FINANCING FOR WOMEN ENTREPRENEURS[1]

Zohreh Hassannezhad Chavoushi (PhD) is currently a Postdoctoral Research Fellow at the Diversity Institute, Ryerson University, where she uses insights from gender and diversity theories to reveal barriers and opportunities that are associated with women and immigrants entrepreneurship development. She is currently working on reports and research papers describing the pathway toward a more inclusive innovation ecosystem in Canada, the exploration of women and underrepresented groups' barriers in entrepreneurial activities, and the application of a critical ecological lens to address existing issues in entrepreneurial ecosystem.

Shannon Pestun is a proud Metis woman entrepreneur and Senior Adviser, Business and Finance for the Women's Entrepreneurship Knowledge Hub (WEKH). Shannon is leading WEKH's work in mapping Canada's financial ecosystem and building programming that increases women's access to financial, social and entrepreneurial capital. A former business banker, Shannon's commitment to advancing women's entrepreneurship has been widely recognized. In 2019, she was appointed to serve on Canada's women's entrepreneurship strategy expert panel. She was also recognized as a SHEInnovator by SHEInnovates Alberta, a pilot chapter for UN Women and a finalist for the Diversity Ambassador of the Year award by Women in Finance – Canada.

FINANCING FOR ENTREPRENEURS IN CANADA

Multiple studies have concluded that Canada does not have a startup problem but rather a scale up problem. While Canada has a high rate of companies achieving high growth in the first five years, few break into the ranks of 100 plus employees. Many of the enterprises, particularly those owned by women, stay small. The reasons for this are complex and multilayered. While issues surrounding access to investment and particularly to venture capital are often illustrated with apocryphal stories of Canadian entrepreneurs having an easier time finding capital abroad than at home, there is no easy fix. A study from BDC, for example, noted that micro-businesses account for the lion's share of growth in businesses in recent years, and that, each year, only 2% of mid-sized Canadian businesses succeed in becoming large businesses, exceeding the 500-employee mark. Those more likely to become large typically were:

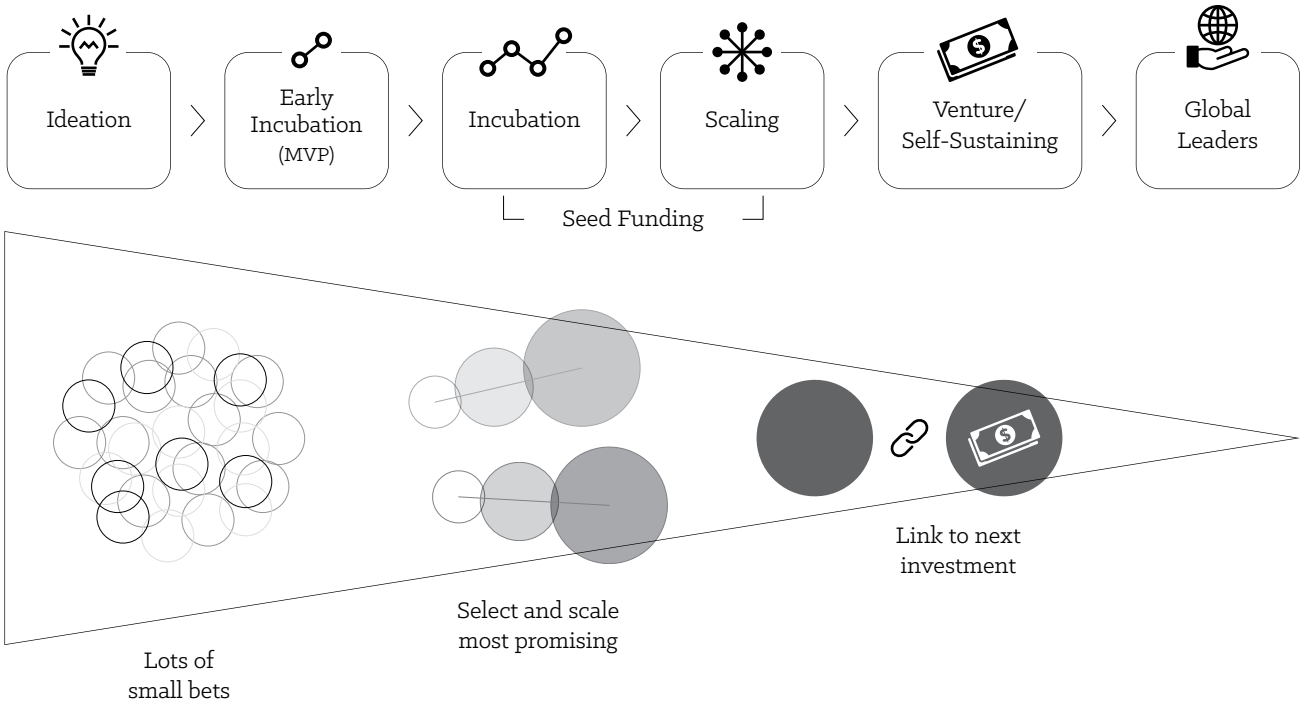
1. more productive than their competitors in the same economic sector;
2. had invested more significantly in their fixed assets; and
3. were present in at least three Canadian provinces (Ratte, 2016).

> "There is actually limited empirical research in Canada on what works and when to help companies scale, and there is very little that looks specifically at women-owned businesses."

1 Portions of this paper are adapted from Cukier, W., et. al., (2020) The State of Women Entrepreneurship in Canada. Toronto: Women Entrepreneurship Knowledge Hub. https://wekh.ca/research/the-state-of-womens-entrepreneurship-in-canada.

