



Asset Funders *Network*



UNLOCKING ASSETS

Building Women's Wealth Through Business Ownership



This brief was developed in partnership with the Samuel DuBois Cook Center on Social Equity at Duke University, Asset Funders Network (AFN) and in collaboration with Closing the Women's Wealth Gap Initiative (CWWG). This publication is the third in a series of briefs that build on AFN's 2015 publication, *Women & Wealth*, to explore how the gender wealth gap impacts women, particularly low-income women and women of color, throughout their life cycle, and provides responsive strategies and best practices that funders can employ to create greater economic security for women.

PUBLICATION AUTHORS

William Darity Jr.

Director of the Samuel DuBois Cook Center on Social Equity

M'Balou Camara

Graduate Research Associate, Samuel DuBois Cook Center on Social Equity

Khaing Zaw

Facebook

Mitchell J. Murphy

Undergraduate Research Associate, Samuel DuBois Cook Center on Social Equity

Martine Aurelien

Policy Analyst, North Carolina Justice Center

Amy Fan

Undergraduate Research Associate, Samuel DuBois Cook Center on Social Equity

EDITORS

ASSET FUNDERS NETWORK

Joseph A. Antolín | Executive Director

Mona Masri | Program Officer

CLOSING THE WOMEN'S WEALTH GAP INITIATIVE

Heather McCulloch | Founder and Executive Director

SUPPORT FOR THIS PUBLICATION

Lead funding for the series of briefs is made possible by a generous donation from the Texas Women's Foundation. Additional funding for this brief was provided by Prudential and Wells Fargo. The opinions expressed in this report are those of AFN and CWWG and do not necessarily represent those of our sponsors.



WOMEN-OWNED BUSINESSES ARE GROWING IN THE U.S.

- ◆ Total 11.6 million businesses
- ◆ Experienced 114% growth rate since 1997
- ◆ Employ close to 9 million people in US
- ◆ Generate more than \$1.7 trillion in total annual sales revenue



The number of women-owned businesses in the United States has increased significantly in the past two decades. In fact, in January 2017, an estimated 11.6 million privately owned businesses were owned and operated by women—a growth rate of 114% since 1997 (two and a half times the average for all businesses).¹ These businesses employ close to 9 million people across the country and generate more than \$1.7 trillion in total annual sales revenue—increases of approximately 27% and a remarkable 103% respectively since 1997.² Despite this impressive rate of growth, women-owned firms have not generated the same levels of wealth for their owners as male-owned firms.

This report explores ways business ownership can serve as a wealth-building tool for women, explains the systemic barriers impeding women’s ability to build wealth through business ownership, and suggests ways grant makers, policy advocates, and practitioners can intentionally promote wealth-building by entrepreneurial women through business ownership.

Across the nation, households are increasingly reliant on women’s earnings—in 2015, nearly two out of three mothers in the U.S. were their family’s sole, primary, or co-breadwinners, contributing at least 25% of household income.³ The increasing relevance of women to the long-term financial security of American families is both an opportunity and a challenge for grant makers concerned with household financial security.

Women need increased access to wealth-building opportunities to help them weather short-term financial crises, invest in a home or education, save for retirement,

support aging parents, and pass on resources to their children. However, the current prevalence of gender disparities in wealth, often the result of systemic drivers, remains a central challenge facing women across the country.

One key source of the gender wealth gap is the difference in the profitability of businesses owned by women and men. While data shows that women-owned businesses are growing in number, the businesses are typically smaller in size and generate lower revenues and profits for their owners and employees. This relative business underperformance is due to four key obstacles facing women business owners:

1. Limited access to capital
2. Occupational segregation
3. Inadequate access to mentors and networks
4. Lower levels of business education and training

This brief describes the gender wealth gap, surveys prior research on the relationship between business ownership and wealth, highlights differences in both the number and performance of women-owned businesses compared to those owned by men, and outlines key challenges preventing more women-owned businesses from producing wealth for their owners. It highlights additional disadvantages faced by women of color related to starting and growing wealth-building enterprises. Finally, the brief explores successful practices and initiatives supported by funders interested in reducing the gender wealth gap by increasing women’s wealth through business ownership and concludes with a series of actionable recommendations for grantmakers, policy advocates, and practitioners.

WHAT IS WEALTH?

WEALTH IS THE VALUE OF ASSETS MINUS DEBTS

Wealth, or net worth, is the difference between a household or individual's assets and liabilities. It is a measure of financial health and economic security as it represents our ability to deal with the financial consequences of unexpected life events like illness, unemployment, or divorce. Wealth reflects our ability to invest in our future and that of our children.

COMMON TYPES OF ASSETS INCLUDE:

- ◆ Cash
- ◆ Investments
- ◆ Real estate
- ◆ Retirement accounts such as IRA and 401(k) accounts
- ◆ Business assets

COMMON DEBTS INCLUDE:

- ◆ Mortgages
- ◆ Credit card debt
- ◆ Education debt
- ◆ Vehicle loans

WEALTH IS AN ASSET

WEALTH PROVIDES:

- ✓ A reservoir that can be drawn upon in times of need
- ✓ A better future for our children
- ✓ Support in old age

GENDER WEALTH DISPARITIES

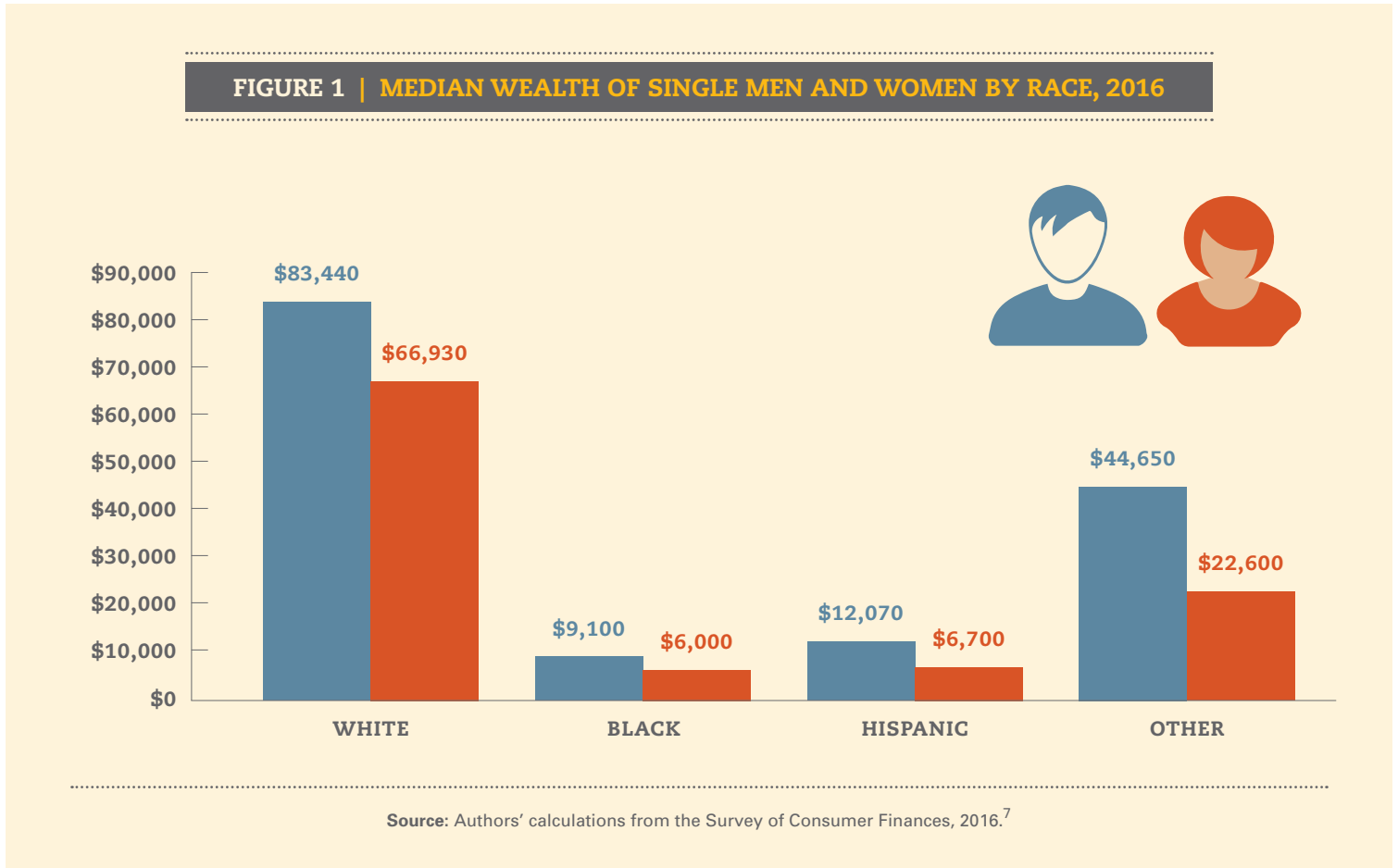
Wealth is of greater long-term importance than income in maintaining economic health and security. The higher the level of wealth—the difference between what you own (assets) and what you owe (debt/liabilities)—the greater the level of financial security for individuals and households. Wealthier households are better able to weather a decrease in income, purchase homes, invest in businesses, accumulate retirement savings, and acquire higher education. Wealth also provides greater long-term security to families through intergenerational financial transfers and gifts.

Throughout the country, women have significantly less wealth than men. Single women between the ages of 18 and 64 hold about one-third of net worth vis-à-vis single men in the same age range when the value of the household vehicle is excluded from net worth calculations.⁴

The gender wealth gap is even larger for women from marginalized racial or ethnic communities. Estimates from the 2013 Survey of Consumer Finances (SCF) reveal that the median single White woman had \$15,640 in net worth while the median single White man had \$28,900 in wealth. In contrast, the median Latinx woman had \$100 in net worth, while the median Latinx man had a wealth level of only \$950. The median single Black woman and man had a net worth of \$200 and \$300, respectively.⁵

Newer estimates from the 2016 SCF, displayed below in Figure 1, yield much higher measures of median net worth. Furthermore, when the value of a vehicle is accounted for in the calculation of net worth, the median single woman has 68 cents to the dollar in net worth compared to the median single male. The charts below highlight 2016 figures, since the 2016 SCF provides the most recent data available.

