Women
Entrepreneurship
Knowledge Hub

Financing Women Entrepreneurs in Canada

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Women Entrepreneurship Knowledge Hub

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The Women Entrepreneurship Knowledge Hub (WEKH) is a national network and accessible digital platform for sharing research and resources, and leading strategies. With 10 regional hubs and a network of more than 250 organizations, WEKH is designed to address the needs of diverse women entrepreneurs across regions and across sectors. In response to the COVID-19 pandemic, WEKH adopted an agitator role connecting women entrepreneurs and support organizations across the country, and led network calls and training sessions. WEKH's advanced technology platform, powered by Magnet, enhances the capacity of women entrepreneurs and the organizations who serve them by linking them to resources and best practices across the country.

With the support of the Government of Canada, WEKH spreads its expertise from coast to coast, enabling service providers, academics, government and industry to enhance their support for women entrepreneurs. Toronto Metropolitan University's Diversity Institute, in collaboration with the Ted Rogers School of Management, is leading a team of researchers, business support organizations and key stakeholders to create a more inclusive and supportive environment to grow women's entrepreneurship in Canada.

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Executive Summary

Women are playing an important role in the entrepreneurial ecosystem in Canada—they are majority-owners of 16.8% of small and medium-sized enterprises (SMEs) and 36.8% of self-employed people in the country. Women-owned businesses are responsible for more than 1.5 million people being hired and contribute about $150 billion to the Canadian economy.[1] These accomplishments are even more profound when considered in a global context, as it is estimated that women-owned businesses contribute 37% to the global economy[2] and account for over 50% of the labour force.[3]

Supporting women's economic empowerment spurs economic progress, expands markets and improves social outcomes for everyone. However, women entrepreneurs face numerous barriers to success across their entrepreneurial journeys. Research has found that, on average, women launch businesses with 53% less capital than men.

This report provides a comprehensive description of the current state of women's access to financing in the entrepreneurial ecosystem in Canada; it also explains the barriers facing women and details emerging solutions, such as small business financing and financial programs designed for women entrepreneurs.

Barriers to Financing for Women Entrepreneurs

This report starts with a review of the existing research on the barriers to financing faced by women entrepreneurs. Research indicates that access to financing is the most significant challenge faced by women entrepreneurs. Attitudinal and structural barriers, along with often limited financial literacy and lack of confidence, undermine their entrepreneurial ambitions and motivation to seek financing. Concurrently, the structure of many women-led businesses (i.e., smaller, unincorporated and service-based) makes them unattractive to investors.

However, there is also ample evidence of barriers and systemic discrimination against women entrepreneurs in the structures and policies that facilitate entrepreneurship. These obstacles are compounded for diverse and Indigenous women entrepreneurs, particularly those living on reserves. Bias built into programs and selection processes as well as overt discrimination, where women are judged on their track record and men on their potential. Studies also document the microaggressions experienced by women when seeking loans, investments and procurement opportunities. For example, research has found that when making the exact same pitch, men are more likely to get funding. Despite these challenges, there is ample evidence that women entrepreneurs are succeeding, with a growing number even gaining "unicorn" status, which refers to a privately held company that has achieved a valuation of at least $1 billion, and is a traditional, though perhaps not inclusive, measure of business success.

Financing Across Different Stages of Entrepreneurship

The current entrepreneurship ecosystem includes a multitude of organizations that provide tools and programs facilitating access to financing at each stage of the business lifecycle. At the startup stage, entrepreneurs can access advice and financing from family and friends, experienced entrepreneurs, incubators, economic development agencies (e.g., Federal Economic Development Agency for Southern Ontario) or business support organizations (e.g., the Forum, WeBC). If the startup entrepreneur has a strong reputation in business and access to networks, they may also attract venture capital and angel investors. During the growth phase, financing and advice can come from business networks and organizations, investors (e.g., angel investors and venture capitalists), financial institutions and accelerators. During the maturity phase, entrepreneurs will need more complex and specialized support from sources such as consultants, experienced mentors or specialized staff.

Small Business Financing for Women Entrepreneurs

The current entrepreneurial ecosystem has a multitude of sources for finance that can be leveraged. The sources include bootstrapping, retained earnings from the business, friends and family, business credit cards, crowdfunding, trade credits, factoring, leasing, revenue-based financing, loans, merchant cash advances, equity financing and bartering.

Financial Programs for Women Entrepreneurs

Growing awareness of the barriers faced by women entrepreneurs have led to the emergence of targeted tools and programming. Some financial institutions, angel investors and venture capitalists are working to identify these barriers and develop evidence-based solutions. Meanwhile, governments are providing new incentives that are strengthening the accountability frameworks and transparency requirements of their tools and programs. There are also emerging initiatives focused on facilitating access to mentorship, networking, and funding support, such as loans, equity financing, or prizes and grants.

Conclusion and Recommendations

Improving access to financing for women entrepreneurs requires a multi-layered strategy as the barriers for securing finance are manifest at the societal, organizational and individual level. Therefore, the recommendations are organized using an ecological model that systematically addresses each of these levels.

At the societal level, negative stereotypes must be challenged and the success of women entrepreneurs must be celebrated. There is also a need to promote more representative leadership and policies that address barriers and improve accountability of existing programs, tools and services. Meanwhile, organizations need to reconsider assumptions about risk and success and develop products and services that are better suited for diverse women entrepreneurs. Discrimination and microaggressions faced by women from service providers must also be addressed by advancing an inclusive culture and improving representation within these institutions. At the individual level, women must be encouraged to reshape their own attitudes and behaviours and address gaps in financial and business literacy.

Introduction

Canada has a small and medium-sized enterprise (SME) and startup ecosystem that is healthy in many respects, ranking second globally in ease of starting a business. Canadian SMEs account for approximately 90% of business sector employment.[4]

It is critical to support women's economic empowerment in this ecosystem, which can spur economic progress, expand markets and improve social outcomes for everyone. The rapid expansion of women-owned businesses underscores women's role as an emerging force. Globally, nearly 30% of SMEs are owned and run by women.[5] In Canada, women are majority-owners of 16.8% of SMEs and 36.8% of self-employed individuals.[6]

Nonetheless, women entrepreneurs face numerous barriers to success across their entrepreneurial journeys, including access to finance, legal and policy obstacles, and challenges in business ownership and development.

Lack of access to financial services is repeatedly identified as the most significant barrier for women entrepreneurs.[7] Capital is the lifeline of any business, and entrepreneurs require access to affordable sources to be able to invest in activities (e.g., hiring talent and building infrastructure) necessary to grow and remain competitive. However, research has found that, on average, women launch businesses with 53% less capital than men.[8]

Historically, women have had a harder time accessing the financial capital needed to launch, sustain and grow their businesses. Despite the wealth of research confirming that unlocking innovation requires diversity, the current financial and entrepreneurial system continues to neglect women and diverse entrepreneurs.[9] Many women entrepreneurs lack access to appropriate, affordable and well-regulated products and services that effectively meet their needs (Table 1). They also face an inhospitable financial and entrepreneurial landscape, where they are often met with discriminatory policies, practices and behaviour. Consequently, women entrepreneurs are more likely to underwrite their own startup costs (84%) by utilizing their personal savings, maxing out their personal credit cards, or turning to friends and family. This not only limits their growth potential but makes them more vulnerable to economic downturns.[10]

TABLE 1:

Startup Funding by Percentage of Women Ownership in SMEs (2020)

	100% Men	51%-99% Women
Credit from financial institutions	33.9%	29.2%
Personal financing used toward your business	75.9%	82.6%
Financing from friends or relatives of business owner(s)	13.0%	19.1%
Retained earnings (from previous or other business)	5.2%	7.5%
Trade credit from suppliers	6.9%	2.2%
Capital leasing	6.8%	3.9%
Government loans, grants, subsidies and nonrepayable contributions	3.2%	6.0%
Financing from angel investors and venture capital providers	1.0%	0.9%
Other	5.2%	4.8%

Note: A single company may use more than one source of funding.

Adapted from: Innovation, Science and Economic Development Canada. (2022). *Survey on financing and growth of small and medium enterprises,* 2020. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310043101

According to the Survey on Financing and Growth of Small and Medium Enterprises (SFGSME) 2020 summary report, businesses fully owned by women are the least likely to request any debt financing. About 35.5% of the businesses with majority women ownership (between 51% and 99%) are likely to ask for debt financing, which is a more than 3% increase from the proportion reported in the SFGSME 2017 survey. Businesses with less than 50% women ownership are more likely to seek debt financing (22.8%) compared to businesses that are fully owned by women entrepreneurs (13.6%).[11]

The vulnerability of women entrepreneurs has been brought to stark relief by the COVID-19 pandemic. The number of women entrepreneurs decreased by nearly 8% from 2019 to 2021, while the number of men decreased by 6%. Women entrepreneurs not only experienced a greater decline in early-stage business activities and employee layoffs, but were also more likely compelled to sell, shut down, discontinue or quit their businesses.[12]

This report aims to provide a thorough, detailed description of the current state of women entrepreneurs' access to financing in the entrepreneurial ecosystem in Canada. To achieve that goal, a literature review is conducted to identify the barriers facing women at societal, organizational and individual levels. The report also provides a review of the existing sources of financial advice, products, services and capital available to women entrepreneurs across each stage of their business lifecycle. Furthermore, it reviews the available financing programs designed to support women entrepreneurs in Canada and globally. It concludes by making recommendations, based on the gaps identified in the review, to improve the state of women entrepreneurs' access to capital.