Other experts have maintained that the secret to growth is not just access to financing but also access to markets, particularly big customers, and that procurement is a critical tool. In addition, access to talent has been identified as a critical issue in efforts to scale in all sectors but particularly the technological one (Ruffolo, 2018). Other specialists focus on the need for professional management, leadership and ensuring that financing is coupled with capacity building on every level (Moresby & Guinea, 2018). Still others point to fragmentation in the system and the challenges in navigating to the next stage – stories abound of startups lurching from pitch competition to pitch competition or being distracted with fee for service work in the absence of financing. But in spite of the extensive discussions about the challenges of scaling up and the recommendations of industry experts and associations, there is actually limited empirical research in Canada on what works and when to help companies scale, and there is very little that looks specifically at women-owned businesses (Rowe et al., 2019). Also, important to note is that many of these traditional models are based on the assumption that all entrepreneurs aspire to grow their businesses, which is not always true for women (Morris et al., 2006).

FIGURE 1: INCUBATION PIPELINE

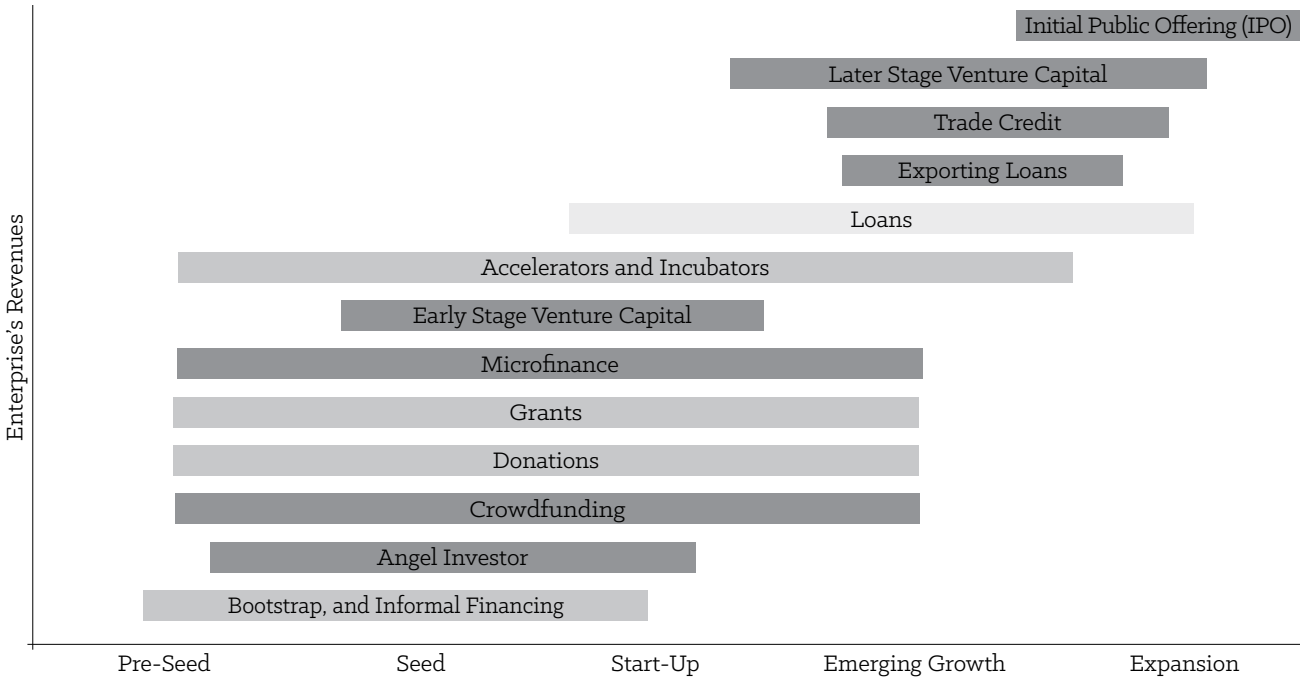


STARTUP FUNDING

Startup funding comes in many forms, e.g., bootstrapping, microfinance such as small business loans and credit cards, or giving up equity in exchange for early stage financing. Equity financing often involves venture capitalists or angel investors. However, as today's financial landscape continues to evolve, startups are accessing capital in less conventional manners that can provide them the funding they need when big banks will not. While generally startup funding starts with the investors personal cash, depending on the types of business, the next steps might differ. For technology-based businesses, the next step is angel capital and early stage venture capital funds, but for all other startups (which may include main-street operational businesses), small business loans, and start up grants can be a good choice. The Government of Canada small business loans programme, for example, helps entrepreneurs launch a business by providing loans for equipment and leasehold improvements – even if a business isn't yet operational.

Entrepreneurs can access finance from different sources, ranging from their personal investment to venture capitalists and the public stock market (Table 1).

FIGURE 2: THE FINANCING DIAGRAM (ESCALANTE, 2018)



DIFFERENT TYPES OF FINANCING EXPLAINED

BOOTSTRAPPING AND INFORMAL FINANCING

Bootstrapping has been defined in many ways in the literature, yet has remained somewhat understudied (Smith, 2009). For instance, Winborg and Landström referred to bootstrapping as "methods for meeting the need for resources without relying on long-term external finance from debt holders and/or new owners" (Winborg & landstrom, 2001). Globally, the notion refers to creative financing that does not rely on more traditional external sources of financing and equity (Van Osnabrugge & Robinson, 2000; Freear, et al., 1995; Harrison et al., 2004). Often characterized as facing high uncertainty, startups must frequently explore the avenue of bootstrapping given the unwillingness of big banks and venture capitalists to take a chance on them (Smith, 2009). Research has also found that high-growth women entrepreneurs are more likely to finance their growth with personal and business equity funding (Yacus et al., 2019). For women entrepreneurs specifically, obtaining access to finance has been historically complicated, no doubt to some extent as a function of implicit bias and sexism (Coleman & Robb, 2009; Orser et al., 2000; Yacus et al., 2019). The literature suggests that bootstrapping and informal financing is important to business startups, especially when they are not successful in or discouraged from acquiring formal finance or when their strong social ties make it easy to bootstrap finance (Atherthon, 2012). In Canada, over 83% of women-owned SME's use personal sources of financing to start their businesses and only 18.8% of women entrepreneurs in Canada tend to acquire finance from their friends or relatives (ISED, 2018). Funding from family and friends is somehow neglected in academic finance literature due to the sparseness of reliable data on this issue (Basu & Parker, 2001).

