

Startup financing gender gaps greater in societies where women are more empowered: Study

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Commercial bankers provide capital to fund the operations and growth of businesses. However, as these lenders evaluate entrepreneurs who apply for loans, gender bias leads to women being denied more often than their male counterparts.

Estimates show a \$1.7 trillion financing gap worldwide for small- and medium-sized enterprises owned by women.

Studies show that when women do secure business loans, the amounts tend to be smaller, have higher interest rates and require more collateral, which restricts the economic potential of women-led ventures. However, findings on the relationship between entrepreneurs' gender and bank financing are inconsistent and reveal a need for [social context](#).

New research from the University of Notre Dame finds, surprisingly, that [gender discrimination](#) in startup financing is magnified in societies with greater women's empowerment.

["A Meta-Analysis of the Impact of Entrepreneurs' Gender on their Access to Bank Finance,"](#) forthcoming in the *Journal of Business Ethics* from Dean Shepherd, the Ray and Milann Siegfried Professor of Entrepreneurship at Notre Dame's Mendoza College of Business, offers suggestions to help close the gender gap.

Co-authors of the study are Malin Malmström from Lulea University of Technology, Barbara Burkhard and Charlotta Sirén from the University of St. Gallen, and Joakim Wincent from the Hanken School of Economics.

The team summarized evidence from academic studies published around the world, containing more than 1 million unique data points and spanning more than three decades. The analysis confirmed the prolonged and global bias against women in entrepreneurial bank finance.

The team found that social gender norms characterize women as incompatible with entrepreneurship. The social norms consider masculine attributes to be better associated with entrepreneurial tasks than feminine attributes, and therefore evaluators prefer male entrepreneurs over their female counterparts.

"I believe women and men are equally capable of being successful entrepreneurs," said Shepherd, who specializes in entrepreneurship under adversity. "These obstacles are not from the women's own making but from [social norms](#) and biases. Women face adversities men do not."

The study provides evidence that women entrepreneurs' business loan applications are rejected more often than those of their [male counterparts](#); female entrepreneurs' business loans are more costly than men's; and there is considerable variance in these relationships, indicating the need to consider moderators.

They found two key factors that affect women in entrepreneurial financing.

"In societies dominated by a conservative rather than a liberal political ideology, women entrepreneurs receive poorer credit terms compared to men entrepreneurs because conservative ideology upholds structural gender differences in society," Shepherd said.

"And, while research has suggested that women's empowerment in a society can help break down social gender norms to promote gender equality, we show the opposite —women's empowerment threatens male

dominance in resource distribution."

They show that as women climb societal ladders, the perception that they are a threat increases, prompting protective responses to safeguard existing societal gender norms.

More women assuming top leadership positions in society does not mean that gender inequality in funding distribution is resolving itself. The team's findings provide three recommendations for policymakers and financiers in navigating gender bias in entrepreneurial bank finance.

Policymakers should continually monitor conditions and develop intervention programs in bank finance, venture capital, governmental programs, incubator access and gender representation in boardrooms and other executive roles.

Societies should normalize women's empowerment so existing patriarchal structures do not limit their opportunities for advancement. Efforts could include organizational structures and recruitment tools to help women achieve leadership positions and support those who do.

Regulations should be established to mandate gender audits targeting biased bank lending. This can include assessing gender equality in the distribution of budgets, financial services, and financing projects.

"Resistance to women's empowerment remains within politics, culture, and management," Shepherd said. "We must first admit this before we can address and then dismantle gender inequality."

More information: Dean Shepherd et al, A Meta-Analysis of the Impact of Entrepreneurs' Gender on their Access to Bank Finance,

Journal of Business Ethics (2024). [DOI: 10.1007/s10551-023-05542-6](https://doi.org/10.1007/s10551-023-05542-6)
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