



## Closing the Funding and Opportunity Gaps for Women and Minority-Owned Businesses

### The Unique Barriers for Women and Minority-Owned Businesses

- Women and minority business owners experience similar disparities in capital access<sup>1</sup>.
- The SBA asserts “studies find disproportionate loan denials to minority business owners and disproportionately discouraged prospective applicants among women and minority business owners, even when controlling for factors that indicate robust finances such as credit score.”<sup>2</sup>
- In 2014, only 4.3% of all government contracts went to women-owned businesses, falling short of the 5% goal.<sup>3</sup>
- For angel investing and venture capital, women are 1/3 as likely to be given finances<sup>4</sup> and only receive 7% of all venture capital funds invested.<sup>5</sup>
- A 2010 study found that 87% of venture capital funds go to Caucasian-led teams with only 1% going to African-American led teams.<sup>6</sup>
- Research shows an implicit bias against women as entrepreneurs where people are less likely to believe women have the skills to succeed, and nearly half of women entrepreneurs state a lack of available role models and mentors is a challenge.<sup>7</sup>
- Women face additional challenges from parenthood that result in lower rates of entrepreneurship, and nearly three-quarters of births are to women ages twenty to thirty-four.<sup>8</sup>

### Why Increasing Capital Access and Opportunities for Women and Minority-Owned Businesses Should Be a Priority

- One third of all businesses are women-owned and that percentage is growing<sup>9</sup> while approximately 15% of all businesses are minority-owned.<sup>10</sup>
- Outside capital is a key indicator in the success of a businesses; less capital means fewer employees hired, lower revenues, and high failure rates for start-up businesses.<sup>11</sup>
- According to a report issued by the Senate Committee on Small Business & Entrepreneurship in 2014, by missing the 5% government contracts goal, women business owners lost out on at least \$63 billion.<sup>12</sup>
- There is an opportunity cost of less capital access for certain groups. Babson College found that if women in the US had the same capital access as men, 6 million jobs would be added to the economy in five years<sup>13</sup>.
- A 2014 University of Washington study found that entrepreneurship among African-Americans reduces the wealth gap between families that are white and families that are black.<sup>14</sup>

<sup>1</sup> <https://www.sba.gov/content/access-capital-among-young-firms-minority-owned-firms-women-owned-firms-and-high-tech-firms>

<sup>2</sup> <https://www.sba.gov/sites/default/files/Issue%20Brief%203%20Access%20to%20Capital.pdf>

<sup>3</sup> <http://www.wipp.org/news/231573/WIPP-LAUNCHES-NATIONAL-DIRECTORY-OF-WOMEN-OWNED-SMALL-BUSINESSES-IN-THE-FEDERAL-CONTRACTING-ARENA.htm>

<sup>4</sup> <http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/women-entrepreneurs-are-key-to-accelerating-growth>

<sup>5</sup> <http://www.chicagobusiness.com/article/20140723/NEWS07/140729922/big-gender-gap-in-small-business-loans-report-says>

<sup>6</sup> <https://www.cbinsights.com/blog/venture-capital-demographics-87-percent-vc-backed-founders-white-asian-teams-raise-largest-funding/>

<sup>7</sup> <http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/women-entrepreneurs-are-key-to-accelerating-growth>

<sup>8</sup> <http://www.pewsocialtrends.org/2010/05/06/the-new-demography-of-american-motherhood/>

<sup>9</sup> <https://www.americanexpress.com/us/small-business/openforum/articles/women-launching-1200-new-businesses-a-day-new-research-shows/>

<sup>10</sup> <http://www.cnn.com/id/101639528>

<sup>11</sup> <http://www.esa.doc.gov/sites/default/files/women-owned-businesses.pdf>

<sup>12</sup> <http://www.bizjournals.com/bizwomen/news/latest-news/2014/08/sba-u-s-government-still-not-giving-enough.html>