Barriers to Financing for Women Entrepreneurs

Although understanding the entrepreneurial journeys of women is still in its infancy, research has identified several key challenges for women to secure the capital to start, grow and sustain their enterprises. These barriers are formal and informal, and manifest at the societal (macro), organizational (meso) and individual (micro) levels of the current entrepreneurial ecosystem.[13] Societal barriers include gender stereotypes and entrepreneurial stereotypes; organizational barriers include bias in financing institutions and the structure of women-owned businesses in terms of business size, industry and similar aspects; and individual barriers include motivation and financial knowledge.

At the societal level, barriers include gender stereotypes that diminish, or even exclude, women from cultural narratives of entrepreneurship. Such stereotypes have a significant impact on women's entrepreneurial intentions, behaviour, sources of support, opportunities, access to resources, perceptions and the wider entrepreneurial ecosystem. In a 2021 survey of women entrepreneurs, 70% reported that gender stereotypes negatively impacted their journeys. More than six in 10 of those surveyed (61%) believe that gender stereotypes impact their business growth and almost one-half (49%) say they affect profitability. Over one-half (56%) also said that social approval or disapproval of different careers played a role in their choice of career. Most women entrepreneurs surveyed (70%) also reported knowing a woman entrepreneur when they were children, suggesting the powerful influence of role models on children and young women.[14]

In addition to gender stereotypes, women entrepreneurs are also excluded by entrepreneurial stereotypes that are preoccupied with technological (rather than social) innovation and growth (rather than sustainability). These stereotypical narratives not only disproportionately favour men over women but are also misleading. In fact, research has found that more than 50% of recently launched online businesses have been owned by women.[15] For example, Kylie Jenner, one of the world's most famous and successful entrepreneurs, made her fortune selling beauty products on Canada's Shopify platform.

At the organizational level, many barriers faced by women entrepreneurs are due to the features of the enterprises they lead. Women's businesses are usually smaller-scale operations, employ fewer workers and report less growth potential compared with those of men. For example, SMEs with 100% women ownership were more likely to have one to four employees (38.7%) and more likely to report 0% growth potential over the next three years (52.2%).[16,17] They also have lower rates of incorporation (40%) and are concentrated in the service sector (Table 2).[18,19,20] In Canada, while women represent only 16.8% of majority owners among SMEs (in December 2020, of the total 1,221,357 SMEs in Canada, only 205,188 SMEs were majority women-owned),[21] they represent 36.8% (982,600) of self-employed entrepreneurs in 2021.[22] Women also tend to lead younger enterprises that have unproven track records and short credit history.[23] This is partially explained by their tendency to start enterprises based on their life experience and understanding of unmet markets, while men are more likely to spin off companies.[24,25]

TABLE 2:

SME legal status by women ownership share (2017)

Legal Status	Women Ownership Share						Total
	None	1% - 49%	50%	51% - 99%	100%	>50%	
Incorporated	86.8%	92.9%	90.5%	87.2%	75.5%	77.4%	634,751
Unincorporated	13.2%	7.1%	9.5%	12.8%	24.5%	22.6%	97,400

Financial institutions, investors and even government programs tend to evaluate women-owned enterprises as bearing high risk and low growth potential.[26] Research indicates a preference and prioritization of enterprises in the technology, financial and manufacturing sectors, where women are notably underrepresented.[27,28,29] Enterprises in these areas are also more likely to be offered higher interest rates and worse term sheets, which can increase the burden of borrowed capital.[30] Women are also expected to disclose more information and have higher qualifications.[31] Meanwhile, for many, being approved for a loan without sufficient collateral is simply impossible, regardless of the interest rate they are willing to pay.[32]

Digital innovation in the financial sector has consolidated some of these barriers. For example, as banks digitize their operations, many have found that closing their local branches can help maintain a high return on an otherwise pricey transformation. Research found, however, that this had a disproportionately negative impact on women entrepreneurs. Far from removing bias and breaking gender barriers, digitization has reinforced structural constraints that impede women entrepreneurs, while also removing the mitigating potential of personal interactions. Consequently, women entrepreneurs have been increasingly compelled to seek risky informal economic activities to handle their financing needs, such as tax avoidance, delayed invoicing, breaking credit agreements and even using undocumented workers.[33]

Venture capital (VC) funding is also less accessible to women entrepreneurs. In Canada, men are four times more likely to receive financing from VC and angel investors.[34] The same pattern is observed globally. In Europe, VC-backed tech companies with all-men founding teams receive 93% of the capital invested, while 5% of capital goes to mixed teams and only 2% to all-women teams. In the U.S., research suggests that mixed entrepreneur teams received US$23 billion in funding in 2020 compared to US$3.3 billion for women-only entrepreneurs. These problems are compounded for diverse and Indigenous women entrepreneurs, as they are likely to be marginalized based on race and gender. In 2019, less than 9% of investments in the U.S. went to women entrepreneurs, and less than 3% went to racialized entrepreneurs. In recent years, growing recognition of women entrepreneurs' potential and historic exclusion from the existing entrepreneurial ecosystem has given rise to VC and "disruption" ventures that target their enterprises.[35] Although positive steps forward are being taken, progress remains slow. BDC Capital has introduced a new reporting template for private capital in Canada, which captures diversity, equity and inclusion.[36] The new tool expands on the worldwide framework of the ILPA Diversity Indicators Template by recording metrics relating to gender, race and ethnicity that aligns with the Canadian market.

There are limited mechanisms to hold financial service providers accountable. This is partially due to the absence of gender-disaggregated data that can inform risk, return and accountability, or illuminate who gets access to funding. Some financial institutions, particularly those that are federally regulated, have requirements that monitor the gender composition of their workforce. However, until recently, the Office of the Superintendent of Financial Institutions was one of the few government agencies exempted from the need for gender-based analysis (GBA+), which in turn shapes the way financial institutions behave. There is even less information on available financial resources at business support organizations, such as incubators, accelerators or post-secondary institutions. Meanwhile, anecdotal evidence suggests an emerging practice among some institutions of pinkwashing mainstream programs and services, or using an overly expansive definition of women-owned enterprises (e.g., one woman on the senior team or 30% women ownership).[37] In this sense pinkwashing refers to the use of funds targeted to women to boost the image of a company or organization. This strategy is often used by mainstream finance services as an additional offering, rather than being a fundamental part of the organization's mission to support women.[38]

At the individual level, barriers come from demand and supply sides, such as motivation and literacy. From a demand perspective, research has highlighted that women entrepreneurs are motivated by factors that are not accommodated by the current financial and entrepreneurial ecosystem. In terms of structuring their business, they tend to prioritize flexibility, domestic responsibility, social enterprise and sustainability over profitability.[39,40,41] These factors run counter to those valued by the current financial and entrepreneurial ecosystem.

Meanwhile, studies have found that women tend to be "discouraged borrowers"; despite possessing the need and qualification for loans, they are less likely to ask for a loan.[42] Even when they do, women tend to request smaller amounts compared to their men counterparts. [43] This is in part due to a lower tolerance for risk and internalized negative gender stereotypes that undermine their confidence, entrepreneurial intention and even performance.[44,45,46,47,48, 49,50,51,52] Nevertheless, there are also systemic factors that discourage women and lead to their self-exclusion from financial systems, including experiences of discrimination and rejection by financial institutions, poor credit histories and limited financial literacy.[53] For example, a 2012 study found women entrepreneurs are significantly less likely than men in the same industry to obtain credit in their founding year despite lower rates of defaults.[54]

Women's entrepreneurial journeys are also impeded by lower levels of financial performance and literacy.[55] Women tend to have lower credit scores than men, with a 15-point difference between their averages. Credit score is the single greatest driver of a loan's APR, and a major factor in financing eligibility. This is in part explained by the gender wage gap, which contributes to disproportionate debt-to-income ratios and credit utilizations between men and women.[56] It can also be explained by the lower levels of financial literacy among women entrepreneurs.[57] A 2021 study by the Financial Consumer Agency of Canada demonstrated that, on average, men scored 15 points higher than women on financial knowledge.[58] Meanwhile, a 2020 Scotiabank Women Initiative study found that women's financial knowledge was 56% more likely to be ranked below average, even after controlling for systemic differences in age, education, experience and language.[59] Women were also more likely to lack confidence and perceive their financial knowledge as inadequate compared to men.[60]

Women entrepreneurs are also less likely to have a robust source of social capital (e.g., mentors, sponsors and networks) that offer a reservoir of information and resources.[61] Social capital not only provides entrepreneurs with inspiration and confidence, but can serve as bridges to key individuals, institutions and resources. Fundraising is also network-based. Research has found that social capital increases access to external sources of financing and reduces reliance on owner equity to finance a new venture. Enterprises with higher levels of social capital also reach peak output sooner and have higher survival rates.[62] Many women, being excluded from male-dominated networks, often struggle to secure adequate funding.

