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Women's Entrepreneurship: closing the gender gap in access to financial and other services and in social entrepreneurship

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POLICY DEPARTMENT C: CITIZENS' RIGHTS AND CONSTITUTIONAL AFFAIRS

WOMEN'S RIGHTS & GENDER EQUALITY

Women's Entrepreneurship: closing the gender gap in access to financial and other services and in social entrepreneurship

STUDY

Abstract

This study explores differences between men and women entrepreneurs and social entrepreneurs. It explores the barriers and discriminatory effects that hinder women's entrepreneurship, including access to finance in the European Union. The study includes four case studies covering the situation in the Czech Republic, Italy, Sweden, and the United Kingdom.

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CONTENTS

LIST OF ABBREVIATIONS

CZK	Czech Koruna
EC	European Commission
EU	European Union
GEM	Global Entrepreneurship Monitor
OECD	Organisation for Economic Cooperation and Development
SAERG	Swedish Agency for Economic and Regional Growth
SME	Small to Medium Enterprises
STEM	Science Technology Engineering and Maths
UK	United Kingdom
VC	Venture Capital

EXECUTIVE SUMMARY

Aims of the study

The main aims of the study include identifying differences in **rates** of entrepreneurial activity between men and women as well as the **barriers,** which might explain the differences. There is a particular focus on how women and men entrepreneurs and social entrepreneurs **access finance.**

Methods

The study was conducted using a combination of **literature review** and field research conducted in four **case study** countries in the EU: the Czech Republic, Italy, Sweden and the United Kingdom (UK).

Literature review findings

Women accounted for only **29%** of the 40.6 million entrepreneurs in the EU in 2012. Women entrepreneurs tend to operate in **smaller businesses**; usually go **solo**; tend to **concentrate on sectors** that are considered by financiers to be **less profitable**; tend to have **lower growth and turnover** compared to male-owned businesses.

Women entrepreneurs tend to **self-assess the level of innovation** of their own business lower than male counterparts. They tend to start off with less capital, borrow less and use family, rather than debt or equity finance.

Domestic circumstances often force women into periods of intermission; this hinders their ability to accumulate social, cultural, and financial **capital,** and constrains the generation of a respectable credit history.

Women entrepreneurs are more reluctant to assume a **position of debt** compared to men. This is down largely to lower levels of self-confidence in their business. Women entrepreneurs generally have **less powerful professional networks**, compared to men.

The gender gap for **social entrepreneurship** tends to be smaller than for mainstream entrepreneurship.

Overview of main EU policies and legislation relevant to entrepreneurship

Two key pieces of legislation are relevant for the study. Directive 2010/41/EU of the European Parliament extends the right to maternity benefits to self-employed women or spouses, or partners of those who are self-employed. Regarding the first, case studies suggest that women continue to struggle balancing raising a family with the demands of running a business. EU Directive 2004/113/EC prohibits gender discrimination. However, a problem is that indirect discrimination is difficult to prove, even though there appears to be evidence that indirect discrimination does occur.

Summary of Case Studies conducted in the Czech Republic, Italy, Sweden and the UK

All case studies suggested that women set up businesses that are predominantly in **sectors that are female-dominated**. These sectors are **less attractive** to investors or lenders. Women entrepreneurs tend to seek **lower loan or investment amounts.** This makes them less attractive to both equity and debt financiers who will achieve lower returns as a result of lower debt amounts.

Across the case studies, it was identified that banks and equity funders are less attracted to businesses that are run by individuals with a **lower level of business experience.** This places women at a structural disadvantage. It was also suggested in the Czech Republic that some banks **directly discriminate** against women who are on parental leave.

In all case studies **socially constructed gender roles** were reported to act as a barrier to women setting up and running businesses.

It was noted in all case study countries that there was a lack of **angel investors** (see definition in point 4.1.3) who could be a benefit to women entrepreneurs. Furthermore, one of the key factors that affect women's chances of accessing funding and growing business is the size of their **professional networks.**

In all case studies, women were reported to be predominantly responsible for the **care of children or other dependents**. This was a substantial barrier for women who wish to run businesses.

No case study respondent reported that **EU legislation** had made much of a difference to the situation of women entrepreneurs in their country.

Recommendations

A number of ways were identified throughout this study which would tackle some of the barriers for women entrepreneurs and social entrepreneurs:

- National and/or European schemes are needed to encourage banks to lend money to business in predominantly female sectors, including potential **micro finance** or government **loan guarantees**
- **Further research** comparing the **growth trajectories and return on investment** in women-dominated sectors compared to male-dominated would be instructive, as well as an exploration of how different **assessment tools used to review loan applications** affect men and women entrepreneurs differently
- Setting up and reinforcing the schemes that grow women entrepreneurs' **networks of business** and finance contacts would be a direct boost to their opportunities as well as develop women's confidence and skills
- Whilst **alternative finance** options such as crowdfunding may be an opportunity to women, this should not be seen as an alternative to mainstream lending and equity
- Member States should invest in **affordable childcare** as a necessary condition for women entrepreneurs to run their businesses and to have a family at the same time
- Girls should be encouraged to consider **running businesses from a young age**, to challenge gender stereotypes that limit women's confidence as business professionals

- Girls and young women should be encouraged to take up **STEM subjects at school** and university, as these tend to be areas of high growth
- Further research would be useful to understand under what conditions the **transition from unemployment to entrepreneurship** can be successful for women
- The Commission should investigate to what extent women entrepreneurs are subject of **indirect discrimination** in the sense of Directive 2004/113/EC in the area of financial services

1. INTRODUCTION

KEY FINDINGS

- This study aims to identify **differences in rates, barriers and enablers** between women and men entrepreneurs and social entrepreneurs.
- The study also attempts to identify the **impacts of EU legislation** concerning gender discrimination in access to finance.
- This study was conducted using a combination of **literature review and field research** carried out in **four case study countries** in the EU: the Czech Republic, Italy, Sweden and the United Kingdom (UK).

This study was commissioned by the Committee on Women's Rights and Gender Equality of the European Parliament (FEMM Committee).

It should be read as a complement to the studies carried out by the European Gender Equality Insitute (EIGE), also together with the Greek presidency, on women's economic independence and entrepreneurship[1].

1.1. Aims of the study

The study aims to achieve the following:

- Identify differences in **rates** of entrepreneurial activity between men and women across the European Union (EU), including mainstream and social entrepreneurship
- Identify differences between men and women entrepreneurs and social entrepreneurs in terms of how they **access finance**
- To explore whether there are any **discriminatory effects** in terms of how male and female entrepreneurs and social entrepreneurs are able to access finance for their businesses
- To identify **structural barriers** that particularly affect women entrepreneurs and social entrepreneurs
- To identify **individual barriers** that particularly affect women entrepreneurs and social entrepreneurs
- To identify **situational barriers** that particularly affect women entrepreneurs and social entrepreneurs
- To explore the impact of **EU legislation** on gender-equal access to financial services

1.2. Methods

This study was conducted using a combination of **literature review** and field research conducted in four **case study** countries in the EU: the Czech Republic, Italy, Sweden and the United Kingdom (UK).

[1] EIGE (2015) Promoting women's economic independence and entrepreneurship Good Practices: http://eige.europa.eu/sites/default/files/MH0214828ENN_WEB.pdf
EIGE (2014) Gender equality and economic independence: part-time work and self-employment Review of the Implementation of the Beijing Platform for Action in the EU Member States: http://eige.europa.eu/sites/default/files/MH0414228ENC.pdf

The literature review involved searching databases of peer reviewed literature using search terms that relate to women and men's entrepreneurial and social entrepreneurial activity. Literature was then synthesised to present an up to date **overview of evidence** on the differences, barriers and opportunities for women entrepreneurs and social entrepreneurs in the EU.

Case studies involved brief reviews of literature and key statistics that are available for each case study country, in order to present an overview of the situation for women entrepreneurs and social entrepreneurs in those countries. However, the main approach for the case studies was **qualitative in-depth interviews** conducted with 3 groups of respondents: women entrepreneurs and social entrepreneurs, banks and other financial institutions and organisations that provide support and advice to entrepreneurs. Data from each group of interviews were compared to find consistencies and dominant themes.

1.3. Definitions

The definition of '**entrepreneur'** is based on the Commission Green Paper of 21 January 2003 on Entrepreneurship in Europe. This identifies 'entrepreneurship' as "*an individual's creative capacity, independently or within an organisation, to identify an opportunity and to pursue it in order to produce new value or economic success*".

Entrepreneurs may be **self-employed** or **employed** within their own business. Self-employed workers are defined by the EU as *'all persons pursuing a gainful activity for **their own account**, under the conditions laid down by national law, including farmers and the professions'*[2]. Entrepreneurs may register themselves as being 'self-employed' if, for example, they have not **registered** their company with the relevant national authority. **'Sole trader'** is another term for a self-employed person. These entrepreneurs do not directly employ another person.

According to the European Commission's draft legislative proposal for European social entrepreneurships funds, a **social entrepreneur** is "any organisation or institution that has the achievement of measurable, positive **social impact** as a primary objective in accordance with its articles of association, statutes or any other statutory document establishing the business, where:

- the undertaking provides services or goods to vulnerable or marginalised persons;
- the undertaking employs a method of production of goods or services that embodies its social objective;
- uses its profits to achieve its primary objective instead of distributing profits and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and owners;
- is managed in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activities."

[2] Directive 2010/41/EU of the European Parliament and of the Council of 7 July 2010 on the application of the principle of equal treatment between men and women engaged in an activity in a self-employed capacity and repealing Council Directive 86/613/EEC.

The **EU Directive 2004/113/EC**[3] concerns gender discrimination in access to goods and services. Point 13 of the Directive states that:

> 'The prohibition of discrimination should apply to persons providing goods and services, which are available to the public and which are offered outside the area of private and family life and the transactions carried out in this context'.

[3] Council Directive 2004/113/EC of 13 december 2004 Implementing the principle of equal treatment between men and women in the access to and supply of goods and services.

2. LITERATURE REVIEW: FACTORS AFFECTING WOMEN ENTREPRENEURS AND SOCIAL ENTREPRENEURS

KEY FINDINGS

- Women accounted for only **29% of the 40.6 million entrepreneurs in the EU** in 2012.
- The EU has seen a **significant growth in female entrepreneurship** in recent decades.
- Women entrepreneurs tend to operate in **smaller businesses**; usually **go solo;** tend to concentrate on sectors that are considered by financiers to be l**ess profitable;** tend to have **lower growth and turnover** compared to male-owned businesses.
- Women entrepreneurs tend to **self-assess the level of innovation** of their own business l**ower** than male counterparts.
- Women entrepreneurs tend to start off with **less capital**, **borrow less** and use family, rather than debt or equity finance.
- Highly educated women create social enterprises at a similar rate than highly educated men, while the reverse is true for mainstream entrepreneurship where the **gender gap widens for the highly educated.**
- **Domestic circumstances** often force women into periods of intermissions; this hinders their ability to accumulate social, cultural, and financial capital, and constrains the generation of a respectable **credit history.**
- Women entrepreneurs are more **reluctant to assume a position of debt** compared to men. This is down largely to lower levels of self-confidence in their business.
- Women entrepreneurs generally have **less powerful professional networks,** compared to men.
- The gender gap for **social entrepreneurship** tends to be smaller than for mainstream entrepreneurship.

2.1. The gender gap in general entrepreneurship in the EU

The EU, reflecting trends in the rest of the developed world including US has seen a **significant growth in female entrepreneurship** in recent decades. Women's **self-employment rate** in the EU was largely **unaffected by the recession**, whereas the male figure has gone down by 17% between 2008 and 2010 (EC, 2010). More specifically, studies have found that the self-employment rate in France, the Netherlands, Sweden and the UK has **increased steadily throughout the past decade** (Hatfield, 2015). Whilst this is an encouraging trend, **women accounted for only 29% of the 40.6 million entrepreneurs in the EU in 2012,** consistent with the rest of the developed world where women own and manage around just a third of all businesses in developed countries (McClelland *et al.*, 2005). It has also been found that the **female self-employment rate lags behind the male equivalent in every EU country**, with the largest difference found in Ireland, Sweden and Denmark and the smallest in Luxembourg and Portugal (Hatfield, 2015).

However, one may argue that the headline figures only illustrate the tip of the iceberg. Studies have found that Women entrepreneurs tend to **operate in smaller businesses**

(Carter *et al*., 2006; Marlow and Patton, 2005). Orhan (2003) found that 90% of female-owned businesses in France employed less than ten employees.

Women entrepreneurs tend to **go solo.** In France it was found that over 40% of female entrepreneurs prefer to have no involvement from external partnerships, funding or acquisitions, compared to just 34% of their male counterparts (Orhan, 2003). This often means that they do not have as much access to diverse, essential resources.

Perceived lack of innovation is a more common problem for women. Women entrepreneurs tend to **self-assess** the level of innovation of their own business lower than male entrepreneurs, and only 8.3% of patents awarded by the European Patent Office in 2008 were awarded to women across the EU (EC, 2008).

Women entrepreneurs tend to **concentrate on sectors** that are considered to be **less profitable**. They are mostly **crowded, low order services** or manufacturing (Marlow *et al*., 2008). A study utilising the Global Entrepreneurship Monitor (GEM) found that women are more likely to engage in education, health care and community work than their male counterparts (Harding, 2007). In France, it is found that female entrepreneurs are more likely to enter the retail trade or services as opposed to manufacturing or transport (Orhan, 2003). A high proportion of women entrepreneurs operate as **small scale home-based** enterprises (Thompson *et al*., 2009). It is also found that **female entrepreneurs participate less in the high-tech** sector (Marlow *et al*., 2008). It was estimated in a cross-country survey that only **between 5 and 15% of high tech businesses are owned by women** (McClelland *et al*., 2005).

Women-owned businesses tend to have **lower growth and turnover** than male-owned businesses (Carter and Shaw, 2006). Orhan’s (2003) study found that women-owned businesses in France, on average, generated lower sales than those operated by male entrepreneurs. The same study also found that women entrepreneurs are **less orientated towards growth**, with 13% of women entrepreneurs expressing no desire to grow their business, as opposed to 6% of male entrepreneurs giving the same response. Kwong and colleagues (2006), in a study of female entrepreneurs in the UK, found that women’s **expectations of turnover** from their business were less than for men and that they have **lower levels of start-up funding** compared to men. A study by Shaw *et al*. (2005) found similar results.

