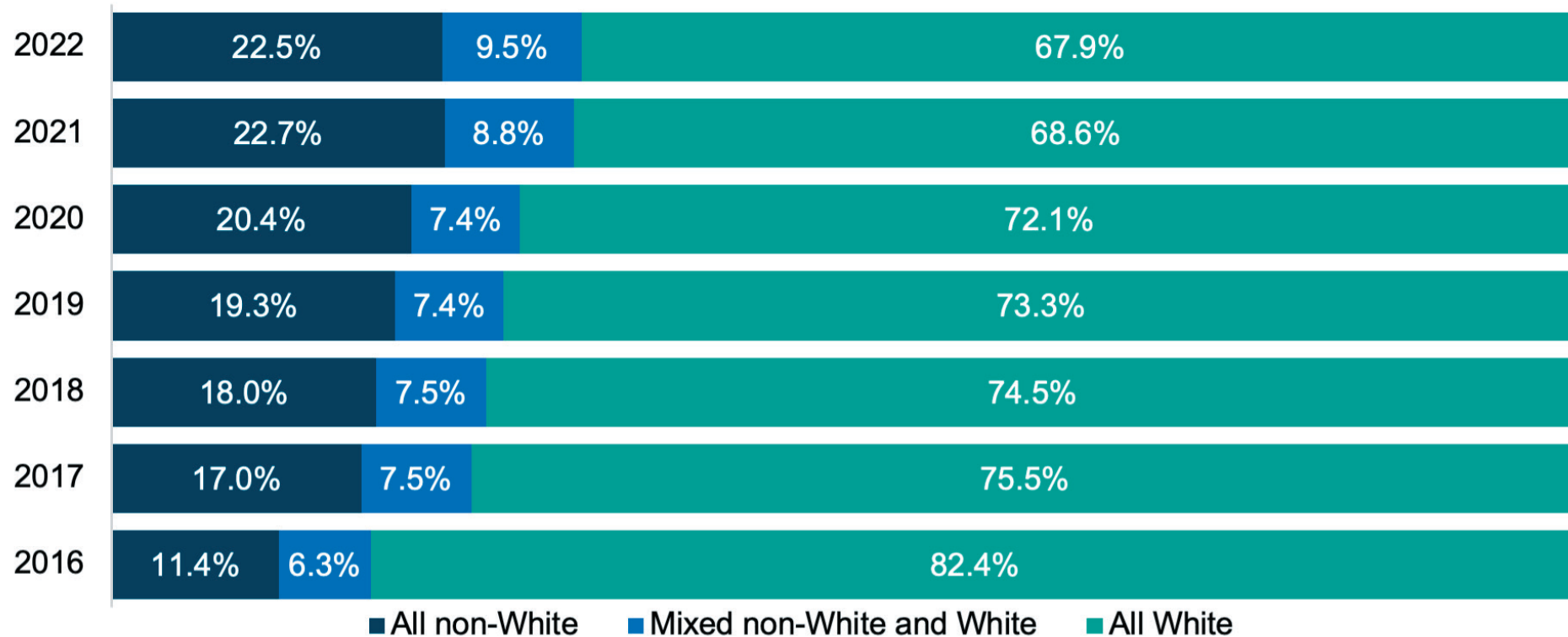
# Gender Composition

- % of “All Female” increased: 9.6% (2016) → 14.2% (2022)