From a supply perspective, women entrepreneurs must contend with the stereotypes internalized by decision-makers in the financial and entrepreneurial ecosystem. For example, a study of interactions between venture capitalists and entrepreneurs at the annual startup funding competition TechCrunch Disrupt New York City found that, while men tend to be asked "promotion-focused questions," which focus on potential gains, women tend to be asked "prevention-focused questions," which focus on potential losses. The study also found that entrepreneurs who were asked promotion questions received twice as much funding as those that were asked prevention questions.[63, 64] To assist women entrepreneurs with investors' questions, the new Investoready program was created to teach women entrepreneurs how to strategically handle common investor questions and comments through targeted training and one-on-one mentoring. The initiative helps women prepare for queries from investors by providing them with a software dashboard tailored to their needs.[65]

Research has also found the prevalence of biased and discriminatory pitching processes against women.[66] For example, a 2019 study found that entrepreneurs who exhibited "masculine" qualities had greater success in securing capital than those who exhibited "feminine" qualities.[67] Meanwhile, another study identified a preference for pitches presented by men, even when the content was the same. This suggests that the unconscious biases and perceptions of investors can lead to an undervaluation of the competence and potential of women entrepreneurs.[68] In the U.S., on average, women entrepreneurs receive up to $1 million less than men for their pitches. Meanwhile, investment in companies founded or co-founded by women averaged US$935,000, which is less than one-half the average (US$2.1 million) invested in companies founded by men entrepreneurs.[69]

Sources of Financial Advice for Women Entrepreneurs

Women entrepreneurs' success largely depends on developing appropriate skills and qualities along with obtaining suitable financial advice. The current entrepreneurial ecosystem has a multitude of sources for financial advice that can be leveraged at each stage of a business lifecycle (Table 3). Across each stage, entrepreneurs must prioritize the expansion and consolidation of their networks.

Development or seed stage: prior to an enterprise's foundation, entrepreneurs can obtain financial advice and information from a multitude of sources, including accelerator programs, development agencies, public advisory services, and other entrepreneurs or informal advisory networks.

Startup stage: as a business grows and expands, the need for specialized expert advice becomes more critical. Advice and information can be sourced from incubators, investors (e.g., angel investors), development banks (e.g., Business Development Bank of Canada [BDC]) and business mentors.

Growth stage: entrepreneurs can seek support and advice to bolster their management skills from accountants, VC firms, and their local business networks and business peer groups.

Expansion stage: entrepreneurs can seek support and advice from a finance management specialist, professional services (e.g., lawyers, accountants and management consultants), and national or global entrepreneurship networks (e.g., exporting agencies).

Maturity stage: entrepreneurs can rely on advisory resources, such as specialized external expert finance teams, strong management teams and internal fundraising teams.

TABLE 3:

Sources of Finance Information and Advice by Stage of Business Development

Early Stage		Growth Stage			Mature Stage
	Development or Seed	Startup	Growth	Expansion	Maturity
Key sources of financial information	> Entrepreneurs with prior experience > Accelerator programs > Development agencies > Social networks or group advice > Public advisory services	> Entrepreneurs with prior experience > Investor advice (angel investors) > Public advisory sources > Social networks/ peer groups > Developmental agencies > Development banks (e.g., BDC) > Business mentors > Incubators and accelerators	> Increased management experience > Investor/banker advice > Accountants and venture capital funders > Local business networks and peer group advice	> Specialist finance managers > Investor or banker advice > Professional networks (e.g., accountants, lawyers, brokers, consultants) > National global networks (e.g., exporting agencies)	> Specialized external expert finance teams > Strong management teams > Internal fundraising teams > Professional networks (e.g., accountants, lawyers, brokers, consultants)

Financing Across Different Stages of Entrepreneurship

The current entrepreneurial ecosystem has a multitude of sources for finance that can be leveraged at each stage of a business lifecycle. The following is an overview of these sources:

Startup Financing

Startup financing refers to capital that is raised in the initial stages of a business (seed/development and startup stages). Funds raised in this stage are typically under $1 million and used to cover startup costs, such as business plan development or prototyping.[70] As outlined later, startup funding comes in many forms, including bootstrapping (entrepreneurs' personal income or savings), microfinance (e.g., small business loans and credit cards) and equity financing (exchanging equity for early-stage financing).

Recent developments in the financial landscape have compelled entrepreneurs to use less conventional forms of capital when they cannot access big lenders, such as banks and credit unions.

While financing at the seed stage typically comes from entrepreneurs' personal savings, the source of financing at the startup stage depends on the type of business. Tech startups often approach angel investors and venture capitalists (Figure 1). For other startups, small business loans and startup grants can be a good choice. For example, Canada Small Business Financing Program is a government program that helps entrepreneurs launch a business by providing a guarantee to facilitate loans from financial institutions.[71]

Growth Financing

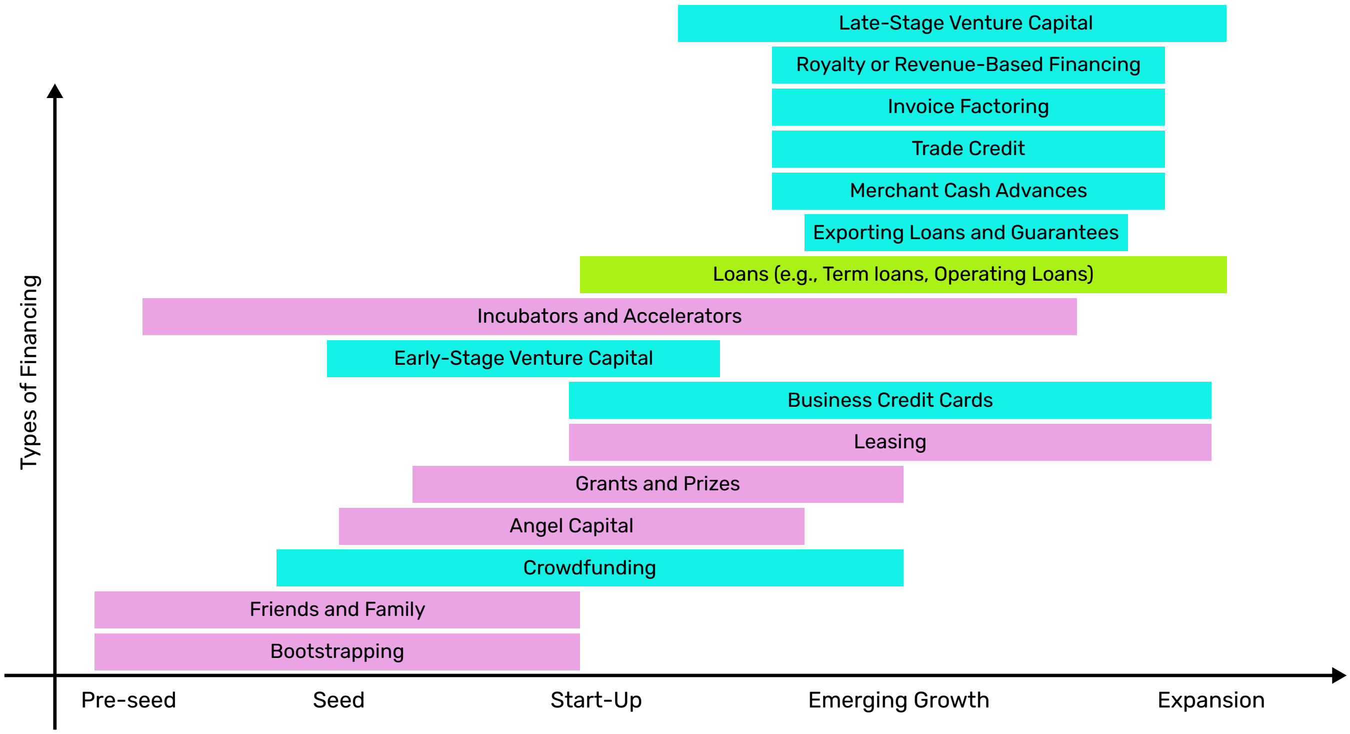
Growth financing refers to the way a company uses debt, equity and hybrid financing techniques during its growth and expansion stages. An entrepreneur's focus during this stage is to identify optimal options that allow the business to grow and adapt to its ecosystem in a cost-effective way.[72] Venture capital investors target high-growth businesses and therefore are attracted to this phase of company development. VCs look for businesses that can scale to $25 million to $100 million in revenue within three to five years.[73]

Export Financing

Exporting is a costly and risky business activity with the potential for high returns. Export Development Canada (EDC) is the Government of Canada's export credit agency and a state-owned enterprise with the mandate to support and develop trade between Canada and other countries and help Canada's competitiveness in the international marketplace. Their financing solutions can offset the risk of doing business abroad and assist entrepreneurs on the global stage. EDC has helped thousands of firms, including many owned and led by women, expand internationally.