To engage in larger, innovative businesses with high growth potential, **access to finance is perceived to be crucial** (Orcer *et al*., 2006; Magri, 2008; Nykvist, 2008). Some researchers have therefore suggested that the financial aspects of business start-up and development are by far the **biggest obstacles for women entrepreneurs** (Brush, 1992, Shaw et al, 2005). Therefore to improve the financial patterns of female owned businesses, as well as the barriers and challenges that female entrepreneurs face or perceive to face in accessing finance, it is crucial to **formulate support strategies through technical and financial support**, education and training, as well as institutional and legal protections to improve access to funding. In view of this, the challenges surrounding the access to finance (Shaw *et al*., 2005) are explored below.

2.2. Patterns of accessing finance for men and women entrepreneurs in the EU

There are **considerable differences between male and female entrepreneurs** in terms of their **financial arrangements** and the sectors they operate in.

Studies have long shown considerable differences in terms of financial patterns between male and female entrepreneurs. A number of notable differences within the literature are highlighted as follows:

- Women entrepreneurs tend to start off with **lower capital levels** (OECD, 2013) and **opt for smaller loans** (Roper and Scott, 2009; Treichel and Scott, 2006).
- Evidence of female entrepreneurs being **less well-financed** than male entrepreneurs is found across the EU, including France (Orhan, 2003), Italy (Alesina *et al*., 2008), the Netherlands (Verheul and Thurik, 2001), and the UK (Small Business Service, 2006). This is particularly the case with **small-scale home-based businesses** that are prevalent amongst female entrepreneurs (Thompson *et al*., 2009). Such **low start-up capital** can be worrying as the literature frequently **associates low start-up capitalisation to business failure** (Coate and Tennyson, 1992; Headd, 2003). However, it is important to bear in mind that these statistics do not provide evidence as to whether the lower amount is due to **personal preference** or **inability** to obtain a large loan.
- Female entrepreneurs are more likely to **rely on family members** for finance (GEM, 2010). In the literature, it has long been found that firms that rely on family finance are **less likely to grow** than those whose funding is obtained from formal finance.
- Female entrepreneurs tend to have **lower debt finance**. A study by Orhan (2003), for instance, found that only around 10% of female entrepreneurs in France prefer support from banks, which is a third lower than their male counterparts. Similarly, a UK study by Carter and Rosa found that female entrepreneurs are **less amenable to institutional finance**, such as overdrafts, bank loans and supplier credit. Such **low reliance on banks** is worrying because studies have also found that without bank financing, female business owners may resort to other **more costly forms of finance,** or forgo finance altogether, both of which can be harmful to growth (Orser *et al*., 2000) and future sales (Haynes and Helms, 2000).
- Female entrepreneurs tend to have **problems accessing equity finance**, including **angel investors** (Harrison and Mason, 2007), private equity or venture capital (Brush *et al*., 2001; Greene, 1999; Orser *et al*., 2006). Female-owned businesses tend to have a **lower debt-to-equity ratio** (Carter and Shaw, 2006). The low usage of venture capital is seen as particularly problematic in the literature. Bygrave *et al*. (2002), for instance, argues that **venture capital is essential fuel** to the entrepreneurship engine, without which both the quantity and quality of businesses would suffer.
- Female entrepreneurs are more likely to rely on family members for **financial advice**, contrary to male entrepreneurs who rely mostly on **business associates**. It can therefore be argued that the advice males receive is likely to be more relevant to the business than that received by female entrepreneurs (Carter *et al*., 2006).

To summarise, women entrepreneurs tend to start off with less capital, borrow less and use family rather than debt or equity finance. Whilst such differences do **not necessarily reflect discrimination**, studies have found that many female entrepreneurs felt the **pressure of discrimination** in the process of obtaining finance. For instance, based on his French study, Orhan (2003) concluded that **discrimination is commonly felt** amongst female entrepreneurs. A report by the UK's Government Equalities Office also found a long standing **perception of discrimination** against women. Regardless of whether such perception is accurate, the persistency of such a **perception is likely to impact** on women's business **start-up decisions**, as well as the nature and size of the businesses that they eventually establish. Further investigation is therefore needed to explore whether there is any hard evidence supporting the perception.

More worryingly, recent studies have found that women entrepreneurs are more likely to find accessing finance a **burdensome process**. In the UK, it was found that more female entrepreneurs found obtaining finance burdensome than their male counterparts (Hertz, 2011). Another UK study by Kwong *et al*. (2012) found that female entrepreneurs are significantly more likely to find **accessing finance** either the **main barrier** or one of the main barriers. These findings are worrying because **credit constraint** is likely to affect firm growth and survival (Quadrini, 2008; Weeks, 2007).

2.3. Factors behind the perceived difficulties in accessing finance

Gender differences in the use of finance within small firms can be explained by both **supply** and **demand side factors** (Fay and Williams, 1993; Carter and Rosa, 1998; Carter *et al*., 2006; Shaw *et al*., 2005). The following section discusses both in more detail.

2.3.1. Supply side factors

Supply side factors that act as **discrimination** towards women, according to Hertz (2011), can be defined as follows:

- If lenders **dissuade women** with similar business characteristics to men from applying for loans
- If the **terms** a lender offers to women entrepreneurs are worse than those granted to their male counterparts
- If women who put themselves forward for loans are treated **less favourably** than their male counterparts.

2.3.2. Demand side, self-selected avoidance

According to Marlow and Patton (2006), Carter *et al*. (2006) and Marlow and Swail (2014), **structural dissimilarities** between males and females play a major part in determining the **nature of the business** they choose, as well as the **quantity of external finance** required. Studies have found that some of these structural differences could prevent women from fully utilising the formal finance channels (Marlow and Swail, 2014).

2.3.3. Human capital constraints

Domestic circumstances often forces women into **periods of intermission** and part-time working, leading them onto a **less promising career path** in employment with more **limited managerial experience** (Halford and Leonard, 2001; Marlow and Swail, 2014). This hinders the ability of women entrepreneurs to **accumulate social, cultural, and finance capital**, and constrains the generation of a respectable **credit history** (Carter *et al*., 2006). This situation is **self-reinforcing**, as the longer the underutilisation persists, the deeper it is engrained in the minds of entrepreneurial women (Marlow and Patton, 2005). **Perceived shortcomings** encourage women to pursue lower but, arguably, realistic expectations of loans from formal institutions and venture capitalists (Marlow and Swail, 2014).

2.3.4. Risk aversion tendency

Female **aversion towards finance is well-recorded** in the existing literature, which is often attributed to their general risk aversion tendency (Newcomb and Rabow, 1999; Marlow and Swail 2014; Marlow 2013; Barber and Odean, 2001; Jianakopolos and Benasek, 1998). Studies have found that many female entrepreneurs are reluctant to assume **a position of debt** (Carter and Shaw, 2006). Such risk aversion leads them to the deliberate and

strategic decision to **opt for smaller businesses** that require less debt and equity financing (Marlow and Swail, 2014).

2.3.5. Lack of confidence

Studies have also found that the reluctance of female entrepreneurs to seek external finance is down to **lower self-confidence**. It is found that female entrepreneurs are more likely to **perceive their business** to be **less credit worthy** (Watson and Robinson, 2003; Roper and Scott, 2009). This, together with **fear of loan denial** (Robb, 2002), has resulted in the **self-selection** of smaller businesses that require less debt and equity financing. Analysing representative population data across 37 countries and controlling for differences in context, demographics and household characteristics, Minniti and Nardone (2007) found that gender differences in start-up rates were primarily due to women **perceiving their entrepreneurial skills to be lower** than men's and expressing higher **fear of failure**.

2.3.6. Network deficiencies

Studies have suggested that women's social networks are **less 'powerful'** compared to men's (Brush *et al*., 2002; Marlow and Patton, 2005). The contacts of a female entrepreneur, on average, tend to be **fewer,** with the core being **clustered around family** and friends (Shaw *et al*., 2006). It has been found that women entrepreneurs are considerably more likely to **rely on family finance**, compared to men (Brown and Segal, 1989). Some studies have also found that female networks are more **loosely connected**, whereas bonds are stronger within the networks of male entrepreneurs as men tend to have known each other for a longer time (Shaw *et al*., 2006). **Male financial networks,** on the other hand, are found to **cluster around business associates and friends**, who are, arguably, better placed to provide advice on technical issues such as business proposal and market values as well as make useful introductions (Shaw *et al*., 2006).

2.4. Personal strategies for addressing barriers to women entrepreneurs and social entrepreneurs

Legal frameworks play a nominal role in the challenges that women entrepreneurs and social entrepreneurs face. Instead, technical and psychological support should be provided through education and training. These should aim to **increase self-efficacy** and confidence, in doing so ensuring that female entrepreneurs are well-equipped to overcome some of the challenges described above and become more inclined to seek external finance. Nonetheless, Marlow and Swail (2014) argue that female entrepreneurs are always going to feel out-of-place in an entrepreneurship discourse that is **masculine in nature.**

There is a long tradition of thought which suggests that female entrepreneurs who want to succeed in such a masculine environment need to become an '**honorary man'**, in other words, to **behave more male-like**, including taking more risk in finance as well as being more adventurous in their choice of business. However, such a view is now largely criticised for failing to **recognise the differences** in attitude and **motivation to start-up** between male and female entrepreneurs. Studies have found numerous economic, social and cultural **advantages of running a less growth-orientated business**, and the comparative advantages of entrepreneurship for women, given women's inherited structural barriers and personal circumstances. According to such logic, government and other agencies should provide financial grants, subsidies and technical support to female entrepreneurs operating with the more 'feminine' traits to ensure that some of the structural differences are considered rather than ignored. Once women's business success become a **norm**, a virtuous circle can be developed that **draws more lenders** into the market thus fuelling growth for these ventures.

2.5. Social entrepreneurship

Social entrepreneurship is deemed to be a more **gender equal form** of entrepreneurship compared to mainstream entrepreneurship. The 2009 Global Entrepreneurship Monitor (GEM) found a **gender gap for social entrepreneurship** that tends to be smaller than for commercial entrepreneurship, and also **varies significantly** across the 49 countries surveyed. Men and women are nearly equally engaged in social entrepreneurship in Latvia, Finland, the US and China; while the gap is largest in Saudi Arabia, Morocco and Brazil. In the UK 2.59% of men in the population and 1.76% of women are engaged in social entrepreneurship; in Italy the percentages are 1.44 men and 1.00 women (Terjesen *et al*., 2012, also Hechavarria *et al*., 2012). However, the picture may be somewhat different when examining leaders of social enterprises. Estrin, Stephan and Vuijc (2014) in the UK SELUSI survey found that **only 36% of social enterprise directors are female**. Teasdale *et al*. (2011) found a similar **underrepresentation of women leading** private sector social enterprises; these authors suggest that the gender gap is less pronounced for the leadership of third sector organisations. Lyon and Humbert (2012) investigated the **governance** of social enterprises in the UK and found that women tend to be **underrepresented on the boards** of social enterprises, although there is **greater gender equality compared to boards of private sector companies.**

A recent analysis of the GEM data finds that the gender gap closes once education is taken into account (Estrin, Mickiewicz & Stephan, 2015). **Highly educated women create social enterprises at a similar rate** than highly educated men, while the **reverse is true for mainstream** entrepreneurship where the gender gap widens for the highly educated. This finding is significant for two reasons: First, **highly educated individuals** are more likely to **create high-value, growth-oriented** businesses providing more employment. This suggests that highly educated individuals are a high-return target for potential support measures – and a focus on social entrepreneurship could avoid perpetuating implicit gender discrimination in this regard. Second, evidence suggests that social entrepreneurship is an **empowering experience** for women. Women who created social enterprises are likely to **subsequently start a mainstream** business (Estrin *et al*., 2013; 2015). Thus, social entrepreneurship appears to have an important function in widening participation of women in mainstream entrepreneurship.

Yet caveats also appear. Estrin and colleagues (2014) found that the gender **income pay gap among UK social enterprise directors was greater** than among UK employees (at 29% compared to 19%). After controlling for demographic, human capital, personal preferences, job characteristics and industry sector, the adjusted **pay gap is 23%.** The sector differences are less pronounced, but similar to mainstream entrepreneurship. Male social entrepreneurs are more likely to work in **higher-value business services** sectors, while female social entrepreneurs are more likely to lead social enterprises operating in education, health, social work and related social services. Female-led social enterprises also tend to **earn less revenue**. Despite their lower pay, however, female social enterprise directors report **higher job satisfaction** compared to their male counterparts. As social enterprise directors **set their own pay**, the pay differences are **unlikely** to be the result of **direct discrimination**. Together with the results on higher job satisfaction, the findings point back to differences in **personal preferences** between the genders.

There is no single explanation for the higher proportion of women involved in social entrepreneurship compared to mainstream entrepreneurship but several factors align (e.g., Estrin *et al*., 2015; Hechevarria *et al*. 2012). Firstly, **systematic gender differences in preferences** indicate that women hold more **pro-social values**, whereas men emphasise

pro-self values more (e.g., Schwartz and Rubel-Lifschnitz, 2009). Social entrepreneurship is an occupational choice that aligns with pro-social preferences. Secondly, implicit and explicit **workplace discrimination** against women is well documented, especially for women striving for leadership positions (see the section on gender stereotypes below, Koenig *et al*. 2011). Creating and leading a social enterprise may offer women leadership positions **less prone to discrimination**.

2.6. Social enterprises and access to finance

There is a **lack of research** on gender and access to finance for social entrepreneurs (e.g., Gras *et al*. 2014). A survey among UK social enterprises that are part of the Social Enterprises UK network suggests that access to financing is a **key constraint** for social enterprises, in part because traditional sources of finance such as **banks are not familiar** with social enterprises (Social Enterprise UK, 2013). At the same time, the **social finance and investment landscape in the UK is flourishing** (for an overview, see Drencheva and Stephan, 2014 p.15). This **contrasts sharply** with much less developed financial support for social enterprises in **other EU countries** such as Germany, Hungary, Portugal, Romania, Spain, Sweden and Belgium (SEFORIS, 2014). Nevertheless, in all these countries **interest in supporting** social entrepreneurship is increasing and new support and financing organisations are continuously emerging.