Alarming, the general pattern of the intergroup disparity remains the same, highlighting how far women of color come out behind. The median net worth is approximately \$66,930 for White women, but only \$6,000 for Black women and \$6,700 for Latinx women. Within race and across gender, the median net worth of single Black women was about 66% of Black men’s. Similarly, single Latinx women at the median hold about 55% of the net worth of single Latinx men’s.⁶



For Black and Latinx women, the current wealth gap is even more dramatic compared to White men. According to the 2016 SCF, the median single Black woman had 9 cents to the dollar in net worth of the median single White male, while the median single Latinx woman had 8 cents to the dollar.⁸ From each comparison, Black and Latinx women face the extreme disadvantage of an immense deficit in wealth vis-à-vis White women, men within their own race, and—even more so—White men.

The lack of precise net worth values in racial groups within the “other” category (e.g. American Indian and Alaskan Native, Native Hawaiian, and Pacific Islander) is a reflection of insufficient data across various surveys on these under-represented racial groups. Due to their relatively small sample sizes in national studies, academic and policy discourse often neglects the gender wealth gap with respect to American Indian and Pacific Islander women countrywide. In order to effectively inform policy, studies must continue to take additional steps to examine and document the relative wealth of women in these communities.



MEDIAN NET WORTH
of unmarried adults who
own a business is 9X
higher than unmarried
adults who do not own
a business.

GENDER DISPARITIES IN BUSINESS OWNERSHIP AND PERFORMANCE

Gender disparities in wealth stem from a variety of complex and intertwined discriminatory and systemic factors that make it hard for women to benefit from wealth-building opportunities. These systemic factors operate to constrain and limit entrepreneurial women from starting and expanding businesses. For example, women are:

- ◆ Overwhelmingly employed in economic sectors where they are less likely to be eligible for employer-based health and retirement benefits, making it harder to develop the assets to leverage in launching a business.
- ◆ Less likely to have access to public tax subsidies that incentivize savings and investment.
- ◆ More likely to be caring for children or elderly parents, limiting their capacity to work, save, and take risks launching or expanding a business.
- ◆ More likely to be carrying high levels of student debt, restricting their ability to build a nest egg for emergencies and to invest in homes or businesses.
- ◆ Less likely to benefit from intergenerational wealth and business transfers.

As a result of these factors and others mentioned in the brief, women often have smaller and less lucrative businesses.

Business ownership can be an important component of household wealth. Business ownership not only produces income, but it also allows owners to build assets via profits distributed to themselves or shareholders, investment equity in ventures or real estate, and accumulation of working assets. For example, the median net worth of

unmarried adults who own businesses is close to nine times higher than that of unmarried adults who do not own businesses (\$273,000 versus \$31,000).⁹ Moreover, female business owners on average have a total net worth of \$1.1 million, which is approximately four times higher than the average total net worth of full-time working women at \$319,000.¹⁰ Indeed, successful business ownership can be a powerful vehicle toward wealth creation.¹¹

Just as business ownership contributes to wealth accumulation, accumulated wealth plays a critical role in business startup and growth. Access to personal financial assets like cash, savings, and home equity are critical to the startup and growth of new businesses—roughly 70% of current businesses acquire their startup financing from personal assets or those of their family. Yet women, especially Black and Latinx women, typically start their adult lives with limited wealth, since fewer resources have been passed to them via financial inheritances, asset transfers, or gifts because of the comparatively deprived wealth position of their parents and grandparents.¹²

Despite the rapid growth in women's business ownership in recent decades, a substantial gender gap persists in business performance when measured by survival rates, profits, employment, and annual sales revenue.¹³ In 2015, firms owned by men received close to 80% of all sales revenues, whereas firms owned by women received a mere 12%.¹⁴ Women-owned firms are also less likely to have revenues over \$1 million.¹⁵

Even in industries where women-owned businesses comprise the majority (e.g. health care and social services, educational service, etc.), women-owned firms earn a much smaller share of total revenue (see Appendix,



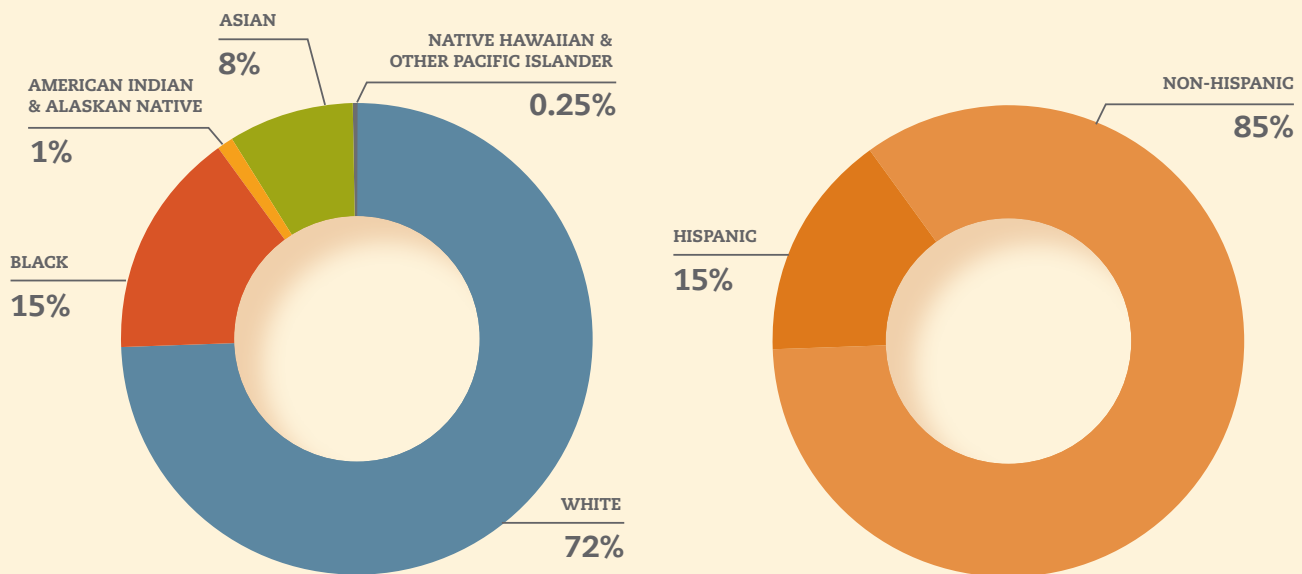
BUSINESSES OWNED BY MEN received close to 80% of all sales revenues, whereas businesses owned by women received 12%.

Figure 3). Furthermore, women-owned firms display lower profitability. In 2015, 56% of men-owned firms were operating at a profit, while 50% of women-owned firms were doing so. Conversely, 31% of women-owned firms compared to 25% of men-owned firms were operating at a loss.¹⁶

Among all privately owned employer firms, those that are owned by women have fewer employees and significantly

smaller annual payrolls (See Appendix, Figure 2).¹⁷ They own only 21% of all employer firms (defined as having at least one employee other than the owner) compared to 65% owned by men.¹⁸ Business size, measured by employees, is especially low for firms owned by Black, Latinx, and Native American women—more than 90% of these businesses are non-employer firms (see Appendix, Figure 2).

FIGURE 2 | WOMEN-OWNED BUSINESS BY RACE AND BY HISPANIC VS. NON-HISPANIC

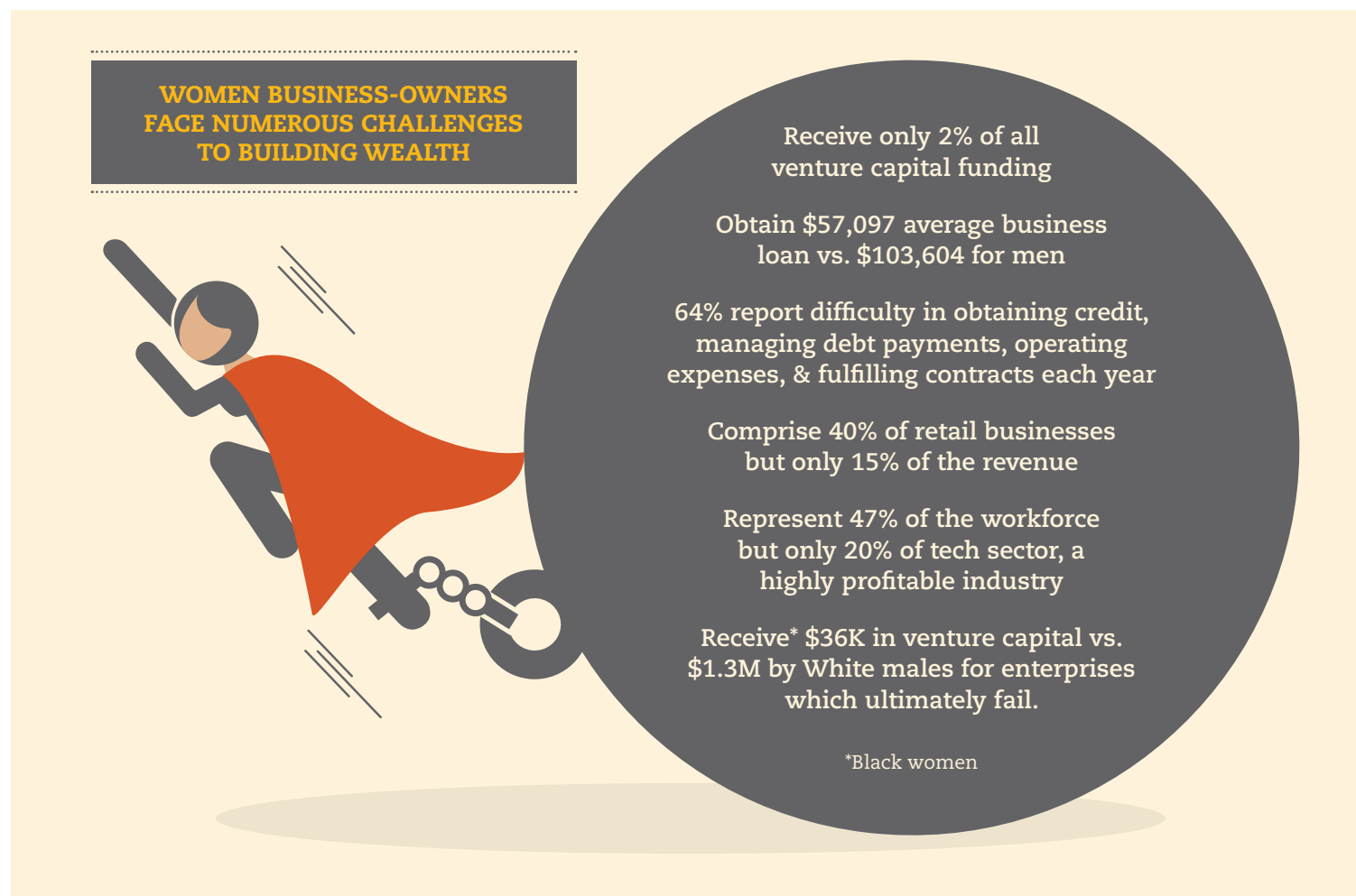


This chart does not include women-owned firms owned by those individuals of "some other race" or who are classified under more than one race.