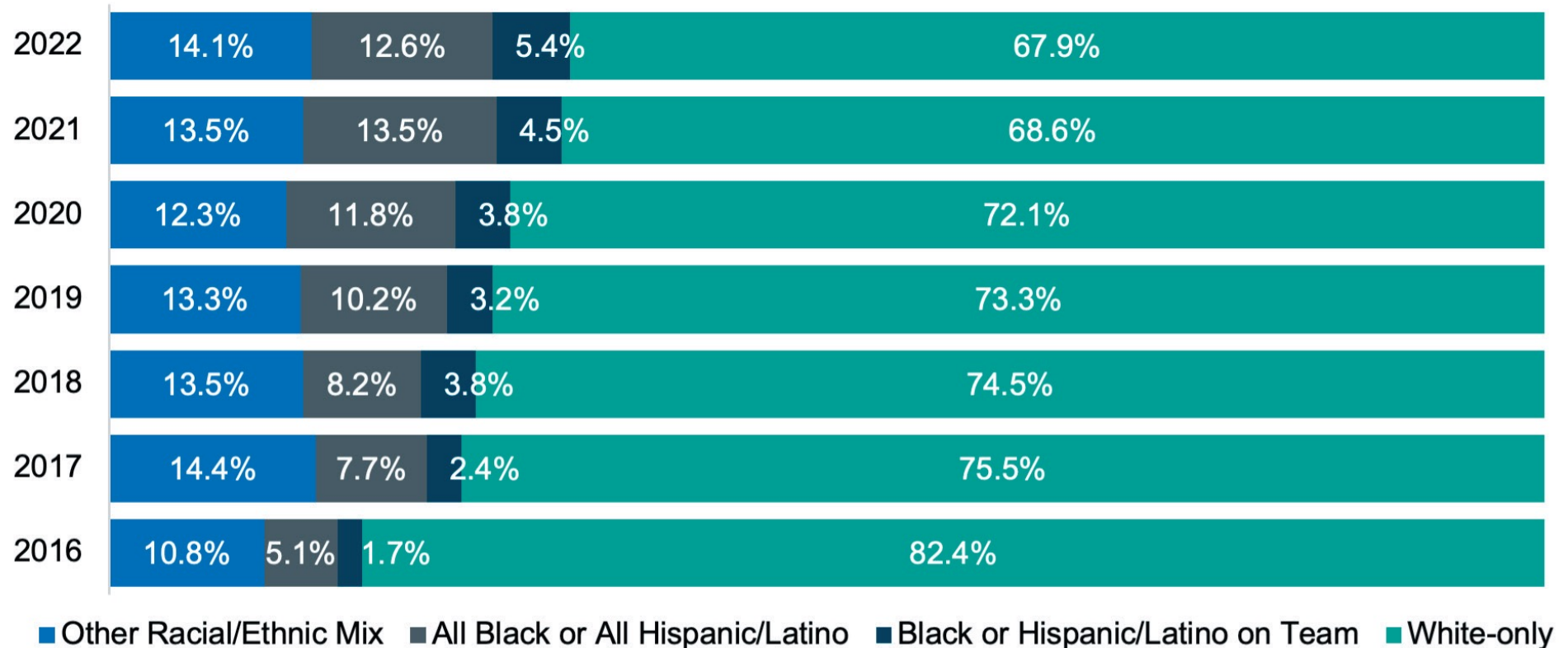
# Racial/Ethnic Composition

- % of “All Non-White” increased: 11.4% (2016) → 22.5% (2022)



# Racial/Ethnic Composition

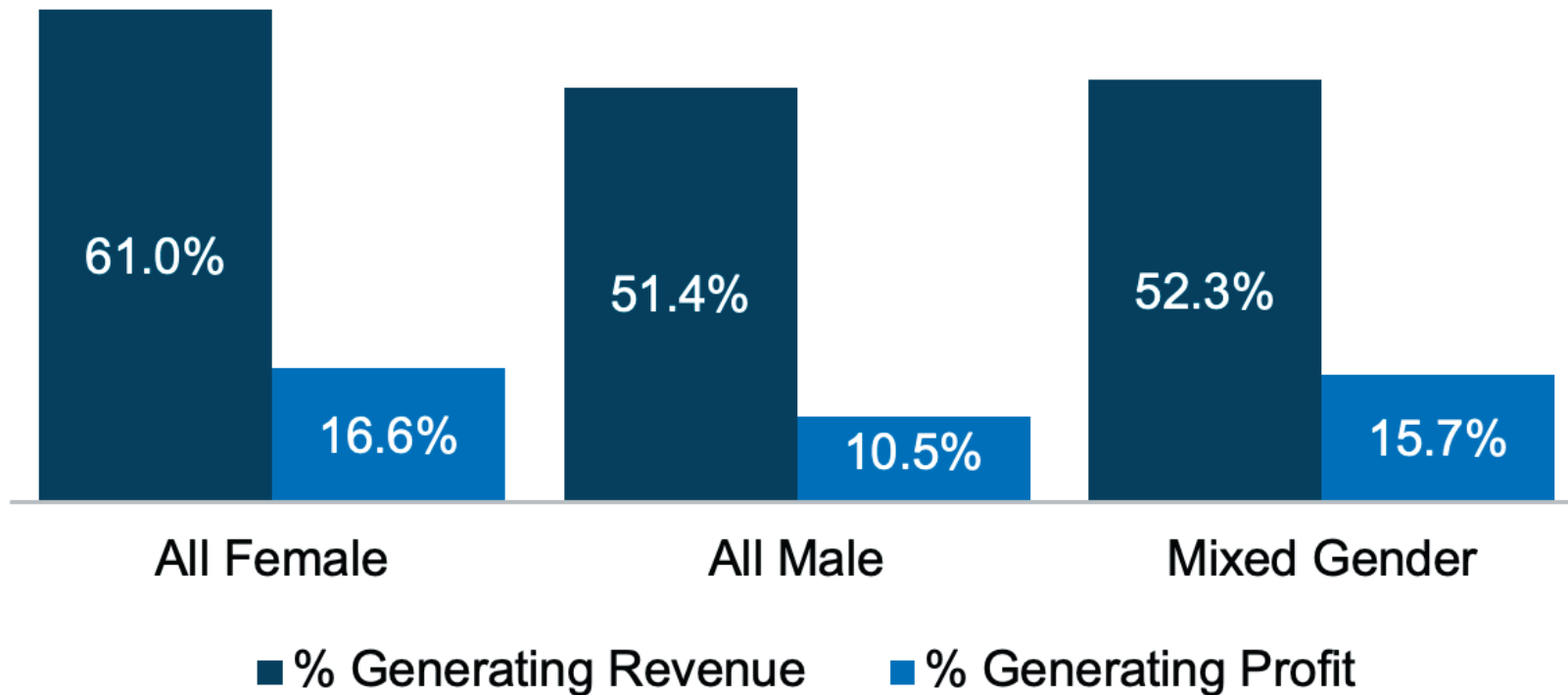
- More Black and Hispanic/Latino participation over time