For example, EDC's Export Guarantee Program is a working capital solution that provides guarantees of up to US$10 million to an entrepreneur's financial institution so they can extend their line of credit, provide term loans or margin international assets or inventory.[74] The program assists entrepreneurs in obtaining the financing

FIGURE 1:
Financing Options Along the Growth Continuum



needed to create sales in new markets, build capacity to meet project or contract demand, and manage cash flow.

Meanwhile, EDC's $200-million Inclusive Trade Investments Program (ITIP), an expanded version of the Women in Trade Program[75], is an investment initiative designed to provide direct and fund equity to women-, Indigenous- and minority-owned and led export businesses with high growth potential. In addition, ITIP invests capital (through limited partnerships) in well-established investment funds that share a similar goal of supporting diverse and underrepresented entrepreneurs, or funds that have a significant number of women or diverse investment decision-makers. Under this program, women entrepreneurs engaged in export trade are provided with the resources needed to scale their businesses.[76]

Small Business Financing for Women Entrepreneurs

The current entrepreneurial financing ecosystem has many sources for finance that can be leveraged. The financing options available to women entrepreneurs is dependent on the stage, type and structure of their firms.

Bootstrapping

Bootstrapping refers to the process of starting a company with only personal savings, including borrowed or invested funds from family or friends, as well as income from initial sales. Self-funded businesses do not rely on traditional financing methods, such as the support of investors, crowdfunding or bank loans.[77,78,79]

In Canada, over 83% of women-owned SMEs rely on bootstrapping to start their businesses.[80] Some observers believe that women are particularly apt at this due to better communication skills, a high level of consciousness and empathy and stronger multitasking skills.[81] Others note the gendered biases of such assumptions and underscore that women's reliance on bootstrapping is instead due to the high barriers they face in accessing formal sources of capital.[82]

Bootstrapping is a common source of financing for most entrepreneurs at the seed and startup stage, where they have yet to establish the track record (sales and profit) to attract banks and VCs.[83,84,85,86] Research nevertheless suggests that women entrepreneurs—those that have achieved high-growth—are more likely to leverage personal equity funding across their business lifecycle.[87] While those who have not achieved sales are more likely to emphasize bootstrapping to reduce labour, those with greater sales are motivated by minimization of operation costs.[88]

Retained Earnings From the Business

The use of retained earnings is a form of bootstrapping wherein an entrepreneur uses the remaining net income following payments to shareholders.[89] It is the profits that are kept within the company that can finance the daily operations of the business and allow for acquisitions or capital investment.

Retained earnings are an important form of capital investment primarily used to expand a business.[90] They are also an important indicator of growth that can facilitate an entrepreneur's access to external financing.[91]

Friends and Family

Prior to approaching professional investors, most entrepreneurs tap into their personal networks of friends and family.[92] Yet, funding from family and friends remains understudied in the academic literature on financing due to the sparseness of reliable data on the topic.[93]

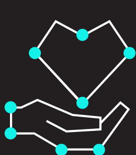
This source of financing can allow a startup business to meet its initial costs. Money from friends and family could take the form of gifts, loans or equity investments.[94] In Canada, 18.8% of women entrepreneurs acquire informal financing from their friends or relatives.[95] While loans from formal channels are processed based on clients' concrete data and measurable principles in financial institutions, informal finance is secured using private—and oftentimes immeasurable—information and relationship-based principles.[96,97]

Grants and Prizes

Small business grants are provided by some government and non-profits agencies and private organizations to help women entrepreneurs.[98] Grants and prizes are free, nonrepayable capital that are typically available for startups and growth-stage firms. Grants can also boost an entrepreneur's visibility and highlight their potentiality and credibility.

Eligibility criteria for grants can depend on various factors, including type of industry, business structure, demographic group and government priorities.[99] In Canada, there are several grants and prizes that specifically target women entrepreneurs. For example, Startup Canada has partnered with Evolocity Financial Group to provide microgrants to women entrepreneurs leading STEM-based firms.[100] The Forum's Odlum Brown Forum Pitch provides women entrepreneurs with support, mentorship, networking and advice.[101] Finalists also have access to prize packages worth $30,000.[102]

In Canada, there are three major types of business grants:



Startup Grants provide SMEs and non-profits with nonrepayable financing that does not require collateral. However, government startup grants are not easily available; they are often extremely specific and designed for specific places and people.[170]

Research and Development (R&D) Grants target research-focused companies and large businesses with substantial R&D budgets, as well as smaller companies seeking an edge over products and services dominating the market.

Exporting Grants are designed for export purposes. Small businesses that operate in the fields of imports and exports can receive grant money from the government to grow their companies in these areas.

Business Credit Cards

Small business credit cards are generally used to pay small, daily transactional business expenses. Research indicates that women entrepreneurs are more likely to use these cards.[103] Credit card funding is used to cover a variety of business expenses, such as equipment purchase and marketing expenses.

Business credit cards are a more accessible form of financing, due to their easy application process. They are often used as alternatives to lines of credit and bank loans. They are available to businesses of all sizes and are offered by a wide range of lending institutions.[104,105] Business credit cards can also facilitate efficient accounting and bookkeeping by consolidating expenses.

Nevertheless, credit cards' high interest rates make them an unsustainable source of finance. Research has also found that women are often given higher interest rates than men due to lower credit score ratings and underrepresentation in managerial positions and high-paying jobs.[106,107]

Crowdfunding

Crowdfunding is a process wherein entrepreneurs solicit contributions from the public, typically through online social networks (e.g., Kickstarter).[108,109] This is a good source of funding for women entrepreneurs who have limited access to traditional financial investors such as business angels, VCs or banks. Entrepreneurs leverage crowdfunding to not only access funds, but also reduce costs; by participating in product design and improvements, the crowd can create value. This also allows entrepreneurs to reduce length of development, have better customer acceptance, and increase awareness of their product or service.[110]

In Canada, there are four major types of crowdfunding:

Donation-based crowdfunding allows the public to donate money to a cause, charity or a person they feel is worthy of funding without expecting anything in return.

Rewards-based crowdfunding allows the public to contribute to a project or a business in return for a non-financial reward, such as a good or service. According to Kickstarter, women entrepreneurs have been more successful in cultivating reward-based funding.[171]

Lending-based (peer-to-peer) crowdfunding allows the public to provide an entrepreneur with a loan directly at an established interest rate.

Equity-based crowdfunding or crowd-investing allows entrepreneurs to raise capital from several potential investors in exchange for shares in the company.[172]

Trade Credit

Trade credit allows businesses to receive goods or services in exchange for a promise to pay the supplier within a set amount of time. This allows businesses to increase their purchasing power and is helpful to new firms that cannot secure capital from traditional sources.[111,112]

However, trade credits are unfavorably viewed as a potential source of liability for both businesses involved. Potential issues of collection, capital, delinquency and default costs make this option unsustainable.[113] Nevertheless, there are ways to reduce the associated costs and risks using tools such as insurance or trade finance instruments (letters of credit or guarantee). These are commonly used in international trade.

Factoring

Factoring is a way of financing working capital by lowering the size of accounts receivable. A business funds cash flow and addresses short-term liquidity needs by selling its invoices to a third party (a factor, or factoring company) at a discount.[114] After deducting the service fee, the lender collects the payment from the invoiced client and forwards it to the business. Invoice factoring is an expensive lending option that is primarily used by established businesses that already have sales and clients.[115,116]

Leasing

By leasing assets companies can spread payments over a longer period instead of having to fulfill the full payment of an investment the moment they decide to purchase an asset. This is an attractive option for capital-intensive firms dependent on the use of potentially expensive assets. The lease rate is dependent on the entrepreneur's credit and the value of the asset. [117,118,119]

Revenue-Based Financing

Revenue-based financing is a funding mechanism wherein an entrepreneur receives financing from investors in return for a percentage of (future) revenues. The future revenue–based interest payments are typically capped at two to three times the size of the initial funding amount. This investment is considered an "advance" to the company, and the periodic percentage payments can be considered "royalties" to the investor.[120]

Revenue-based financing is typically offered at the seed stage. It allows entrepreneurs to avoid diluting their equity shares by giving them away. Moreover, in contrast to a normal bank loan, interest payments are linked to generated revenues, which means that if revenues decline, required payments also decline. This reduces the chance of cash flow issues and potential illiquidity.