<sup>13</sup> [http://www.ey.com/Publication/vwLUAssets/Scaling\\_up\\_-\\_Why\\_women\\_owned\\_businesses\\_can\\_recharge\\_the\\_global\\_economy\\_-\\_new/\\$FILE/Scaling\\_up\\_why\\_women\\_owned\\_businesses\\_can\\_recharge\\_the\\_global\\_economy.pdf](http://www.ey.com/Publication/vwLUAssets/Scaling_up_-_Why_women_owned_businesses_can_recharge_the_global_economy_-_new/$FILE/Scaling_up_why_women_owned_businesses_can_recharge_the_global_economy.pdf)

<sup>14</sup> <http://edq.sagepub.com/content/28/3/254.abstract>



## Policy Solutions for Closing the Funding and Opportunity Gaps for Women and Minority-Owned Businesses

- Require quotas for representation in public company board members above a certain size to be women with the goal of achieving the success seen in Norway and much of Europe.<sup>15</sup>
- Promote more women and minority individuals to leadership and top roles in venture capital to close the gap; a 2014 study found that venture capital firms with women in leadership roles were more likely to invest in companies led by women.<sup>16</sup>
- Support crowdfunding sources such as Kickstarter, in which traditionally disadvantaged groups tend to have more success securing funding.<sup>17</sup>
- Celebrate successful women and minority entrepreneurs and encourage entrepreneurship in underrepresented demographics.<sup>18</sup> Publicly celebrate and highlight exceptional women and minority entrepreneurs in the media, showcase them as role models.
- Contribute to the public discussion and watch and hold the media accountable for coverage of capital access and opportunity issues for women and minority entrepreneurs.
- Amend the Equal Credit Opportunity Act to require reporting disclosure on business loan applications by gender – forcing banks to be more transparent about application denials.<sup>19</sup>
- Implement federal legislation that addresses traditional workplace issues, such as pay and employment gaps, which inhibit women and minority individuals from reaching financial independence and becoming industry leaders. Other barriers to entrepreneurship can be lowered through subsidized childcare and preschool.<sup>20</sup>
- Expand funding to the SBA's 8(a) Business Development program, which finances and supports minority-owned businesses.
- Expand funding to the SBA's Women Owned Small Business and the Small Business Research Innovation (SBIR) programs.
- Raise the government contracts goal above 5% for women owned businesses.<sup>21</sup>
- Raise the government contracts goal above 5% for small disadvantaged businesses.<sup>22</sup>
- Raise the government contracts goal above 3% for HUBzone or economically disadvantaged businesses.<sup>23</sup>
- Call on the SBA for more transparency on contract breakdown regarding gender and race.
- Expand resources that coach individuals in loan applications to improve success rates for traditional financing options.<sup>24</sup>
- Decrease the barriers to entrepreneurship for disadvantaged groups through mentorship programs and regulatory overhaul.

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<sup>15</sup> <http://www.reuters.com/article/2013/09/30/us-nordic-investment-fund-idUSBRE98T0LM20130930>

<sup>16</sup> <http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>

<sup>17</sup> <http://www.wsj.com/articles/kickstarter-closes-the-funding-gap-for-women-1407949759>

<sup>18</sup> <http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/women-entrepreneurs-are-key-to-accelerating-growth>

<sup>19</sup> <http://www.consumer.ftc.gov/articles/0347-your-equal-credit-opportunity-rights>

<sup>20</sup> <http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/women-entrepreneurs-are-key-to-accelerating-growth>

<sup>21</sup> <https://www.sba.gov/content/women-owned-small-business-program>

<sup>22</sup> <https://www.sba.gov/content/disadvantaged-businesses>

<sup>23</sup> <https://www.sba.gov/content/hubzone-contracting-officials>

<sup>24</sup> [http://www.nawbo.org/content\\_21769.cfm](http://www.nawbo.org/content_21769.cfm)