

Efroni, Bracha

**Working Paper**

## The Capital Gaps between Female and Male Entrepreneurs

Institute of Economic Research Working Papers, No. 24/2017

**Provided in Cooperation with:**

Institute of Economic Research (IER), Toruń (Poland)

*Suggested Citation:* Efroni, Bracha (2017) : The Capital Gaps between Female and Male Entrepreneurs, Institute of Economic Research Working Papers, No. 24/2017, Institute of Economic Research (IER), Toruń

This Version is available at:

<https://hdl.handle.net/10419/219847>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



<https://creativecommons.org/licenses/by/3.0/>



Institute of Economic Research Working Papers

No. 24/2017

**The Capital Gaps between Female and Male Entrepreneurs**

Bracha Efroni

**Article prepared and submitted for:**

**9<sup>th</sup> International Conference on Applied Economics Contemporary Issues in Economy, Institute of Economic Research, Polish Economic Society Branch in Toruń, Faculty of Economic Sciences and Management, Nicolaus Copernicus University, Toruń, Poland, 22-23 June 2017**

**Toruń, Poland 2017**

© Copyright: Creative Commons Attribution 3.0 License

Bracha Efroni  
bracha@bracha-efroni.com  
Poznan University of Economics and Business  
Al. Niepodległości 10, 61-875 Poznań

## The Capital Gaps between Female and Male Entrepreneurs

**JEL Classification:** L26; J16

**Keywords:** *female entrepreneurship; gender gap; human capital; financing capital; social capital*

### 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, entrepreneurs are 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 (Bellucciet 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.

## References

- Aarstad, J., Haugland, S., & Greve, A. (2010). Performance spillover effects in entrepreneurial networks: Assessing a dyadic theory of social capital. *Entrepreneurship Theory and Practice*, 34(5), 1003-1019. DOI: <http://dx.doi.org/10.1111/j.1540-6520.2009.00346.x>



- Ahl, H., & Marlow, S. (2012). Exploring the dynamics of gender, feminism and entrepreneurship: Advancing debate to escape a dead end? *Organization*, 19(5), 543-562. DOI: <http://dx.doi.org/10.1177/1350508412448695>
- Bandura, A. (1991). Social cognitive theory of self-regulation. *Organizational behavior and human decision processes*, 50(2), 248-287. DOI: [http://dx.doi.org/10.1016/0749-5978\(91\)90022-L](http://dx.doi.org/10.1016/0749-5978(91)90022-L)
- Bellucci, A., Borisov, A., & Zazzaro, A. (2010). Does gender matter in bank–firm relationships? Evidence from small business lending. *Journal of Banking and Finance*, 34(12), 2968-2984. DOI: <http://dx.doi.org/10.1016/j.jbankfin.2010.07.008>
- Birley, S. (1989). Female entrepreneurs: Are they really any different? *Journal of Small Business Management*, 27(1), 32.
- Bruderl, J., & Preisendorfer, P. (1998). Network support and the success of newly founded business. *Small Business Economics*, 10(3), 213-225.
- Brush, C., Carter, N., Gatewood, E., Greene, P., & Hart, M. (2001). The Diana project: Women business owners and equity capital: The myths dispelled. DOI: <http://dx.doi.org/10.2139/ssrn.1262312>
- Caliendo, M., Fossen, F. M., Kritikos, A., & Wetter, M. (2015). The gender gap in entrepreneurship: Not just a matter of personality. *CESifo Economic Studies*, 61(1), 202-238. DOI: <http://dx.doi.org/10.1093/cesifo/ifu023>
- Coleman, S. (2007). The role of human and financial capital in the profitability and growth of women-owned small firms. *Journal of Small Business Management*, 45(3), 303-319. DOI: <http://dx.doi.org/10.1111/j.1540-627X.2007.00214.x>
- Constantinidis, C., Cornet, A., & Asandei, S. (2006). Financing of women-owned ventures: The impact of gender and other owner -and firm-related variables. *Venture Capital*, 8(2), 133-157. DOI: <http://dx.doi.org/10.1080/13691060600572557>
- Cooper, A., Gimeno-Gascon, F. J., & Woo, C. Y. (1994). Initial human and financial capital as predictors of new venture performance. *Journal of Private Equity*, 1(2), 12-30. DOI: [http://dx.doi.org/10.1016/0883-9026\(94\)90013-2](http://dx.doi.org/10.1016/0883-9026(94)90013-2)
- Cromie, S. (1987). Motivations of aspiring male and female entrepreneurs. *Journal of Organizational Behaviour*, 8(3), 251-261. DOI: <http://dx.doi.org/10.1002/job.4030080306>