Despite these features, they are most suited for those firms with large revenue streams and are thus often an unfavorable source of financing for women entrepreneurs with small profit margins.[121,122]

Loans

A loan involves the creation of a debt, which is repaid with added interest. They often include specific terms and conditions, including interest rate, loan terms, payment requirements and associated penalties.[123,124] Entrepreneurs can seek several types of loans from a variety of sources, including banks and credit unions, development agencies, alternative lenders, peer-to-peer lenders, and friends and family. Loans have key benefits as they have lower long-term costs, come with tax benefits and allow a business to build credit.[125] They also give entrepreneurs greater control over their enterprise.[126]

In Canada, entrepreneurs have access to loans with varied interest rates that can be fixed or floating. Loans can also be secured or unsecured. While the former requires some collateral, the latter can be more expensive and come with higher risk and interest rates.[127] Most loans, including secured and unsecured loans, often require personal guarantees.

Traditional Loans

Traditional business loans are often offered by credit unions, banks and other financial institutions. Research has highlighted the differences in the experiences of men and women entrepreneurs in application processes and interest rates.[128] A 2016 study revealed that, on average, women were less likely to be approved and more likely to receive high interest rates when applying for business loans.[129] However, a more recent study (2020) found that although women entrepreneurs were more likely to get approved for business loans, they were less likely to apply for them.[130] Particularly, the SFGSME 2020 indicates that 13.8% of majority-women-owned SMEs sought debt financing with 94.9% of those requests being approved, whereas 17% of majority-men-owned SMEs sought debt financing with only 87.4% of those requests being approved.

Government-Backed Loans

Government-backed loans are subsidized and protect lenders against defaults on payments, making it easier for them to offer lower interest rates. In Canada, there are several ways entrepreneurs can access government-backed loans at federal and provincial levels. For example, the Canada Small Business Financing Program facilitates access to loans from financial institutions by sharing the risk with lenders. Meanwhile, the EDC provides exporting companies with the Export Guarantee Program ($2 billion), which facilitates entrepreneurs' access to additional financing through their financial institution.[131] Through the program, EDC helps exporters get more working capital financing to manage their day-to-day operating costs, through increasing their operating line, a seasonal bulge or pre-shipment financing by sharing the risk with the company's financial institution. Additionally, in 2018, the Government of Canada announced that its budget would provide BDC with $1.4 billion of lending to women business owners[132]; by 2021, BDC had surpassed—ahead of schedule—this goal and renewed its commitment to supporting 19,000 women entrepreneurs by 2024.[133]

Microloans

A microloan is a variation on a small business loan, designed for small enterprises. In Canada, microloans generally refer to loans valued between $5,000 and $10,000.[134] These loans have relatively simple and easy application processes given their small scale. Consequently, they are particularly well-suited for entrepreneurs that lack collateral, steady employment or verifiable credit history. Many institutions offering micro-credit through group lending models have shown that risks of default are reduced through joint liability and lending to women.[135] One example is the Women Entrepreneurship Loan Fund; created by the Government of Canada, the fund, through several administrators, provides loans of up to $50,000 to women entrepreneurs, particularly for startups, equity-deserving groups or sole proprietorships that may experience more difficulty in accessing financing.[136]

Microloans are widely viewed as an important source of financing for women entrepreneurs. In Canada, there are several microfinance programs aimed at supporting women entrepreneurs, including Community Microlending, New Brunswick Student Entrepreneur Loan Program, Kickstart, ACCESS Community Capital Fund, Paro Microloans, Alterna Microfinance, Microcredit Montreal, Vancity Loans for Green Business, The Ottawa Community Loan Fund, NACCA's microloan program for Indigenous women entrepreneurs, and Oasis Centre des Femmes.[137,138,139]

Export Loans

Export loans are provided to companies that trade globally. Small businesses can benefit from export loans by improving their cash flow, enhancing bargaining power with overseas suppliers, and building business credit and reputation. Export credit agencies (e.g., EDC) provide lending, sometimes directly to companies, and otherwise through guarantees to share risk with financial institutions. They also provide financial tools such as credit insurance, trade guarantees and access to capital when operating in overseas markets.

Non-traditional Loans

Alternative lenders are a broad description of any small business lender that is unassociated with a traditional bank. These lenders are often referred to as online lenders or "Fintech" companies as they leverage technologies to deliver their products or services. There are between 750 and 900 Fintech companies in Canada, and more than 4 million Canadians use their services. Less than 20% of the 31,300 Canadians working in the Fintech sector are women, and less than 10% of executive teams include women.[140]

Merchant Cash Advances

A merchant cash advance is a type of business financing particularly suited to a small business that accepts debit and credit card payments from customers. The lender provides the company with a cash advance, which it repays as a percentage of its customers' card payments using a card terminal.[141]

This type of financing is suitable for businesses that have strong credit/debit card sales but cannot qualify for other financing types. Its advantage over conventional bank loans is that it is fast and does not require a high credit score.[142] Conversely, they can have higher costs and shorter repayment terms than business loans. They are also riskier as they are based on projected revenues.[143]

Corporate Financing

Companies can raise capital for their business needs through two methods: equity financing and debt financing. Debt financing involves borrowing money, whereas equity financing is the process of raising capital by selling company shares. The primary benefit of equity financing is that there is no obligation to repay the funds obtained and places no additional financial burden on the company.[144] Equity financing can be obtained from multiple sources including incubators and accelerators, angel investors and venture capitalists.

Incubators and Accelerators

Business accelerators and incubators provide entrepreneurs with equity investment, access to workspaces, mentorship, networking, and exposure to potential investors and customers. Their primary mandate is to make a return on investment by helping businesses grow and become profitable quickly. The amount of equity investment they offer can vary greatly.

Accelerators invest a specific amount of capital in startups in exchange for a predetermined percentage of equity. Accelerators are distinct from incubators, which are programs funded by universities or economic development agencies aimed at assisting startups. Incubators usually do not provide capital to startups and do not take an equity stake in the companies they support. Accelerators are invested in the companies they support and bear a greater responsibility in the success of the startups in which they invest.[145]

Angel Investors

An angel investor is a high net-worth individual who provides private financial backing to startups and entrepreneurs, mostly in the early stages of business development, in exchange for equity in the company.[146] In addition to capital, they can also provide mentorship, access to networks and a bridge to (VC) funding.

Angel capital can be provided as a one-time investment to help a business get off the ground or as a continuous investment in a company through its startup and growth stages. In addition to capital, angel investors can bolster an entrepreneur's reputation for other investors.

However, access to angel investors is not easy. While there are an estimated 20,000 to 50,000 active angel investors in Canada, only about 5% of companies that seek angel investing have been successful.[147] Barriers to angel investors are greater for women and diverse entrepreneurs. Research indicates that women entrepreneurs experience greater difficulty in securing angel funding even after controlling for factors such as industry type and previous company success.[148]

Venture Capitalists

Venture capital investors generally invest in high-growth, disruptive companies. Given this focus, as previously mentioned, most women entrepreneurs, by virtue of their business structure and the sectors they operate in, often cannot access VC funding. The objectives of VCs vary and as such can be secured at different stages of the business lifecycle:

Early-stage VC funds (seed funds and early-stage capital): Seed-stage VC investments or informal venture investments tend to be investments of small amounts of capital at an earlier stage in a company's life[149] for a target equity of about 10% to 25% of the company. A seed investment is often allocated towards product development, market research, and a business plan and set-up of a management team.

Late-stage VC funds: At later stages of the company's development, VC investments provide capital to high-growth companies in exchange for an equity stake.[150] This funding can be consequential in driving an organization's growth and resilience. Research shows that women entrepreneurs are significantly underrepresented beneficiaries of VC funding. As mentioned, this is in part driven by the concentration of VCs on technology startups. Nevertheless, funds such as the BDC Capital Women in Tech Fund (the largest gender-focused fund in the world), and StandUp Ventures are doing important work to address this imbalance. These funds offer over $230 million to women entrepreneurs in Canada ($200 million from BDC and $30 million from StandUp Ventures).[151,152,153,154]

Initial public offering (IPO): This is the process wherein a private company becomes available for public investment. This involves the issuance of stocks (or shares) and listing of securities by the company on a stock exchange. Companies go public primarily to acquire more external capital to expand or improve business operations. Going public also enhances the credibility of the company in the eyes of the public as well as its corporate image. This can provide a company with new sources of external financing.[155]

With regards to gender disparities among entrepreneurs securing VC, marked differences have been observed. On average, women are less likely to receive VC financing than men. Early investigations into women entrepreneurship, such as the Diana Project, found that despite the high number of women that applied and were eligible for VC funding, many were not successful. Three key barriers were identified: structural barriers, human capital and the strategic choices of the founders.[156]

Other research investigating the underrepresentation of women in VC acquisition examined the role of gendered behavior as a significant form of unconscious bias and found that women expressing less stereotypical feminine traits in appearance and behavior were assessed as more entrepreneurially competent, a feature associated with masculinity.[157]

Moreover, there are some restrictions pertaining to who qualifies as an investor in Canada. While these restrictions vary from province to province, they can be prohibitive. In Ontario, for example, apart from family members, a registered investor must have $2 million in assets aside from their home.[158] In Manitoba, the province with one of the slowest economic progress in Canada, an individual is required to demonstrate an income of $250,000 to qualify as a registered investor.[159]

Bartering

To equalize the investment space for women in entrepreneurship, a shift towards more innovative ways of offering financial capital for women-owned businesses has occurred. The emerging practice of bartering has become an effective way for companies to secure financing at all stages of the business lifecycle. Although untraditional, it is an excellent way for businesses to trade services or excessive inventory for needed goods or services while conserving cash flow and helping to minimize waste.[160]

Table 4 provides a detailed summary of available sources of financing for entrepreneurs.