# Pre-Offering Financial Performance by Gender Composition

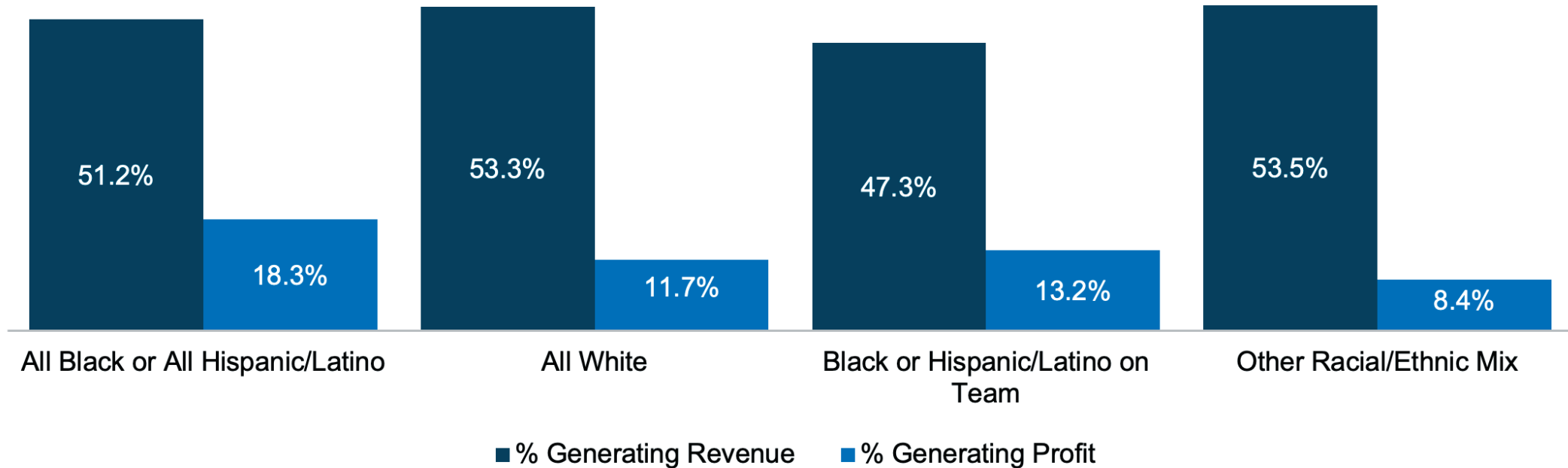
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- “All Female” teams have higher % of businesses that generate revenue *and* profit, followed by “Mixed Gender” teams



# Pre-Offering Financial Performance by Racial/Ethnic Composition

- “All Black or All Hispanic/Latino” teams have highest % of businesses generating profit