Source: Survey of Business Owners (2012)

CHALLENGES FACING WOMEN BUSINESS OWNERS

Women face a number of challenges restricting their capacity to build wealth as business owners: limited access to capital, occupational segregation, limited access to networks and mentors, and lower levels of business education and training. Moreover, women who are business owners do not have access to an effective ecosystem to address these challenges in a holistic manner.



LIMITED ACCESS TO CAPITAL

Before the Women's Business Ownership Act of 1988, women in many states could not obtain a business loan without a signature from a male relative. Today, women face fewer legal restrictions, yet they continue to face major obstacles in obtaining financing—debt from loans and equity from investors in exchange for an ownership stake—on the same terms and under the same conditions as men.¹⁹ In fact, 64% of women-owned firms report financial challenges related to obtaining credit, managing debt payments, operating expenses, and fulfilling contracts each year.²⁰

In addition to challenges in gaining access to capital, when women are able to secure financing, they obtain lower

levels of funding compared to men. Moreover, the gap is widening. Last year, the average funded business loan for women-owned firms was \$57,097—down from more than \$99,000 in 2016, according to Biz2Credit's annual State of Women-Owned Small Business Finance Study. In comparison, the average size of a business loan for male entrepreneurs remained stable at \$103,604.

In 2017, only about 2% of the \$85 billion raised through venture capital in the U.S. went to female-founded startups, according to data from the research firm PitchBook.²¹ The challenges are even greater for women of color. For example, in 2016, Project Diane, a biennial demographic study that provides a snapshot of the state of Black women founders in the U.S., authored by Atlanta-based

digitalundivided, reveals how the situation is more difficult for Black women seeking to start businesses, especially in the high-tech arena. Ninety-two percent of the Black women founders in the Project Diane database have a college degree, with 60% having graduated from top-20 institutions. Nevertheless, between 2012 and 2014, they received only 0.2% of all venture deals. Furthermore, the average amount of venture capital for Black women who did manage to close deals was only \$36,000, compared to \$1.3 million to the typical *failed* start-up, largely obtained by White males.²²

The lack of access to loans, equity investment, and equity-based capital programs for women business owners restricts financing of women-owned businesses of all sizes. From private mainstream business loans to venture capital, women still receive a very small share of those dollars.

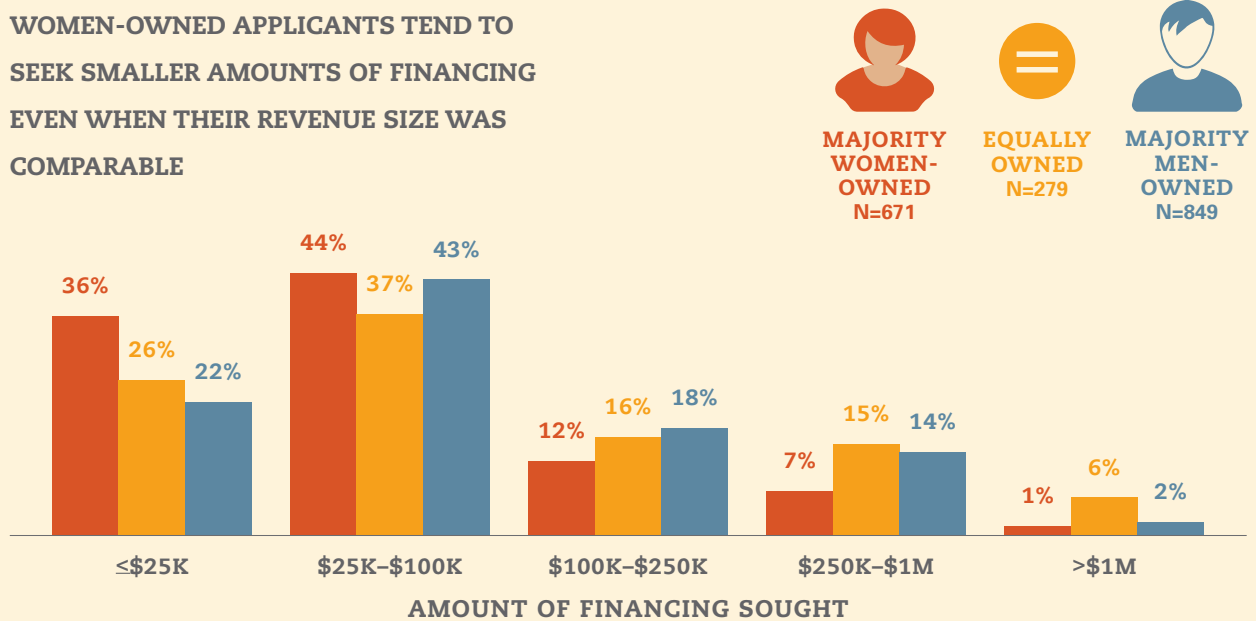
While female entrepreneurs are not likely to be charged higher interest rates when a loan is made, they are less likely to receive a loan in the first place—or to receive as large a loan as a comparably situated man. This is due to

historic gender bias and ongoing embedded biases that continue to have a discriminatory effect. It is also due to a persistent lack of access to venture capital among women, creating a last-in, first-out effect for business loans for women. In more prosperous times, women tend to be at the back of the queue for receipt of loans. In lean times, they are more likely to be denied loans than men. For example, research shows women-led firms were far less likely to obtain financing, regardless of their degree of credit-worthiness, during the contraction in 2009 and 2010.²³

Not only do these discriminatory, mainstream lending climates directly affect access to credit for women seeking to enter entrepreneurship, but the well-founded anticipation of unfair rejection also dissuades some women from seeking credit in the first place.²⁴ As displayed in Figure 3, women-owned firms are less likely to seek financing above \$100,000 than male-owned businesses or equally female- and male-owned businesses.²⁵ Again, these conditions reflect historic and embedded gender bias that continues to have discriminatory impacts, denying equitable societal outcomes and economic opportunities.

FIGURE 3 | FINANCING SOUGHT BY REVENUE SIZE OF FIRM AND GENDER

WOMEN-OWNED APPLICANTS TEND TO SEEK SMALLER AMOUNTS OF FINANCING EVEN WHEN THEIR REVENUE SIZE WAS COMPARABLE



• **TOTAL AMOUNT OF FINANCING SOUGHT BY REVENUE SIZE OF FIRM (% OF APPLICANTS)**

Categories have been simplified for readability. Actual categories are ≤\$25K, \$25,001-\$100K, \$100,001-\$250K, \$250K-\$1M, >\$1M

Source: NY Federal Reserve

OCCUPATIONAL SEGREGATION

In the context of a contemporary workplace that is highly segregated by gender, women-owned firms across all sectors experience a wide revenue gap and have trouble entering some sectors that are higher in pay and prestige.²⁶ Despite the 20th century gender revolution in the workplace, studies suggest that a full 53% of employed women would have to shift to a different occupation in order to eradicate occupational segregation by gender.²⁷

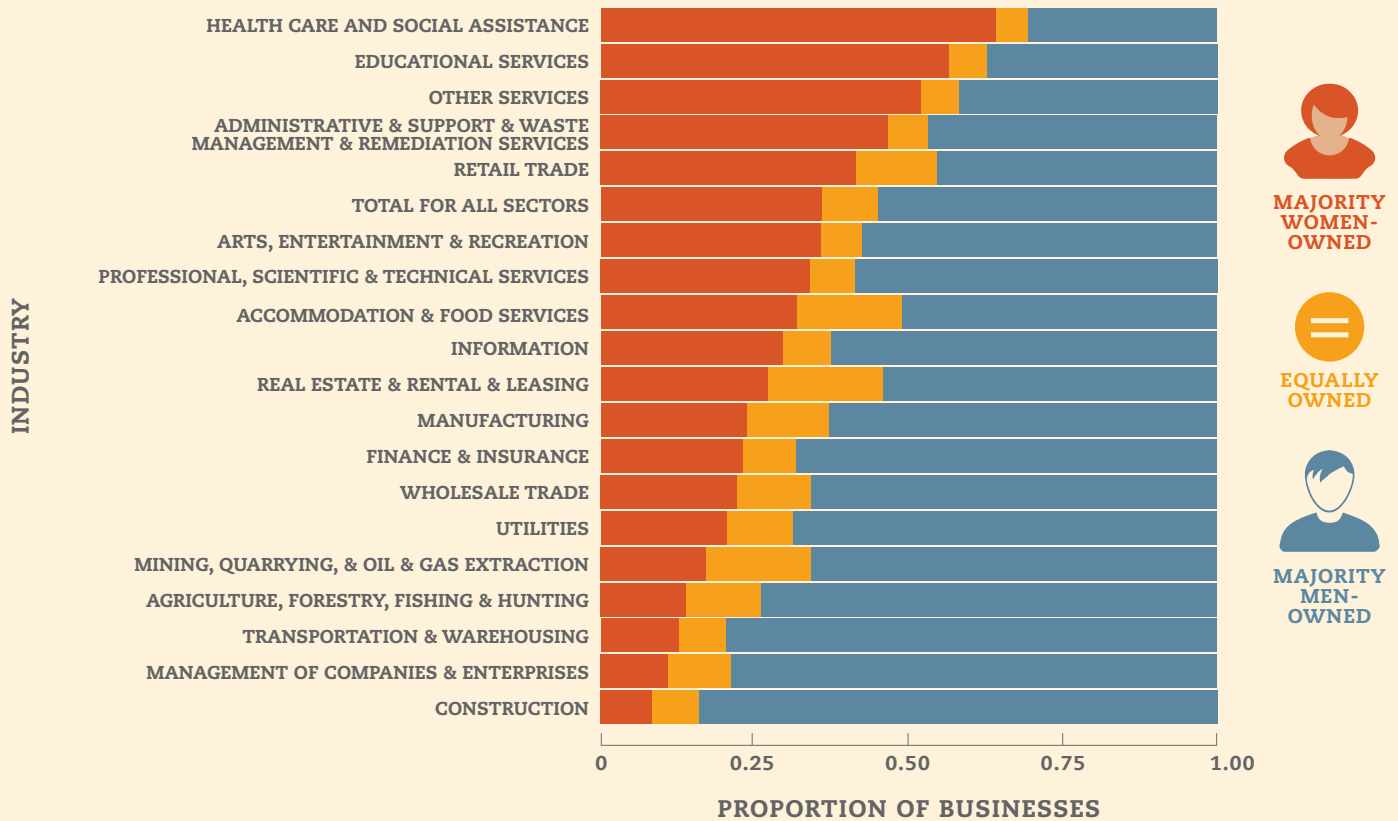
For women business owners, the story is very similar. For example, women neither work nor own businesses in high-tech, high-growth industries and occupations in proportion to their numbers in the general population. While women make up 47.2% of the workforce, they comprise only 20% of the jobs in the tech sector, 27% of the total manufacturing jobs, and a mere 9% of jobs in the construction industry as employees.²⁸ Consequently in these sectors, women are less likely to start a business and have