ANGEL CAPITAL

An angel investor is a high net-worth individual who provides financial backing for small startups or entrepreneurs. Angel capital refers to the funds that "angel investors" provide either as a one-time injection to help the business get off the ground or as an ongoing injection to support and carry the company through its difficult early stages. Angel investors supply funding in exchange for taking an equity position in the company.

CROWDFUNDING

Crowdfunding is a collaborative finance alternative that pools small amounts of money from numerous people, usually via web platforms, to fund a specific project (Braund & Schwittay, 2016). Crowdfunding has proved to be a successful

mechanism to help women entrepreneurs raise capital when resources are scarce (Greenberg & Gerber, 2012). Crowdfunding reports show that it's the only financing avenue where women are outperforming men (PwC, 2017). Capital is often raised through online social networks in which the large audience (the "crowd") contribute a small amount of money (Kuppuswamy & Bayus, 2013). When raising financial resources to start a business, crowdfunding may offer an attractive alternative for women entrepreneurs who face more barriers to accessing traditional financing.

> "Crowdfunding reports show that it's the only financing avenue where women are outperforming men."

DONATIONS

A Donation is capital given by anyone for charitable purposes and to benefit a cause. Donations for startups and businesses are not repayable and there is no financial repayment expectation for the donated funds.

GRANTS

Grants are often thought of as free money that are given by a specific granting body, namely the government, corporations, foundations, educational institutions, businesses, or an individual. While the Government is the primary grant provider, non-profits, municipalities, institutions, and private businesses may also offer grants and subsidy programs. A grant is capital that doesn't need to be repaid (i.e., free money) that provides non-financial gains for the receivers such as increased visibility and credibility. Given the competitive nature of grant seeking, the use of allocated funds is often tied to many restrictions and conditions. Receiving such funds is not easy and the application process is very time-consuming. Grant eligibility criteria can include variables such as levels of government, type of industry, structure of business, demographic group, government priority, investment, type of activity, etc. (BusinessLink, 2016). In Canada, for example, Startup Canada has partnered with Evolocity Financial Group to invest in STEM-based companies that are led by women. They provide micro-grants to women entrepreneurs to help them start and grow their businesses.

MICROFINANCE

Microfinance has a great impact on small enterprises. Small enterprises often have high returns to capital, but it's difficult for them to access credit from official banks. Small enterprises that operate at low levels of capital may find it hard to return capital if production functions display decreasing returns (Bruhn et al., 2012). Commercial banks often refuse the loan applications of small enterprises since the revenue generated by small loans is low compared to the fixed costs and operational costs of lending to micro firms (World Bank, 2009). However, microfinance programs have been quite effective in contributing to women's ability to earn an income, and have resulted in economic empowerment, increased well-being for women and their families, and wider social and political empowerment. There are multiple microfinance programs in Canada aimed to support women entrepreneurs e.g., Paro Micro loans, Alterna Micro Finance, Microcredit Montreal, and Oasis which is exclusively for francophone women entrepreneurs.

> "Microfinance programs have been quite effective in contributing to women's ability to earn an income, and have resulted in economic empowerment, increased well-being for women and their families, and wider social and political empowerment."

EARLY-STAGE VC FUND (SEED FUND)

Entrepreneurs can access finance in the early stages of their business from venture capitals. VCs are generally for high-growth, disruptive companies and most mainstreet operational businesses in the service sector won't apply for this funding. VCs provide different types of funding to businesses at different stages. VCs invest in three stages of companies namely seed capital, early stage capital, and expansion fund. Seed stage VCs tend to invest small amounts of capital at an earlier stage in a company's growth, for a target ownership of about 10–25%.

ACCELERATORS AND INCUBATORS

Incubators are often funded by universities or other economic development agencies. They do not often provide capital to startups, and therefore don't usually take an equity stake in the companies they support. Accelerators, on the other hand, invest a specific amount of capital in startups in exchange for a predetermined percentage of equity. The accelerators bear a greater responsibility for the success of a startup due to the capital they invest (Zajicek, 2017).

LOANS

A loan is a repayable amount of money given to another party in exchange for the loan principal plus interest, based on the

terms that are agreed upon by each party before the money is advanced (Kagan, 2020). There are various types of loans available for entrepreneurs in all stages of their business including: revolving loans, term loans, micro loans, and government loans.

TRADE CREDIT

As a business-to-business (B2B) agreement, trade credit provides a chance for a given customer to purchase goods without being obliged to pay cash up front. The supplier is paid rather at a later scheduled date, usually a period of 30, 60, or 90 days. Invoices record the transactions (Kagan, 2019).

LATE STAGE VENTURE CAPITAL

At later stages of a company's evolution, VCs as private equity investors, provide capital to potentially high-growth companies in exchange for an equity stake (Ganti, 2020). Research shows that women are underrepresented in this type of funding due to the male dominance that exists in technology entrepreneurship.

INITIAL PUBLIC OFFERING (IPO)

An initial public offering (IPO) refers to the process of offering the shares of a private corporation to the public in a new stock issuance.

> "Men-owned firms are also more likely to use trade credit, capital leasing, venture capital, or angel funding while women-owned businesses are more likely to use a source of government funding."

FINANCING CANADIAN WOMEN ENTREPRENEURS

Much of the research asserts that women are less likely to seek growth financing, including equity capital, that are mostly used by men (Rosa & Sylla, 2016). Majority women-owned SMEs are less likely to seek credit from financial institutions or to seek financing from family and friends (Rosa & Sylla, 2016). They are unlikely to get supplier credit or capital leases, but are more likely to receive government loans, grants, or subsidies (Rosa & Sylla, 2016). Firms wholly owned by men are four times more likely to report receiving venture capital than firms wholly owned by women (Brush et al., 2014). Men-owned firms are also more likely to use trade credit, capital leasing, venture capital, or angel funding while women-owned businesses are more likely to use a source of government funding.