# Participation of Women and Minority Entrepreneurs

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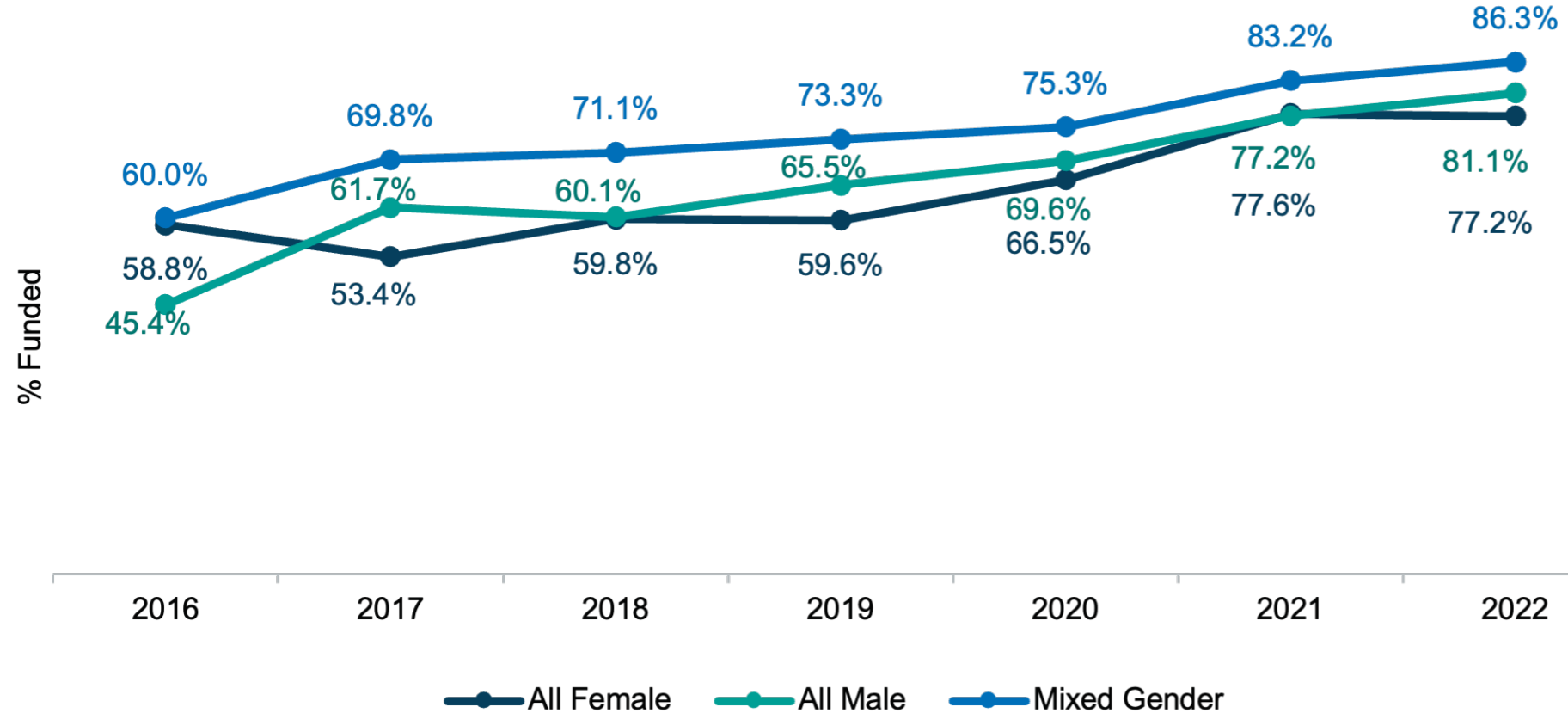
- Increasing but still underrepresented compared to the overall business owner population
- Participated firms led by women and minorities had track records that often surpass those of male-led and White-led firms
- More efforts needed to increase visibility and accessibility
  - Increase awareness of the funding source
  - Minimize any costs associated with fundraising