less experience in these industries. Figure 4 further illustrates that less than 10% of construction firms are owned by women and only 25% of firms in the tech information industry are owned by women.

Indeed, in every single sector—except health care and social services (64.6%), educational services (56.9%), and other services (52%)—men make up roughly the same proportion or a majority of business owners.

Having less cash and less access to cash from loans and equity not only entails a tougher road to startup, but also effectively limits the type of business a woman can start, purchase, or support. Manufacturing and construction companies, which yield larger sales revenue than other sectors (and which are far more likely to be owned and operated by men), require larger amounts of investment not currently available to women. Together, these factors limit women’s ownership opportunities in these sectors.

FIGURE 4 | RATE OF BUSINESS OWNERSHIP BY GENDER AND INDUSTRY (2012)



Source: Survey of Business Owners (2012)

The types of businesses women can and do start has an impact on their ability to generate revenue. For example, women-owned firms account for roughly 40% of firms in the retail industry (as shown in Figure 4), yet they earn only 15% of the revenue.²⁹ Women-owned businesses that represent half of the businesses in the sector only make 20.7% of the total revenue in health care and social services, 28.2% of educational services revenue, and 22.7% of other services revenue (See Appendix, Figure 3).³⁰

In certain industries, women-owned businesses earn much less than their male counterparts. For example, women-owned businesses in the transportation, finance, manufacturing, and construction sectors generate less than 10% of total revenue generated within each sector (See Appendix, Figure 3). When women do attempt to enter more lucrative business ownership sectors, they must overcome difficulties associated with access to needed capital and networks.

ACCESS TO NETWORKS AND MENTORS

Networks and mentorship are crucial to successful business ownership and future expansion. Networks and mentors help entrepreneurs navigate the challenges of business ownership in the sector and provide resources for building social capital. They provide valuable guidance, the relationship-building needed for pathways to solutions, and helpful practical advice.

In a recent study, participants reported that their mentorship experiences produced positive results in their performance in the managing of their companies. Participants reported better outcomes when they were able to consult with mentors while making difficult decisions and when creating, developing, and implementing business strategies.³¹

Female business owners encounter difficulties building networks and finding mentors in their chosen sectors. Despite studies showing that women are more likely than men to sponsor other women and provide them guidance on the rise to the top, women still have trouble finding other women as mentors, and many women are reluctant to take on mentoring roles.³²

An explanation for the difficulty in encountering experienced women mentors is the fact that women-owned businesses are disproportionately located at the lower end of the firm “age” distribution, while bias often restrains mentorship from male entrepreneurs whose firms are older.

One would expect that older firms are not only larger in size, but also are in stronger, more successful positions than firms that were established more recently. Close to half of male-owned firms have been in operation for 11

or more years, compared to just 38% of female-owned firms.³³ Due to the age distribution, women-owned firms are at a disadvantage in terms of institutional knowledge and market navigation experience. Thus, there are fewer established firms owned by women to serve as role models, and there are fewer women to provide advice and guidance for women who own businesses or who aspire to own businesses.

ACCESS TO TRADITIONAL BUSINESS EDUCATION AND TRAINING

Business education and training, as well as financial education, help entrepreneurs develop and execute successful business plans, financial projections, growth strategies, and personal financial well-being. In addition, education and experience allow owners to adjust their plans and expectations as needed, balance competing interests, and plan for long-term success. In recent decades, women have actually become the majority of students in higher education in the U.S. Yet, only 36% of people holding M.B.A.s from business schools are women.³⁴ The expense of business education, as well as the pressures related to gendered educational and labor market opportunities, can function as obstacles to women’s pathway to business ownership.

Traditional sources of business education (i.e. colleges and universities) can deplete assets and/or increase the debt levels carried by women entrepreneurs who face tradeoffs between taking on debt to complete higher education or sacrificing college to enter the labor market.³⁵ Because they often start with fewer assets and are limited by low wages and household demands in their ability to save for business startup, higher education often has a negative impact on their net worth, at least in the near term.³⁶ Female college students are more likely to be in debt and to have higher debt than male college students.³⁷ Moreover, these high levels of debt serve as a sorting mechanism that influences the positions women attain relative to men in the social stratification system.

If they pursue education, the debt and depletion of assets will delay startup or expansion of business ownership. But, if they do not learn through business education, the lack of a disciplined framework often leads the entrepreneur to be either too risk averse and miss big opportunities or, conversely, too reckless in undertaking business risks.

STRATEGIES FOR ACTION AND PROMISING PRACTICES

Philanthropists have the opportunity to address the barriers faced by women business owners by supporting and influencing the development of an ecosystem that provides women entrepreneurs with the resources, networks, mentors, and capital needed to start, grow, and sustain businesses that build equity.

RESOURCES REQUIRED FOR WOMEN ENTREPRENEURS

The following section elevates strategies and successful practices of strategically influential and innovative programs and investments, addressing the key challenges that impact women's ability to start and grow wealth-building businesses. These challenges have been identified as:



- ◆ Constrained access to business financing, including loans and equity investments.
- ◆ Lower levels of approved business financing.
- ◆ Initial lower levels of overall wealth, particularly for women of color.
- ◆ Less cash to start, which limits the types and scale of businesses women own.
- ◆ Occupational segregation, which limits the sectors within which women are starting businesses.
- ◆ Limited access to mentors, business networks, and markets.
- ◆ Lack of access to business education and training.



STRATEGY FOR ACTION

IMPROVING ACCESS TO RESPONSIBLE FINANCING. To ensure that women have access to essential capital during the initial or growth phase of their businesses, philanthropy should invest in financial organizations and vehicles that provide critical sources of capital, including Community Development Financial Institutions (CDFIs), credit unions, integrated capital models (the coordinated use of different forms of financial capital and non-financial resources to support an enterprise) and venture capital or equity funds. Where appropriate, models should leverage public resources to support women-owned businesses as part of economic development and equity efforts.

The types of capital needed by women entrepreneurs to build businesses that will generate wealth vary from small dollar loans (loans under \$25,000) to venture capital funding. The examples shared below highlight the variety of financing programs or initiatives that are providing critical capital, and in some cases, complimentary support, based on the capital needs of women entrepreneurs.



PROMISING PRACTICE

SMALL DOLLAR LOANS: OPPORTUNITY FUND EMPOWERING WOMEN. www.opportunityfund.org Opportunity Fund is the largest nonprofit lender to small businesses in the United States, with over \$160 million in assets under management. As a CDFI, the organization invests in business owners who do not have access to traditional financial resources and who have been shut out of the financial mainstream. In fiscal year 2018, Opportunity Fund provided over \$92 million in loans to help more than 2,800 small-business owners invest in their businesses.

In 2018, Opportunity Fund launched a broad initiative to build a community and develop resources that support women's economic empowerment. Opportunity Fund and its partners work to identify, educate, mentor, and provide access to capital for women-owned small businesses, removing barriers to transparent, affordable credit for underserved women small-business owners in 13 states. Small women-owned businesses and entrepreneurs with as little as one year in business can receive funding in two to five days, once approved. Loan amounts range from \$2,600 to \$100,000, and first-time women borrowers enjoy a 2 percentage point interest rate reduction.

Mentorship is integral for fostering access to networks with key community partners and assisting with the application and use of the CDFI's low annual interest borrowing rates. Borrowers who apply for mentoring can select from one of Opportunity Fund's preferred community partners.



WHAT IS A CDFI?

- ◆ CDFIs are private financial institutions dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.
- ◆ By financing community businesses—including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing—CDFIs spark job growth and retention in hard-to-serve markets across the nation.
- ◆ CDFIs are profitable, but not profit-maximizing, and offer tailored resources and innovative programs that invest federal dollars alongside private sector capital to take a market-based approach to supporting economically disadvantaged communities.
- ◆ There are numerous ways for foundations to invest in CDFIs, including making direct loans to them, co-lending alongside CDFIs, offering grant-funded credit enhancements for CDFI loans and even guaranteeing loans made by CDFIs. Funders can also provide grant support to CDFIs that provide technical assistance and counseling to their lending clients.
- ◆ For more information on specific examples of how philanthropy has partnered with CDFIs, please see Philanthropy Northwest's guide https://philanthropynw.org/sites/default/files/resources/CDFI%20Guide_FNL_new.pdf

Opportunity Fund is building a group of advisers to assess the landscape on what the organization can do to deepen its support for women entrepreneurs by developing their own financial products and services and identifying partners in the community to provide complimentary support services. Opportunity Fund supporters include JPMorgan Chase Foundation, Bank of America, Goldman Sachs, Knight Foundation, and the Calvert Foundation.