TABLE 4:

Advantages and Disadvantages of Types of Financing

Type of External Financing	Definition	Advantages	Disadvantages
Financing from Friends and Family	Funds that are given by family members or friends to get the business started, either in exchange for equity or as a loan.	Informal; easier to obtain; flexible terms.	Mixes personal and business relationships.
Grants and Prizes	Funds that are given by a specific granting body, particularly governments, corporations, foundations, educational institutions, businesses or individuals. Grants and prizes are often thought of as "free nonrepayable money."	Free money with no repayment; builds an organization's visibility and credibility; conditions and deadlines are available for everyone.	Usually accompanied by many restrictions on the use of the money; tends to be short term; high competition and low success rate; grant applications tend to be time consuming; small amounts are common.
Business Credit Cards	Business credit cards provide financing for short-term needs. They are an alternative to a traditional line of credit or microloan.	Usually include many added benefits; easier to apply for and obtain compared to other debt financing tools.	Have a slightly higher interest rate compared to standard loans; usually unsecured, which increases the risk for lenders and thus the financing costs.
Crowdfunding	Crowdfunding collects small investment sums from members of the public either as a donation or in exchange of repayment with interest, equity or another benefit.	Serves as a marketing tool or proof of concept and provides an opportunity to pre-sell future products. On equity or peer-to-peer crowdfunding, repayment of equity is given up.	Online crowdfunding platforms often charge a percentage of funds raised and may also charge an additional processing fee; it is difficult to raise large amounts of funding through crowdfunding.
Trade Credit	Trade credit is a B2B agreement: a form of 0% financing, which allows the business to increase assets while deferring payments and not accruing interest during the agreed upon payment period.	No cash required upfront; 0% interest on agreed loan repayment period; allows the business to stock quickly.	Difficult to obtain if the two businesses do not have an established history.

Type of External Financing	Definition	Advantages	Disadvantages
Invoice Factoring	Invoice factoring is when a business sells their invoices to a lender for a discount. The lender then collects the payment from the invoiced client and forwards it to the business after deducting a service fee.	Access to immediate cash.	Expensive.
Leasing	Leasing equipment or property instead of buying them.	Less upfront cost for equipment purchase.	Limited accessibility for new businesses; paying interest; not owning the equipment.
Royalty- or Revenue-Based Financing	Royalty- or revenue-based financing is provided in exchange for a percentage of the ongoing profits of the business.	Provides upfront capital without requiring equity in return.	Requires an established revenue stream; minimally regulated and may be risky.
Loans	A loan is an investment of cash in return for future repayment with added interest that can be issued by banks or a single individual or aggregated across a number of individuals who each contribute a portion of the total amount.	The entrepreneur does not have to dilute equity; the entrepreneur can accelerate growth and overcome cashflow challenges.	Repayments can damage cashflow; interest rates can be high if credit score is low; borrowing can reduce other financing options.
Merchant Cash Advances (MCA)	A merchant cash advance is an advance on future revenues, where the MCA provider looks at daily credit card receipts to determine whether or not the business can pay back the cash advance in a timely manner.	Opens up a financing option for businesses that might not qualify for a business loan but may have a steady influx of credit card payments.	Rates on a merchant cash advance are typically higher than other small business loan options (sometimes higher than triple digit annualized interest rates).
Equity Financing	Equity financing is the process of raising capital through the sale of shares in the company.	No interest payments; no liability; no monthly payments.	Involves giving up ownership through shares.

Financial Programs for Women Entrepreneurs

The growing global awareness of women entrepreneurs' potential and the barriers they face in the existing ecosystem has given rise to programs that seek to redress existing limitations (Table 5). In Canada, this includes mainstream and targeted products and services (Table 6). Meanwhile, a review of 102 initiatives in the European Union found nearly 140 initiatives aimed at supporting gender-diverse investment in Europe. However, most of these are focused on providing access to mentors and networks rather than capital. Funding activities usually involve loans and equity financing which is complemented by EU funds. They also match the investors with companies and prizes and grants. [161]

TABLE 5:

Women-focused Funding Programs Outside of Canada

Program Name	Country	Target Group	Intervention Type	Program Description
The Billion Dollar Fund (TBDF)	United States	Women entrepreneurs and investors	Research and information sharing; financing	TBDF aims to mobilize a global consortium of blended finance partners committed to raising and investing US$1 billion in companies founded or co-founded by women by 2020 as part of achieving UN sustainable development goal 5 on gender equality. It reaches out to institutional, public sector and other investors seeking to invest in women-founded and led startups and growth companies.
Women's Global Development and Prosperity (W-GDP)	United States	Women in developing countries	Education, training and business support; financing	W-GDP is a government initiative for the economic empowerment of women. It is responsible for an innovative new fund (US$50 million from USAID sources) at the Agency for International Development to support proposals that enable women to succeed in the economy. It is based on three pillars: 1) advancing workforce development and vocational education for women; 2) empowering women to succeed as entrepreneurs; and 3) focusing on eliminating the legal, regulatory and cultural barriers that prevent women from participating in local economies.

Program Name	Country	Target Group	Intervention Type	Program Description
Astia Angels	United States	Women leaders	Financing; networking and mentoring	Astia Angels is an international network of investors which receives applications for investment from startups that include women leaders. It strives to transform the way businesses are funded by providing capital, connections and guidance that fuel the growth of highly innovative, women-led ventures around the globe.
Jane VC	United States	Women startup founders	Financing; networking and mentoring	Jane VC aims to create a more robust and dynamic startup ecosystem, one female-led startup, tech leader and investor at a time, by investing in visionary female entrepreneurs with big ideas.
Backstage Capital	United States	Women founders	Education, training and business support; financing; networking and mentoring	Backstage Capital gives underrepresented founders the support they need to reach their next critical milestone. It enables them to work with a team of experienced facilitators and to grow through mentorship, investment capital and access to resources and networks.
Merian Ventures	United States and United Kingdom	Women entrepreneurs	Financing	Merian Ventures focuses on women-led innovation in cyber, blockchain, artificial intelligence, machine learning and consumer-facing technologies. It aims to be the investor of choice for exceptional women building innovative companies by addressing the systemic underfunding of female entrepreneurs and thereby allowing them to achieve prosperity.
Pivotal Ventures (Bill & Melinda Gates Foundation)	United States	Women entrepreneurs	Financing	Melinda Gates has committed US$1 billion over 10 years to expand women's power and influence in the United States.
Portfolia	United States	Women investors	Financing	Portfolia is an investment platform and a family of venture funds created to enable investors to diversify into up to 10 high-potential startups and growth companies. It is designed to engage investors seeking managed early stage or alternative private investing and provide them with "learning by investing" experience.

Program Name	Country	Target Group	Intervention Type	Program Description
Investing in Women Code	United Kingdom	Women Entrepreneurs	Financing; networking and mentoring	Investing in Women Code is a commitment by financial services firms and HM Treasury to improve access to tools, resources and finance for women entrepreneurs in the UK.
Angel Academe	United Kingdom	Women investors and entrepreneurs, (potential) women business angels	Financing	Angel Academe is based on the idea that to help more women “go big” with their technology ventures, more female investors are needed. Through mentoring, education and collaboration with experienced angels and technology and sector specialists, the network helps members pool their money, expertise and resources to perform due diligence, build a portfolio of smart investments and support the businesses they invest in.
Voulez Capital	United Kingdom	Women founders	Financing	Voulez Capital seeks to help underfunded women-led companies by investing in outstanding female founders who are building scalable businesses and creating real value.
25 Dutch funds for female entrepreneurship	The Netherlands	Women in business	Research and information-sharing; financing	In July 2019, a group of 25 Dutch investment funds committed to invest in companies with at least 35% women executives in a three-year period.
TheNextWomen	The Netherlands	Women founders, investors and executives	Financing; networking and mentoring	TheNextWomen runs TheNextWomen Fund, which offers a platform for female investors to jointly invest. It offers a range of programs for women entrepreneurs and investors (e.g., a program under which women-led early-stage startups apply, pitch and train to gain exposure, valuable feedback and meaningful connections). It also runs the Fempower Your Growth program for highly driven female entrepreneurs and experienced bankers, which focuses on personal development, growth and financial knowhow.
Entrepreneurship is female	Slovenia	Unemployed women who want to become entrepreneurs	Financing	This is a financial support program for unemployed women, 100% funded by the Economy Ministry.
Woman Explorer Award (Santander Bank)	Spain	Women leading projects	Financing	Banco Santander and the EY Foundation awards this €20,000 prize and access to the ATENEA acceleration program for the best women-led project.