**REG CF OUTCOMES OF  
WOMEN AND MINORITY-OWNED  
BUSINESSES**

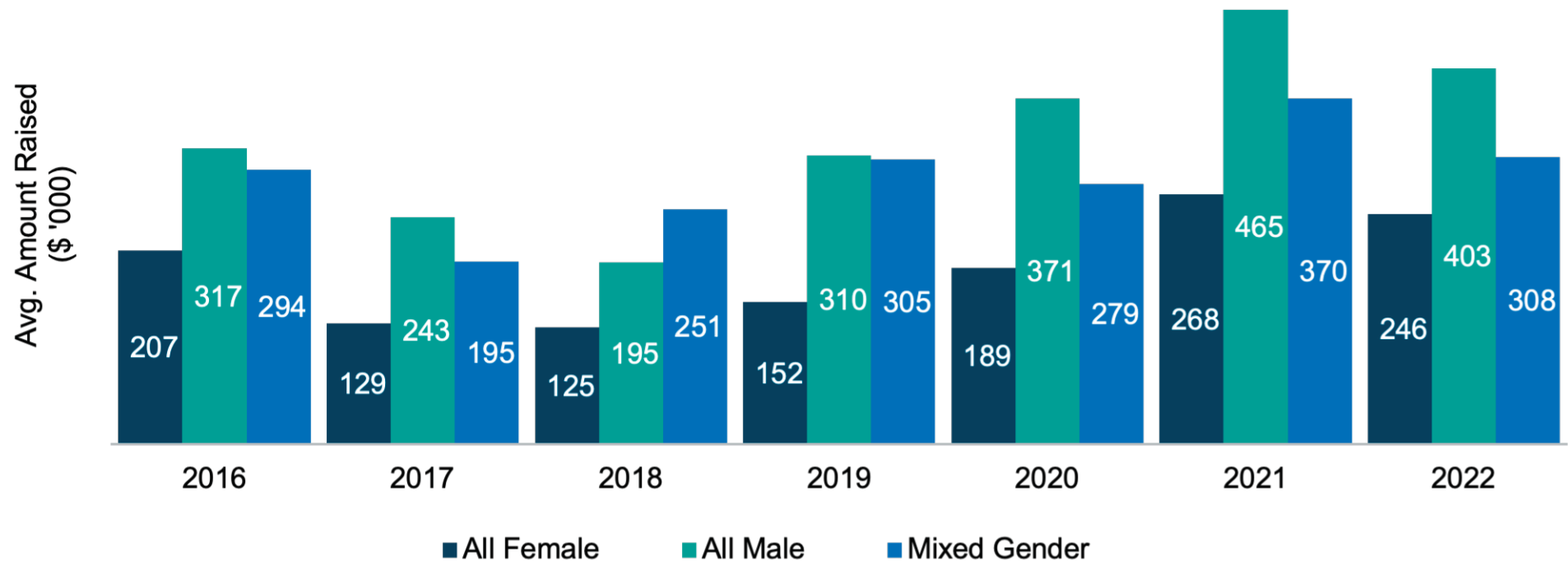
# Reg CF Outcomes by Gender Composition

- “All Female” teams had the lowest average funding success rate



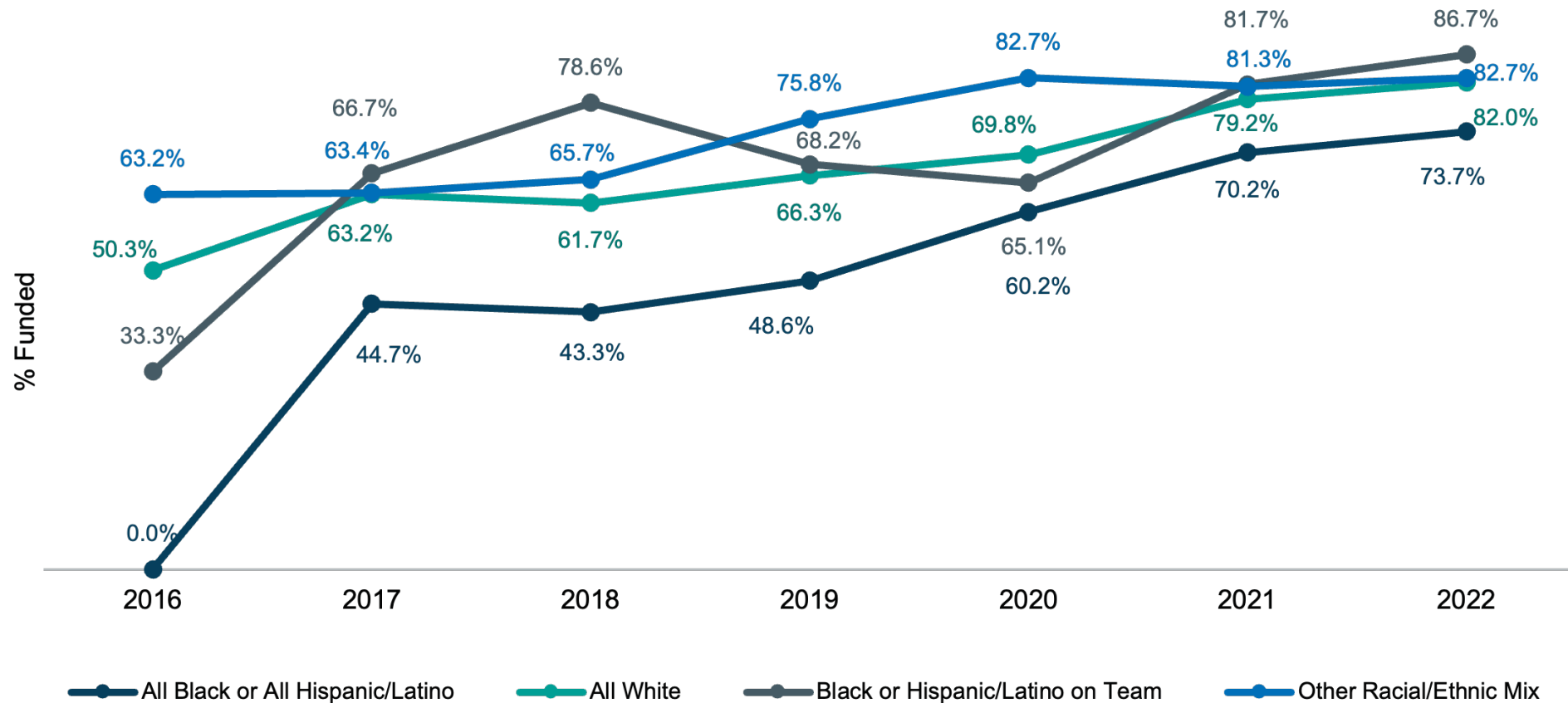
# Reg CF Outcomes by Gender Composition

- “All Female” teams had the lowest average funding amount
- Funding amount growing at a slower rate than “All Male” teams