The literature at large suggests that gender differences do not impact approval rates of debt financing. However, there are some indications pointing to women facing higher refusal rates or being provided with less favourable conditions when seeking loans (e.g., higher interest rates, different collateral requirements). Using data collected from Statistics Canada (2000 and 2001), Madill, Riding and Haines (2006) found differences between men and women entrepreneurs and their experiences with debt financing (Madill et al., 2006). Women entrepreneurs are less likely to apply for loans. Echoing the discouraged borrower argument, Madill and colleagues found 5.6% of women entrepreneurs did not apply for loans as they feared being turned down, compared to only 3.1% of men entrepreneurs. Men invoked the absence of a need for financing as a reason for not applying at a higher rate than women entrepreneurs (86.8% vs. 82.3%). Additionally, different gender experiences have been noted in the relationships of men and women entrepreneurs with their lenders. Men entrepreneurs have longer relationships with their loaners than women (9.71 years vs. 8.09 years respectively, $t= 3{,}037$, $p = .002$); women entrepreneurs are more likely to have personal banking relationships with their business banker than men (74% vs. 68% respectively) (Madill et al., 2006).

Gender had no statistically significant impact on loan turndown decisions (after size and sector of loan applicants are accounted for). Loan applications were more likely to be rejected for smaller firms, firms with low ratios of earnings to loan size request, firms for which lenders required high levels of personal collateral, and firms with high debt/asset ratios. (NOTE: this can maybe explain why some literature found higher rejection rates for women as they tend to occupy smaller size businesses).

Data from the Kauffman Firm Survey 2004–2006 (USA), surveyed 4,928 firms. Results found women started their firms with significantly lower amounts of total financial investment, equity investment, and debt investment than men. By the third year of operation, approximately twice as many men use external debt (bank loans, lines of credit) compared to women (total debt of USD 41,379 vs. USD 22,174, men vs. women) (Coleman & Robb, 2009).

A Meta-analysis done by Poggesi et al. (2016), that reviewed 248 papers published in the last 14 years, revealed that gender differences in debt financing behaviours are explained by two factors:

- Women are less likely to apply for credits/loans due to "self-discriminatory" behaviours (i.e., fear of rejection as a motive for not applying);

TABLE 1: FINANCING TYPES

Financial Model	Explanations	Stage of company
Bootstrapping and informal financing	Methods for meeting the need for resources without relying on long-term external finance from debt holders and/or new owners	Pre-seed, Seed, Startup
Angel Capital	Funds that "angel investors" provide a one-time injection to help the business get off the ground or an ongoing injection to support and carry the company through its difficult early stages.	Pre-seed, Seed, Startup
Crowdfunding	A collective effort by people who network and pool their money together in order to invest in and support efforts initiated by other people or organizations.	All stages
Donations	A donation is capital given by anyone for charitable purposes and to benefit a cause. Donations are not repayable and there is no financial repayment expectation for the given cash.	Seed, Startup, Growth
Grants	Grants are funds that are given by a specific granting body, particularly the government, corporations, foundations, educational institutions, businesses, or an individual. This is often thought of as free money.	Seed, Startup, Growth
Microfinance	Microfinance is defined as a programmme for very poor people to finance "self-employment projects that generate income" (microcredit Summit, n.d.).	Seed, Startup, Growth
Early stage Venture Capital	A venture capitalist (VC) is a private equity investor that provides capital to companies - in their early stages or when they exhibit high growth potential - in exchange for an equity stake.	Seed, Startup, Growth
Accelerators and Incubators	Accelerators and incubators are either funded by government funds or VCs and can be source of finance for entrepreneurs	Pre-seed, Seed, Startup, Growth
Loans	Money that is received from government, banks, credit unions, developmental lenders, etc. and needs to be paid back.	All stages
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.	Growth, Expansion
Late Stage Venture Capital	At later stages of a company, VCs as private equity investors provide capital to potentially high-growth companies in exchange for an equity stake.	Growth, Expansion
Private Equity	Raising fresh capital by selling shares of the company to the public, institutional investors, or financial institutions.	Growth, Expansion
Initial Public Offering	IPO is the process, that the company issues shares of stocks to the public and lists these securities on a stock exchange. Companies go public primarily to acquire more capital from outside the company for the expansion or improvement of its business operations.	Growth, Expansion

- The gender of the borrower does not affect the borrower-loaner relationship (or rather, there are mixed findings), but when the "gender of the organization" is unambiguously female, women entrepreneurs have to face higher borrowing costs.

- Women hold negative perceptions of banks as sources of finance – due to past experiences resulting in discouragement (Poggesi et al., 2016).

> "Empirical literature on gender differences in borrowing, risk, and defaults is lacking, particularly in Canada."

In another study by Yacus et al. (2019) data from the Kauffman Firm Survey (2004–2011) was analyzed. The results showed that:

- High-growth female business owners are less likely to rely on personal debt, but no differences were observed as to reliance on business debts.

- However, women are more likely than men entrepreneurs to use personal equity finance over business equity

- Women entrepreneurs are more likely to achieve high growth with equity funding than debt funding (Yacus et al., 2019).

Still, empirical literature on gender differences in borrowing, risk, and defaults is lacking, particularly in Canada. A US study indicates that single women, controlling for age, educational attainment, race, and income (but not family status) tend to have higher instalment loan balances, higher revolving credit utilization rates, and greater prevalence of delinquency and bankruptcy histories than comparable single men. Reflecting such differences in debt usage and credit history, on average, single woman consumers have lower credit scores than comparable single men consumers (Li, 2018).

