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The Capital Gaps between Female and Male Entrepreneurs

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The Capital Gaps between Female and Male Entrepreneurs

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The Capital Gaps between Female and Male Entrepreneurs

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Abstract

Research background: Today countries have realized the importance of small and medium enterprises (SMEs) to economic and social development. Entrepreneurship currently provides the most critical source of economic growth for countries. In most countries women own about 30% of small businesses. Since small businesses are the pillar of the economy, entrepreneurship is its growth engine, and women constitute about 50% of the population, it is important to research businesses and entrepreneurship among women so as to strengthen the economy. Women who decide to engage in entrepreneurship encounter many challenges, during both the establishment and management of the venture. Some of these challenges are shared by both male and female entrepreneurs, while some are relevant only to women.

Purpose of the article: Since female entrepreneurship is extremely vital to a country's economy, entrepreneurship among women must be encouraged. To do this, it is first necessary to understand the gaps between male and female entrepreneurs. Such gaps can only be reduced by continuing to research their origin and how they can be decreased.

Methodology/methods: This article is based on literary research focusing on the differences between male and female entrepreneurship. Nearly one hundred articles, reports, and books were reviewed. The study results were synthesized on the basis of 40 works.

Findings & Value added: Three main types of entrepreneurial gaps were found between women and men: social capital, financing capital, and human capital. The gender gap in entrepreneurship is explained in women's structural disadvantages regarding the achievement of the resources relevant to the success of the business.

Introduction

The 'entrepreneurship revolution' is spreading around the world. Entrepreneurship now constitutes the most critical source of economic growth in most countries (Kuratko et al., 2015). The 2012 GEM Women's Report shows that nearly every economy has fewer female than male entrepreneurs. If women are not actively engaged as entrepreneurs, then the job creation capacity of half the world's population is lost (Kelley et al., 2013). In most countries, women own about 30% of small businesses. Women who own small businesses make a very important contribution to the economy (Hodges et al., 2015). Since small businesses are the pillar of the economy, entrepreneurship is the growth engine of the economy. Women constitute about 50% of the population, it is therefore important to research businesses and entrepreneurship among women so as to strengthen the economy.

Women who have already decided to engage in entrepreneurship encounter many challenges, both when establishing the venture and in managing its continuation. Some of these challenges are shared by both male and female entrepreneurs, and some are relevant only to women (Loscocco & Bird, 2012). The gender gap in entrepreneurship is explained in women's structural disadvantages regarding the achievement of resources relevant to business success (Thebaud, 2010). The article focuses on research studies in which gaps were found between women and men regarding three types of capital: social, financing, and human.

Method of the Research

The article is based on literary research focusing on differences between male and female entrepreneurship. In recent years, there has been a growing interest in gender entrepreneurial differences. Despite the numerous attempts to define the gender gap, many questions still remain open. This study is based on a qualitative research of papers, books, and reports from the field of entrepreneurship. The research sample consisted of nearly 100 works. The literature analysis was carried out through the content and conclusions review. The comparison method and critical analysis have been applied to identify the main research approaches and perspectives regarding gender entrepreneurial differences.

Entrepreneurship and Gender

Gender issues currently lie at the center of different areas of research that acknowledge that major societal phenomena cannot be explained without the gender perspective. This is also true regarding entrepreneurship research. Unlike the theory that determines that entrepreneurship is an open and accessible effort in which personal effort alone determines reward and status, it was proven that gender bias also exists in entrepreneurial discourse (Ahl & Marlow, 2012). In recent decades, the issue of gender has received increasing attention in entrepreneurship research. This can be seen in comprehensive research studies that investigate female entrepreneurship on the global level. See, for example, the GEM (Kelley et al., 2013) and DIANA International Research Network (Lewis et al., 2014) reports.

Human Capital

Human capital developed as a highly utilized theoretical lens through which researchers can better understand entrepreneurship (Marvel et al., 2016). Human capital theory developed in the field of entrepreneurship and consistently links human capital attributes to entrepreneurial success (Unger et al., 2011). Therefore, human capital constitutes a main criterion for venture capitalists when evaluating potential venture performance (Zacharakis & Meyer, 2000).

Human capital – education and experience. It was found that women have less formal education in business or financial topics than men (Coleman, 2007). Kourilsky and Walstad (1998) believe that both men and women displayed a low level of entrepreneurial proficiency. However, the women were more aware of their missing knowledge than their male peers. Regarding previous experience, it was found that women bring less management experience to the business than do men (Coleman, 2007; Shawet al., 2009).

Human capital – self-confidence. Thebaud (2010) maintains the gender gap in self-assessment constitutes a considerable part of the gender gap in entrepreneurship. Women have significantly lower self-confidence relative to men (Birley, 1989). Men report a significantly higher level of entrepreneurial self-efficacy in comparison to women (Thebaud, 2010). A lack of confidence is perhaps the greatest barrier to women's progression to business ownership (Fielden et al., 2003). Self-efficacy addresses a person's belief regarding his abilities, and the degree of such belief has deci-

sive impact on his motivation and choices. In addition, self-efficacy has crucial impact on ability to cope with difficulties and persevere, and the scope of the effort that will be invested. Therefore, self-efficacy is a major influence on performance level (Bandura, 1991).