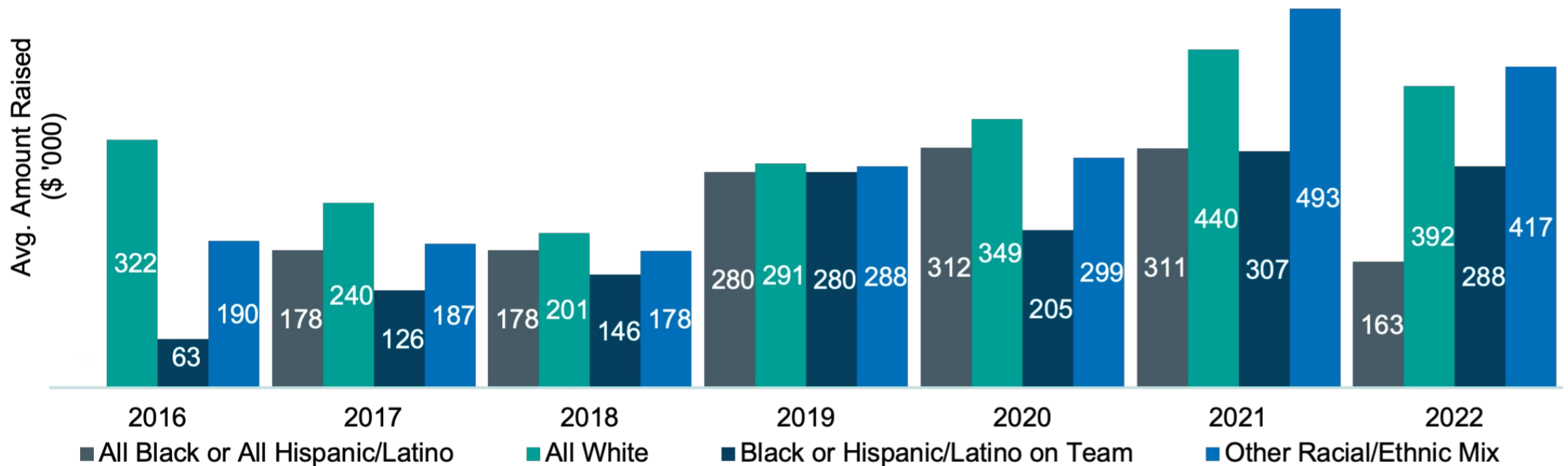
# Reg CF Outcomes by Racial/Ethnic Composition

- Racial/ethnic gap in funding success rate is more pronounced when distinguishing “All Black or All Hispanic/Latino” founders



# Reg CF Outcomes by Racial/Ethnic Composition

- While funding gap narrowed between 2017-2020, it has widened since 2021
- In 2022, “All Black or All Hispanic/Latino” received check size less than half of that of “All White” teams



# Reg CF Outcomes Summary

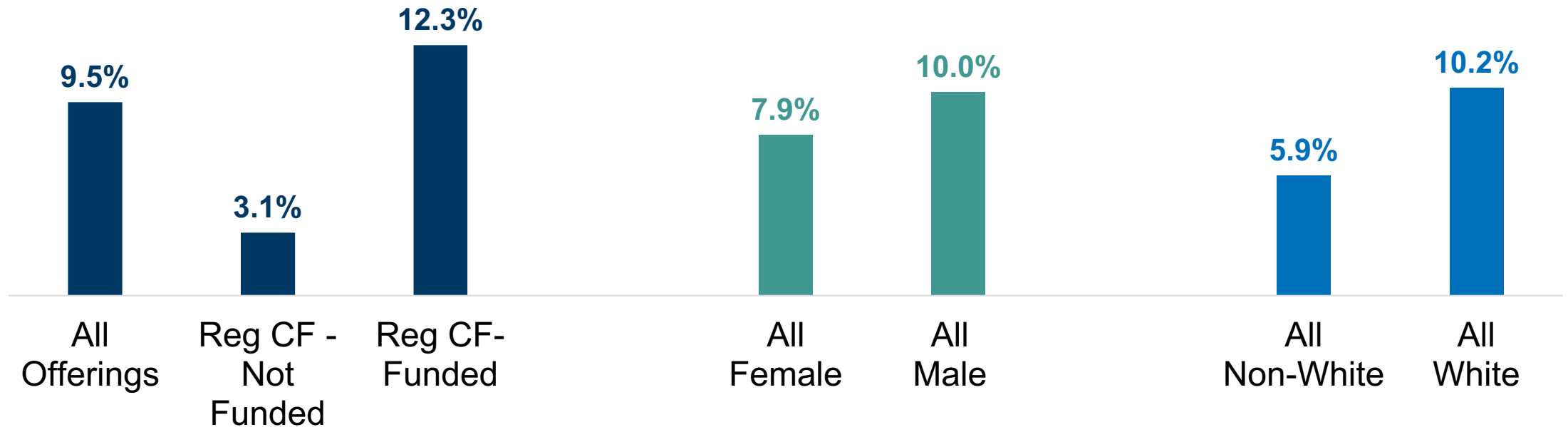
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- Overall, women and minorities appear to have a higher chance of securing funding by participating in Reg CF compared to choosing traditional funding sources
  - More than half of women-led and minority-led businesses raise money
- **% Funded** (funding rate): all-women and all-minority teams are lower but smaller gaps over time
- **Funding amount:** substantial gaps despite comparable pre-offering performance
  - “All Female” receive 1.5 to 2.0 times lower funding than that of “All Male”
  - “All Non-White” (esp. “All Black or All Hispanic/Latino”) receive disproportionately less funding compared to “All White”

