Problem: Women Entrepreneurs Need Greater Access to Capital

Lack of access to capital continues to be a barrier for women-owned businesses. On average, women start their business with half as much capital as men ($75,000 vs. $135,000). Women-owned and men-owned high growth potential firms experience larger disparities in capital at the time of founding ($150,000 vs. $320,000).1

A gender gap exists in equity financing, which is a vital resource for startup and growth:

- Less than 1% of small businesses use venture capital for startup or growth. Women receive .1% of venture capital financing compared to .4% of men.2
- 15% of funded VC companies had a woman on the executive team. More precisely, from 2011-2013, only 985 out of 6,793 VC-funded companies had a woman on the executive team. Women CEOs were only present in 2.7% VC-funded companies (183 out of 6,517). Companies with women on the executive team received $10.9 billion in funding or 21% of the total $50.8 billion of the VC dollars that was invested from 2011-2013. Companies that had a woman CEO only received 3% ($1.5 billion) of venture capital dollars invested. 3
- From 2011-2013 the average dollar investment for companies with at least one women in management was $12 million. Companies with no women in management had a combined average of $8 million. 4
- In 2011, 12.2% of women represented the angel market; this grew to 21.8% in 2012. Moreover, 16% of entrepreneurs applying for angel capital were women-owned companies. Of this, 25% received funding.5
- There are also capital sources that focus on women such as Golden Seeds, which was founded in 2005. Since its founding, it has invested more than more than $70 million in over 65 women owned businesses. Over 2,400 companies have been evaluated by the organization.6

Bank loans are an underutilized source of capital for women:

- Of women-owned firms, 5.5 % use business loans from banks or other financial institutions to start or acquire their businesses. 11.4 % of men-owned firms use business loans.7
- Women are more likely to use personal savings to begin a new business compared to all businesses (55.5% vs. 62.1% respectively). Additionally, 30.3% of women were more likely to indicate that they did not require startup financing while only 19.5% of men did so.8
- The Joint Small Business Credit Survey Report notes that, 32% of small businesses applied for credit during the first half of 2014. Of these 32%, 36% received the full funding amount, 4% received most of their funding (more than 50%), 10% received some funding (less than 50%) and 50% received no funding.10

Crowdfunding Platforms are Game-Changing:

- Major crowdfunding platforms are reward-based (e.g. Kickstarter), equity-based (e.g. CircleUp), donation-based (e.g. Indiegogo), and Peer-to-peer (P2P) lending (e.g. Kiva).
- Greenberg and Mollick showed that women are more likely than men counterparts to meet crowdfunding goals; that is, “women outperform men, and are more likely to succeed at a crowdfunding campaign, all other things being equal.”11
- Chance Barnett, cofounder of Crowdfunder.com stated, “Not only are women more active on social media, they are often more collaborative when they do invest so [crowdfunding] is going to be a really interesting space, and it is going to be the perfect place for women to gain a lot of traction.”12
- Currently, 16 states have developed new regulations that permit startup companies to use crowdfunding investments. For example, a business in Oregon can raise up to $250,000 through local crowdfunding. A maximum of $2,500 per person per company can be invested.13

The Solution:

Despite access to capital challenges, women are doing more with less. On average, women start with half as much capital as men, but between 2008-2011, for firms with growth at or exceeding 30%, WOBs stood at 58.2% compared to 52.9% of men-owned businesses.14 We need to figure out how best to get women the revenue they need to grow and scale their businesses.

The Council is committed to helping more women start, stay in, and grow their businesses by:15

- Highlighting impediments to access to capital, promote participation in the SBA, CDFI, and other lending programs, identify potential barriers to participation for community banks and credit unions in targeted geography, elevate crowdfunding opportunities, and encourage the connection for women-owned and women led startups with angel investors and venture capital.
- Creating and curating resources and programming that support women entrepreneurs in their pursuit of capital, such as developing and publishing toolkits, increasing the accessibility of successful women-focused training programs, curricula, and resources for financing.
- Broadening the dialogue and the exploration of innovative ways to increase investment in women-owned and women-led businesses by engaging various stakeholders and influences on how to increase the pipeline of women into careers in finance, angel investing, and venture capital by identifying opportunities in programs, business education, and other support mechanisms for women investors.