Human capital – risk taking. The higher risk aversion among women explains a large share of the entrepreneurial gender gap (Caliendo et al., 2015). Women tend to hate risks more than men (Dawson & Henley, 2015). When faced with social and technological hazards, women are more risk-averse than men (Olsen & Cox, 2001), even when decision makers of both genders have the same level of expertise and experience (Dwyer et al., 2002). The 2015 United States GEM Report states that one key attitude related to entrepreneurship is fear of failure. Women exhibit a higher perceived rate of failure than men (Kelley et al., 2016).

Human capital – motivation. Women like establishing their own businesses significantly less than men (Zhao et al., 2005). Men and women who choose entrepreneurship are motivated by different factors. Women who start a business wish to achieve three types of personal goals: personal freedom, security, and satisfaction (Shabbir & Di Gregorio, 1996), and are less motivated by the desire to earn money. They frequently choose entrepreneurship because of dissatisfaction in their career. Many women see entrepreneurship as a means of integrating a career and raising children (Cromie, 1987).

Financing Capital

Financing capital is a central component in the entrepreneur's resources (Cooper et al., 1994). Women perceived a greater need for financial and accounting help than men (Jones & Tullous, 2002). Men invest significantly larger amounts of capital into establishing and operating their business (Fielden et al., 2006). The 2015 United States GEM Report states that women entrepreneurs launch their businesses with half of what men do (Kelley et al., 2016).

One reason for the gap in capital is that women business owners use less credit than men. Female business owners take out fewer loans in general and bank loans in particular (Coleman, 2007). Some of the researchers maintained that women business owners do not request credit at all. It was found that women are less likely to seek external finance for business start-ups (Sena et al., 2012).

Some researchers maintain no evidence exists regarding discrimination on the part of banks concerning loan conditions and approval (Sena et al.,

2012), although some did find evidence of such discrimination. Female business owners were required to pay higher interest rates and have greater securities (Fraser, 2004). Some also argued that female entrepreneurs face tighter access to credit, even though they do not pay higher interest rates (Bellucci et al., 2010).

It is possible that women use less credit because they tend to be risk-averse and less secure in themselves relative to men, especially regarding financial decisions and investments (Powell & Ansic, 1997). Women tend to be less confident in taking financial risks (Fielden et al., 2006). Some also assert that women perceive stronger financial barriers to business start-up than men, and this may discourage them from seeking external financial support (Sena et al., 2012). Roper and Scott (2009) posit that women have financial barriers deriving from their perception of their access to finance. They were less likely to apply for loans because they assumed they would be denied (Coleman, 2007).

Social Capital

Social capital helps people and companies improve performance. The entrepreneurial benefits of social capital are gaining prominence, and its importance to the establishment, survival, and success of entrepreneurial ventures has been widely acknowledged and empirically demonstrated (Aarstad et al., 2010). Bruderl and Preisendorfer (1998) found that network resources, support, and networking activities are widely used to establish new companies. Those entrepreneurs with a broad and diverse social network offering ample support are more successful. Network support increases the probability of survival and growth for newly founded businesses. Entrepreneurial networks provide vital information for the entrepreneur, a perspective that contributes to evaluation of performances and goals, and even lower barriers for acquiring bank loans (Verheul & Thurik, 2001). Maurer and Ebers (2006) found that social capital offers information and learning benefits, increased legitimacy, power and control, and coordination benefits. Social capital has potential value because it provides an opportunity for participants to access information and resources from their social network.

The disparity in business start-up rates between men and women can be partially explained by differences in social capital (Renzulli et al., 2000). Women tend to “discuss important matters” with more relatives (Marsden, 1987). Women have a larger number, higher proportion, and greater diversity of kin ties in their personal networks than men (kin includes spouse, parents, siblings, and in-laws) (Moore, 1990). Women are less likely to utilize bridging and linking social capital for their businesses (Kim, 2014).

The female entrepreneur may face sex-based stereotypes when she attempts to develop business networks; she encounters barriers in accessing traditionally male-dominated established networks (Godwin et al., 2006). Dodd and Patra (2002) discovered that women are under-represented in entrepreneurial networks. Constantinidis et al. (2006) found that 40% of female entrepreneurs were not members of any network or professional association. They also spend less time networking than their male counterparts (Verheul & Thurik, 2001). Since the venture capital industry is under male control and men generally have more men in their networks, it is less reasonable that networks of female entrepreneurs will overlap with investors or factors that can help them achieve capital investments. Venture capitalists produce more than dollars; they also bring together resources in the form of technical experts, management consultants, and finance (Brush et al., 2001).

Conclusions

Small businesses are the pillar of the economy, entrepreneurship is the growth engine of the economy, and women constitute about 50% of the population. The current research focuses on the differences between male and female entrepreneurs, addressing articles that found gaps between women and men for business performance and the three types of capital: social, financing, and human.

The gender gap in entrepreneurship is explained in women's structural disadvantages regarding achievement of resources relevant to business success. Gaps were found in the context of all three types of capital. As can be seen, the studies prove that gaps exist between male and female entrepreneurs, and are found in the three resources essential to entrepreneurial success. Since entrepreneurship among women is vital to the economy of the country, it is necessary to encourage it further. The origins of these gaps and how it is possible to reduce them must be researched further.

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