As shown in Table 2, the data from Statistics Canada reveal that the vast majority of SMEs (over 83%) used their own personal financing to start their business (ISED, 2018). The second most used source of funds, accessed by roughly one third of firms, is credit from a financial institution. However, the share of women-owned firms using external financing for startup funding (32.6%) is lower than that of men-owned firms (37–38%). Similarly, among businesses that were wholly owned by women, only 37.4% of received external financing in 2017, and most of these businesses (90.6%) did not apply because financing was not required for their business. Rates of borrowing from friends and family or using retained earnings is nearly equivalent between women-owned and men-owned firms (ISED, 2018). Table 5 shows the sources of startup funding used by SMEs by share of women ownership. It is important to note that a single firm can use more than one source of funding and usually does. Of businesses that were wholly owned by women, 68.3% received finance from a domestic chartered bank, 23.8% from a credit union, 8.6% from government institutions, and 1.3% from an online alternative lender (ISED, 2018).

The reasons that women entrepreneurs struggle to obtain financing are multifaceted and are often considered to be the result of women's choices. For example, some argue that women are risk averse (Nelson, 2012) and fear failure (Tsai et al., 2016). As a result, it is claimed, women prefer to rely on savings. Even in the tech industry, 80% of founders use personal savings as their primary source of funding. Female tech founders are also less likely to seek funding from friends, family, networks and acquaintances (5% for women vs. 23% for men) (Knowledge at Wharton, 2016).

In 2015, women-owned enterprises had lower growth rates and lower growth intentions compared to those owned by men (Industry Canada, 2015). Several barriers affect their growth, such as "rising business costs, fluctuations in consumer demand for products or services, and increasing competition (Industry Canada, 2015). In 2007, the rates of 'requested external financing' were similar for men-owned enterprises, women-owned enterprises, and equally owned enterprises (ISED, 2018). In 2011, the rate was lower for women-owned enterprises (29%) than those owned by men (37.5%) and those owned equally by men and women (36.6%) (Industry Canada, 2015). Women are more likely to be 'discouraged borrowers' and find it 'too difficult or time-consuming' to apply and acquire financing than men (ISED, 2018).

Majority women-owned SMEs had a lower 'ratio of authorized to requested debt financing' than majority men-owned SMEs in 2011, but the difference was not significant in 2014.

> "There is little doubt that societal, institutional, and individual factors play a role in women's access to funding. This can include pervasive stereotypes and bias, but also processes and practises in financial institutions largely shaped by men-dominated systems."

BARRIERS TO ACCESS CAPITAL

There is extensive research suggesting that women face barriers to financing and that the implications are significant for the global economy (Constantinidis et al., 2006). There is little doubt that societal, institutional, and individual factors play a role in women's access to funding. This can include pervasive stereotypes and bias, but also processes and practises in

financial institutions largely shaped by men-dominated systems. Researchers also suggest that women are more likely to get higher interest rates and worse term sheets, which increases the financial burden of borrowing. Women are less dependent on credits to finance their businesses, and others are more dependent on certain types of finance, including "doorstep finance" or payday loans (Goodman et al., 2016). Canadian venture capital firms are also highly gendered, with women comprising only 15.2% of partners and 11.8% of managing partners in these firms (Female Funders & Highlight Beta, 2019).

Both academic and popular publications indicate the structural barriers and economic discrimination faced by women are compounded by the law as well as culture - women are still thought to be untrustworthy and risk-averse around the world (Merelli, 2018). Women's preferences and behaviours also play a role. For example, they are more likely to think of themselves as 'discouraged borrowers' than their male counterparts (Prasad, 2009). Women are more likely to find it "too difficult or too time consuming" to apply for and receive financing than men (ISED, 2018). Discouragement is also important to understanding the business experience of people of colour, as it affects how they distinguish between unnecessary challenges and interesting opportunities (Neville et al., 2018).

However, more recent research suggests cause for optimism. Some of the differences between men and women are diminished when size and sector are accounted for in the data. For example, when controlling for certain factors, women entrepreneurs were equally likely to receive access to financing when compared to men (Orser et al., 2006). When examining gender differences among Canadian SME owners seeking external financing (including commercial debt, leasing, supplier financing, and equity capital), and after controlling for size and industry sector as well as potential gender differences in owners' strategic choices (application rates) and financiers' evaluative responses (turndown rates), research has suggested that businesses that were majority owned by women were just as likely as men to seek external financing but not equity capital. It also concluded that men and women business owners who do apply for financing were equally likely to obtain capital" (Orser et al., 2006).

TABLE 2: STARTUP FUNDING BY WOMEN OWNERSHIP SHARE (2017)

Startup Funding	Women Ownership Share					
	None	1% - 49%	50%	51% - 99%	100%	>50%
Credit from financial institutions	38.0%	36.5%	39.4%	36.8%	31.8%	32.6%
Personal financing used toward business	83.0%	83.7%	86.5%	83.4%	84.1%	84.0%
Financing from friends or relatives of business owner(s)	16.8%	18.2%	17.3%	18.8%	15.7%	16.2%
Retained earnings (from previous or other business)	11.6%	11.6%	12.8%	18.0%	11.1%	12.2%
Trade credit from suppliers	17.9%	14.2%	17.9%	14.5%	9.3%	10.1%
Capital leasing	12.9%	11%	9.2%	5.0%	7.8%	7.3%
Government loans, grants, subsidies and non-repayable contributions	3.8%	4.2%	3.6%	6.2%	4.7%	4.9%
Financing from angel investors and venture capital providers	2.4%	3.2%	0.8%	0.9%	0.6%	0.6%
Other	2.3%	3.6%	1.7%	5.6%	2.3%	2.8%

Source: ISED (2018). Survey on financing and growth of small and medium enterprises (SFGSME), 2017. Innovation, Science, and Economic Development Canada, Government of Canada. www.ic.gc.ca/eic/site/061.nsf/eng/03086.html

EMERGING APPROACHES

There is evidence of efforts being made to bridge the investment gaps. Recommendations from task forces on women entrepreneurship around the world have been a call to action (Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders, 2018).

