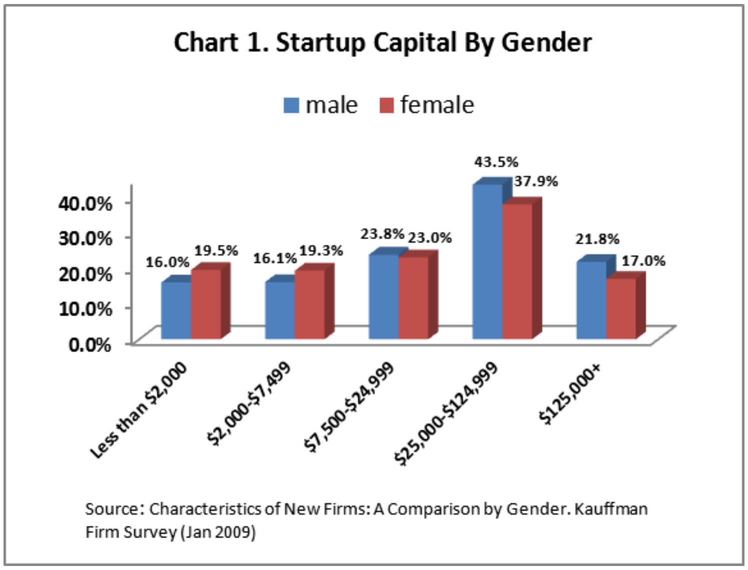
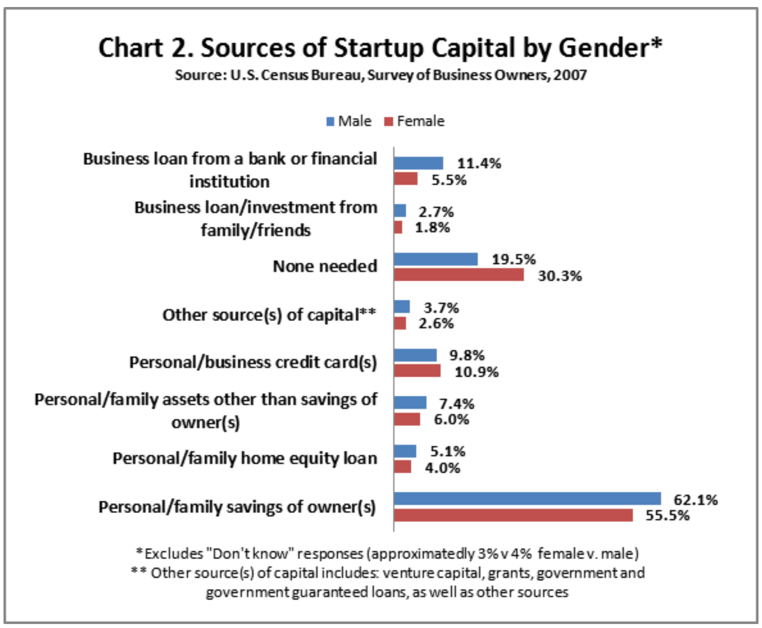
Gender Differences in Startup Financing

Women start firms with less capital than men.

According to the Kauffman Firm Survey (KFS), between 2004 and 2008, 61.8 percent of women started firms with less than $25,000, relative to 55.9 percent of men. (Source: *Characteristics of New Firms: A Comparison by Gender*. Kauffman Firm Survey, January 2009.) KFS further finds that firms that started with capital in excess of $125,000 performed significantly better than lower-capital startups across asset levels, revenue, and employment. In addition, between 1996 and 2011, men started companies at nearly twice the rate of women.





Women rely on startup capital in different ways than men.

According to the 2007 Survey of Business Owners (SBO), both women and men relied primarily on personal/family savings to start or acquire firms, though women relied to a lesser degree than men (55.5 percent v. 62.1 percent, respectively). Women were much more likely than men to indicate they did not need startup financing (30.3 percent v. 19.5 percent). In addition, women were less likely than men to start or acquire firms with business loans from banks or financial institutions (5.5 percent v. 11.4 percent). Venture capital, grants, government loans, and government-guaranteed loans represented the smallest share of startup capital for both genders. Within that small percentage, women were less likely to receive venture capital than men (.1 percent v. .4 percent), while women received grants at a higher rate than men (.3 percent v. .1 percent). Finally, women were less likely than men to take on additional debt to expand their businesses. (Source: SBO, 2007; *Women-Owned Businesses in the 21st Century*. U.S. Department of Commerce, October 2011.)