Currently, Opportunity Fund lends to small businesses in California and, through specific partners, in the states of Florida, Georgia, Illinois, Michigan, New Jersey, New York, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, Texas, and Washington.



PROMISING PRACTICE

INTEGRATED FINANCING: RSF SOCIAL FINANCE.

<https://rsfsocialfinance.org/give/give-to-rsfprojects/capital>
RSF Social Finance is a financial services organization that connects social entrepreneurs with capital and offers catalytic investing and giving options. Since 1984, the organization has focused on developing innovative social finance tools that serve the unmet capital needs of its clients and partners. Through collaboration with a diverse group of funders, partners, and philanthropists, RSF Social Finance takes a holistic approach to financing entrepreneurs across all sectors. It also organizes what they call “Shared Gifting Circles” with nonprofit leaders who collectively decide how to use money.

While RSF offers various resources, its particular use of integrated capital tools—the coordinated use of different forms of financial capital and non-financial resources—has been particularly successful in supporting women-led social enterprises and women-owned businesses. Table 1 highlights the types of financial and non-financial resources provided by RSF and offers examples of different ways funders can participate in supporting women’s access to capital. The organization has provided \$1.5 million to 25 women-led social enterprises in over 20 countries. RSF ultimately seeks to grow the collaborative to \$10 million.

Seeing a need to focus on women entrepreneurs, in 2016, RSF developed its Women’s Capital Collaborative (WCC), which began by providing \$1 million to four companies in its first round.³⁸ WCC targets companies “in need of early stage growth” because early-stage women-led enterprises have such difficulty finding money even though it is a make or break phase for the business. WCC focuses on women-led social enterprises that support women and/or girls. WCC’s top focus areas are economic empowerment, education, and health. Additionally, the enterprises in which RSF invests must have a collaborative decision-making process. This pioneering fund now has other collaborating funders, which have deployed \$2 million in funding to women-led social enterprises supporting women and/or girls and raised over \$4 million for the initiative to date. Funders of this work include the Nia Foundation.



PROMISING PRACTICE

SUPPORT ENTREPRENEURS OF COLOR: JPMORGAN CHASE.

Detroit’s Entrepreneurs of Color Fund was created in 2015 by the W.K. Kellogg Foundation, JPMorgan Chase Foundation, Fifth Third Bank, and the Detroit Development Fund with \$6.5 million in capital, which grew to \$22 million by 2018. The fund has made loans to over 45 companies that employ over 800 people with 55% of the businesses being minority women-owned businesses and over 70% located in Detroit neighborhoods.

Building on that success, via its Community Development Banking division, JPMorgan Chase replicated the fund’s model and created two new funds to help minority and women entrepreneurs in San Francisco (\$3.1 million) and the South Bronx (\$2 million). One purpose of the approach was to address the shortage of finance for women and minority entrepreneurs. In San Francisco, JPMorgan Chase research found that Small Business Administration loans were approved to less than 10% of the Latinx and Black business owners and to 29% of Asian and Pacific Islander business owners, while White entrepreneurs received 53%. In the Bronx, New York,

TABLE 1 | RSF INTEGRATED CAPITAL TOOLS

LOANS	LOAN GUARANTEES	INVESTMENTS	GRANTS	NON-FINANCIAL SUPPORTS
SENIOR-SECURE LOANS	RSF GUARANTEES	EQUITY	TECHNICAL ASSISTANCE GRANTS	NETWORK CONNECTIONS
UNSECURED LOANS	THIRD-PARTY GUARANTEES	REVENUE SHARE AGREEMENTS	THIRD-PARTY GRANTS	ADVISORY SUPPORTS
LOAN PARTICIPATIONS		MEZZANINE FINANCE		

80% of small-business owners are people of color who typically have difficulty getting needed loans and investment.³⁹ These funds were part of its \$150 million Small Business Forward program to help women, minority, and veteran entrepreneurs with the goal of helping local minority-owned small businesses share in the growth of these two cities.

In Chicago, JPMorgan Chase put \$3 million and Fifth Third Bank added \$2.5 million into the Entrepreneurs of Color Fund, with community partners Local Initiatives Support Corporation (LISC)-Chicago and Acción Chicago providing mentoring, networks, additional capital, and coaching. The goal is to provide capital to minority- and women-owned businesses to build reserves, support expansion, and promote startups. By targeting the west and south sides of Chicago, the beneficiaries are likely to be Latinx, Asian, and Black entrepreneurs. In addition, JPMorgan invested \$1 million to fund business-mentoring programs for Black and Latinx entrepreneurs at the University of Chicago (for entrepreneurs with less than \$1 million in annual revenues) and Northwestern University (for entrepreneurs with more than \$1 million in annual revenue). The goal across both efforts is to serve up to 1,000 entrepreneurs of color with both programs and leveraged mainstream capital.⁴⁰



STRATEGY FOR ACTION

INCREASING REPRESENTATION IN HIGH-GROWTH INDUSTRIES. As highlighted earlier in the brief, women are underrepresented in high-tech sectors, both as employees and as entrepreneurs, thus limiting their ability to acquire the necessary technical skills to build highly profitable technology-based companies and mentor other women who seek to join the sector and build businesses within the industry. Opportunities to increase women's representation in the high-tech sector include strategies that support young women to enter the field through STEM (science, technology, engineering, and mathematics) programs and mentorship, and others that expand business resources such as accelerators and incubators. The examples below are focused on supporting women starting technology-related tech companies.



PROMISING PRACTICE

ACCELERATING HIGH-GROWTH COMPANIES: SPRINGBOARD ENTERPRISES. <https://sb.co> Founded in 2000 and based out of Washington D.C., Springboard Enterprises consists of a trusted network of entrepreneurs, investors, and advisers who accelerate the success of accomplished, entrepreneurial women leaders in technology-driven

companies. Through targeted programming and initiatives, they source, qualify, advise, showcase, and support businesses seeking capital or partnerships for product development and expansion.⁴¹

Over 700 women-led companies have participated in Springboard's accelerator programs, resulting in the creation of tens of thousands of new jobs, and billions of dollars in annual revenues. More than 82% of Springboard companies are still in business as independent or merged entities, including 17 IPOs.⁴²

Springboard's programs are supported by financial gifts and sponsorships including Springboard Patron Sponsors, who form the organization's inner circle. Patrons provide financial support and bring invaluable expertise to Springboard Enterprises, its programs, portfolio companies, and its community of women entrepreneurs.

Accelerator programs are especially effective for Black female entrepreneurs. For example, more than 30% of the Black women founders identified in Project Diane, the research project led by digitalundivided, participated in an accelerator program at some stage in building their enterprise. They were nearly two times more likely to receive funding to support the development of their businesses than Black women who had not been in an accelerator program. Their experience reinforces the potential benefits of philanthropy supporting the expansion of programs of this type.⁴³

Funders supporting Springboard provide financial support and bring invaluable expertise to Springboard Enterprises, its programs, portfolio companies, and its community of women entrepreneurs. Funders supporting Springboard include Dell, Aetna Inc., CA Technologies, and The George Washington University.



PROMISING PRACTICE

CATALYZING TECH STARTUPS: WOMEN WHO TECH. www.womenwhotech.com Based in Washington, D.C. and started in 2008, Women Who Tech (WWT) is a nonprofit organization with a mission to fund women-led startups. WWT uses an inclusive definition of woman—welcoming transwomen, genderqueer, and non-binary people who identify, have identified, or have been identified as female or a woman. It brings together innovators, talented and renowned women breaking new ground in technology, proposing new products that solve problems or transform the world and inspire change. WWT's goal is to provide funding, advice and guidance to the startups to help them scale and be successful. It also produces several Women

Who Tech TeleSummits, which include discussions led by startup investors.⁴⁴ WWT continues to expand its effort to connect the dots between women who want to pitch their innovative startups and bring plans and investors to scale.

Women Who Tech also launched the Women Startup Challenge in partnership with Craig Newmark, founder of Craigslist, one of the first online classified advertisement websites with sections devoted to jobs, housing, items for sale, items wanted, services, community, gigs, résumés, and discussion forums. The Women Startup Challenge provides women with a platform to showcase their startups and earn the support that they need. In addition to Craig Newmark, the challenge receives sponsorship support from industry leaders including Fred and Joanne Wilson, Google, Microsoft, Medium, Blanc and Otus, LinkedIn, BBG Ventures, 500 Startups, Office of Mayor Sadiq Khan at City Hall in London, IBM, and more.

The Women's Startup Challenge has raised over \$1 million in cash and prizes to support women-led startups and attracted over 1,900 attendees comprised of founders, engineers, investors, tech press, and others. Over 2,000 applicants have participated in the Women Startup Challenge, representing diverse, women-led startups across the U.S., Canada, and Europe; and 40% of Women Startup Challenge finalists have been women of color. Since competing in the Women Startup Challenge, finalists have collectively raised \$25 million.



STRATEGY FOR ACTION

ACCESS TO MENTORS AND NETWORKS. Female business owners continue to encounter difficulties in building networks and finding mentors within and across industries. Critical to successful women's business ownership is access to formal networks that foster business opportunities for women both in the sector and the community.



PROMISING PRACTICE

CREATING MEANINGFUL MENTORSHIP EXPERIENCES: MICROMENTOR. www.micromentor.org Through funding support from corporate, government, and nonprofit partners, MicroMentor is a free, easy-to-use social platform that matches entrepreneurs and volunteer mentors. The service allows entrepreneurs and mentors to connect so they can further develop existing businesses, spot opportunities for growth and expansion, and work through any problems that may arise. Volunteer men-

tors bring an array of experiences and typically help with marketing strategy, business planning, and finance.