Access to finance is generally **more complex** for social enterprises compared to mainstream commercial enterprises. Traditional financing sources such as banks, venture capitalist and angel investors are focused on monetary returns when they make investments into enterprises. However, social enterprises strive to balance social and monetary returns. Thus for social enterprises accessing mainstream funding entails the danger of **'mission drift'** - they may be encouraged by funders to focus on generating financial returns to the detriment of their social mission (Ebrahim *et al*., 2015). This may especially deter female social entrepreneurs from seeking funding through traditional sources as they, more so than male social entrepreneurs, operate in social-service sectors as opposed to more **financially viable** business services sectors (Estrin *et al*., 2014; Huysentruyt, 2014).

The existence of social finance and **social impact investment** providers is therefore essential for social enterprises. Social finance and impact investors focus on the monetary return to their investment, yet typically ask social enterprises to evidence their social impact. **Measuring social impact** is resource intensive for the social enterprise and no commonly accepted impact measurement framework exists (Ebrahim and Rangan, 2010; EVPA, 2013). The requirement to evidence impact may again disadvantage female social entrepreneurs whose enterprises tend to be smaller and **less well-resourced** than those of male social entrepreneurs.

2.7. Summary

Generally, there are far **fewer women entrepreneurs** compared to men in the EU – only 29%. The reasons for this are diverse. **Access to finance is a key factor.** The literature reviewed uncovered a number of potential barriers and discriminatory effects in, particularly, how women access finance for their enterprises.

Supply side factors (lenders and investors being less inclined to fund businesses that are typically run by women) include lack of interest in sectors that women dominate such as health, personal services, cleaning, catering. These businesses tend to be lower value and lower growth.

Demand side factors include women's reluctance to get into positions of debt or to seek lower amounts of investment. An absence of external finance hinders a business's chances of growing or sustaining.

Women are found to be **less confident** in their abilities and therefore reluctant to make applications which they fear they will fail at. This perception is both justified – given the lack of interest in women's businesses from funders – and self-perpetuating.

Women experience certain **constraints within the family** that also hinder their business potential. Women are the predominant providers of child care or care for other family dependents. This places constraints on their time, which would hinder them from running a business.

Overall, there is **less of a gender gap** in terms of people working in the **social enterprise sector**. However, there are more men than women **leading** social enterprises. There is an **underdeveloped market** for funding social enterprises and what exists is more complex, compared to mainstream funding. Women's social enterprises tend to be smaller and **less well resourced** compared to men's.

3. OVERVIEW OF MAIN EU POLICIES AND LEGISLATION RELEVANT TO FEMALE ENTREPRENEURSHIP

KEY FINDINGS

- Directive 2010/41/EU extends the **right to maternity benefits** to self-employed women or spouses, or partners of those who are self-employed.
- EU Directive 2004/113/EC stipulates that the equal treatment between women and men should also be extended to the goods and services and **includes banks and financial services.**
- EU Directive 2004/113/EC enables Member States to adopt **positive measures** to promote equality if this is necessary.
- Directive 2004/113/EC **prohibits gender discrimination.** However, it is apparent that indirect discrimination does exist but is **difficult to prove.**

Important EU legislation concerning equality between women and men in setting up and running businesses includes **Directive 2010/41/EU** of the European Parliament and of the Council of 7 July 2010. This directive concerns the **equal treatment between men and women engaged in self-employment**. The Directive enables Member States to adopt **positive measures** (for example, initiatives to encourage people from either gender to start up a business) to promote equality. The Directive also creates conditions for the social protection rights (e.g. unemployment benefits) of a **self-employed person** to be extended to that person's spouse or partner. The Directive also extends the right to **maternity benefits** to self-employed women or spouses, or partners of those who are self-employed. The overall effect of the Directives is to ensure that self-employment is treated the same as standard employment in terms of access to social protection.

EU **Directive 2004/113/EC** forms an important element of the EU's anti-discrimination policy programme. This Directive stipulates that the equal treatment between women and men should also be extended to the goods and services (i.e. those offered by public and private sectors to the public as well as those offered 'outside of the area of private and family life'). The provision of goods and services does, in this sense, include **banks and financial services** and those associated with setting up businesses. Article 5 of the 2004/113 Directive stipulates that the principle of equal treatment is fully applicable to financial services. In this sense, the role of equality bodies within each Member State is important to **raise awareness levels** amongst banks and other financial institutions about their obligations over equality of treatment.

The European Parliament resolution of the 16th April, 2013 criticised the European Commission for failing to report on Directive 2004/113/EC and also 'notes with **disappointment** that in some Member States women entrepreneurs, in particular single mothers, are frequently discriminated against when trying to secure loans or credit for their businesses and still often face barriers based on gender stereotypes'.

The Directive specifies that **both direct and indirect discrimination** is prohibited. However, it has been subject to various **interpretations of what constitutes indirect discrimination.** This is particularly the case in terms of where institutions such as banks (or insurance companies) use aggregated data which may have a gender dimension to assess risk. A further ruling by the European Court of Justice ruled that such practices should be prohibited under existing legislation in terms of insurance companies' policies. However, the extent to which the Directive is effective in terms of bank loans or other financial services relevant for women entrepreneurs appears to be less understood or tested. For example, a 2009 review by the EU network of legal experts found that very few Member States reported examples of direct or indirect discrimination in terms of access to finance. Despite this, it is interesting to note that many of the responses in the case studies presented here indicate that indirect discrimination could be taking place. Given this, and taking the findings of the case studies and literature review, it is apparent that indirect discrimination does exist but is **difficult to prove;** this may be a reason why the Directive has not been highlighted as a mechanism for addressing women's access to finance in any of the case studies or, indeed, been used in practice to challenge banking or other finance decisions.

The Commission recently **reviewed the application of Directive 2004/113/EC** and published a related report in Mary 2015. This focused on implementation of the Directive across the EU and how diferent Member States have interpreted it. The report finds that all Member States have now transposed the Directive into national law. It also identifies a number of areas that have been subject to interpretation by various equality bodies as well as services across the EU. For example, some Member States have introduced positive action to encourage access to certain services by women or men if they have been underrepresented. However, the report offers very little anlaysis of how effective the Directive is in identifying and addresing **indirect** discrimination, which is the key means thorugh which women entrepreneurs face disadvantage in accessing finance. The report also provides little insight and analysis into how the Directive may be used to challenge different services' approach towards gender discrimination, focusing instead on the de facto implementation of the Directive. A further review of the Directive, which considers its main aims and objectives and how these have been advanced in reality would be welcome.

A number of **other policies and programmes** implemented by the EU are relevant, however, their impact or effectiveness is not evaluated here:

The 2008 **Small Business Act (EC, 2008)[4]** was intended to support entrepreneurship in the EU and included a mentoring network in 17 EU Member States. The aim of the Mentoring Scheme is to promote, support and encourage female entrepreneurship.

The Competitiveness and Innovation Framework Programme (CIP)[5] aims to facilitate venture capital investments and provide guarantees for lending to SMEs. This may be particularly relevant for women entrepreneurs given the already documented difficulties they face in accessing finance.

The **European Network of Female Entrepreneurship Ambassadors[6]** set up by the Commission in 2009 to inspire more women to become entrepreneurs in different EU Member States.

Summary

Two key **pieces of legislation** affect banks' and financial institutions' consideration of women's access to business finance - Directive 2010/41/EU of the European Parliament extends the right to maternity benefits to self-employed women or spouses, or partners of those who are self-employed. Directive EU Directive 2004/113/EC prohibits gender discrimination. However, it is apparent that indirect discrimination does exist but is **difficult to prove.**

[4] http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm
[5] http://ec.europa.eu/cip/
[6] http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/women/ambassadors/index_en.htm

4. SUMMARY OF CASE STUDIES CONDUCTED IN THE CZECH REPUBLIC, ITALY, SWEDEN AND THE UK

KEY FINDINGS

- All case studies suggested that women set up businesses that are predominantly in **sectors that are female-dominated**. These sectors are less attractive to investors or lenders.
- Lower loan or investment amounts are **less attractive** to both equity and debt financiers who will achieve lower returns as a result of lower debt amounts. This was seen as a factor in all case study countries.
- The Czech Republic and Italian case studies suggested that women might be **structurally disadvantaged** in applying for debt finance because offering personal property was often a requirement for securing a loan.
- Across the case studies, it was identified that banks and equity funders are less attracted to businesses that are run by people with a **lower level of business experience.** This places women at a structural disadvantage.
- It was also suggested in the Czech Republic that some banks **directly discriminate** against women who are on parental leave.
- In all case studies **socially constructed gender roles** were reported to act as a barrier to women setting up and running businesses. There is a strong sense that women need to break away from feminine stereotypes, in a sense needing to be more 'extraordinary' in order to succeed, compared to men.
- It was noted in all case study countries that there was a **lack of angel investors** who could be a benefit to women entrepreneurs.
- One of the key factors that affect women's chances of accessing funding and growing business is the size of their **professional networks.**
- In all case studies, women were reported to be predominantly responsible for the **care of children or other dependents**. This was a **substantial barrier** for women who wish to run businesses.
- No case study respondent reported that **EU legislation** had made much of a difference to the situation of women entrepreneurs in their country.

4.1. Structural factors affecting women entrepreneurs and social entrepreneurs, including access to finance

4.1.1. Access to finance

All case studies highlighted that attitude towards and ability to **access finance** was a significant factor that determined whether women's businesses could **start** as well as **grow.** However, the extent to which access to finance was influenced by either supply side or demand side constraints, represents a complex chicken-and-egg type of puzzle. Overall, women's lower access to finance is a result of an **interaction** between supply and demand side factors.

4.1.2. Supply side factors

In terms of the **supply side** – i.e. bank's and investor's willingness to lend or invest in women's businesses – a number of barriers were identified that were consistent across the case study countries.

The supply of finance for businesses, ostensibly, is the same for women and men. However, certain **characteristics of businesses** that are more likely to be run by women mean that supply side factors **disadvantage women entrepreneurs**. All case studies suggested that women set up businesses that are predominantly in **sectors that are female-dominated.** These sectors include health and education services, cleaning, personal services, catering and beauty services. Such businesses are perceived by a range of players including financiers to have **low growth potential** and have low added value. For these reasons, funders are less attracted to them. For example, in the Czech Republic, bank and women entrepreneur respondents reported that **banks see business proposals in the service sector as the riskiest** yet these are the businesses that women are most likely to embark upon. According to a business support respondent, *'You're more likely to get one if you're opening a sweetshop, something tangible. But consulting services, coaching and suchlike won't get you one'.* This was reiterated in Italy, by business support and banking respondents. In Italy, it was reported that women tend to set up businesses in **sectors that are already traditionally woman-dominated** (health care, personal services, beauty, cleaning) because these are the sectors that they have experience in or have knowledge of.

A finding that was common in all case study countries is that women tend to ask for **smaller amounts** and have lower growth ambitions than men when applying for finance. This deters both equity and debt financiers who will achieve **lower returns** as a result of lower debt amounts. Whilst this is also a demand side issue, it is also one of supply. For example, in the UK, it was suggested by a number of respondents that when assessing loan applications for businesses, bank managers **prefer to focus attention on higher-level loans** with higher profile businesses because this will be beneficial to have on the portfolio of accounts that they manage. A similar finding was identified in Sweden in terms of equity finance. Swedish respondents from across groups, suggested that equity investors are more interested in businesses and entrepreneurs that have high and quick growth ambitions because these businesses are likely to provide a better return on investment. Moreover, **male dominated decision making bodies** in banks or venture capital firms, were felt to respect and trust more an 'entrepreneurial spirit', which was perceived to be or, perhaps, recognized more to be a male characteristic. A similar finding relating to the sectors of businesses that banks and investors are attracted to was found across all case studies. There was a wide-spread assumption across respondent groups in all four countries that equity investors in particular are interested in businesses within the **technology and IT sectors.** This, it appears from across case studies, corresponds to two factors. The first is that these sectors tend to be dominated by men, who, many respondents suggested, are better able to generate confidence in their business. This was connected to a range of characteristics, felt to be male-specific but manifesting as certain behaviours in the business environment – willingness to think of growth ambitions, greater inclination to taking risks. Secondly, technology and IT sectors were perceived to be regarded by investors inherently as having high growth potential.

Women's reported tendency to limit their growth ambitions and finance demands **deterred lenders** from supporting this group, it was reported across all case studies. For example, in the Czech Republic a business support respondent reported: '*Banks often regard women as a group that's inconvenient for them. They borrow little money at little interest for the bank. It's not as attractive for them as someone who borrows two or three million and places his* *house or something as security'.* Similar sentiments were expressed by entrepreneur and business support respondents across case studies.

Respondents in both the UK and Sweden reported having attempted accessing **equity finance** as well as debt finance. This was not the case in the Italy and Czech case studies. This reflects, possibly, the relative underdevelopment of the equality sectors in the latter two countries, compared to the UK and Sweden. In addition, a lack of angel investors was reported in all case studies but this was particularly the case in Italy and the Czech Republic. Whilst it appears that equity investors are more interested in growth potential when assessing applications, as this is the key means by which such lenders make profit, banks are more interested in how risks of the loan are managed. This implies a **different relationship dynamic** to business debtors compared to that involved in equity investment. Thus, respondents who reported their experience of applying for equity investment underlined to a greater extent the importance of instilling confidence in their own personal ability and track record, compared to those who applied for bank loans. Moreover, decisions to invest in equity relationships appear to be more driven by **discreet individual judgement**, rather than the result of standardised risk assessments and processes which are more characteristic of debt finance. Women entrepreneurs who reported their experience of applying for equity finance therefore highlighted the importance of making the right impression, conveying confidence and experience. This was not the only important factor however; the **strength of personal professional networks** appears to be critical for accessing potential equity investors. It appears to be that personal recommendations and knowledge are essential levers for securing meetings with those who might invest in a business. Whilst many case study respondents suggested that women do not attempt to access equity funding at all, it is likely that this may be because they do not have knowledge of or opportunity to meet potential funders. If they did, more women might consider equity funding as an option.

4.1.3. Demand side factors

Demand side factors - those which affect women's willingness to apply for finance or the amount they apply for - are the result, potentially, of both indirect discrimination as well as **wider social norms** and practices concerning gender.