MAKING EXISTING SYSTEMS MORE INCLUSIVE

Some have responded with clear strategies and accountability metrics for traditional funders. For example, BDC Capital's Women in Technology Venture Fund, which invests directly in women-led tech companies, venture funds with women partners, and works with partners to further develop the ecosystem. In the UK, Investing in Women Code works to convince banks and VC to commit to tracking and publishing key performance indicators on funding for women entrepreneurs (e.g., average account value). Canadian financial institutions are increasing their targeted support for women entrepreneurs but impacts of these new approaches are as yet unclear.

> "Acknowledging the existing barriers for women entrepreneurs, new initiatives have sprung up providing targeted support for women entrepreneurs in the tech sector in Canada."

FUNDS TARGETING WOMEN

Acknowledging the existing barriers for women entrepreneurs, new initiatives have sprung up providing targeted support for women entrepreneurs in the tech sector in Canada. Some of these are listed below.

The Women Entrepreneurship Strategy (WES) launched as part of the 2018 federal budget aims to double the number of women led businesses in Canada by 2025. Women's Enterprise Organizations of Canada (WEOC) provides supporting services including business skills development, access to financing, networking and export opportunities for women entrepreneurs. The 51 brings together accredited investors and entrepreneurs for democratized access to female capital for female-led businesses. Sandpiper Ventures is investing in female tech entrepreneurs across Canada. SheEO provides funding of women-led enterprises by individual women, called Activators, who vote for the ventures to receive the funding as a zero percent interest loan (SheEO, 2019). The Startup Canada Women Founders Fund was established to support women entrepreneurs in STEM businesses through microgrants, as well as diverse services and programs to address the challenges faced by women entrepreneurs (Startup Canada, 2020), BDC Capital's Women in Technology (WIT) Venture Fund is also significant, as it is one of the largest venture capital funds in the world dedicated to investing and funding women-owned technology companies through both direct and indirect investment and ecosystem development. Communitech's Fierce Founders program is another example and there are many more. Some scholars have suggested that some of these funds are flawed and may represent repackaging of existing investments rather than additional funding (Merelli, 2018).

EMERGING MODELS

MICROFINANCING

Global research on microfinancing that considered 350 microfinance institutions (MFIs) in 70 countries, found holding a higher percentage of women clients in MFIs is associated with lower portfolio risk, fewer write-offs, and fewer provisions, all else being equal. Microfinance programs contribute to women's ability to earn an income, and result in economic empowerment, increased well-being for women and their families, and wider social and political empowerment. Additionally, the programs or services involving men also significantly change men's attitudes and behaviours as an essential component of achieving gender equality (Mayoux, 2002). Interaction effects reveal that, while focus on women is generally associated with enhanced repayment, this trend is stronger for nongovernmental organizations, individual-based lenders, and regulated MFIs (Espallier et al., 2011). Nevertheless, microfinancing studies around the world, including a recent one in Brazil, have shown that, all things being equal, women entrepreneurs receive smaller loans and induce smaller losses for the lender (Agier & Szafarz, 2010). "Although [more reliable] than men, women entrepreneurs [...] seem to undergo a never-ending curse" (Agier & Szafarz, 2010). Other research has confirmed that this is also true for microfinancing in Canada, although large-scale studies on mainstream financial institutions are limited. While some have advocated for a more gender-neutral approach to banking to remove barriers to women, others have argued for a more gender-intelligent approach, tailoring approaches to women's needs.

CROWDFUNDING

Digital technologies, on the other hand, have been described as mechanisms that "offer possibilities for destabilizing conventional gender differences overcoming some of the structural barriers that hinder women's access to financial

services, enhancing financial literacy, and addressing mobility constraints" (Orser et al., 2019). There is some evidence to suggest that crowdfunding does level the playing field when it comes to raising capital." Rewards-based crowdfunding campaigns are commonly offered in one of two models via fundraising goals set by an entrepreneur: "Keep-It-All" (KIA), where the entrepreneur keeps the entire amount raised regardless of achieving the goal, and "All-Or-Nothing" (AON), where the entrepreneur keeps nothing unless the goal is achieved: (Cumming et al., 2020) "KIA projects tend to be less successful, since the crowd bears the risk that an entrepreneurial firm undertakes a project that is underfunded and hence more likely to fail after the campaign" (Cumming et al., 2020).

There has been some debate as to which of the environments is most conducive to encouraging female entrepreneurship. Typically rewards-based, all-or-nothing (AON) platforms such as Kickstarter require users to set fundraising goals that must be met in order to receive financing. In contrast, Indiegogo functions with a "Keep-it-All" (KIA) model where a fundraising goal is set, and the creator keeps the entire amount raised no matter what they achieve. (Moritz 7 Block, 2016).

New crowdfunding programs have been created specifically targeting women. For example, there are rewards-based crowdfunding programs that support women entrepreneurs: For example, ATB Financial, an Alberta-based financial institution, offers a unique cohort-based crowdfunding initiative that uses rewards-based crowdfunding as a funding option. For example, a jewelry designer looking for funds to support expansion might reward everyone who contributes $100 with an original piece of jewelry. If the entrepreneur meets their goal, funds are released. In its second year, 32 women participated in the campaign and more than half (17) met their funding goal with an average raised of $5377 per campaign exceeding the average raised by other crowdfunding campaigns ($824 with a 22.4% average success rate).

CONCLUSION

This article reviewed the current state of financing for entrepreneurs and the similarities and differences between men and women entrepreneurs in Canada. Research shows that women and men are different in their attitudes towards financing due to both structural and individual barriers. Acknowledging the barriers for women entrepreneurs, there have been several emerging trends aimed at improving access for them. These include the emergence of new approaches to financing such as crowdfunding and microfinancing, and efforts to tackle systemic bias in mainstream financial institutions. This paper has limitations. Its focus is largely on early stage businesses finance, and it doesn't include a consideration of various types of social financing methods that have emerged to support women entrepreneurs. We suggest that government, financial organizations, educators, and stakeholders should strengthen the capacity for financial and digital literacy programs to assist women by considering digitization for financing, commercialization, marketing, and exporting. Policies should be further developed to provide human capital to support research development and implementation. Also, adequate attention should also be paid to help women overcome barriers at the micro level, including women empowerment programs.