Since 2009, MicroMentor has provided mentoring connections to 6,500 entrepreneurs across the globe, 60% who are women. Their efforts have resulted in a significant increase in job creation, business survival, successful startups, and revenue growth.⁴⁴ Of the entrepreneurs who use MicroMentor, 47% are ethnic minorities (33% African American, 7% Latinx, 6% Asian), and 77% created or retained jobs. Mentored businesses experienced an 83% survival rate and increased revenues by the same proportion. MicroMentor, a nonprofit service of MercyCorps, is located in Oregon. Its founding funders included the Charles Stewart Mott Foundation, Citi Foundation, Friedman Family Foundation, Western Union Foundation, and Zero Divide. Current funders include Capital One, Sam's Club, The Salesforce.com Foundation, Hewlett Packard, and Google Grants, among others.



STRATEGY FOR ACTION

BUSINESS EDUCATION AND TRAINING. As explained earlier, women are systemically disadvantaged by less business training and financial education than men. Moreover, the costs associated with advanced training and education can, in some cases, prevent potential female entrepreneurs from creating or expanding businesses by reducing the assets at their disposal.

An important aspect of business education for women should include financial coaching. Financial coaches work with clients in a one-on-one relationship where the focus is on performance gains driven by the goals set forth by the client. The coach provides a structure for clients to develop their own solutions, which helps people develop skills and behaviors they can improve upon independently. Financial coaching, when embedded in existing education and training programs, would be very effective in helping women business owners achieve their goals by creating action plans tailored to where they are in their business. Financial coaching can also be instrumental in helping women become loan ready or "bankable" when they apply for financing from financial institutions.

Several strategies replicated in different communities can provide foundational tools for women motivated to sustain and grow their businesses to generate wealth, all in an affordable way.



PROMISING PRACTICE

ENGAGING FEMALE ENTREPRENEURS: BABSON COLLEGE WIN LAB®. <https://www.babson.edu/academics/centers-and-institutes/center-for-womens-entrepreneurial-leadership/programs-and-events/win-lab/> Created at Babson College, the Women Innovating Now (WIN) Lab is a venture accelerator. The WIN Lab® engages women entrepreneurs in any industry who have a high-growth, big idea and are well positioned in the market.

Once selected, the WIN Lab® program provides women with five months of business education, one-on-one coaching, access to industry experts, and public “pitch” events showcasing the entrepreneur’s company. These events help the women develop relationships with investors and create connections to a cohort of other women who are on the same journey. This inspiring community of women business owners and experts catalyzes innovative thinking, enabling the entrepreneurs to successfully launch, expand, or transform their businesses. With the support from the John S. and James L. Knight Foundation, the WIN Lab® program was expanded to Miami. With cohorts of 20 women entrepreneurs each in Boston (half are Babson College students and half have no affiliation) and Miami (no Babson college affiliation), each year the program is developing stronger businesses and business leaders who are addressing training and mentoring.

The WIN Lab® also created an Intensity Track for women who are M.B.A. students to gain experience as entrepreneurs. The goal is to provide the coursework and experience to develop future CEOs. Funding is provided by a range of corporate and philanthropic contributions. This allows the program to be free to participants—women who are a majority stakeholder in their existing business. In its fourth year, the WIN Lab® was designated as one of the top two specialty programs for Excellence in Entrepreneurship Education by the United States Association for Small Business and Entrepreneurship.

For the last two years, with the support of the James Beard Foundation, Babson has also hosted a five-day Women’s Entrepreneurial Leadership program. The program is designed to mentor 20 female chefs and restaurateurs who seek to scale and advance their business. The program curriculum addresses advanced business and finance concerns related to entrepreneurship and expansion, leadership training, and provides mentors and career development as well as creates a national network of peers through the James Beard Foundation’s broader women’s leadership programs.⁴⁵



PROMISING PRACTICE

LEVELING THE PLAYING FIELD: U.S. SMALL BUSINESS ADMINISTRATION (SBA) WOMEN’S BUSINESS CENTERS. www.sba.gov/offices/headquarters/wbo As part of the passage of the Women’s Business Ownership Act in 1988, which made it illegal to require a male relative’s signature on a business loan, funding was included to support the establishment of Women’s Business Centers (WBC) around the U.S.⁴⁶

WBC, now a program of the U.S. Small Business Association (SBA) under the Office of Women’s Business Ownership, is a national network of more than 150 centers that offer one-on-one counseling, training, networking, workshops, technical assistance, and mentoring to women entrepreneurs on numerous business development topics including business startup, financial management, marketing, and procurement. WBCs are funded by government grants, typically requiring a 100% match from philanthropic resources. Many WBCs are chronically underfunded, especially in rural areas where securing required match dollars is more difficult. Therefore, philanthropy plays an important role in helping these WBCs to survive and thrive.

According to a recent American Express report, women entrepreneurs receive only 4% of commercial loan dollars. It is also important to note that WBCs are also designed to assist women in starting and growing small businesses in local communities across the nation, including connecting them to needed capital, where possible.

WBCs have a track record of creating positive outcomes across the U.S. Through their comprehensive approach, WBCs not only help women develop and follow through with business plans, but also help women forge valuable network connections and obtain access to financing. In 2016, WBCs helped more than 145,000 clients secure nearly \$40 million in government contracts for women-owned businesses.

There is currently an effort advocating the increase of funding for Women’s Business Centers from \$17 million to \$100 million, with the ambitious goal of raising \$50 million from banks and other private sources.⁴⁷ Given their proven results and the opportunity to contribute both to local centers or the national organization, funder investment in WBCs can make a significant impact at home and nationally.

FUNDER RECOMMENDATIONS

The number of women-owned businesses in the U.S. has increased greatly in the past 20 years, particularly those owned by women of color. However, the promise of wealth has not materialized for women at the same rate or level as men.

Key barriers to women business owners' ability to build greater business equity are both historic and systemic. Additionally, they have had to navigate an underdeveloped ecosystem to provide support throughout the business life cycle.

Funders can effectively support women entrepreneurs to build and expand successful ventures by investing in proven practices to scale successful efforts, AND undertaking bold and innovative approaches that address the root challenges to women-owned businesses. They can also support efforts that fill gaps in knowledge that will enable

further understanding of the diverse needs and demographics of women business owners.

As described above in this brief, philanthropy should continue supporting and replicating best practices to expand women business owners' access to:

- ◆ Responsible financing.
- ◆ High-growth sectors.
- ◆ Mentorship and networking opportunities.
- ◆ Business training, education, and programs that specifically target women.
- ◆ Entrepreneurial efforts.



INVEST IN ORGANIZATIONS/ FUNDS THAT PROVIDE EQUITABLE ACCESS TO CAPITAL

The prevailing research demonstrates that female entrepreneurs and business owners face a persistent funding gap. Funders looking to support the creation and growth of women-led businesses can maximize their impact by supporting groups and funds that intentionally aggregate sources of funding to effectively target access to women entrepreneurs with low and moderate incomes. Knowing that business owners need working capital throughout the lifetime of their enterprise, particular emphasis should be given to groups and funds that promote fair access to credit at the startup stage, and beyond. Examples of promising funding sources include:

- ◆ CDFIs.
- ◆ Collaborative funds.
- ◆ Market investor groups.
- ◆ New and innovative methods of financing.



SUPPORT WOMEN-LED VENTURES IN HIGH-GROWTH FIELDS

For women looking to start businesses in high-growth fields, a sufficient amount of prior industry knowledge *and* a significant capital investment are often necessary.

Undoubtedly, organizations that allow women to develop the requisite industry knowledge in an affordable way play a key role in reducing the current level of occupational segregation. Yet, in order to realize the potential of female-owned ventures, large funders must provide the necessary capital for successful product development and implementation. Venture capital firms, which help finance promising startup companies with high-growth potential, allow women to seize opportunities and are important in driving women-led ventures in high-growth fields. While many funders may face barriers to the creation of entirely new venture capital firms, there is plenty of room—and great need—for collaborations between large funders and existing venture capital firms that specifically support women-led companies. In short, funders should take a multifaceted approach that includes:

- ◆ Supporting organizations that educate female entrepreneurs about the opportunities present in high-growth STEM (science, technology, engineering, and mathematics) fields (e.g. Access Latina).
- ◆ Aiding or investing in venture capital firms that specifically aim to help women enter high-growth fields (e.g. Texas Women's Ventures).
- ◆ Continuing to back advocacy campaigns and initiatives that encourage women to pursue education and entrepreneurship in high-growth fields.



CLOSE THE MENTORSHIP AND NETWORK GAPS

Strong networks and mentors, when paired with sufficient training, education, preparation, and financing, unlock new opportunities for female entrepreneurs to expand their businesses and garner the industry expertise necessary for long-term success. Yet, in addition to funding gaps and occupational segregation, many women entrepreneurs also experience a gap in access to mentorship and network training.

To help address these disparities, funders are encouraged to invest in programs and organizations focused on connecting female entrepreneurs with mentors and networks that will further their entrepreneurial goals. Moreover, funders can support networks to provide advice and connections that allow entrepreneurs to grow their business. Some actionable steps for funders include:

- ◆ Investing in organizations that help connect women to new business networks and seek new sources of business.
- ◆ Supporting services and organizations that provide mentorship opportunities for female entrepreneurs (e.g. MicroMentor).

- ◆ Personally mentoring female entrepreneurs and/or using one's own network to connect female entrepreneurs to promising business connections, whenever possible.



SUPPORT ALTERNATIVE METHODS OF BUSINESS EDUCATION AND TRAINING

While effective for some, traditional sources of business education (i.e. a bachelor's degree or M.B.A) often can reduce a woman's assets and, consequently, prevent women from starting new businesses. Indeed, it appears that alternative, low-cost methods of business training and education may be more useful to many women, as they bolster their entrepreneurial skills while preserving capital that can later be used to start thriving businesses. For instance, accelerator programs and laboratories allow women to start and grow their businesses while also providing an ecosystem of support.

To support women who are already pursuing college degrees in business administration, funders can invest in programs that help female students gain entrepreneurial confidence through efforts that bridge subject matter expertise and application of that knowledge to a career after graduation. Importantly, these programs allow women to

gain greater expertise as they pursue their degree, making their investment in education more valuable and enabling them to hit the ground running after graduation.