The case studies suggested a number of behaviours that are more **prevalent in women entrepreneurs** concerning access to finance. These include:

- Women are less likely to ask for debt finance compared to men
- Women are less likely to seek investment finance compared to men
- Women tend to ask for lower levels of finance compared to men
- Women tend to ask for debt finance for medium and longer terms, compared to men

Evidence from across case studies suggested that men and women entrepreneurs have **different ambitions and ways of visualising** their businesses. Men for example were felt more likely to approach their business as an adventure, to push its limits and stretch to achieve growth, whereas women were felt to be more **content with modest or stable growth ambitions** and were more comfortable remaining as sole traders. According to one-woman entrepreneur respondent in Sweden for example, '*Men seem to think of their business as an empire they are building whereas I thought of mine as my source of income'.*

Whether or not these impressions reflect the reality of what men and women think about running a business, many respondents felt that these were **powerful stereotypes** that were likely to influence potential investors. It is interesting that these stereotypes are influential in all case study countries that have different socio-economic landscapes. However, **stereotypes** can be **self-perpetuating** and their underlying causes can be explained and challenged. For example, a key assumption that was widely reported across respondent groups (and supported in the literature) is that **women tend to ask for less money** than men when applying for finance. This was reported widely to be the result of their limited growth ambitions as well as **reluctance to take on financial risk**. Similarly, all case studies suggested that women are more reluctant than men to take on a debt to finance their business because they do not want to risk their families' financial security. As one Swedish woman entrepreneur reported: '*I only asked for a X amount and a lot of people said, why don't you ask for more but I only asked for what I needed to meet my costs'*. Similar findings were reported in the Czech Republic, as a female Czech entrepreneur reported, '*I've always tried to be independent and not become indebted'.* In the UK, female entrepreneur respondents expressed similar reluctance to access finance however, expressed this in terms of 'not needing' additional money because they had adequate turnover to meet costs. However, these attitudes towards risk could very likely be the result of **inexperience and lack of knowledge, rather than an inherent psychological characteristic**. For example, it is interesting that women who had attempted to access equity funding had **altered their growth ambitions as they learnt more** about equity investors' preferences and tendencies. Whilst these respondents reported that they had initially thought of asking for low amounts, they had quickly learnt that it was better to ask for more both in order to begin negotiations with greater scope for reducing the amounts they ask for and because they were aware that asking for more conveyed that they had sufficient confidence that the business would grow to support a higher level of investment.

One of the key factors that affect women's chances of accessing funding and growing business is the **size of their professional networks.** In Sweden, respondents suggested that women are more likely to understand and support the businesses that women tend to run. However, these women-dominated networks were also felt to be limiting because there are far **fewer women working in venture capital firms** and **fewer women compared to men who are private investors.**

4.1.4. Personal capital and experience

The Czech Republic and Italian case studies suggested that women might be **structurally disadvantaged** in applying for debt finance because offering **personal property** was often a requirement for securing a loan. Whilst this was also the case in the UK and Sweden, it was suggested in the other two case studies that women are less likely to be able to offer this guarantee, as they are **less likely than men to own their own property.**

Across the case studies, it was identified that banks and equity funders are less attracted to businesses that are run by people with a **lower level of business experience**. As many women entrepreneurs are **new entrants to the market**, this becomes a disadvantage for them. Furthermore, women are structurally disadvantaged in the labour market so are **less likely to have suitable, impressive career records** that would attract an investor or lender. For example, in the Czech Republic one entrepreneur respondent reported, '*I tried to find a job, but you constantly hit the fact that you've got a young child, which is a tremendous problem on your labour market. They won't usually tell you, but if there's a lot of candidates, then the companies prefer someone without young children'.* It was also suggested in the Czech Republic that some banks **directly discriminate against women who are on parental leave**. This is possibly because banks perceive women on parental leave as **uncommitted** to their business as well as outside of the labour market and therefore, of lower economic value. Moreover, in the Czech Republic, entrepreneur respondents suggested that entrepreneurship was considered as an alternative to unemployment. For some women it is, therefore, a necessity. However, the **transition from unemployment to entrepreneurship** appears to have particular difficulties. Firstly, investors and lenders are more attracted to businesses that are run by successful people – thus, being unemployed is not an ideal situation from which to apply for funds. Secondly, the **quality of business idea** that results from this position, according to one business support respondent, is likely to be low, lacking in innovation necessary to succeed as a business. Further research would be useful to understand under what conditions the transition from unemployment to entrepreneurship can be successful for women.

4.1.5. Socially constructed gender roles

In all case studies **socially constructed gender roles** were reported to act as a supply side barrier to women applying for funding. For example in Sweden, respondents suggested that women and men have different socially constructed roles, which are reinforced from childhood. The roles play a subtle but important influence on the way that women **behave in different business settings.** For example, it was reported by a number of respondents across countries that women tend to minimise the success or potential of their business, compared to men. This means, for example, that when applying for finance or pitching their business to potential investors, women would be less able to **generate confidence** in their work, compared to men.

It is interesting to note the **different strategies** that women entrepreneur respondents deployed in the face of perceived gender stereotypes and roles. All women entrepreneurs reported that these presented challenges for them but to varying extents between case studies. In Sweden, for example, which has, on many measures, a **high degree of gender equality and structures to promote it,** women entrepreneur respondents seemed to be highly aware of the subtle influences of gender stereotypes in business settings such as meetings with investors. However in the UK, which has less well developed social support systems in place to engender greater gender balance (lack of affordable childcare for example) women entrepreneur respondents' **narratives about gender equality** was qualitatively different. Here, they did not see underlying or inherent structural disadvantage as a strong barrier, preferring instead to discuss their entrepreneurship as a **personal victory** to whatever barriers they faced. To this extent, overcoming what they reported as some gender-specific disadvantages was testimony to their personal ambition and drive. Therefore, being tenacious in the face of adversity was singled out as a key characteristic of being an entrepreneur. Similar characteristics were highlighted as important in Italy. The emerging story from this is that women who are potential/entrepreneurs seem to experience a common pattern: first, only women with **higher levels of confidence** than usual are suitable; second, it appears necessary that women entrepreneurs have to **disengage to a degree with socially constructed gender roles** – to be 'extraordinary' – if they are to be successful. Third, to some extent, therefore, it appears that entrepreneur respondents had to **adopt ostensibly male characteristics** in order to succeed. This pattern did not appear to be as strongly apparent, however, in Sweden or in the Czech Republic. Both the latter countries also have affordable childcare and maternity pay policies compared to the UK and Italy which have both been characterised in a wide range of research a being examples of strong 'male breadwinner' model states.

It was noted in all case study countries that there was a **lack of angel investors** who could be a benefit to women entrepreneurs. Angel investors are those which provide not only financial investment but also time and expertise in setting up and running business. These investors act as mentors as well as a valuable source of money. It was felt across a number of respondents that **angel investors could benefit women** in particular as they would be able to improve women's business skills and networking opportunities for which women may be structurally disadvantaged.

However, as has been noted above, social constructed gender roles and stereotypes tend to be self-perpetuating and can be broken through experience, **broadening professional networks** so that more women are involved and exposing women to the underlying thought processes and decision drivers that influence investors and vice versa.

4.2. Situational factors affecting women entrepreneurs and social entrepreneurs

Situational factors that were identified as influencing women's success as entrepreneurs were connected with **women's role in the family**. The four case study countries have very different social policy and socio-cultural norms relating to women's role in the family. However, in all case studies, women were reported, across respondent groups, to be **predominantly responsible for the care of children or other dependents**. This was felt to be a substantial constraint for women entrepreneurs. In one sense, women's caring responsibilities were reported in all countries to be a demand that was **difficult to reconcile** with the demands of running a business. In the UK, it was reported by both business support and women entrepreneur respondents that women faced an **either/or choice between their business or having a family** and many successful women, it was reported, had decided against having children. None of the women entrepreneur respondents in the UK case study had children. By contrast, in Sweden the presence of **affordable childcare** was highlighted as a strong benefit that had helped women entrepreneur respondents to run their businesses.

In addition, many women entrepreneur respondents reported that their **husbands or partners had been supportive** and provided childcare in equal amounts. Without this support, it was felt, it would not have been possible to run a business. However, many respondents reported that having a male partner who was sufficiently supportive and willing to take on childcare equally was rare.

In the Czech Republic, all respondents suggested that women are expected to take on childcare responsibilities to a far greater extent than men. At the same time, respondents from across groups explained that there is a social expectation on women in the Czech Republic also to work. This represents a **double burden on women**. Similarly, in Italy, it was reported, that women were expected to take on most of the family caring responsibilities. This was also considered to be a constraint on their ability to start a business. Furthermore, in the Czech Republic, **banks were felt to be hostile to women who are on parental leave** for fear that they would have insufficient time or commitment to their business.

4.3. Individual factors affecting women entrepreneurs and social entrepreneurs

Individual factors that either act as a barrier or enabler for women entrepreneurs were common in all countries. In Sweden, respondents suggested that qualities common to entrepreneurs are more likely to be **socially constructed and expressed in male norms.** Thus, it was felt that **women must work harder** to prove that they are trustworthy, for example when seeking finance.

A wide range of respondents across case studies reported that having high levels of **self-confidence and optimism** were important individual factors affecting women's ability to succeed as entrepreneurs. It was frequently observed that **women have lower levels of both,** compared to men.

One reason for this, suggested by a number of respondents, was that **women have lower levels of skills and experience** in setting up and running businesses compared to men, 'Women *can do so many things, they have great ideas, but they have incredulity in them. They think they don't have enough knowledge necessary to start a business; I've never come across that in men' (Woman entrepreneur, Czech Republic).*

Low confidence was also linked to women's tendency to be more **risk averse** compared to men. This is partly due to women's greater sense of **responsibility for their family**, leading to a fear that they could threaten their family security through their business activity. These reasons were felt to be a key driver behind women's tendency not to seek funding or to seek lower amounts of funding, which in turn, hampered their chances of growing their businesses.

Individual qualities that were felt to be **enablers** for women entrepreneurs were reported across case studies to include passion and interest in the business idea, self-confidence and self-belief, determination and courage. **Social entrepreneur** respondents across case study countries suggested that personal or individual characteristics necessary for their business include the need for **self-fulfilment and the desire to challenge oneself as well as having business skills.** However, a number of respondents across groups and countries reported that socially constructed gender roles and expectations discourage women and girls from being confident in their own abilities, particularly in male-dominated settings such as banks. Thus, many of the women entrepreneur respondents felt that they were somehow **'different' from other women** in that they were able to find confidence and self-belief despite social pressure, which often has a discouraging effect.

4.4. The impact of EU legislation

No case study respondent reported that EU legislation had made much of a difference to the situation of women entrepreneurs in their country. However, it was also widely acknowledged that it is **unlawful for banks** and other financial institutions to discriminate against women. Banking respondents strongly suggested that they do not discriminate against women entrepreneurs. However, an important distinction should be made between **direct and indirect discrimination**. Whilst only in the Czech Republic and Italy was direct discrimination highlighted as a possibility, indirect discrimination is possible for the reasons set out above. Supply and demand-side constraints for accessing finance appear to be present for women entrepreneurs, which, together, represent a **discriminatory effect.**

4.5. Summary

The case studies explored reasons why there is a **significant gender gap in entrepreneurial activity.**

EU legislation explicitly forbids either direct or indirect discrimination to financial services including bank loans. However, in none of the case studies was EU legislation mentioned as a factor that determined either bank's or business support organisation's policies and approaches. There was **very little evidence that banks directly discriminate** against women entrepreneurs. However **indirect discrimination** does appear to occur. This is the result of an interaction between supply (of finance to women) and demand (requests for finance). Supply and demand factors influence and perpetuate each other.

The **supply of finance** for women's businesses – or the availability of lenders and investors willing to invest, ostensibly, is the same for women and men. However, certain characteristics of women entrepreneurs mean that supply side factors **disadvantage women entrepreneurs**. Notably:

- Women tend to set up businesses that are **predominantly in sectors that are female-dominated**. Such businesses are perceived by a range of players including financiers to have low growth potential and have low added value. For these reasons, equity investors are less attracted to them.
- Some evidence emerged that debt finance providers (bank loans and credit) are also deterred from lending to businesses that are perceived as having **low growth potential,** including businesses in sectors dominated by women.
- Women tend to ask for **smaller amounts** than men when applying for finance. This deters both equity and debt financiers who will achieve lower returns as a result of lower debt amounts.
- Equity and debt financiers are less attracted to businesses that are run by people with a **lack of business experience**. As many women entrepreneurs are **new entrants to the market**, this becomes a disadvantage for that group.

Demand side factors - those which affect women's willingness to apply for finance or the amount they apply for - are also the result potentially, of both indirect discrimination as well as **wider social norms** and practices concerning gender.

The case studies suggested a number of **demand side behaviours** that are more prevalent in women entrepreneurs concerning access to finance. These include:

- Women are **less likely to ask for debt finance** compared to men
- Women **are less likely to seek investment finance** compared to men
- Women tend to **ask for lower levels of finance** compared to men
- Women tend to **ask for debt finance for medium and longer terms**, compared to men, who tend to ask for shorter terms.

These features are the result of a number of influences. A large number of case study respondents suggested that women **lack confidence and skills** required to apply for and argue for both debt and equity funding. Women **rate themselves** and their business abilities and level of innovation much lower compared to men, even for similar businesses. If women lack confidence in their own businesses then it will be more difficult for them to convince a lender or investor.

5. SUMMARY AND RECOMMENDATIONS

KEY FINDINGS

- In the EU in 2012, **women accounted for only 29%** of the 40.6 million entrepreneurs.
- Women are more likely to be **sole traders**, operate businesses in traditionally **female-dominated sectors** which are of **lower value, lower turnover** and have **lower growth potential.**
- In none of the case studies was **EU legislation** mentioned as a factor that determined either bank's or business support organisation's policies and approaches.
- Certain characteristics of businesses that are more likely to be run by women mean women may be **disadvantaged** when applying for finance.
- A large number of case study respondents suggested that women **lack confidence** and skills required to apply for and argue for both debt and equity funding.
- Women are **reluctant to get into debt** because they are more anxious, compared to men, about risking family security.
- Schemes are needed to **encourage banks** to lend money to business in predominantly female sectors including, potentially, micro finance or government loan guarantees.