REFERENCES

Agier, I., & Szafarz, A. (2010). *Credit to women entrepreneurs: The curse of the trustworthier sex*. Available at SSRN 1,718,574.

Atherton, A. (2012), "Cases of start-up financing: An analysis of new venture capitalisation structures and patterns", *International Journal of Entrepreneurial Behavior & Research*, 18(1), 28–47.

Basu, A. & Parker, S. (2001), "Family finance and new business startups", *Oxford Bulletin of Economics and Statistics*, 63(3), 333-58.

Beckmann, D. & Menkhoff, L. (2008). Will women be women? Analyzing the gender difference among financial experts. *Kyklos*, 61(3), 364–384.

Braund, P. & Schwittay, A. (2016). Scaling inclusive digital innovation successfully: The case of crowdfunding social enterprises. *Innovation and Development*, 6(1), 15–29. https://doi.org/10.1080/2157930X.2015.1067392

Bruhn, M., Carpena, F. & Zia, B. (2012). Microfinance for Entrepreneurs. *The Oxford Handbook of Entrepreneurial Finance*, 825–858.

Brush, C., Greene, P., Balachandra, L., Davis, A. & Blank, A. M. (2014). *Women entrepreneurs 2014: bridging the gender gap in venture capital*. Arthur M. Blank Center for Entrepreneurship Babson College. www.babson.edu/media/babson/site-assets/content-assets/about/academics/centres-and-institutes/blank-institute/global-research/diana-project/diana-project-executive-summary-2014.pdf

BusinessLink (October 19, 2016). *The Ultimate Guide to Business Grants*. BUSINESSLINK. https://businesslink.ca/ultimate-guide-business-grants.

Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders. (2018). Increasing Women's Access to Capital. https://advancingwomeninbusiness.com/wp-content/uploads/2018/05/Increasing-womens-access-to-capital_Report.pdf.

Coleman, S., & Robb, A. (2009). "a comparison of new Firm Financing by gender: Evidence from the Kauffman Firm survey data," *Small Business Economics* 33(4), 397–411.

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(02), 133–157.

Cumming, D. J., Leboeuf, G. & Schwienbacher, A. (2020). Crowdfunding models: Keep-it-all vs. all-or-nothing. *Financial Management*, 49(2), 331–360.

Escalante, E. (Aug.7, 2018). Entrepreneurs without money (IX). What type of financing is available for entrepreneurs? *Eleonora Escalante Strategy*. https://eleonoraescalantestrategy.wordpress.com/2018/08/07/entrepreneurs-without-money-ix-what-type-of-financing-is-available-for-entrepreneurs.

Espallier, B., Guerin, I., Mersland, R. (2011). *Women and repayment in microfinance: A global analysis. World Development*, 39(5), 758–772.

Female Funders & Highline Beta (2019). *Women in Venture Report 2019*. https://femalefunders.com/women-in-venture.

Freear, J., Sohl, J. E. & Wetzel, W. E., Jr. (1995) "Who bankrolls software entrepreneurs?", in Bygrave, W. D., Bird, B. J., Birley, S., Churchill, N.C., Hay, M., Keeley, R. and Wetzel, W. E., Jr. (Eds.): *Frontiers of Entrepreneurship Research 1995*, Babson College, Wellesley.

Ganti, H. (March 16, 2020). *Venture Capitalist* (VC). Investopedia. www.investopedia.com/terms/v/venturecapitalist.asp.

Goodman, L., Zhu, J. & Bai, B. (2016). Women are better than men at paying their mortgages. Urban Institute. www.urban.org/sites/default/files/publication/84206/2000930-Women-Are-Better-Than-Men-At-Paying-Their-Mortgages.pdf.

Greenberg, M. & Gerber, E. (2012). Crowdfunding: A survey and taxonomy. Northwestern University Segal Design Institute (Technical Report 12–03).

Harrison, R.T., Mason, C.M. & Girling, P. (2004) "Financial bootstrapping and venture development in the software industry", Entrepreneurship and Regional Development, Vol. 16, pp. 307–333.

Hayes, A. (Sep. 4, 2020). Initial Public Offering (IPO). Investopedia. www.investopedia.com/terms/i/ipo.asp.

Industry Canada. (2015). Majority Female-Owned Small and Medium-Sized Enterprises. www.ic.gc.ca/eic/site/061.nsf/vwapj/MFOSMEs_KSBS-PMEDMF_PSRPE_2015-05_eng.pdf/$FILE/MFOSMEs_KSBS-PMEDMF_PSRPE_2015-05_eng.pdf

ISED (2018). Survey on financing and growth of small and medium enterprises (SFGSME), 2017. Innovation, Science, and Economic Development Canada, Government of Canada. www.ic.gc.ca/eic/site/061.nsf/eng/03086.html.

Kagan, J. (July 30, 2019). Trade Credit. Investopedia. www.investopedia.com/terms/t/trade-credit.asp

Kagan, J. (May 26, 2020). Loan. Investopedia. www.investopedia.com/terms/l/loan.asp#:~:text=A%20loan%20is%20when%20money,such%20as%20a%20credit%20card.

Knowledge at Wharton (May 24, 2016). Why VCs Aren't Funding Women-led Startups. https://knowledge.wharton.upenn.edu/article/vcs-arent-funding-women-led-startups.

Kuppuswamy, V. & Bayus, B. L. (2013). Crowdfunding creative ideas: The dynamics of project backers in Kickstarter. UNC Kenan-Flagler Research Paper, 2013–2015.