While these programs exist in some communities, funding is needed to help develop these supports and replicate their success in new areas. Funders looking to improve business education and training for female entrepreneurs can:

- ◆ Invest in accelerators, laboratories, business training centers, and other low-cost sources of business education that improve female entrepreneurs' expertise while preserving their ability to fund new ideas or expand their current ventures.
- ◆ Support entrepreneurship programs within universities that allow future female business owners to extract more value from their degree.
- ◆ Invest in programs or organizations that simultaneously provide business training and education, network building opportunities, and access to funding sources for an even greater impact.



SPUR INNOVATION

CATALYZE THE CREATION OF NEW PATHWAYS FOR WOMEN ENTREPRENEURS TO GAIN CAPITAL.

Funders can support a demonstration project to evaluate the effects of "seeding" assets for women who start their entrepreneurial efforts with little personal wealth.

A potential experiment could consist of a total of 800 women, randomly assigned to treatment and control groups. A fund of \$10 million would make it possible to have a treatment group of 400 women, each receiving \$25,000 in funds, half of whom would have to use the money for business ownership and half of whom could use the funds as they saw fit. The companion 400 women in the control group would receive no endowment. Education supports for business ownership could be built into the demonstration project.



POLICY ADVOCACY

SUPPORT EFFORTS TO ENFORCE LEGAL STANDARDS FOR EQUAL ACCESS.

Funders should invest in legal advocates to alter the behavior of existing institutions by reliance on anti-discrimination laws and lawsuits, they can also support

CDFIs as lending institutions and collaborative funds explicitly designed to provide credit on reasonable and *equitable* terms for women and/or all borrowers.⁴⁸ The legal remedy is probably underutilized for gender, racial, and national origin discrimination.

In 2017, researchers who conducted a matched pair mystery shopper experiment in two eastern metropolitan areas found strong evidence of discrimination in business credit for Black entrepreneurs. They concluded that "Policymakers should push for more strenuous enforcement of fair lending laws."⁴⁹

Funders can also support advocacy efforts for improved application of those laws by replicating organizations like the California Reinvestment Coalition (CRC). CRC is a California-based advocacy organization that focuses on ensuring financial institutions are providing fair and equal access to financial services for low- to moderate-income communities across the country.⁵⁰



INVEST IN RESEARCH TO FILL GAPS IN KNOWLEDGE

There is a paucity of research on women entrepreneurs, and consequently, a lack of policy-relevant initiatives that can address the very obstacles they face. This gap in insight is particularly pronounced for specific cohorts of women in the American Indian and Alaskan Native, Native Hawaiian, and Pacific Islander communities. There is also a lack of systematic research that explores the nature of entry into and exit out of business ownership for different women throughout the country. We need better insight into the intersections and dynamics that play into how different women entrepreneurs confront different entrepreneurial opportunities and challenges. To fill in these gaps of knowledge, the following areas of research require further investment:

- ◆ Disaggregated data on women entrepreneurs by ethnicity – particularly within Asian, Hawaiian and Pacific Islander communities (e.g. Asian Indians, Chinese, Japanese, Vietnamese, Samoan women, etc.).
- ◆ Data on aspects related to initial ownership and subsequent outcomes such as longevity, sales, employment, revenues, or profits of businesses by gender, sector, and race or ethnicity.
- ◆ Longitudinal datasets that allow us to characterize the experiences of women entrepreneurs from the starting point of ownership of a business to the end point.






CONCLUSION

The financial security and overall well-being of families increasingly rests on the shoulders of women. As such, long-term economic security for women and their families requires that women have access not only to higher incomes, but also to wealth-building opportunities. For business ownership to serve as an effective pathway to wealth accumulation for women, as opposed to an employment strategy, core obstacles—limited access to capital, mentors and networks, business education and training, along with occupational segregation—must be addressed.

Philanthropic investment can and should play a role in expanding opportunities for women to build wealth, thereby narrowing the wealth gap through business ownership. This is especially true for women of color who are affected most disparately by the wealth gap.

APPENDIX TABLE 1 | TABLE 1: GENDER DIFFERENCES IN U.S. BUSINESS OWNERSHIP (2012)

Consistent with findings for 2015, this table highlights the gender gap in business performance and size across men-owned, women-owned, or equally-owned businesses in 2012.

GENDER	NUMBER OF FIRMS IN 2012	% OF TOTAL 2012	RECEIPTS OF ALL FIRMS (\$1,000)	NUMBER OF EMPLOYER FIRMS	RECEIPTS OF EMPLOYER FIRMS (\$1,000)	EMPLOYMENT	PAYROLL (\$1,000)
 MEN-OWNED	14,844,597	54.6%	\$9,466,039,188	3,333,572	\$8,813,398,192	41,132,111	\$1,643,868,568
 WOMEN-OWNED	9,878,397	36.3%	\$1,419,834,295	1,035,655	\$1,190,586,438	8,431,614	\$263,720,252
 EQUALLY-OWNED	2,456,386	9.0%	\$1,078,204,389	764,977	\$960,600,118	6,494,837	\$188,853,393

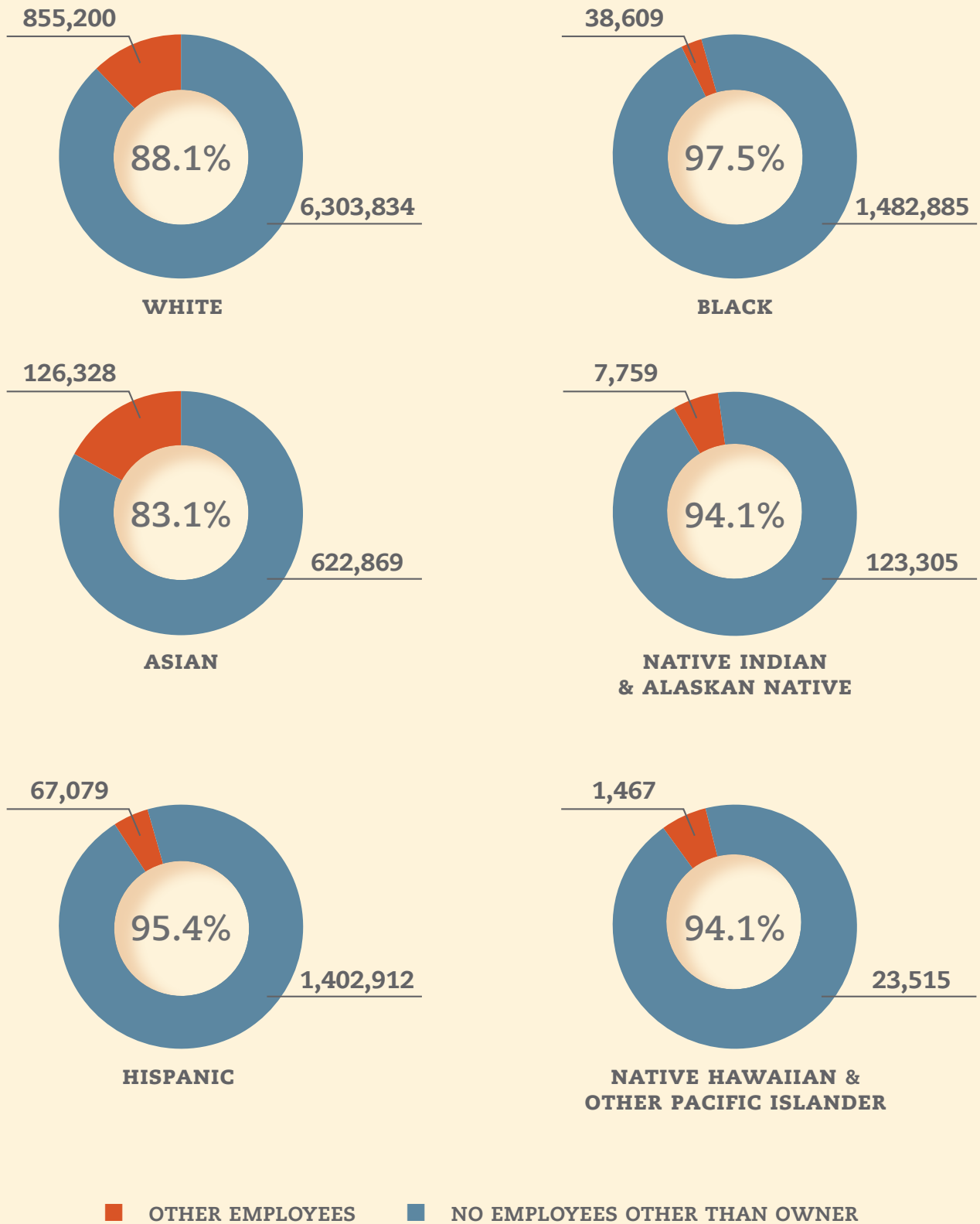
Source: Survey of Business Owners (2012)

APPENDIX TABLE 2 | WOMEN-OWNED BUSINESS BY RACE AND BY HISPANIC VS. NON-HISPANIC

 WOMEN-OWNED FIRMS (2012)	NUMBER	PERCENT
ALL WOMEN-OWNED FIRMS	9,878,397	100%
WHITE	7,159,034	72%
BLACK	1,521,494	15%
NATIVE AMERICAN & ALASKAN NATIVE	131,064	1%
ASIAN	749,197	8%
NATIVE HAWAIIAN AND PACIFIC ISLANDER	24,982	0.25%
<i>This table does not include women-owned firms owned by those individuals of "some other race" or who are classified under more than one race.</i>		
ALL WOMEN-OWNED FIRMS	9,878,397	100%
HISPANIC	1,469,991	15%
NON-HISPANIC	8,402,865	85%
EQUALLY HISPANIC + NON-HISPANIC	5,541	0%