Program Name	Country	Target Group	Intervention Type	Program Description
Businesswoman of Slovakia	Slovakia	Women entrepreneurs	Financing; networking and mentoring	The main idea of this initiative, led by the Slovak Business Agency, is to reward successful businesswomen and their ability to establish their companies firmly in the market. It consists of a competition for startups (women who have been doing business for 1 to 3 years), well-established companies (which have been in operation for over three years) and self-employed women.
Sukces kobiet w biznesie ("Success of women doing business") – Santander Leasing	Poland	Self-employed women (sole proprietors of operational and new companies) seeking funding for investments	Financing	The program facilitates women entrepreneurs' access to attractive investment financing for up to 72 months. It was launched by Santander Leasing in cooperation with the International Financial Corporation.
Miss in Action (MIA)	Italy	Innovative startups founded by women	Financing; networking and mentoring	MIA (the first Italian women's startup development program) runs a competition to select startups to benefit from a tailor-made support program.
Fondo di garanzia per imprese femminili (Guarantee fund for women-led companies)	Italy	SMEs set up by a majority of women	Financing	This is a special section of the guarantee fund for SMEs set up by women. It provides female SMEs with loans on favorable terms.
Competitive Start Fund for Female Entrepreneurs	Ireland	Women-led startups	Financing	The fund is operated by Enterprise Ireland, which provides up to €50,000 for a 10% equity stake in a business, and a wide range of other support services.
Fonds de garantie à l'initiative des femmes (FGIF).	France	Women entrepreneurs	Financing	The government facilitated loans for women entrepreneurs through the FGIF. From September 2015, the ceiling for guarantees was €45,000. In 2018, the FGIF was replaced by the Egalité femmes guarantee, which covers up to 80% of a bank loan (capped at €50,000).
BPI France Trophées de l'entrepreneuriat au féminin (Female entrepreneurship awards)	France	Women entrepreneurs	Financing	Annual prizes for female entrepreneurs co-organized by BPI France and the Entrepreneuriat au féminin (EAF) association.

Program Name	Country	Target Group	Intervention Type	Program Description
Femmes business angels (FBA)	France	Women and men entrepreneurs; women business angels	Research and information-sharing; financing	Created by Béatrice Jauffrineau, FBA is the only WBA network in France. It consists of 150 women and focuses on high-potential companies in various fields, at a very early stage (seed of development), led by men and women, and raising between €100,000 and €1 million. €10 million invested.
50 investment funds for female-founded startups	France	Women founders or co-founders of startups	Research and information-sharing; financing	In October 2019, in partnership with the National Council of Digital, a group of more than 50 French investment funds signed up to the target of investing in 25% of French startups founded or co-founded by women.
Nordic Female Business Angel Network (NFBAN Finland)	Finland	Women investors	Education, training and business support; financing; networking and mentoring	NFBAN is a non-profit organization that gathers together a network of women and men investors dedicated to supporting women entrepreneurship. Its social impact investment lab is a platform where investors, policymakers, thinktanks and entrepreneurs can design investment projects with a strong social focus. For entrepreneurs, it offers pitching opportunities, practical business advice and access to capital. For investors, it offers training and workshops, networking events and business opportunities
We are Jane	Belgium	Women founders: women-led companies	Education, training and business support; financing	We are Jane is an investment fund comprised exclusively of women members; the fund invests in companies in Belgium and within +300 km headed by a woman CEO or with a majority of women shareholders, with a turnover of over €1.5 million. It also supports and coaches the companies it invests in, together with the investor community.
European Community of Women Business Angels and Women Entrepreneurs	European Parliament	Women entrepreneurs	Education and training; financing	Funded by DG GROW 2017, this program aims to help women entrepreneurs to access alternative sources of funding. It raises awareness of business angels, training women who would like to become business angels and helping women entrepreneurs to present their business ideas to potential investors.

Sourced from: Skonieczna, A. & Castellano, L. (2020). *Gender smart financing. Investing in and with women: Opportunities for Europe.* European Commission. https://economy-finance.ec.europa.eu/publications/gender-smart-financing-investing-and-women-opportunities-europe_en

TABLE 6:

Financing Tools for Women Entrepreneurs in Canada

Type of External Financing	Financing Type Sub-Category	Business Stage	Lending Value	Examples in Canada
Grants and Prizes	Startup Grants	Startup, Growth	Up to $500,000	Canadian small business grants, Startup Canada, Mitacs, SmartStart Seed Fund, the Forum the Forum Pitch, the Amber Grant by WomensNet, IFundWomen
	Research & Development Grants	Startup, Growth, Mature	Up to $5M	Agricultural Clean Technology Program, Alberta Media Fund, Sustainable Development Technology Canada
	Exporting Grants	Growth, Mature	Varies	CanExport, Alberta Export Expansion Program, Creative Export Canada
Business Credit Cards	N/A	Startup, Growth, Mature	Up to $50,000	MasterCard, VISA, Amex
Crowdfunding	Donation-based	Startup, Growth	Average $15,000	FundRazr, Kickstarter, Indiegogo
	Rewards-based	Startup, Growth	Average $15,000	ATB Build Her Business,
	Lending-based (peer-to-peer)	Startup, Growth	Average $15,000	Community Microlending
	Equity-based	Startup, Growth	Varies	Equivesto, FrontFunder, Vested
Merchant Cash Advances	N/A	Startup, Growth	Up to $150,000	2M7 Financing Solutions, Merchant Lenders Canada, Synergy Merchants
Trade Credit	N/A	Growth	Varies	EDC (Help with Credit Insurance)
Invoice Factoring	N/A	Growth	Varies	N/A
Leasing	N/A	Startup, Growth	Varies	N/A
Royalty or Revenue-based Financing	N/A	Growth, Mature	Varies	Temperance Capital, Clearbanc, Flow Capital,

Type of External Financing	Financing Type Sub-Category	Business Stage	Lending Value	Examples in Canada
Loans	Bank Loans (Terms and Operating)	Growth, Mature	Varies	BDC, Scotiabank, BMO, TD, RBC, Vancity, ATB Financial, Vancity Unity Women Entrepreneur Loans, All Credit Unions
	Development Loans	Startup, Growth, Mature	Up to $250,000	WeBC, Alberta Women Entrepreneurs, Women Entrepreneur of Saskatchewan, Women's Enterprise Centre – MB, Evol, Community Futures Canada, Farm Credit Canada, Women's Enterprise Centre, Futurpreneur, Rural Women in Business Loans
	Government-backed Loans	Startup, Growth	Up to $1,000,000	Canada Small Business Financing Program
	Microloans	Startup, Growth	Up to $50,000	Vancity, Microcredit Montreal, Alterna Savings, The East Algoma Community Futures Development Corporation, ACCESS Community Capital Fund, Women Entrepreneurship Loan Fund (DELIA Microloans, NACCA, Evol, WEOC, Coralus), PARO's Peer Lending Circles Network, Indigenous Women's Entrepreneur Program Loans, Indigenous Women Entrepreneurship Fund
	Export Loans	Startup, Growth, Mature	Varies	EDC
	Loans from Online Lenders	Startup, Growth, Mature	Varies	Alpine Credits, CaseMark Financial, 24cash, Lendified
	Emerging Loans	Startup, Growth	Up to $100,000	Coralus
Equity Financing	Incubators & Accelerators	Startup, Growth	Varies	DMZ Ryerson, Techstars, Founder Institute, MaRS IAF, Velocity, Utest
	Angel Capital	Startup, Growth	Average $280,000	Golden Triangle Angel Network, Canadian International Angel Investors, Backbone Angels
	Venture Capital	Startup, Growth, Mature	Up to $2 million, but can vary	Panache Ventures, Real Ventures, The51, Sandpiper Ventures, StandUp Ventures, Disruption Ventures, Bumble Bees Venture Capital, BDC Women in Technology Venture Fund, EDC Financial Solutions

Conclusion and Recommendations

This report highlights the importance of improving women entrepreneurs' access to financing as a critical step toward creating a more prosperous and equitable entrepreneurial ecosystem. The issues confronting women entrepreneurs are multifaceted, with barriers that manifest at the societal, organizational, and individual level. The following recommendations are thus organized using an ecological model that systematically addresses these levels.[162] They are aimed at providing actors across the ecosystem with practical steps to cultivate diversity and inclusion and, by extension, a prosperous entrepreneurial landscape.

