



# How women-owned businesses can remove access to capital barriers

Between 2017 and 2018, women-owned businesses grew at a rate nearly five times the national average. Overall women-owned businesses generated \$1.8 trillion in revenue - a 46% increase year-over-year - and increased their employee count by 21% from the previous year. However, even with these successes, women still face capital barriers that prevent them from growing their companies to their full potential.<sup>1</sup>

## The gender gap in funding

Although gender disparities have come to the forefront in recent years, significant opportunity gaps remain, particularly in venture capital (VC) funding. VC deals given to male-led companies in 2018 far outpaced investments in businesses owned exclusively by women leaders. Women-only teams received only 2.2% of the total \$130 billion VC funding available in 2018.<sup>2</sup>

### Key takeaways



While there is a push for change within gender inequality, women-owned businesses receive a fraction of capital compared to their male counterparts.



Taking a more modest approach in financing is one of the barriers that women face when building their business.



Seeking out mentors and pursuing leadership opportunities can help women overcome barriers to capital.



Investor funding isn't the only way to access capital, of course. Companies can apply for business loans<sup>3</sup> or use asset-backed lending to fuel growth.<sup>4</sup> However, women are more inclined than men to bootstrap (or self-fund) their companies as long as possible.

Even if a woman entrepreneur receives favorable loan terms, she still has good reasons to pursue VC funding. Such investments can prove crucial to a start-up's success — and not just because of the influx of cash.

Venture capitalists often take on advisory roles with the companies in which they invest, serving as an invaluable resource to their entrepreneur partners. They bring a significant amount of business experience and expertise to the table, and their mentorship can make or break a young company. Investors can also connect entrepreneurs with other high-value people in their networks, and facilitate important meetings and deal opportunities. In the hyper-competitive start-up landscape, backing from the right venture capitalist could well bring a small, scrappy start-up into the big leagues.

Considering that women hold less than 10% of decision-making positions at U.S. venture capital firms, the solution to the gender gap might appear to be encouraging more women to become venture capitalists.<sup>5</sup> However, women venture capitalists tend to favor male-led companies as well.

## Why disparities persist

Several factors contribute to the capital barriers women face when building their businesses. One is an unconscious bias among both men and women that women-led businesses are less credible and legitimate than male-led organizations.

The differences in how men and women approach early-stage financing also plays a role. Men are three times more likely than women to pursue angel investments and later VC funding. An angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. Men are also more proactive about asking their professional and personal networks for loans and investments. Those behaviors provide male entrepreneurs with a significant financial advantage early on, and in most cases, women are never able to close that gap.

Again, the answer might seem simple — women should tap into their networks for funding when they launch their companies. However, statistics show that women receive a much smaller share of the funding available than men do.<sup>2</sup> Women are also reluctant to take on business debt because they tend to be more risk-averse, and they're hesitant to pursue large investments due to a desire to retain control of their companies.

But the list of barriers to capital goes on. Investors may question whether a woman entrepreneur is worth betting on if there's a chance that she'll prioritize motherhood and family life above her commitment to the company. Generally speaking, most women entrepreneurs start businesses outside the tech and engineering spaces — industries that attract big money because of the prospective returns. Venture capitalists may not feel that a smaller company that focuses on products for women is worth their time when there are larger opportunities elsewhere. Yet this trend is unlikely to reverse unless (and until) more women study in STEM fields and pursue business opportunities in more advanced tech areas.

## How to beat and improve the odds

Despite the sobering statistics, women entrepreneurs do capture funding opportunities and lead high-growth companies. As more women pursue top positions at VC firms and insist on having a voice at the table, subtle biases and misperceptions will shift. In the meantime, here's what you can do to [overcome barriers](#) to capital:

- **Seek out mentors:** Forge relationships with entrepreneurs and investors you admire — both men and women. Even before you're ready to pitch for investments, get their feedback on your product and business model. Learn what they look for when evaluating investment prospects. Getting input from industry veterans will not only make your company attractive to venture capitalists, it will also make you a more thoughtful and well-rounded leader.
- **Overcome impostor syndrome:** Women are especially susceptible to impostor syndrome, and they often second-guess themselves and fear that they'll be perceived as frauds. This mental trap prevents women from pursuing opportunities as aggressively as men — and can put them and their business at a disadvantage.

Own your accomplishments and draw on your business's successes to remind yourself that your

company has value. If there's an area in which your skills aren't up to par, find a mentor who can help you improve and allow your confidence to grow as you develop those strengths.

- **Embrace leadership opportunities:** As your company grows, you'll have opportunities to speak at business events, mentor other women and even become an investor yourself. Step into these roles wholeheartedly, knowing that you're helping to create a more supportive, inclusive business ecosystem.
- **Seek out a financial advisor:** Seek out advice from your financial advisor to determine which financing options will help you achieve your goal. Whether it's starting a business, expanding or investing in equipment, there are options available for you to consider to secure the capital you need.

Equality in access to capital won't happen overnight. But the business and investing worlds are moving in the direction of gender parity, and women entrepreneurs are leading the charge. By insisting that your voice be heard and your company be given a chance, you'll open doors for yourself and for millions of other women entrepreneurs.

## The support you need

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Remove Access to  
Capital Barriers

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<sup>1</sup> "The 2018 State of Women-owned Businesses Report." American Express. 2018.

[https://about.americanexpress.com/files/doc\\_library/file/2018-state-of-women-owned-businesses-report.pdf](https://about.americanexpress.com/files/doc_library/file/2018-state-of-women-owned-businesses-report.pdf).

<sup>2</sup> Emma Hinchliffe. "Funding for Female Founders Stalled at 2.2% of VC Dollars in 2018." January 28, 2019. <https://fortune.com/2019/01/28/funding-female-founders-2018/>

<sup>3</sup> "Loans & Lines of Credit." KeyBank. <https://www.key.com/businesses-institutions/solutions/banking/loans-loc.jsp>

<sup>4</sup> "Financing Your Company's Growth with Asset-Based Loans." KeyBank. [https://www.key.com/kco/images/Financing\\_Your\\_Companys\\_Growth\\_Asset\\_Based\\_Loans.pdf](https://www.key.com/kco/images/Financing_Your_Companys_Growth_Asset_Based_Loans.pdf)

<sup>5</sup> Kate Clark. "Female founders have brought in just 2.2% of US VC this year (yes, again)." December 2018.

<https://techcrunch.com/2018/11/04/female-founders-have-brought-in-just-2-2-of-us-vc-this-year-yes-again/>

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