5.1. Summary

This study explored the reasons why there is a **significant gender gap in entrepreneurial activity.** In the EU in 2012, women accounted for only 29% of the 40.6 million entrepreneurs. Other clear gender-based patterns emerge: women are more likely to be **sole traders**, operate businesses in traditionally **female-dominated sectors** which are of **lower value-added, lower turnover** and **have lower growth potential**. The literature reviewed and case studies revealed a number of reasons why these gender gaps exist.

EU legislation explicitly forbids either direct or indirect discrimination to financial services including bank loans. However, in none of the case studies was EU legislation mentioned as a factor that determined either banks or business support organisation's policies and approaches. There was **very little evidence that banks directly discriminate** against women entrepreneurs. However in the Czech Republic and Italy a number of respondents suggested that this occurs.

The most likely form of discrimination that plays a role for the lower proportions of women in the entrepreneurial sector is indirect. Such **indirect discrimination** is the result of an interaction between supply (of finance to women) and demand (requests for finance). Supply and demand factors influence and perpetuate each other.

It is apparent that **indirect discrimination does exist but is difficult to prove;** this may be a reason why the Directive has not been highlighted as a mechanism for addressing women's access to finance in any of the case studies or, indeed, been used in practice to challenge banking or other finance decisions.

The ability to **access finance** makes a significant different to the size and growth potential of a business, as well as whether a business exists at all. However, the literature and case studies revealed a complex set of factors that affect women's access to finance. These may be summarized as both **demand side and supply side**. Importantly, demand and supply side factors interact and **perpetuate each other.**

5.1.1. Supply side barriers to women accessing finance

The supply of finance for women's businesses – or the availability of lenders and investors willing to invest, ostensibly is the same for women and men. However, certain characteristics of businesses that are more likely to be run by women mean that supply side factors **disadvantage women entrepreneurs**. The key disadvantages relate to women's tendency to set up businesses that are in sectors perceived by investors as having low growth potential. Women tend to ask for smaller finance amounts, which are less attractive for investors who will achieve lower returns; women may lack business experience for structural reasons that can be a deterrent to potential investors; there was some anecdotal evidence that investors and lenders directly discriminate against women who are on parental leave.

Whilst supply side factors suggest both indirect and potentially direct discrimination exist, they are also linked to **legitimate investment and business concerns**. Naturally, lenders and investors wish to secure the best return for their investment and, to a large extent, it is down to individual entrepreneurs to demonstrate that this would be the case, if they are to succeed in attracting finance. However, the extent to which such lenders' and investors' decisions are based on **untested or unreliable assumptions** about women-dominated business sectors or women's relevant skills and experience is difficult to determine and would require additional research[7].

5.1.2. Demand side barriers to women accessing finance

Demand side factors - those which affect women's willingness to apply for finance or the amount they apply for - are also the result of both potentially indirect discrimination as well as **wider social norms** and practices concerning gender.

The literature reviewed and case study research suggested a number of behaviours that are more prevalent in women entrepreneurs concerning access to finance. These include:

- Women are less likely to ask for debt finance compared to men
- Women are less likely to seek investment finance compared to men
- Women tend to ask for lower levels of finance compared to men
- Women tend to ask for debt finance for medium and longer terms, compared to men

These features are the result of a number of influences. A large number of case study respondents suggested that women **lack confidence and skills** required to apply for and argue for both debt and equity funding. Women **rate themselves** and their business abilities and level of innovation much lower compared to men, even for similar businesses. If women lack confidence in their own businesses then it will be more difficult for them to convince a lender or investor.

Women are **reluctant to get into debt** because they are more anxious, compared to men, about risking family security. Many women entrepreneur respondents to the case studies suggested that they did not want to borrow 'more than they had to'.

[7] For example a study which compared the growth trajectories and return on investment in women-dominated sectors compared to male dominated would be instructive, as well as an exploration of how different assessment tools used to review loan applications affect men and women entrepreneurs differently.

The lack of investment or debt finance accessed by women entrepreneurs in itself is not a negative outcome, however, it was widely perceived among a range of case study respondents that borrowing money or having investors was **necessary in order for a business to grow**. However, evidence from this study suggests that women entrepreneurs are more likely to be **content with stable or slow growth** and are reluctant to take on employees or reach into new markets. This tendency is been connected in this study as well as earlier research to gendered differences in the overall approach to business. This characterises women entrepreneurs as having only modest ambitions, who see their business as **a means of providing a stable income** rather than building status. Male entrepreneurs, on the other hand, are more likely to push their businesses, take financial risks and see business as an adventure or "empire building". There is a possibility that these characterisations are merely hollow archetypes which are not founded on men and women's individual and complex desires. However, even if this is the case, such **stereotypes** are reproduced in social expectations and norms and influence behaviours. The extent to which stereotypes influence both men and women entrepreneur's behaviours, as well as those of financiers, requires further investigation.

5.1.3. Situational factors affecting women entrepreneurs and social entrepreneurs

Another important set of barriers identified in this study relates to **women's roles as caregivers**. There were consistent reports across case studies that women are disproportionately expected to be responsible for childcare. This constitutes a number of barriers. Firstly, women entrepreneurs will **struggle to reconcile caring with the demands of running a business**, secondly, **investors or potential lenders** may perceive that women's caring responsibilities could be a barrier to her driving her business forward. Conversely, many women entrepreneur respondents suggested that having a **supportive partner** was essential to their being able to run their business. Without this, women entrepreneurs either chose not to have children at all or give up their business. **Affordable childcare** was highlighted as both a severe lack in the UK, Italy and Czech Republic but praised as a strong benefit by women entrepreneurs in Sweden.

5.1.4. Individual factors affecting women entrepreneurs and social entrepreneurs

A number of individual characteristics were highlighted by entrepreneur respondents as being important for success. These relate to **personal qualities** such as having **drive and determination**. **Self-confidence** was also indicated as important, the absence of which was also highlighted as a barrier for women. Importantly, having high levels of **educational attainment** was reported to be an important characteristic by entrepreneur respondents in Italy. This would appear to be supported through the literature review and in responses from business support and bank respondents across case studies, suggesting that investors prefer to lend to highly credible individuals with good career and educational backgrounds. However, the literature review also indicates that the **gender gap in mainstream entrepreneurship rates widens for the highly educated.** Further research is needed to explore the mechanism behind this finding. For example, it will be important to establish whether there is a lack of interest amongst highly educated women in entrepreneurship, compared to women who are less well educated, and whether this, in turn affects the likelihood of women's businesses being funded.

5.1.5. Factors affecting women social entrepreneurs

Women appear to face **fewer barriers as social entrepreneurs** compared to mainstream entrepreneurship this study showed. Where the market for finance for social entrepreneurship was more developed, as in the UK, it was noted that women are able to access such finance more easily compared to finance for mainstream business. However, in countries where social enterprises are relatively new development women social entrepreneurs, as well as men, struggle to find suitable financial support. Recent research conducted by Levie and Hart (2011) suggests that women are more likely to be social entrepreneurs rather than mainstream entrepreneurs if they work fewer than 10 hours per week. This suggests that social entrepreneurship may **coexist better with family responsibilities, which place greater demands on women's time compared to men.** Social entrepreneur respondents supported this hypothesis, suggesting that the social entrepreneur field tends to include men and women in similar numbers, whereas women are under-represented in mainstream entrepreneurship.

5.2. Recommendations

A number of ways were identified throughout this study that would tackle some of the barriers for women entrepreneurs and social entrepreneurs. These include:

- National and/or European schemes are needed to encourage banks to lend money to business in predominantly female sectors, including potential **micro finance** or government **loan guarantees**
- **Further research** comparing the **growth trajectories and return on investment** in women-dominated sectors compared to male-dominated would be instructive, as well as an exploration of how different **assessment tools used to review loan applications** affect men and women entrepreneurs differently
- Setting up and reinforcing the schemes that grow women entrepreneurs' **networks of business** and finance contacts would be a direct boost to their opportunities as well as develop women's confidence and skills
- Whilst **alternative finance** options such as crowdfunding may be an opportunity to women, this should not be seen as an alternative to mainstream lending and equity
- Member States should invest in **affordable childcare** as a necessary condition for women entrepreneurs to run their businesses and to have a family at the same time
- Girls should be encouraged to consider **running businesses from a young age**, to challenge gender stereotypes that limit women's confidence as business professionals
- Girls and young women should be encouraged to take up **STEM subjects at school** and university, as these tend to be areas of high growth
- Further research would be useful to understand under what conditions the **transition from unemployment to entrepreneurship** can be successful for women
- The Commission should investigate to what extent women entrepreneurs are subject of **indirect discrimination** in the sense of Directive 2004/113/EC in the area of financial services

6. CZECH REPUBLIC CASE STUDY

KEY FINDINGS

- Women entrepreneurs in the Czech Republic tend to ask for funding **less often** compared to men and if they do, will seek **lower amounts.**
- Bank debt finance such as **loans or overdrafts** turned out to be **used very little** by women entrepreneur respondents.
- Women on **maternity or parental leave** were considered by a number of business support respondents to be directly discriminated against when applying for a bank loan.
- **Crowdfunding** was identified as a potential alternative source of finance for women when more traditional options such as venture capital and angel investment are not available.
- Women entrepreneurs face additional challenges in their activity, which are related to the disproportionate **burden of childcare** placed on them.
- It was reported that women have lower levels of **self-confidence and optimism**, which affects the ability to succeed as entrepreneurs.

6.1. Introduction

In-depth interviews were conducted with women entrepreneurs and social entrepreneurs, representatives of business support organisations, including from a bank that provides finance and advice, were also interviewed. Entrepreneur and social entrepreneur respondents had businesses aged between 6-20 years; one had no employees and the others had up to 50. Their turnover ranged from CZK 80 thousand to several million a year. None of the business support organisations focused exclusively on social entrepreneurship but included this sector in their remit.

As the majority of insights concern both **social and mainstream entrepreneurial** activity, the following analysis treats both groups together unless otherwise stated.

General overview of entrepreneurship in Czech Republic

According to the 2013 GEM study, overall, the level of entrepreneurial activity remains relatively stable in spite of economic stagnation. Women are still under-represented as entrepreneurs. The average entrepreneur in the Czech Republic is male, less than 35 years of age, with secondary or higher education, and from a wealthy household.

The Czech Republic scores 44.4% on the European Institute for Gender Equality's (EIGE) Gender Equality Index (GEI), compared to 54% in the EU overall, the highest score of 73.6% (Denmark) and lowest score of 35.3% (Romania).

6.2. Structural factors affecting women entrepreneurs and social entrepreneurs, including access to finance

Women entrepreneur and business support organisations reported a number of barriers for women in **accessing finance** to set up and run businesses. These barriers related to low demand from women as well as low supply of finance.

In terms of **women's demand for finance,** many respondents from across groups reported that women tend to ask for funding less often compared to men and if they do, will **seek**

lower amounts. This was down to a number of factors. Socially reinforced **gender roles** and women's disproportionate sense of **responsibility for the family**, compared to men's, were felt by a wide variety of respondents to lower women's confidence in their business which, in turn, made them more **risk averse.** As one entrepreneur respondent stated, *'I've always tried to be independent and not become indebted'.* Thus, women **were less likely to seek funding** to grow their business or would ask for less money compared to what men might ask for, it was felt. A consequence of this is that a large number of women **choose to become self employed** rather than setting up a structure that would encourage growth, for example a limited company with employees, both entrepreneur and business support respondents reported.

Perceived **barriers** to the availability or **supply of finance** for women's businesses were reported across respondent groups. **Bank debt finance such as loans or overdrafts** turned out to be used very little by entrepreneur respondents, for several reasons. Some entrepreneur respondents reported that they would have liked to use a business loan from a bank, but were **not eligible.** In order to qualify for a bank loan, at least one year's **entrepreneurial history is required,** according to entrepreneur respondents. This was frequently identified as a barrier by both entrepreneur and business support respondents. Another condition sometimes applied to loan applications is to offer personal real estate or a bill of exchange as **collateral**. Women have **lower rates of property ownership** compared to men, or if they do, reluctance to threaten family security deters them from making this step.

According to business support respondents, **banks see business proposals in the service sector as the riskiest** yet these are the businesses that women are most likely to embark upon: '*You're more likely to get one if you're opening a sweetshop, something tangible. But consulting services, coaching and suchlike won't get you one'.* One entrepreneur respondent corroborated this observation, through her own experiences of applying for a loan for a business support consultancy:

> *'I had a history of 4 years with another company, and 2 years with this one. I had a million of turnover every year. They just didn't accept it. Perhaps we weren't interested, I don't know. They don't even call you to say why you failed. What really irritated me was that in a period when we did well – 2008, 2009 – they kept calling and offering money by themselves'.*

Women on **maternity or parental leave** were considered by a number of business support respondents to be **directly discriminated against** when applying for a bank loan. According to one: '*If you're a woman on parental leave, you won't get a loan'.* The reasons why this might be the case were not developed fully but reflect a perception that is widely held amongst entrepreneurs and business support respondents.

Another potential barrier for women in securing finance was reported by business support respondents to be women's **lack of confidence** and experience in **presenting their business ideas and plan**. This was felt to be down to both women's **relatively lower levels of experience** in the labour market, compared to men, as well as women's tendency to under-rate their abilities and self-belief.

According to bank and business support respondents, as women tend to aim for **lower loan amounts** compared to men, they are therefore **unattractive financially for the banks**, as a business support respondent reported: '*Banks often regard women as a group that's inconvenient for them. They borrow little money at little interest for the bank. It's not as* *attractive for them as someone who borrows two or three million and places his house or something as security'.*

Venture capital and angel investment was not used or applied for by any of the entrepreneur respondents. A business support respondents suggested that there was a **low interest and awareness among women entrepreneurs** in these options. A number of respondents revealed a widespread perception among women entrepreneurs that equity investors are only interested in businesses that expect to grow quickly, in particular those operating in the **technology and IT sectors,** which might exclude a large proportion of women-owned businesses. However, it is noteworthy that none of the entrepreneur respondents reported attempting to access these types of funding, which suggests one of the key challenges, regardless equity investors' preferences, would also be to **encourage women entrepreneurs to consider these options**. Further research would be needed to identify if equity finance options are likely to be interested in businesses that tend to be run by women and what is needed to encourage partnerships between this sector and women entrepreneurs.