- Dawson, C., & Henley, A. (2015). Gender, risk, and venture creation intentions. *Journal of Small Business Management*, 53(2), 501-515. DOI: <http://dx.doi.org/10.1111/jsbm.12080>
- Dodd, S. D., & Patra, E. (2002). National differences in entrepreneurial networking. *Entrepreneurship & Regional Development*, 14(2), 117-134. DOI: <http://dx.doi.org/10.1080/08985620110111304>
- Dwyer, P. D., Gilkeson, J. H., & List, J. A. (2002). Gender differences in revealed risk taking: Evidence from mutual fund investors. *Economics Letters*, 76(2), 151-158. DOI: [http://dx.doi.org/10.1016/S0165-1765\(02\)00045-9](http://dx.doi.org/10.1016/S0165-1765(02)00045-9)
- Fielden, S. L., Davidson, M. J., Dawe, A. J., & Makin, P. J. (2003). Factors inhibiting the economic growth of female owned small businesses in North West England. *Journal of Small Business and Enterprise Development*, 10(2), 152-166. DOI : <http://dx.doi.org/10.1108/14626000310473184>
- Fielden, S. L., Dawe, A. J., & Woolnough, H. (2006). UK government small business finance initiatives: Social inclusion or gender discrimination? *Equal Opportunities International*, 25(1), 25-37. DOI: <http://dx.doi.org/10.1108/02610150610645940>
- Fraser, S. (2004). *Finance for small and medium-sized enterprises. A report on the 2004 UK survey of SME finances*. Retrieved from Finance\_for\_Small\_and\_Medium\_Sized\_Enterprises\_UK\_2004\_Report.pdf
- Godwin, L. N., Stevens, C. E., & Brenner, N. L. (2006). Forced to play by the rules? Theorizing how mixed-sex founding teams benefit women entrepreneurs in male-dominated contexts. *Entrepreneurship Theory and Practice*, 30(5), 623-642. DOI: <http://dx.doi.org/10.1111/j.1540-6520.2006.00139.x>
- Hodges, N., Watchravesringkan, K., Yurchisin, J., Karpova, E., Marcketti, S., Hegland, J., ...Childs, M. (2015). Women and apparel entrepreneurship: An exploration of small business challenges and strategies in three countries. *International Journal of Gender and Entrepreneurship*, 7(2), 191-213. DOI: <http://dx.doi.org/10.1108/IJGE-07-2014-0021>
- Jones, K., & Tullous, R. (2002). Behaviors of pre-venture entrepreneurs and perceptions of their financial needs. *Journal of Small Business Management*, 40(3), 233. DOI: <http://dx.doi.org/10.1111/1540-627X.00053>
- Kelley, D. J., Ali, A., Brush, C., Corbett, A. C., Daniels, C., Kim, P. H., ...Rogoff, E. G. (2016) The 2015 United States GEM Report. Retrieved from <http://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%20USA%202015.pdf>

- Kelley, D. J., Brush, C. G., Greene, P. G., & Litovsky, Y. (2013) Global Entrepreneurship Monitor—GEM 2012 Women's Report. Retrieved from <http://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%202012%20Womens%20Report.pdf>
- Kim, S. M. (2014). The impacts of gender differences in social capital on microenterprise business start-up. *Affilia*, 29(4), 404-417. DOI: <http://dx.doi.org/10.1177/0886109913519789>
- Kourilsky, M. L., & Walstad, W. B. (1998). Entrepreneurship and female youth: Knowledge, attitudes, gender differences, and educational practices. *Journal of Business Venturing*, 13(1), 77-88. DOI: [http://dx.doi.org/10.1016/S0883-9026\(97\)00032-3](http://dx.doi.org/10.1016/S0883-9026(97)00032-3)
- Kuratko, D. F., Morris, M. H., & Schindehutte, M. (2015). Understanding the dynamics of entrepreneurship through framework approaches. *Small Business Economics*, 45(1), 1-13. DOI : <http://dx.doi.org/10.1007/s11187-015-9627-3>
- Lewis, K. V., Henry, C., Gatewood, E. J., & Watson, J. (Eds.). (2014). *Women's entrepreneurship in the 21st century: An international multi-level research analysis*. Edward Elgar. DOI: <http://dx.doi.org/10.4337/9781782544616>
- Loscocco, K., & Bird, S. R. (2012). Gendered paths: Why women lag behind men in small business success. *Work and Occupations*, 39(2), 183-219. DOI: <http://dx.doi.org/10.1177/0730888412444282>
- Marsden, P. V. (1987). Core discussion networks of Americans. *American Sociological Review*, 122-131. DOI: <http://dx.doi.org/10.2307/2095397>
- Marvel, M. R., Davis, J. L., & Sproul, C. R. (2016). Human capital and entrepreneurship research: A critical review and future directions. *Entrepreneurship Theory and Practice*, 40(3), 599-626. DOI: <http://dx.doi.org/10.1111/etap.12136>
- Maurer, I., & Ebers, M. (2006). Dynamics of social capital and their performance implications: Lessons from biotechnology start-ups. *Administrative Science Quarterly*, 51(2), 262-292. DOI: <http://dx.doi.org/10.2189/asqu.51.2.262>
- Moore, G. (1990). Structural determinants of men's and women's personal networks. *American Sociological Review*, 55(5), 726. DOI: <http://dx.doi.org/10.2307/2095868>
- Olsen, R. A., & Cox, C. M. (2001). The influence of gender on the perception and response to investment risk: The case of professional investors. *Journal of Psychology and Financial Markets*, 2(1), 29-36. DOI: [http://dx.doi.org/10.1207/S15327760JPFM0201\\_3](http://dx.doi.org/10.1207/S15327760JPFM0201_3)