**FUTURE OUTCOMES OF  
WOMEN AND MINORITY-OWNED  
BUSINESSES IN REG CF**

# Reg CF Outcomes & Reg D Funding (Private Placements)

## % Subsequently Receiving Regulation D Funding

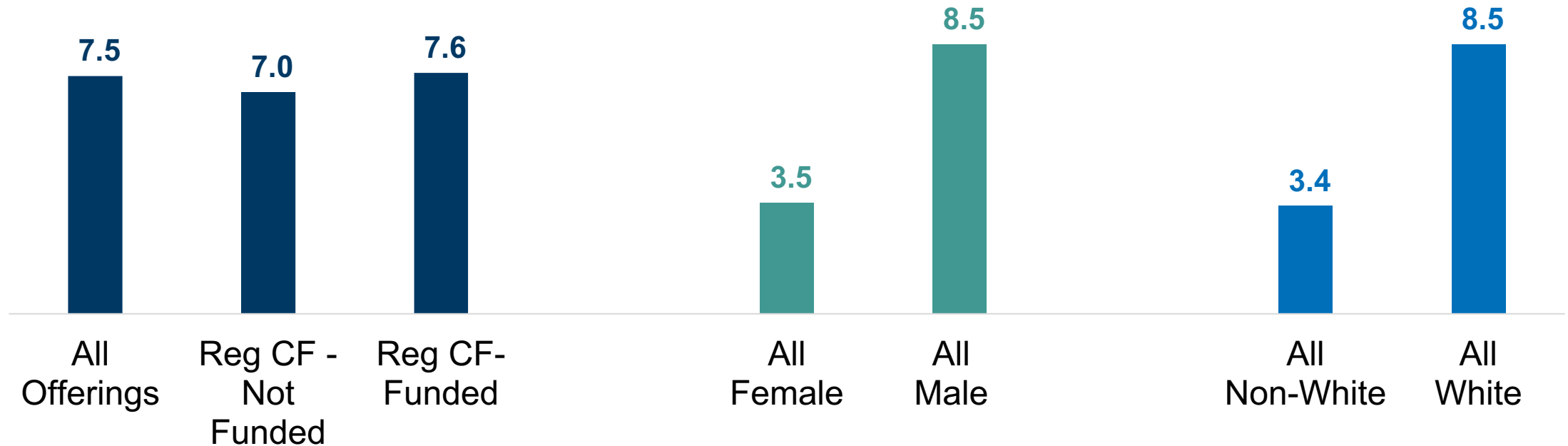


**Women and minority-led teams have lower average Reg D funding rates**



# Reg CF Outcomes & Reg D Funding (Private Placements)

## Regulation D Funding Amount



**Highlight the need for additional policy measures to support women and minority entrepreneurs beyond the Reg CF funding stage**