Similar **problems in securing equity finance** were reported by both business support and social entrepreneur respondents in terms of **social enterprises**. These respondents perceived a **reluctance amongst equity investors to consider social enterprises**: *I've tried to guide the debate in this direction, why couldn't successful investors have their social projects for beginning women entrepreneurs, who employ themselves, build a small company over time that employs more people … I haven't come across one such investor in those 6 years I've been dealing with the issue'.*

A number of **alternative finance** options were identified by a range of respondents as important for women, given some of the barriers to accessing traditional finance options. One is the **unemployment allowance for business start ups** which is targeted specifically at women. The allowance is paid on condition that the applicant will run a business for 1 to 2 years and take a training course for entrepreneurs. On average the allowance is around CZK 40,000, according to business support respondents. Since most women entrepreneurs do not embark on money-intensive businesses, this amount was considered by business support respondents to be sufficient. However, there are a number of **limitations and conditions to the scheme**. Those transitioning to entrepreneurship from employment are not eligible for this allowance. Likewise, the allowance could not be used to support existing entrepreneurship. The allowance was felt by one entrepreneur respondent to be inadequate for the start up stage, '*40 thousand won't save me. It may get me a desk and a chair, a laptop maybe, alright, but it won't help me to be able to search for a clientele'.* Moreover, a business support respondent suggested that the **quality of business idea that flowed from those in a position of unemployment was not high**. It was suggested that when women consider entrepreneurship out of necessity, rather than inspiration, this does not encourage the innovation necessary to create a successful business.

Another alternative finance option identified was **entrepreneurial competition**. A number of such competitions have opened in the Czech Republic in recent years and are particularly important for **social enterprises** (BusinessInfo.cz, 2015). However, these options are extremely competitive, according to business support respondents, and women's **low confidence or lack of experience** of pitching for money tends to place them at a disadvantage*: 'It's not that women disapprove of such competitions, but they don't find themselves good enough, they don't trust themselves very much'.*

Crowdfunding was identified as a potential alternative source of finance for women when more traditional options are not available. However, it was felt that very **high confidence in pitching and presenting** an idea was prerequisite to success in this arena, which women tend not to possess to the same extent as men. Business support respondents suggested that **women need to be trained and supported** better if they are to succeed with crowdfunding*.*

6.3. Situational factors affecting women entrepreneurs and social entrepreneurs

Entrepreneur and business support organisations both suggested that women face additional challenges compared to men in their entrepreneurial activity, which are related to the **disproportionate burden of childcare placed on women**. All respondents suggested that women are expected to take on childcare responsibilities to a far greater extent than men. At the same time, respondents from across groups explained that there is a **social expectation** on women in the Czech Republic also to work. This represents a **double burden on women.** Conversely, having a **supportive husband or partner** who was willing to undertake an equal share of childcare was found to be critical for entrepreneur respondents, yet this was **considered to be rare. According to one entrepreneur respondent**: '*We're divorced, me and my husband, but he supported me, even his mum came to look after the child. I couldn't function at all without that'.* **Single mothers,** who lack family support are potentially at a **great disadvantage** if they wish to become entrepreneurs.

Family support policy in the Czech Republic was felt by entrepreneur respondents to **exacerbate barriers** for some women entrepreneurs. However, for others, it was also felt to **encourage entrepreneurial activity** for women. In the latter sense, **parental leave** was felt by a number of respondents to be a **benefit.** Parental leave entitlement is particularly long in the Czech Republic, compared to other European Members States. Parents may take parental leave for between 2 and 4 years and up to 3 years are paid. **98% of parental leave is taken by mothers.** Moreover, due to the **poor accessibility of childcare** (Hašková & Saxonberg, 2012), women often have no choice to stay **outside the labour market for a long time following child birth** (Hašková, 2005). During parental leave, parents (mainly mothers) are also able to undertake 'profit making activities'. This means that **parental leave time is often a good moment to begin a business**. As one entrepreneur respondent reported, 'this is a time when *your value system changes totally, you start to want to do work that makes sense'.*

However, women often make the choice to begin businesses out of necessity owing to what some entrepreneur respondents perceive as a **labour market that is hostile to women with young children**. As one entrepreneur respondent reported, '*I tried to find a job, but you constantly hit the fact that you've got a young child, which is a tremendous problem on your labour market. They won't usually tell you, but if there's a lot of candidates, then the companies prefer someone without young children'.*

By contrast to parental leave, **maternity allowance,** which is available to mothers before the child is born and before parental cover is payable, presents some challenges for female entrepreneurs. Maternity allowance is available to women through an insurance-based system. Sufficient contributions have to be made in order to be entitled to maternity pay. For **women entrepreneurs whose businesses do not provide them a high income,** the insurance premiums can prove to be a **financial burden**. Furthermore, recipients of maternity allowance are **not entitled to continue with profit making activities whilst they are in receipt of the benefit** otherwise the benefit is withdrawn. This means that low income entrepreneurs whose earnings may be less than the maternity allowance, must be

forced to cease trading. This represents a risk to the business, particularly for sole traders who are unable to maintain relationships with their customers for this time. One social entrepreneur respondent reported losing her regular clients during her maternity period for these reasons.

6.4. Individual factors affecting women entrepreneurs and social entrepreneurs

A wide range of respondents reported that levels of **self-confidence and optimism** were important individual factors affecting women's ability to succeed as entrepreneurs. It was frequently observed that **women have lower levels of both,** compared to men.

One reason for this, suggested by a number of respondents was that **women have lower levels of skills and experience** in setting up and running businesses compared to men, 'Women *can do so many things, they have great ideas, but they have incredulity in them. They think they don't have enough knowledge necessary to start a business; I've never come across that in men.'*

Low confidence was also linked to women's tendency to be more **risk averse** compared to men. This is partly due to women's greater sense of responsibility for their family, leading to a fear that they could threaten their family security through entrepreneurship. A number of respondents suggested that **women were more willing to start riskier projects when they did not have a family**. These reasons were felt to be a key driver behind women's tendency not to seek funding or to seek lower amounts of funding, which in turn, hampered their chances of growing their businesses.

6.5. Summary and conclusions

From the interviews it can be concluded that there are two main barriers facing women entrepreneurs in the Czech Republic. The first relate to **a reported tendency for women to be more risk averse** and less confident in their business future, compared to men. This makes them less likely to succeed in obtaining finance and limits their growth ambitions. However, there are supply-side barriers connected to the availability of finance that also factor as a barrier. Banks tend to be more interested in **higher loan amounts**, with higher interest rates and in sectors that women are not well represented in, according to business support respondents.

Women are also structurally disadvantaged in terms of their labour market histories, skills and experience. Women are overwhelmingly likely to be the carer of children in the Czech Republic. This means taking significant time away from the labour market. Whilst this can mean women have an opportunity to start their businesses, as they access paid parental leave, it also means that they may feel like and be regarded as lacking the skills and experience to set up businesses as well as being unattractive to lenders. There was also a suggestion from a number of respondents that women on parental leave were also **directly discriminated against.**

A wide number of respondents suggested that an important way to encourage women entrepreneurs would be to address their lack of confidence through **networking opportunities, mentoring and support** and provide experience and skills that are necessary for setting up businesses.

7. ITALY CASE STUDY

KEY FINDINGS

- Women tend to set up businesses in **sectors** that are already traditionally **woman-dominated** (health care, personal services, beauty, cleaning) because these are the sectors that they have experience in or have knowledge of.
- The average **loan amount** given to women entrepreneurs is **considerably lower** than the average loan amount to other enterprises.
- Women's enterprises are much more likely to take out medium-term and long-term loans, compared to short-term loans.
- **Challenge, self-fulfilment, and business skills** are all factors acting as main enablers to women social entrepreneurs' business.
- Family can **either provide support** – financial or emotional as well as free childcare. However, in Italy family can **be a significant burden** for women as women take on the large majority of caring responsibilities.

7.1. Introduction

A range of respondents were interviewed including female social entrepreneurs and social entrepreneurs, representatives of banks and organisations that support businesses. The analysis treats both social and mainstream entrepreneurs together, unless otherwise stated.

General overview of entrepreneurship in Italy

According to the 2014 GEM study, almost **twice as many men as women are involved in early-stage entrepreneurial activity**. The average entrepreneur is male, with an upper or lower secondary level education active in the service sector. A recent survey (Varese & Vergani, 2014) shows female entrepreneurs choose activity sectors traditionally associated with women (retailer, beauty shop, restaurant, health care).

Italy scores 40.9% in the EIGE's Gender Equality Index, compared to 54% for the EU overall, with the highest score of 73.6% (Denmark) and lowest score of 35.3% (Romania). Italy is frequently characterised in social welfare research as having a familial structure, where women are overwhelmingly the providers of care.

7.2. Structural factors affecting women entrepreneurs and social entrepreneurs, including access to finance

According to Cesaroni, Lotti & Mistrulli (2013), **access to bank loans and credit** have been identified as a particularly pressing problem for Italian woman-owned enterprises, which might reflect **structural dissimilarities between female- and male-owned enterprises** as well as more **limited experience and confidence** of women when it comes to negotiating loans and terms of financing with their bank. A number of respondents across groups reinforced this view. Primarily, according to bank and business support respondents, women tend to set up businesses in **sectors that are already traditionally woman-dominated** (health care, personal services, beauty, cleaning) because these are the sectors that they have experience in or have knowledge of. However, such businesses are considered by banks to have **lower growth potential** and are therefore not attractive to investors or lenders. On the other hand, women entrepreneurs in this sector may be less inclined to apply for funding.

According to one bank respondent, there are gender differences between the loan amounts, business sector, and level of collateral available to female and male applicants. These are summarized as:

1. The **average loan** amount given to women entrepreneurs is considerably lower than the average loan amount to other enterprises.
2. Women's enterprises are much more likely to take out **medium-term and long-term loans**, compared to short term loans.
3. However, one bank respondent reported that more loans are granted to women compared to men (84% vs. 73%).

A number of entrepreneur respondents also highlighted that bureaucracy and **red tape** were significant barriers to them. Whilst it is not clear the extent to which this affects men as well as women, it indicates an area in which women could benefit either from additional support or a loosening of administrative procedures.

Furthermore, women face additional challenges compared to men in setting up and running a business in terms of **socially embedded gender roles and expectations**, according to both entrepreneur and business support respondents. There are still social expectations about women's roles in the family, which encourages women to take on more **family caring responsibility** than men. This **hampers women's ability to invest time** in setting up and running businesses.

In recognition of these women-specific barriers, in March 2013 the Italian government reserved a **Special Section Guarantee Fund for SMEs to assist women entrepreneurs**. Furthermore, in April 2013 a public information campaign was launched in order to raise awareness and facilitate women's access to microcredit. In June 2014, the Italian government and bank representatives signed an agreement to provide support to women entrepreneurs and professional women. This important agreement establishes a new support plan to give access to credit to over 1,400,000 SMEs with a predominantly female participation, and to independent women professionals. In particular, specific banking ceilings will be activated for new investments and start-ups, which will be able to benefit from State guarantees.

The banks participating in the protocol will indicate a dedicated financing ceiling, which may be used to grant loans relating to specific lines of action:

- "**Let's invest in women**" – financing aimed at creating new investments in tangible or intangible assets for the development of the businesses or independent professions;
- "**Women in start-ups**" – financing aimed at facilitating the incorporation of new businesses or the start-up of independent professions;
- **"Women's Recovery"** – financing aimed at facilitating the recovery of SMEs and independent professional women who, because of the crisis, are currently going through difficulties.

According to one bank respondent interviewed, the range of government and other stakeholders' initiatives that uphold and favour women's entrepreneurship have been useful in Italy. On the other hand, the need for and usefulness of such initiatives **confirm that Italian female entrepreneurs still have little visibility and that structural factors continue to act as obstacles**. Chief amongst these obstacles is **gender segregation in business sectors**, according to both banking and business support respondents. This is supported by other research (for example, Varese and Vergani, 2014).

The signing banks of the June 4th, 2014, protocol have launched specific financial and credit programs for women entrepreneurs. However, banks expect that entrepreneurs have already **invested their own capital** in starting up their business. Indeed women entrepreneur respondents suggested that they have had to issue guarantees and mortgages on their personal and family properties. Given women's **structural disadvantages** in the wider economy which means they may have less access to personal capital, this requirement may put women at a greater disadvantage compared to men. Despite all these positive initiatives, the financial culture in Italy is still underdeveloped with respect to business start up and growth.

The women entrepreneur respondents interviewed expressed their preference for **cooperative credit banks and public funds**, however, others were deterred from public funds owing to the levels of bureaucracy involved in accessing them. A collaborative network of applicant enterprises and **cooperative guarantee funds** were what women entrepreneur respondents suggested they are most interested in.

7.2.1. Immigrant women

Immigrant women are emerging as dynamic subjects in Italian entrepreneurship: in 2012 they were 8% of female Italian entrepreneurs, taking into consideration EU and extra-EU origins. They participate in public financing projects and programs for setting up a business. They appear more resolved to enable themselves as entrepreneurs (see for instance, in the recent project of the Chamber of Commerce of Cuneo).

According to business support respondents, immigrant women have indicated that there are widespread **cultural biases against them.** This is particularly true in the case of **renting premises.** Furthermore, **banks are wary of them**. Notwithstanding their determination, immigrant female entrepreneurs **without personal properties** having nothing to offer as a guarantee, and often may be coming out of illegal or informal work, may have to turn to microcredit institutions. These financial services ask for different social guarantees (Church, family, friends, etc.), yet their **interest rates are in line with the financial market rates and higher** than the interest rates charged by the signing banks of protocol 2014.

Furthermore, female immigrant entrepreneur respondents interviewed considered that they face additional challenges compared to men due to the **chauvinist culture in Italy, which discriminates against them.** They feel that they therefore need to do more work and build leadership, reputation, and organization.

