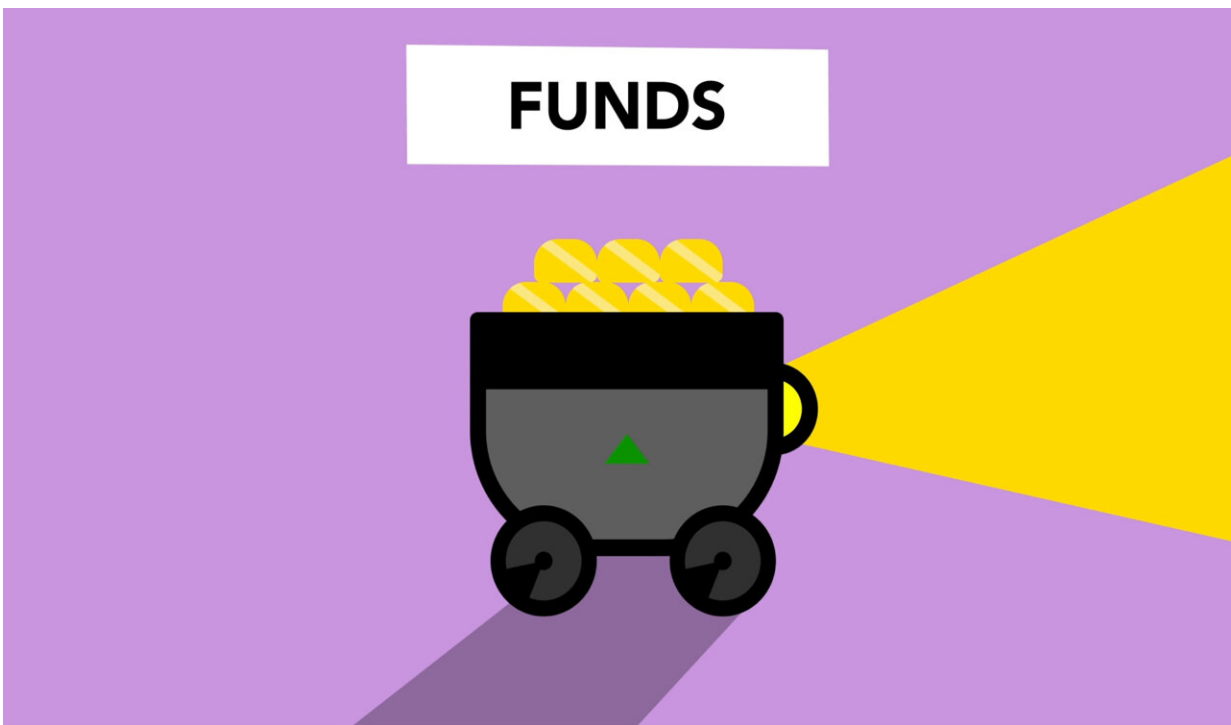


Progress or pinkwashing: Who benefits from women-focused capital funds?

February 19 2020, by Barbara Jayne Orser



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An increase in the number of women-focused capital funds promises to help address gender gaps in the provision of financial capital.

Capital funding is the money that lenders and equity holders provide to a business.

A recent study I conducted with [Susan Coleman](#) of the University of Hartford in the United States and doctoral candidate [Yanhong Li](#) of the University of Ottawa looked at how [women](#) entrepreneurs are described within [women-focused capital funds](#). We examined 27 women-focused capital funds in North America.

[International studies](#) show that borrower discouragement and informal rejections from potential investors dissuade many women from seeking loans when they start up businesses.

Historically, equity investors have primarily been high-net-worth men. And so a preference to invest in business owners who look and think "just like me" reinforces gender stereotypes. As birds of a feather flock together, women and their businesses can be viewed as too feminine, and therefore less attractive investments. Feminine innovations that benefit women and girls can also be viewed as less attractive.

Our study asked if women-focused capital funds are aimed at truly enhancing gender equity or simply at creating wealth for investors. We were surprised to learn that few funds challenge the institutional constraints that hold back women entrepreneurs. Some actually reinforce gender stereotypes due to how they regard women's supposed entrepreneurial deficiencies.

'Pinkwashing'

For our purposes, we defined "pinkwashing" as capital funds targeted at women solely for marketing purposes. Pinkwashing is most likely the result of creating women-focused funds as an add-on to mainstream finance services, rather than as a central element of the organization's mission to support women.

Several more of our findings should be interesting to would-be investors.

Few funds have third-party audits. Online disclosures of fund performance are generally absent. It is often difficult to discern governance and ownership structures of the funds. Lack of reporting standards may reflect the infancy of this capital market.

Stereotypical challenges faced by women also tend to be amplified to legitimize funds, such as the inability to access financial capital and their need for emotional and social support. Women are described as risk-averse, less successful and lacking professional contacts and role models.

In contrast, some funds focus on community building, investment knowledge and circumventing gender biases, offering a positive perspective versus a need to fix women.

Paradoxically, our study's findings provide both optimism and skepticism about the extent to which equality is at the heart of these funds.

We conclude that only a minority of funds seek to counter structural barriers associated with women's access to capital, such as a preference to invest in male-dominated firms and sectors. Most funds are positioned to facilitate individual wealth creation. And few funds prioritize racialized Indigenous people and other underrepresented women versus privileged white women.

Silver lining

At the same time, women-focused capital funds are creating new spaces that enable women investors and small business owners to make choices based on their values, financial knowledge and investment capabilities.

International Women's Day will soon be upon us, and hundreds of investors and women-identified small [business owners](#) will gather in

Toronto on March 9 for the [SheEO Global Summit](#). Founder [Vicki Saunders](#) has a goal—to mobilize the capital, the buying power and the networks of a million volunteers to fund 10,000 women-led ventures.

In the United States, Alicia Robb, founding CEO of [Next Wave Impact](#), is working to reduce the gender imbalance in angel investing and educate women investors. Founding [CEO Kathryn Finney](#) of Digitalundivided focuses exclusively on advancing financial capital to Latin-American and Black founders in the U.S. [The Indigenous Women Entrepreneurship Fund](#) advances funds for Indigenous businesses in Canada.

Some funds, such as Next Wave Impact, are disrupting the status quo of institutional investment by constructing grassroots engagement, and networks of gender-focused investors and [women entrepreneurs](#).

These change-makers are exemplars of [entrepreneurial feminism](#) in the growing market of women-focused capital funds. The investments target women-identified, women-owned and women-led enterprises, and femme and non-binary entrepreneurs.

Ask 'who benefits?'

Investors should keep this in mind before assuming that all women-focused capital funds serve an inclusive economic agenda.

While pinkwashing may be acceptable to some, more transparency is needed to make informed investment decisions. To identify pinkwashing, investors and entrepreneurs are encouraged to examine the governance structure of the funds and ask: "Who appears to benefit from the fund and how?"

Another suggestion is to determine if the fund helps expand the entrepreneurial ecosystem in ways that are likely to benefit women and

non-binary femme entrepreneurs, or if the fund serves to perpetuate stereotypes and constraints implicit in the existing ecosystems.

Our study suggests that an increasing number of investment funds described as "women-focused" fall short of this standard in practice.

In light of these findings, due diligence on the part of both investors and entrepreneurs is essential.

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