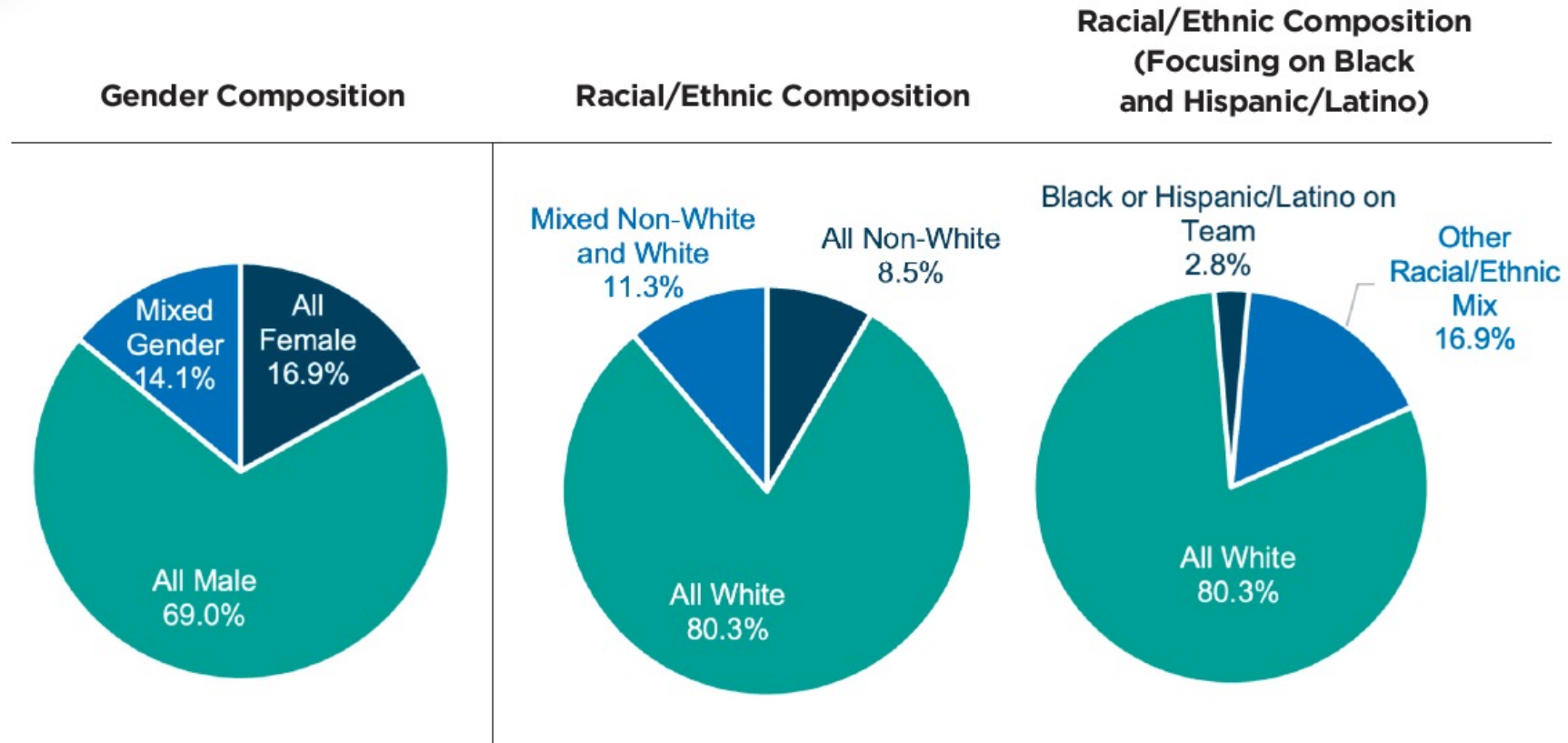
# Exit Outcomes: Initial Public Offerings (IPO)

- 14 IPOs and 71 acquisitions as of March 2024

Company Name (Ticker)	First Reg CF Date	IPO Closing Date	Reg CF Funded	Gender Composition	Racial/Ethnic Composition
Amphitrite Digital (AMDI)	Jun-22	Filed	Yes	Mixed Gender	All White
Atlis Motor Vehicles (AMV)	Mar-18	Sep-22	Yes	All Male	All White
Auddia (Previously Clip; AUUD)	Sep-17	Feb-21	No	All Male	All White
BullFrog AI (BFRG)	Oct-20	Aug-23	No	All Male	All Non-White (Asian)
CNS Pharma (CNSP)	Mar-18	Jan-24	Yes	All Male	All White
Digital Brands Group (DBGI)	Jun-18	Dec-21	Yes	All Male	All White
Edible Garden (EDBL)	Oct-20	May-22	Yes	All Male	All White
FibroBiologics (FBLG)	Jan-23	Jan-24	Yes	All Male	All White
Immersed (AIMR)	Jul-20	Filed	Yes	All Male	All Non-White (Asian)
Innovative Eyewear (LUCY)	Jun-20	Aug-22	Yes	All Male	All White
Janover (JNVR)	May-20	Jul-23	Yes	All Male	All White
Jet Token (JETAI)	Feb-19	Aug-23	Yes	All Male	All White
Monogram Orthopedics (MGRM)	Feb-22	May-23	Yes	All Male	All White
Volcon (VLCN)	Oct-20	Nov-23	Yes	All Male	All White

# Exit Outcomes: Mergers and Acquisitions (M&A)

- 14 IPOs and 71 acquisitions as of March 2024
  - Acquisition terms and proceeds to investors not disclosed



# **POLICY RECOMMENDATIONS**

# Summary

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- **Notable Growth:** Uptick in women and minority-led businesses participants
- **Persistent Disparities in Reg CF funding outcomes** by gender, race
- **Pre-offering Performance vs. Funding Outcomes:** Comparable pre-offering business performance but disparities in funding rates and amounts
- **Long-term Consequences:** Reg CF funding disparities may lead to unequal business and financial performance
- **Importance of Post-RegCF Support:** current exit events led predominantly by “All Male” or “All White” founding teams
- **Overlooked Opportunities:** Women and minority entrepreneurs often outperform, yet face market undervaluation

# Policy Recommendations

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- **Encouraging Participation:** Incentivize outreach to underrepresented entrepreneurs via awareness campaigns or subsidized training
- **Reducing Barriers to Participation:** Subsidize costs related to fundraising
- **Addressing Funding Biases:** Highlight success stories of women and minority-led businesses; implement anti-bias training; create incentives for investing in female-led or minority-led projects (e.g., investment credits); gender-blind or color-blind evaluation systems
- **Facilitating Networking and Mentorship:** Offer networking with seasoned mentors and tailored resources for women and minority founders; foster partnerships that can lead to strategic alliances or acquisitions