7.2.2. Social cooperatives

An **alternative form of finance** that has proved popular with women entrepreneurs in Italy is secured through **social cooperatives**. This is an older form of social enterprise in Italy. This popular kind of enterprise attracts many female entrepreneurs (1.9% of female-owned enterprises in 2009; individual female-owned firms were 61%). Social cooperatives especially generate female employment (about 70-75% of cooperatives' employees). The funding system differs to others. Cooperatives' members provide a '**social loan'**. In cases when the social cooperative needs cash flow, it turns to banks for short-term loans. The bank asks for guarantees such as the balance sheet and the members' capital. On the other hand, most social cooperatives work for political local governments and municipalities as local welfare subsidiary companies, so their finance is **conditioned by political decisions.**

7.3. Individual factors affecting women entrepreneurs and social entrepreneurs

According to women entrepreneur respondents interviewed, new ideas, **willingness to**

organize their own time, passions, enthusiasm, drive to succeed, and initiative are all factors acting as individual characteristics that help them as business people. Women entrepreneur respondents were generally very optimistic about their decision to start businesses, for example one stated: "*We are worth more, and want more than to be employees. We want to express ourselves*".

Challenge, self-fulfilment, and business skills are all factors acting as main enablers to their business, according to women **social entrepreneur** respondents interviewed. Self-perception of their own entrepreneurial role depends on the business environment, but it also depends on social support, and of course on personal talents. Thus, whilst a number of respondents across groups, suggested that women tend to lack confidence in their ability and their business ambitions, it is also identified as a key characteristic necessary for success.

Entrepreneur respondents also reported that it is important to hold **high level educational qualifications** (a professional degree or high school certificate) consistent with the enterprise they are working in. This was felt to have helped them earn trust and confidence from banks and others that are necessary to start their business.

Passion for the business is a noticeable feature among the women entrepreneurs interviewed. In entrepreneur's narratives about their entrepreneurial ideas, **passion and personal interest** was a recurrent factor. Thus, many women entrepreneurs have pursued businesses that belong to traditionally 'feminine' spheres, such as beauty services; health care; educational services; restaurants and tourism and/or are aimed at a female market.

The social enterprise market is relatively new in Italy and structures in place to develop it are also in their infancy. This means that social entrepreneurs, in one sense, must be even **more confident and tenacious than mainstream entrepreneurs**, if they are to find a successful business model, secure finance and partners necessary for its success, according to business support and social entrepreneur respondents. Female social entrepreneurs may, therefore, be more susceptible to the effect of individual characteristics to individual factors acting as enablers for them such as: self-confidence, to be afraid or not to be afraid of risk; to be encouraged or not to be encouraged by family, friends, shareholders, etc.

7.4. Situational factors affecting women entrepreneurs and social entrepreneurs

The difficulties of **balancing work and family responsibility** is well-known across European Member States, (see for example European Parliament, 2013). According to entrepreneur respondents, family can be either a barrier or an enabler to women's entrepreneurship. Family can either provide support – financial or emotional - as well as **free childcare**. However, as happens in other Mediterranean countries, in Italy, family is also a significant burden for women as **Italian women take on the large majority of caring responsibilities.** This often means having to take care of elderly parents as well as of children. Yet, family also and often means a 'family business' – businesses that are owned and run by more than one member of the same family and many women are involved in running these.

According to the second National Report of Women's Businesses 2011 (although the data refer to 2008-2009), there has been an **increase** in the number of women who are heading family businesses owing to progressive changes in cultural stereotypes and in education. These changes have allowed many **daughters to take over family businesses** whereas previously, this was largely passed to sons.

7.5. Summary and conclusions

There has been a significant **underrepresentation of women entrepreneurs in Italy** to such an extent that the Italian government has created a number of initiatives to encourage more women-led businesses. This was partly in response to the financial crisis and resultant unemployment. The main barriers to women's entrepreneurship reflect to the structural disadvantages in women's employment. Women tend to run businesses that are in traditionally women-led sectors, such as education, health care, cleaning, catering, and beauty services. These areas tend to be unattractive to business banks as lending prospects.

Whilst there has been some good progress in terms of improving the business and lending environment to encourage women's entrepreneurship, there is still a need for **political measures to promote a vision of entrepreneurship that includes both women and ethnic minorities**, supported by good finance, yet not obstructed by bureaucratic red tape. Many variables (i.e. culture, aging population, skills, education, taxation system, difficulties of balancing work and family responsibilities) have to be taken into consideration to foster female entrepreneurship. Overall, the financial culture in Italy is still **underdeveloped** with respect to business start-up, growth, and modernization and this is particularly the case with social entrepreneurship. It is important to shore up the local level of financing institutions, which women as well as men entrepreneurs will benefit from.

8. SWEDEN CASE STUDY

KEY FINDINGS

- Investors, who are likely to be male, identify more with **'male' behaviour**s in business settings.
- Although there are certain qualities that are common to entrepreneurs regardless of gender, these qualities are more likely to be **expressed in men** than women due to socially constructed gender norms.
- Gender differences are likely to be replicated in **entrepreneurship networks**. As there are fewer women than men in business, female-dominated networks are less influential in facilitating access to funding.
- Women are **less likely to ask for investment or loans** compared to men.
- Women are more likely to make a **choice between family responsibilities** such as caring for children **and running a business,** whereas men are more likely to feel they can combine the two.
- Women entrepreneurs are more likely to be **reluctant to take on additional risk** in terms of growing their business because they do not want to put their husband or partners in a position of having to support the family.

8.1. Introduction

A number of **interviews** were conducted with women who are entrepreneurs as well as with individuals and organisations providing support and advice to women who wish to set up or run businesses. Entrepreneur respondents had been running their businesses for between 1 - 2 years. While one respondent was in the process of securing finance for her business, the others were entirely self-funded. Only one entrepreneur respondent runs a social enterprise. The findings reported below combine the experiences of both social and 'mainstream' entrepreneurs. No representative from the banking industry took part in the study.

Overview of entrepreneurship in Sweden

According to the 2013 GEM survey, entrepreneurial activity in Sweden overall has **increased** over the last decade and the number of start-ups has doubled between 2010 and 2013. Women are still under-represented as entrepreneurs in Sweden. The typical Swedish entrepreneur is male, 44 years of age, has an upper secondary level of education with a household income in the upper third of the population. Overall, 78% of Swedish small-business entrepreneurs are men, 22% are women; men are more likely to run limited companies (59% compared to 43%) and women entrepreneurs are more likely than men to run lower turnover, lower growth potential businesses such as cleaning, healthcare and education services according to SAERG (2009).

Sweden has the third highest score on the EIGE's Gender Equality Index; 74.3%, compared to 54% in the EU overall, the highest score of 73.6% (Denmark) and lowest score of 35.3% (Romania).

8.2. Structural factors affecting women entrepreneurs and social entrepreneurs, including access to finance

All women entrepreneur respondents highlighted a number of ways that **socially constructed gender roles** act as barriers to their setting up and running businesses, particularly in terms of accessing finance. Respondents from across groups suggested that women and men have different socially constructed roles that they play in society and which are reinforced from childhood. The roles have a subtle but important influence on the way that women and men behave in different business settings.

In terms of gender roles **in business settings**, women entrepreneur respondents all reported experiencing some form of subtle tension between women and men when business decisions are made. For example, one respondent reported that when attempting to secure funding through venture capitalists, she noticed that men who were in decision making roles would often lack focus on what she was saying in relation to her business proposals. She felt this was due to subtle yet discernible confusion about whether there may be **sexual interest.** Whilst such dynamics were not openly displayed, the respondent reported that these influences work on a more unconscious level. 'T*hese things are really important and not well understood. The psychology between men and women when working together is definitely a problem sometimes because men don't know quite how to act…whether they see you as a potential mate or something else.'* In response to these complex dynamics one woman entrepreneur respondent reported that she dressed very conservatively, preferring to wear trousers instead of a skirt for fear of 'sending out the wrong message' to perspective funders.

Another example of the perceived influence of gender roles concerns women's tendency to **under-rate the value and performance** of their business. It was reported by women entrepreneur respondents that women tend to minimise the success or potential of their business, compared to men. This means, for example, that when applying for finance or pitching their business to potential investors, women would be less able to generate confidence in their work, compared to men. This was felt, by respondents, to be a result of engrained gender behaviours which **discourage girls and women** from highlighting their achievements, for fear that it would appear immodest. Similar patterns were noticeable in women in salaried employment, all entrepreneur respondents reported. Women were felt to be less likely to ask for a pay rise or will ask for lower rises, compared to men in similar jobs. This was felt to be down to women's **lack of confidence in the value of their contribution**, '*Women tend to be reluctant to say that they have done well or that they deserve a pay rise. It is well known that men are more likely to ask for a pay rise and if they do, they will ask for more. Women are harsher on themselves than men*.' (Women entrepreneur respondent).

Engrained and socially reinforced gender norms were also felt to discourage what some respondents referred to as an '**entrepreneurial spirit'.** This was characterised as a tendency to enjoy adventures, to push one's boundaries and find out the limits of an experience. Such characteristics were felt to be important in entrepreneurs because it meant those with these characteristics were more likely to take bold steps necessary for businesses to grow. Being inclined to 'take risks' or take decisions based on longer term visions of growth were all attributed to this 'entrepreneurial spirit'. Furthermore, these were felt to be the qualities that other business professionals admire and are more inclined to reward, according to women entrepreneur respondents. Thus, venture capitalists, who are more likely to be men, in particular, are likely to be more excited by business professionals who articulate **high growth, yet higher risk business plans**. This opinion was reinforced by business support respondents. One example of how women and men conceptualise their business growth strategies differently relates to how much money different genders tend to ask for when applying for finance. For example, one woman entrepreneur respondent stated that she only asked for '*what she needed'* rather than an amount that would allow her perhaps to scale up immediately, '*I only asked for a X amount and a lot of people said, why don't you ask for more but I only asked for what I needed to meet my costs'*. By contrast, women entrepreneur respondents suggested that men tend to ask for more. This was felt to be due to men's tendency to visualise their business in terms of **status building rather than as a source of financial security**. Equity investors in business are more interested in businesses and entrepreneurs that have high and quick growth ambitions because these businesses are likely to provide a better return on investment.

The 'entrepreneurial spirit' was felt to be present in girls and boys equally as young children but was reduced in girls from puberty, as a result of sexual competition and as gender stereotypes become engrained. Respondents were aware that whilst the influence of such factors as gender roles is difficult to demonstrate, they are nevertheless very important in determining **women's tendencies as entrepreneurs.** In the broadest terms, women entrepreneur respondents highlighted that venture capital investors, who are likely to be male, identify more with those using **language and approaches** that are more common to males.

Another key factor affecting women's chances of securing funding and creating business opportunity is the size and nature of their **professional networks.** In one sense, women entrepreneur respondents all suggested that it was important to build a network of other professional women because women are more likely to understand and support the businesses that women tend to run. On the other hand, women-dominated networks were also felt to be limiting because there are far **fewer women working in venture capital firms** and fewer women compared to men who are private investors. In particular, it was felt that there is a profound shortage of women **angel investors**. Furthermore, access to venture capitalists or private investors is not the only important characteristic of a business network.
Other entrepreneur colleagues are also important because people within the same network tend to recommend each other to sources of funding. Thus, entrepreneurs who have a track record of securing funding and making money for their investor are more influential when making a recommendation or referring a business to a venture capital firm. As there are fewer women than men in such a position**, different behaviours due to gender are likely to be replicated.** Thus, women-dominated networks are likely to be less influential in terms of facilitating access to funding.

In terms of bank loans and overdrafts, similar barriers as those confronting capital finance were identified by a range of respondents. Women entrepreneurs and business support respondents suggested that women are likely to ask for **less debt finance** compared to male entrepreneurs and more likely ask for money to cover their **immediate costs** rather than money to enable them to grow. This was also felt to be a result of gender roles and different levels between genders of 'entrepreneurial spirit', as discussed above.

8.3. Situational factors affecting women entrepreneurs and social entrepreneurs

All women entrepreneur respondents described facing particular barriers to their running businesses connected to balancing **family and caring responsibilities** with the demands of running a business. This finding is reinforced by earlier research by Gawell (2007) on women in Nordic economies. According to this, women are more likely to make a choice between family responsibilities such as caring for children and running a business, whereas men are more likely to feel they can combine the two.

Two women entrepreneurs reported feeling constrained from taking financial risks because they were reluctant to **threaten the families' financial welfare.** The respondents reported that they had used their family home as collateral for business loan and that this was a source of guilt and fear. Many of the women entrepreneur respondents suggested that they felt reluctant to take on additional risks in terms of growing their business because they did not want to put their husband or partners in a position of having to support the family. This was reported even though many women respondents had themselves provided financial support to husbands and partners at other times. These perceptions were also reported in an earlier survey of women entrepreneurs by Arenius and Kovalainen (2004), which found that **positive expectations for the family's future financial situation** correlate positively with women's participation in the formation of new firms.

Half of the women entrepreneur respondents either currently have young children or had started their business when children were young. In these cases, the respondents stated the importance of having **affordable child care** provided by the state, '*without the good child care here, I would not have been able to do it'*. However, even with accessible childcare in place, respondents reported many occasions when family responsibilities conflicted with their business demands. For example, taking children to school or nursery and back again or other activities that take place outside of school or nursery hours were reported to be difficult to balance with running a business. It was also suggested by two women entrepreneur respondents that they undertake a **disproportionate amount of housework and childcare responsibility**, even though they are running a business at the same time.

All women entrepreneur respondents suggested that it was important to have **supportive family and friends**. Crucially, family and friends are sources of finance, particularly parents, but also advice and encouragement. It was also reported by entrepreneur respondents that having partners or husbands who understand and accept the levels of stress, working hours and potential risks involved in running a business was essential. '*I wouldn't have been able to run my business if my husband wasn't also an entrepreneur and understood everything'*. This suggests that without the 'agreement' of a partner or husband businesses may not have been set up.

8.4. Individual factors affecting women entrepreneurs and social entrepreneurs

All women entrepreneur respondents suggested that there are certain **qualities** that are common to entrepreneurs regardless of gender. However, these qualities **are more likely to be expressed in men** than women due to socially constructed gender norms, as discussed above. This means that women entrepreneurs are rather unusual among women on the labour market and also that they must work harder to prove to men, in particular male financial service providers, that they are trustworthy business partners.

Thus, many women entrepreneur respondents suggested that being **atypical** or behaving more like a man was at least a common trait amongst women entrepreneurs and was also probably a necessary characteristic.