Li, G. (2018). Gender-Related Differences in Credit Use and Credit Score. www.federalreserve.gov/econres/notes/feds-notes/gender-related-differences-in-credit-use-and-credit-scores-20180622.htm.

Madill, J. J., Riding, A.L. & Haines, G. H. (2006). Women entrepreneurs: Debt financing and banking relationships. *Journal of Small Business and Entrepreneurship*, 19(2), 121–142.

Mayoux, L. (2002). Women's empowerment through sustainable microfinance: Rethinking "Best practice." *Development Bulletin*, 57, 76–81. www.findevgateway.org/sites/default/files/publications/files/mfg-en-paper-womens-empowerment-through-sustainable-micro-finance-rethinking-best-practice-2005_0.pdf.

Merelli, A. (2018, Jan 17). Two maps explain why women can't raise capital. *Quartz*. https://qz.com/1176717/risk-averse-and-yet-untrustworthy-how-sexist-bias-affect-womens-access-to-credit-and-funding.

Microcredit Summit (n.d.). *What is microfinance? A complete guide*. www.microcreditsummit.org/what-is-microfinance2.html.

Moresby, P. & Guinea, P. N. (2018). APEC/OECD Capacity Building Package to Accelerate Infrastructure Development and Financing in APEC Economies.

Moritz, A. & Block, J. H. (2016). Crowdfunding: A literature review and research directions. Crowdfunding in Europe, 25–53.

Morris, M. H., Miyasaki, N. N., Watters, C. E., & Coombes, S. M. (2006). The dilemma of growth: Understanding venture size choices of women entrepreneurs. *Journal of small business management*, 44(2), 221–244.

Nelson, J. A. (2012). Are Women Really More Risk-Averse than Men? INET Research Note #012. Available at SSRN: https://ssrn.com/abstract=2158950 or http://dx.doi.org/10.2139/ssrn.2158950 INET Research Note #012.

Neville, F., Forrester, J. K., O'Toole, J. & Riding, A. (2018). "Why even bother trying?" Examining discouragement among racial-minority entrepreneurs. *Journal of Management Studies*, 55(3), 424–456.

Orser, B., Elliott, C. & Cukier, W. (2019). Strengthening ecosystem supports for women entrepreneurs. Ontario Inclusion Innovation (i2) Action Strategy. Ottawa, Ontario: Telfer School of Management, University of Ottawa.

Orser, B. J., Hogarth-scottand, S. and Riding, A.L. (2000). Performance, Firm size, and Management problem solving. *Journal of Small Business Management* 38(4), 42.

Orser, B., Riding, A. & Manley, K. (2006). Women entrepreneurs and financial capital. *Entrepreneurship, Theory & Practice*, 30(5), 643–665.

Poggesi, S., Mari, M., & De Vita, L. (2016). What's new in female entrepreneurship research? Answers from the literature. *International Entrepreneurship and Management Journal*, 12(3), 735–764.

Prasad, R. M. (2009). Loan hurdles: do banks discriminate against women entrepreneurs? *Academy of Management Perspectives*, 23(4), 91–93.

PwC (July 11, 2017). Women outperform men in seed crowdfunding, according to analysis by PwC and The Crowdfunding Centre. PwC. www.pwc.com/gx/en/news-room/press-releases/2017/women-outperform-men-in-seed-crowdfunding-according-to-analysis-by-pwc-and-the-crowdfunding-centre.html.

Ratté, S. (2016). *The scale up challenge: how are Canadian companies performing*. Ottawa: Business Development Bank of Canada, September.

Rosa, J. & Sylla, D. (2016). *A comparison of the performance of female-owned and male-owned small and medium-sized enterprises. Government of Canada*. www.ic.gc.ca/eic/site/061.nsf/eng/h_03034.html#sect-2.

Rowe, A., Dong, L., Landon, J. & Rezkalla, E. (2019). Scaling startups: Challenges in Canada's Innovation Ecosystem. In *ISPIM Conference Proceedings* (pp. 1–17). The International Society for Professional Innovation Management (ISPIM).

Ruffolo, J. (2018). *Canada must learn to scale up to turn innovators to employers*. www.theglobeandmail.com/report-on-business/rob-commentary/canada-must-learn-to-scale-up-to-turn-innovators-into-employers/article28269017.

SheEO (2019). *SheEO is a radically redesigned ecosystem that supports, finances, and celebrates female innovators*. https://sheeo.world/about-us.

Smith, D. (2009). Financial bootstrapping and social capital: How technology-based startups fund innovation. *International Journal of Entrepreneurship and Innovation Management*, 10(2), 199–209.

Startup Canada (February 2020). Investing in women entrepreneurs. www.startupcan.ca/women-founders-fund.

Tsai, K. H., Chang, H. C. & Peng, C. Y. (2016). Refining the linkage between perceived capability and entrepreneurial intention: Roles of perceived opportunity, fear of failure, and gender. *International Entrepreneurship and Management Journal*, 12(4), 1127–1145.

Van Osnabrugge, M. & Robinson, R. J. (2000). *Angel Investing: Matching Startup Funds with Startup Companies, The Guide for Entrepreneurs and Individual Investors*. John Wiley & Sons.

Winborg, J., & Landström, H. (2001). Financial bootstrapping in small businesses: Examining small business managers' resource acquisition behaviours. *Journal of business venturing*, 16(3), 235–254.

World Bank (2009). Doing Business 2009. Washington, D.C.: A Publication of the World Bank and the International Finance Corporation.

Yacus, A. M., Esposito, S. E. & Yang, Y. (2019). The Influence of Funding Approaches, Growth Expectations, and Industry Gender Distribution on High-Growth Women Entrepreneurs. *Journal of Small Business Management*, 57(1), 59–80.

Zajicek, H. (May 26, 2017). Accelerator vs. Incubator: Which Is Right for You? *Entrepreneur*. entrepreneur.com/article/294798.