- Powell, M., & Ansic, D. (1997). Gender differences in risk behaviour in financial decision-making: An experimental analysis. *Journal of Economic Psychology*, 18(6), 605-628. DOI: [http://dx.doi.org/10.1016/S0167-4870\(97\)00026-3](http://dx.doi.org/10.1016/S0167-4870(97)00026-3)
- Renzulli, L. A., Aldrich, H., & Moody, J. (2000). Family matters: Gender, networks, and entrepreneurial outcomes. *Social Forces*, 79(2), 523-546. DOI: <http://dx.doi.org/10.2307/2675508>
- Roper, S., & Scott, J. M. (2009). Perceived financial barriers and the start-up decision: An econometric analysis of gender differences using GEM data. *International Small Business Journal*, 27(2), 149. DOI: <http://dx.doi.org/10.1177/0266242608100488>
- Sena, V., Scott, J., & Roper, S. (2012). Gender, borrowing patterns and self-employment: Some evidence for England. *Small Business Economics*, 38(4), 467-480. DOI: <http://dx.doi.org/10.1007/s11187-010-9272-9>
- Shabbir, A. & Di Gregorio, S. (1996). An examination of the relationship between women's personal goals and structural factors influencing their decision to start a business: The case of Pakistan. *Journal of Business Venturing*, 11(6), 507-529. DOI: [http://dx.doi.org/10.1016/S0883-9026\(96\)00034-1](http://dx.doi.org/10.1016/S0883-9026(96)00034-1)
- Shaw E., Marlow, S., Lam, W., & Carter, S. (2009). Gender and entrepreneurial capital: Implications for firm performance. *International Journal of Gender and Entrepreneurship*, 1(1), 25-41. DOI: <http://dx.doi.org/10.1108/17566260910942327>
- Thebaud, S. (2010). Gender and entrepreneurship as a career choice: Do self-assessments of ability matter? *Social Psychology Quarterly*, 73(3), 288-304. DOI: <http://dx.doi.org/10.1177/0190272510377882>
- Unger, J. M., Rauch, A., Frese, M., & Rosenbusch, N. (2011). Human capital and entrepreneurial success: A meta-analytical review. *Journal of Business Venturing*, 26(3), 341-358. DOI: <http://dx.doi.org/10.1016/j.jbusvent.2009.09.004>
- Verheul, I., & Thurik, R. (2001). Start-up capital: "Does gender matter?". *Small Business Economics*, 16(4), 329-346.
- Zacharakis, A. L., & Meyer, G. D. (2000). The potential of actuarial decision models: Can they improve the venture capital investment decision? *Journal of Business Venturing*, 15(4), 323-346. DOI: [http://dx.doi.org/10.1016/S0883-9026\(98\)00016-0](http://dx.doi.org/10.1016/S0883-9026(98)00016-0)

Zhao, H., Seibert, S. E., & Hills, G. (2005). The mediating role of self-efficacy in the development of entrepreneurial intentions. *Journal of Applied Psychology*, 90(6), 1265-1272. DOI: <http://dx.doi.org/10.1037/0021-9010.90.6.1265>