

Single women with personal wealth more likely to become entrepreneurs than men

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Credit: George Hodan/public domain

A new economic study by the University of Stirling and Royal Holloway, University of London has found evidence that there is a big difference in cash flow problems faced by men and women in the UK. They found single women face more severe constraints to their incomings and outgoings, but that those single women whose personal wealth increases unexpectedly through an inheritance are more likely to start a new

business than their male counterparts.

It is difficult for an aspiring entrepreneur, or current business owner, to obtain the funds necessary to start a business or expand an existing one. Labour Force Surveys show that from 2009 to 2014, the proportion of men in self-employment increased by 6 per cent. Over the same period, the proportion of self-employed females jumped by a remarkable 22 per cent.

Despite the relatively large growth rate in self-employed females, obstacles for [women](#) that want to engage in entrepreneurial activities still remain. In the area of small business operations, one of the main problems many entrepreneurs face is how to maintain a flow of cash through the business.

Using previously unexplored data from the Wealth and Assets Survey, researchers found evidence that there are substantial differences in liquidity between the genders in the UK. This is based on the finding that the willingness to start a new business increases with personal wealth, and this relationship is stronger amongst women than men. The relationship is strongest amongst single women.

Researchers found that £1,000 more money in the bank would lead to an 8.5 per cent increase in the probability a single woman starts a new business.

Researcher Tanya Wilson, Early Career Fellow in the Division of Economics at the University of Stirling, said: "There are several possible explanations as to why liquidity constraints are most severe for single women. It could be that single women have less collateral necessary for securing a loan. There may be gender discrimination in the granting of credit. It is also possible that single women are more risk averse than others and choose not to borrow money even when borrowed funds

would be forthcoming.

"A glass ceiling may emerge even in self-employment when women suffer relatively more from liquidity constraints than their male counterparts.

"If lack of collateral is the main obstacle preventing a single woman from starting a new business, or expanding an existing one, then a new private initiative or public policy that helps channel sufficient collateral to liquidity-constrained single women would be of great economic and social value. Public policy programmes that encourage [business](#) start-ups do currently exist, but they are generally too restrictive to affect a substantial proportion of [single women](#)."

More information: Robert M. Sauer et al, The rise of female entrepreneurs: New evidence on gender differences in liquidity constraints, *European Economic Review* (2016). [DOI: 10.1016/j.eurocorev.2015.10.010](#)

Provided by University of Stirling

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