Nevertheless, it was also noted that being a woman and acting outside of gender norms could work in their favour. For example, one respondent reported that being a woman in a male dominated sector allowed her to '***break free' of constraints*** that many of her male colleagues experienced. These constraints were expressed as being a need to conform to existing business culture, which may stifle innovative thinking. As a woman in a male dominated sector the respondent felt that she was therefore 'expected' and in a sense given permission' to be and think differently. However, this was only felt to be an advantage for women in this situation if they were able to tolerate male-dominated working environments and had personalities that thrived on being different.

8.5. Summary and conclusion

The critical factor that appears to account for the relatively lower level of women entrepreneurs in Sweden is that women are **reluctant to become entrepreneurs in the first place** and if they do, they are unlikely to want to **grow** compared to male-run businesses. Only 30% of new entrepreneurs are women, according to the Swedish Agency for Economic and Regional Growth (SEARG, 2009). However, the proportion of women running new companies was higher in 2009 than the proportion running older companies, suggesting that the gender gap in entrepreneurial activity may reduce in the medium term, although not necessarily the gender gap in terms of sectors and business sizes run by men and women.

Case study respondents across groups suggested that lower rates of women compared to men as entrepreneurs was strongly linked to **socially constructed gender roles** which influence men and women's behaviour and self efficacy in business settings. Whilst these constraints are subtle, complex and well embedded, respondents were also clear that they could be challenged.

The main way that such constraints may be challenged is, according to women entrepreneur respondents, by creating a **critical mass of women-owned businesses** that will demonstrate to the wider business community that women are equally capable of running successful businesses. This means that more investors would be willing to invest in businesses that are run by women. This would address the supply of finance. However, it does not necessarily address the **demand side.** It appears from respondents' comments that women are less likely to ask for finance or if they do will ask for less. This may mean that women-owned businesses are less likely to scale up or may scale up at a slower pace. This suggests that in the medium term women's entrepreneurial activities will remain in certain sectors, turnover sizes and scales. This seems to be demonstrated in overall statistics on the Swedish entrepreneurial sector (see for example, SAERG, 2009).

Another important factor affecting women's demand for investment is women's lack of access to **networks** of investors or other business colleagues as well as investors' lack of trust and understanding of women entrepreneurs. It was suggested by one entrepreneur respondent that both factors might be challenged simultaneously through **building networking opportunities** between women and men. This would generate both better understanding and trust as well as expose women to finance and power brokers who can make a difference.

Interesting further research would explore the extent to which **domestic relationships** constrain entrepreneurial activity and whether this is experienced differently for men and women entrepreneurs.

9. UNITED KINGDOM CASE STUDY

KEY FINDINGS

- Women's difficult access to **debt finance** can present a significant barrier to business growth and stability.
- Women are **less likely to seek debt** funding and if they do, they are likely to ask for less than men.
- Women entrepreneurs are less likely to seek **equity funding** compared to men or will seek lower levels (low demand), and equity funders, such as venture capitalists or angel investors, are less likely to invest in businesses that women typically run (low supply).
- Women tend to have **lower exposure to or familiarity with equity finance.**
- Women's access to finance in the **social entrepreneurial** sector faces potentially **fewer barriers** than with mainstream business activity.
- Women entrepreneurs are **reluctant to express** that they had experienced barriers as a result of being female. Yet they frequently described experiencing such barriers.
- Socially **constructed gender roles reinforce** the expectation that women should take on a greater share of **family caring** responsibilities than men.

9.1. Introduction

Respondents from the UK Banking Industry representatives, business advocacy and lobbying groups, business leader advocacy groups and women entrepreneurs and social entrepreneurs took part in the UK case study. Only one entrepreneur runs a limited company with employees, others operate as sole traders, with turnovers ranging from under £30,000 to over £300,000.

Overview of entrepreneurship in the UK

According to the 2013 GEM survey, early-stage entrepreneurial activity in the UK is comparatively high, lying above that of France and Germany but below the US. Women are still under-represented as entrepreneurs. The typical UK early-stage entrepreneur is male, aged 39, has a university degree, and is from a middle to higher income household. According to the RBS Group (2013) women-led businesses in the UK are significantly less likely to use external finance than businesses led by men. This was the case even after business characteristics such as age, sector and risk rating are taken into account.

The UK scored 60.4% on the EIGE's Gender Equality compared to 54% in the EU overall, the highest score being 73.6% (Denmark) and lowest score 35.3% (Romania).

9.2. Structural factors affecting women entrepreneurs and social entrepreneurs, including access to finance

Structural factors which act as barriers to women entrepreneurs and social entrepreneurs were linked by all respondent groups to lower rates of accessing either **debt or equity business finance**. This observation is reinforced in a number of research studies (see for example, RBS Group, 2013). However, the extent to which these barriers are either supply or demand related was subject to much discussion amongst respondents.

Entrepreneur respondents all suggested that access to debt finance such as short-term borrowing to **ease cash flows** could present a significant barrier to business growth and stability. It was suggested across respondent groups that obtaining **small-scale debt finance was a significant barrier** for all businesses and that there was a problem of supply rather than demand for this facility. It is not clear from this research whether male or female entrepreneurs experience this problem differently. Two women entrepreneur respondents reported having sought temporary business overdrafts to ease cash flow problems. In both examples, their requests were **refused immediately** because their usual business bank did not, as a matter of policy, provide such facilities to businesses with **turnovers below a certain threshold**. In both cases, money had to be found from either personal savings or relying on family support. As larger proportions of women compared to men entrepreneurs run low turnover companies such banking policies may disproportionally **disadvantage women entrepreneurs** (Eurostat, 2009).

Banking sector and business support respondents stressed that there are no structures in place that would automatically disadvantage women when seeking equity finance. '*Banks are not supposed to have different barriers for women compared to men'*. However, entrepreneur and business support respondents suggested that whilst banks treat applicants for both equity and debt finance equally, regardless of gender or ethnicity, women are **less likely to seek funding** and if they do, they are likely to ask for less than men. Thus gender differences in terms of finance accessed is a **demand-side constraint**. However, entrepreneur support organisations also identified a potential **supply problem**.

Obtaining **equity finance** presented a number of similar challenges to those experienced in applying for debt finance and these were identified across a number of respondent groups. However, barriers to accessing equity finance for women was expressed as a supply as well as demand issue for women entrepreneurs: women entrepreneurs are **less likely to seek equity** funding compared to men or will seek lower levels (low demand) and equity funders (such as venture capitalists or angel investors) are less likely to invest in businesses that women typically run (low supply).

Low supply of equity finance for women entrepreneurs was reported across respondent groups to be the result of a **combination of factors.** These include the nature of businesses that women run which, according to a variety of respondents:

- Tend to have lower growth potential than businesses typically run by men
- Tend not to be in sectors that attract the most investment such as science and technology businesses
- Tend not to have operating costs that require large investments

These factors make the businesses that women are more likely to be engaged with **less attractive to equity financiers.**
Other factors which affect the supply of equity finance for businesses more likely to be run by women include:

- Women may not have demonstrable business experience or experience of securing finance. Investors are more likely to fund business leaders who have a '**track record'**, this perpetuates a cycle in which women lack experience less likely to attract funding
- Women tend to **under-rate the value** or potential of their business and overstate the potential risks, compared to men. This tendency is a result of subtle influences of gender norms and expectations of behaviour. However, investors are more inclined to

have confidence in businesses led by people who can present themselves as confident in the business

- **Decisions** about which businesses to invest in are usually taken by men, this may mean that investors have less interest in businesses that are targeted at a female market and may be less likely to understand women applicants' mode of communicating.

Respondents across groups reported a number of demand side factors that affect women's likelihood of applying for equity finance. These include:

- Women are more likely than men to ask for funding to **meet costs only**
- Women tend to have **lower exposure to or familiarity with equity finance**
- Women **lack confidence to approach venture** capitalists and may have a perception that their businesses would not be of interest to equity financiers.

The role of **socially constructed gender norms** and expectations was repeatedly mentioned as a barrier to women's accessing finance, across respondent groups. For example, one respondent from a business support organisation suggested that in **pitches** for funding, women are penalised more than men are for having ideas for 'traditional' businesses and rewarded more than men for having novel business ideas, whereas men are not penalised for favouring traditional business ideas. This was thought to be because women need to be **extraordinary** in order to succeed in business whereas, for men, having median-level skills and ideas is considered to be adequate.

A number of respondents also reported a **lack of angel investors** in the UK funding market. There were also reported to be even fewer women angel investors. This indicates a scarcity of resources to both advise and fund women. Respondents suggested that **women would benefit from greater levels of support** from experienced women business professionals such as angel investors or mentors. This is currently lacking because women have smaller or less well-connected networks than male business owners.

Another important structural factor which may affect women's access to equity funding is the lower rate of women and girls who are qualified in **Science, Technology, Engineering and Maths** (STEM) subjects, according to banking and business support respondents. Lower female participation rates in STEM subjects at school and higher education has been well documented (see for example, European Parliament, 2015). This translates into lower female participation rates in STEM related professional activities. Many respondents from across groups suggested that venture capital funders are more likely to invest in STEM related businesses because these are likely to attract greater rates of return. Thus, gender gaps in STEM education are replicated in terms of entrepreneurship.

Respondents from the banking industry suggested that an important development for women entrepreneurs, given the potential barriers they face in accessing conventional funding, is the growing **crowdfunding market.** These markets allow investors to invest small amounts for small proportions of businesses. In this situation, individual investors do not expose themselves to high risk and are likely therefore to invest in a wider cross section of businesses and entrepreneur types. This represents an **opportunity** for women entrepreneurs who may not be able to access traditional funding routes.

Women's access to finance in the **social entrepreneurial** sector faces potentially fewer barriers than is the case with mainstream business activity, according to both social entrepreneurial and banking respondents. In terms of the supply of funding, the UK has a relatively well developed social finance sector. This market is deliberately targeted at not-profit business or businesses that work for a social purpose. Funders may invest in such businesses because they wish to do so for philanthropic reasons and they may also wish to invest in businesses that will yield returns over a longer time, thus, they are lower risk and longer term investments. In these ways, social finance investment operates in different ways to mainstream investment markets. Similarly, investors are **more likely to fund** businesses in areas that are **traditionally dominated by women** such as health and education businesses. Individual factors affecting women entrepreneurs and social entrepreneurs UK women entrepreneur respondents tended to **minimise the influence of gender** on the chances of business success and preferred instead to articulate success as a result of **personal drive** and determination. In this sense, women entrepreneur respondents were reluctant to express that they had experienced barriers as a result of being female, although they also provided many examples of how this was the case. '*I would never say that women have less chance of succeeding in business, if you want to succeed it is down to the individual'* (woman entrepreneur respondent). In a similar way, a respondent from an entrepreneur support agency suggested that women entrepreneurs are reluctant to be identified as a feminist and that talking about barriers they experience which men do not was often predicated with a disclosure that they are not feminist. '*Women entrepreneurs often say things which sound absolutely like feminist arguments but they are anxious not to be seen as a feminist.*' In a similar fashion, women entrepreneurs talked about barriers with a **sense of pride** – there was a degree of satisfaction that they had found a way to surmount some of the pressures that they face and which men do not face. Entrepreneur respondents also expressed themselves as **non-conformist and self-reliant.** In this sense, starting a business was seen to result from not adhering to socially constructed gender roles but also to **breaking through** and defeating challenges that they might face as women.

Being **atypical, adventurous and determined** were highlighted as particularly important qualities for women to possess if they are to be successful entrepreneurs. Moreover, the women entrepreneur respondents indicated a sense of personal pride at having overcome the barriers which they face as a result of being female.

9.3. Situational factors affecting women entrepreneurs and social entrepreneurs

A key challenge that women entrepreneur respondents identified was that socially constructed gender roles reinforce the expectation that women should take on a greater share of family **caring responsibilities**, compared to men. This challenge was negotiated as a **stark choice** for two respondents. '*It was a choice between having children and not having children. The stress of running a business meant that I was unlikely to be able to fit in having children*.' Another reported, '*I haven't had time to think about having children or not, but I suppose it does hit you as you get older that you can't wait forever but you can't put your business on hold either'*. These statements illustrate that family and business are seen as an **'either/or' choice**, rather than two options that can be combined for example, by accessing child care or sharing caring responsibilities with a partner.

In this sense, women entrepreneurs in the sample expressed that they had followed the path that a man traditionally takes but without the support of a partner taking on a 'traditionally female role, '*I am the breadwinner so it is a choice between either maintaining a lifestyle or having children'*. This was corroborated by a business support respondent: '*High achieving, executive women who expressed an interest in being entrepreneurs are much less likely to have children, compared to the general population. One entrepreneur said to me that what she really needed in order to have both family and her business was 'a wife'*.'

9.4. Summary and conclusions

Respondents from all groups reported that women tend to access funding for their businesses less often or at lower levels than male entrepreneurs. It was reported that this was a result of both **women's reluctance to apply for finance** as well as a tendency for the funding market to **favour businesses that are typically male-led**. These findings are reflected in earlier studies, (for example, RBS, 2013).

Existing research, as well as banking and business support respondents in this study, suggest that women are reluctant to apply for funding because they **do not wish to grow their businesses beyond a low level** and that the types of businesses they run are frequently not resource-intensive and capable of sustaining as sole-trader enterprises. Indeed, Marlow and colleagues found that women are more likely to own firms that **operate from home**, are part-time and are in lower-order services. This makes them more likely to have limited growth trajectories and therefore, less attractive to equity finance. However, this situation could be **self-perpetuating.** If finance providers are less interested in businesses that are more likely to be women-led, women are less likely to apply for funding which in turn, means they will have lower growth potential which in turn, means that women-dominated business types are less attractive to financiers.

Interestingly, amongst the entrepreneur respondents there was a **reluctance to identify barriers as gender-related** although these respondents also frequently quoted experiencing such gender barriers. Chief amongst these was the **tension between the desire to have a family and run a business**, which was often seen as necessitating an 'either/or' choice. Some respondents responded to this choice by forgoing having children altogether whilst others responded by limiting their business ambitions. The option of accessing childcare or sharing more of the caring responsibility with fathers was not expressed as a third option.

Banking and business support respondents suggested a number of ways that women could be helped to secure funding and support for their business. These included providing **mentoring** to women to develop business plans and **coaching** support to be able to make effective funding pitches. It is also interesting to note that banking industry bodies are now supporting schemes to direct and advise women to secure crowd funding. Clearly, there is an identified need for **non-traditional sources of equity funding** for women in business.

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