Societal (Macro) Level

The recommendations at the societal (macro) level are aimed at improving issues that need cooperation of public- and private-sector stakeholders.

Favorable Governance, Leadership and Policy Development

From a macro perspective, there is an opportunity to improve current governance and leadership strategies by investing in a diverse entrepreneurs' code that ensures transparency in funding assessment and decisions made by the private sector players. Such a code can follow the model of existing reports[163] and explain regulations that pertain to diversity in the leadership of listed companies.[164]

New policies should also be developed to create opportunities for women entrepreneurs. This can be done through a public-private partnership that would grow the links between financing sources and women entrepreneurs. These policies must include tools, resources and best practices (including tools, tutorials, traditional training or degree programs to raise awareness and build capacity) that support advancing diversity and inclusion.

Another area that needs attention is providing better family care support for women entrepreneurs, especially women with children or who care for elderly relatives, to facilitate their pursuits of entrepreneurship.[165] This will require a comprehensive assessment of existing programs to identify their gaps. To help provide affordable, flexible and inclusive early learning and child care, the Government of Canada aims to create 250,000 new child care spaces across the country by March 2026 to provide families with more affordable (average $10 a day) child care options.[166]

It is also very important to remove unnecessary regulations that present discriminatory barriers to investors, excluding women and equity-deserving groups, and prevent investing or the accumulation of intergenerational wealth.

Promote Success Stories of Women Entrepreneurs

Reports from Statistics Canada suggest that a better understanding of the status of women entrepreneurship will help reduce the issues of gender parity and prevailing stereotypes. Businesses owned by women are heavily underrepresented in the economy, and women-owned businesses have lower growth and survival rates. Research focused on understanding the factors driving these differences is very important. Moreover, promoting the existing success stories of women entrepreneurs will not only help dismantle existing biases and stereotypes, but also serve as inspiration for aspiring entrepreneurs.

Organizational (Meso) Level

Recommendations at the organizational (meso) level address the ways that organizations in the current entrepreneurial ecosystem can improve their policies, programs and practices.

Make Financial Services More Accessible to Women Entrepreneurs

Increasing women's access to financial services will require financial institutions to create and promote financial tools and services that specifically target women customers. Many of the existing barriers to financial services can be addressed if the financial institutions addressed and modified business practices that favor men. This would encourage more women entrepreneurs to apply for loans. Loan application processes should be reviewed, simplified and made more accessible. Moreover, clients should be educated about the criteria that the lenders use to assess and decide the allocation of funding. There should also be more one-on-one support in the lending process to build understanding and confidence through the process.

Financial institutions must also reduce the entry barriers and overall cost of financial services for women entrepreneurs. Offering low-cost financial services includes lowering the interest rates and other restricting conditions that make it harder for women entrepreneurs to access financial services from the financial institutions.

Develop Customized Services for Women Entrepreneurs

Another way to improve access to finance for women entrepreneurs is to develop products and services designed specifically for women entrepreneurs. Launching new investment products aimed specifically at funding women entrepreneurs can help them reach their business goals and large and institutional investors achieve environmental, social and governance goals. Steps should be taken to provide incentives for financial service providers to offer a certain amount of funding for women entrepreneurs. Leveraging partnerships to link loans with business counselling or mentorship will also be very beneficial for women entrepreneurs.[167]

Measurement and Tracking Equity, Diversity, and Inclusion

There is a need for organizations across the ecosystem to continuously measure and track their equity, diversity and inclusion performance. There is also a need for disaggregated data that provides a nuanced story of women's entrepreneurial journeys in the ecosystem; this is critical for assessing the effectiveness of interventions and monitoring financial inclusion.

Tracking funding processes of banks and investors from application to funding, using gender-disaggregated data[168] and adopting common diversity metrics and lenses to assess investments by lending agencies would be a welcome intervention. This can help ensure the transparency and accessibility of regulations, policies and government-supported financing opportunities targeting women entrepreneurs.

Values and Culture in Financial Services Industry

To promote the right values and culture, we need to work towards a more gender-inclusive financial service industry that addresses the barriers women face from a demand and supply perspective. Women's leadership in the financial services sector must be supported and improved by encouraging higher gender diversity on boards and senior executive positions of financial institutions, as it is related to increasing the rate of funding for women entrepreneurs. Financial institutions should ensure diversity among staff in roles that impact funding decisions, such as lenders, adjudicators, underwriters and sales managers. They can also sign on to the 50 – 30 Challenge[169] to adopt practices to improve equity. In addition, unconscious or implicit bias training should be provided to investors and bankers to help them identify and address their own deep-seated preconceptions. Investors' awareness of women entrepreneurship and their perceived capabilities must also be improved.

Diversity across the Value Chain

To encourage greater diversity across the value chain, dialogues between government regulators and the private sector on regulations should be promoted to facilitate the creation of innovative financial services aimed at women entrepreneurs. Existing products should be reviewed, and new banking products developed for entrepreneurs with family care responsibilities. Fintech companies should be encouraged to provide innovative new services for women entrepreneurs' financial needs, and new microfinancing products should be introduced that target women entrepreneurs. Creating movable collateral registrations that facilitate women's application to debt finance will also be beneficial.

Financial institutions should consider partnering with women's business associations and hosting regular meetings with women business owners to understand women's unique needs and build relationships with potential clients. Additionally, financial institutions should improve stakeholder coordination by building formal connections and initiating communication between government institutions and women's business associations. Meanwhile, governments should expand emphasis on the support of women-owned SMEs with incentives in public procurement and value chains. For example, the Government of Canada provides key programs, initiatives and tools to control and manage procurement activities. Some of these programs include, but are not limited to, Procurement Assistance Canada, Procurement Strategy for Indigenous Business, and Public Services and Procurement Canada.

Creation of Women-Centric Business Associations and Outreach Programs

There is a strong need for the enhancement of women-centric business associations and network groups within the ecosystem with support from the public and private sector. These establishments can play a big role in building a community of women entrepreneurs in a specific sector or industry and raise awareness of the prevailing issues, create a sense of community and develop a voice that can influence policymakers and financial institutions. These associations and groups would also help connect women entrepreneurs with others within the community and facilitate sharing of vital information and resources, leading to better connectivity and enhanced knowledge.

To ensure outreach and expand the pool, the government should seek out and engage women entrepreneurs' support organizations to co-design and co-create economic and regulatory policies and funding programs for economic development. Increasing access to networking and mentorship programs for women and racialized entrepreneurs should encourage a culture where women and racialized founders feel welcome. Encouraging the participation of mentors from the private sector in various fields of women entrepreneurship, such as experts in residence programs, will play a big part in the success of these initiatives. Developing programs aimed at improving women entrepreneurship by focusing on meeting the needs of women entrepreneurs can offer several advantages and foster long-term relationships with customers and clients.

Organizations should also investigate increasing women's representation among their leadership. Improving the gender diversity in the management or leadership team will support policies, programs, practices and products that can improve women's access to financing. Initiatives like the 50 – 30 Challenge aim to encourage Canadian businesses to do more to promote diversity and inclusion in the workplace.

Individual (Micro) Level

At the individual (micro) level, the recommendations for increasing support for women entrepreneurs focus on specific tools and programs geared towards individual entrepreneurs.

Develop New Methods for Enhancing Credit Scores

For many years, lower credit scores have stood in the way of women entrepreneurs securing loan approvals from financial institutions. Women entrepreneurs need new ways of improving their credit scores to increase their likelihood of loan approval from banks and other financial institutions where credit record plays an important factor in the decision-making process. Adopting modern technologies and existing financial services that boost credit scores should be explored and embraced as much as possible. Women also tend to be their household's primary purchaser; understanding this would help lenders and decision-makers better understand credit utilization.

Enhance Capacity Building and Create Awareness

Financial literacy persists as a key barrier to success for many women entrepreneurs. New and existing financial education initiatives should work toward encouraging and empowering women as entrepreneurs and leaders in different sectors. Improving skills such as financial knowledge can take many forms, such as formal education delivered by colleges and universities, or courses offered by community organizations, private sector firms or government economic development organizations. Such initiatives could result in direct benefits to each of the actors identified, such as creating new customers for banks, new students for educational institutions or achieving outreach goals for other organizations. The baseline for acceptable risky behaviour should also be reconsidered. Men's risk-seeking behaviour is assumed to be the baseline that women are compared to instead of valuing women's risk astuteness. Developing new skills, such as additional financial acumen, the discovery of new marketing strategies and tools, increased capacity to delegate and building effective networking to grow an entrepreneurial venture help provide a more rounded picture of risk.

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