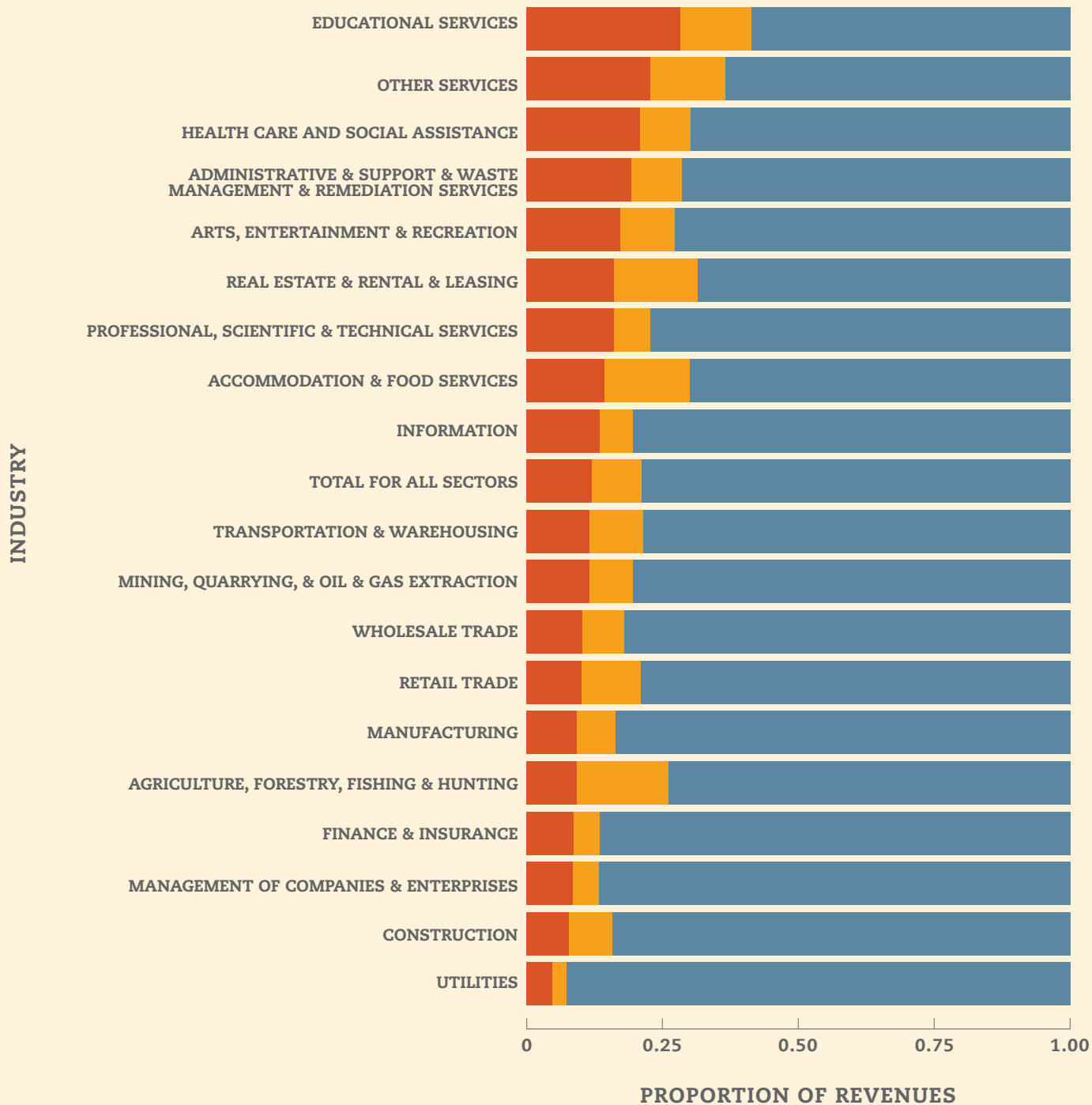
Source: Survey of Business Owners (2012)

APPENDIX FIGURE 2 | NUMBER OF EMPLOYER AND NON-EMPLOYER WOMEN-OWNED BUSINESSES BY RACE AND HISPANIC ORIGIN (2012)



Source: Survey of Business Owners (2012)

APPENDIX FIGURE 3 | BUSINESS REVENUE BY GENDER AND INDUSTRY



Source: Survey of Business Owners (2012)

REFERENCES

1. Data from this report are an extrapolation from the 2012 U.S. Census Bureau Survey of Business Owners and the 2017 State of Women-Owned Businesses Report – Summary of Key Trends, Commissioned by American Express. <http://about.americanexpress.com/news/docs/2017-State-of-Women-Owned-Businesses-Report.pdf>
2. Ibid.
3. Sara Jane Glynn, “Breadwinning Mothers Increasingly the U.S. Norm,” *Center for American Progress*, December 19, 2016, <https://www.americanprogress.org/issues/women/reports/2016/12/19/295203/breadwinning-mothers-are-increasingly-the-u-s-norm/>.
4. Mariko Chang, “Women and Wealth: Insights for Grantmakers,” *Asset Funders Network*, 2015, p.5.
5. Ibid. All of these figures exclude vehicles from net worth value.
6. Authors’ calculations from the Survey of Consumer Finances 2016.
7. Authors’ calculations from the Survey of Consumer Finances 2016.
8. Authors’ calculations from the Survey of Consumer Finances 2016.
9. Estimates derived from the Survey of Consumer Finances 2016.
10. “Do Women Business Owners Have it All?” *The Business Journals*, 2015, <https://media.bizj.us/view/img/7002672/smb-insights-2015-women.pdf>.
11. Ingrid Gorman observes, “The wealth advantage associated with owning a business is even greater among Blacks than Whites, whether male or female. Black business owners have been estimated to have 12 times the wealth of Black non-business owners.” *The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success*, Association for Enterprise Opportunity, 2017.
12. Khaing Zaw, Jhumpa Bhattacharya, Anne Price, Darrick Hamilton, and William Darity Jr., “Women, Race and Wealth,” *The Samuel DuBois Cook Center on Social Equity at Duke University and the Insight Center for Community Economic Development*, January 2017.
13. “The 2017 State of Women-Owned Businesses Report: Summary of Key Trends,” *American Express*, 2017, <http://about.americanexpress.com/news/docs/2017-State-of-Women-Owned-Businesses-Report.pdf>.
14. Ibid. The remaining 9% of sales revenue went to firms owned equally between men and women. Equally owned businesses are those in which the equity, interest, or stock is equally shared between male and female owners.
15. “Small Business Survey: Report on Women-Owned Firms 2016,” *Federal Reserve Banks of New York and Kansas City 2017*, November 2017, p.2, <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2016/SBCS-Report-WomenOwnedFirms-2016.pdf>.
16. Ibid.
17. “Annual Report Accelerating the Future of Women Entrepreneurs: The Power of the Ecosystem 2017,” *National Women’s Business Council*, p.7, https://www.nwbc.gov/sites/default/files/NWBC_AR_112917_508.pdf.
18. Ibid, p.8.
19. J. Battisto., D. Gines, and C. Kramer Mills, C., “Small Business Credit Survey: Report on Women Owned Firms,” *Federal Reserve Banks of New York and Kansas City*, 2016, <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2016/SBCS-Report-WomenOwnedFirms-2016.pdf>.
20. Ibid.
21. <https://www.nawbo.org/advocacy/policies-and-positions/access-capital-women-owned-businesses>.
22. Kathryn Finney, “Innovating Inclusion: digitalundivided and #Project Diane,” *Inc.*, February 23, 2016, <https://www.inc.com/kathryn-finney/innovating-inclusion-digitalundivided-and-project-diane.html>.
23. Sarah Thébaud and Amanda J. Sharkey, “Unequal Hard Times: The Influence of the Great Recession on Gender Bias in Entrepreneurial Financing,” *Sociological Science*, Vol. 3, Iss. 1, 2016, p.1-31.
24. Mijid Naranchimeg, “Why Are Female Small Business Owners in the United States Less Likely to Apply for Bank Loans Than Their Counterparts?” *Journal of Small Business and Entrepreneurship*, Vol. 27, Iss.2, 2014. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2381302.
25. Battisto et al., op cit.
26. Donald Tomaskovic-Devey et al. “Documenting Desegregation: Segregation in American Workplaces by Race, Ethnicity, and Sex, 1966–2003,” *American Sociological Review*, Vol. 71, No. 4. 2006, p.565–588, [bhttps://doi.org/10.1177/000312240607100403](https://doi.org/10.1177/000312240607100403).

REFERENCES

27. Ibid.
28. U.S. Census Bureau, "Survey of Business Owners," 2012.
29. Gillian B. White, "Women Are Owning More and More Small Businesses," *The Atlantic*, 2015, <https://www.theatlantic.com/business/archive/2015/04/women-are-owning-more-and-more-small-businesses/390642/>.
30. Authors' calculations from the Survey of Business Owners, 2012. Ibid. p.4. While similar proportions of men- and women-owned businesses are in professional services and real estate, the proportion of male-owned firms in finance and insurance is twice as high as the female share, and the proportion of male-owned firms in non-manufacturing goods production is almost two times as high. In addition, it is not possible to gauge whether there are gender differences in the extent to which firms vanish because they are so successful they are purchased and absorbed by larger entities.
31. Robin L. Laukhuf and Timothy A. Malone, "Women Entrepreneurs Need Mentors," *International Journal of Evidence-Based Coaching and Mentoring*, Vol. 13, No. 11, 2015, p.70, <http://ijebcm.brookes.ac.uk/documents/vol13issue1-paper-05.pdf>.
32. <https://www.ddiworld.com/resources/library/trend-research/women-as-mentors-does-she-or-doesnt-she>
33. Battisto et al., op cit. p.1.
34. <https://www.fastcompany.com/40447757/the-hidden-gender-gap-among-mba-graduates>.
35. Zaw et al. "Women, Race, and Wealth," op cit.
36. Ibid.
37. R.E. Dwyer., R. Hodson, and L. McCloud, "Gender, Debt, and Dropping Out of College," *Gender & Society*, Vol. 27, No. 1, 2013, p.30–55, <https://doi.org/10.1177/0891243212464906>.
38. Anne Field, "\$1 million for Female-Led Startups Focused on Women's Empowerment," *Forbes*, January 29, 2018, <https://www.forbes.com/sites/annefield/2018/01/29/1-million-for-female-led-startups-focused-on-womens-economic-empowerment/#14ebafbc498f> .
39. <https://www.jpmmorganchase.com/corporate/news/pr/entrepreneurs-of-color-fund-south-bronx-san-francisco.htm>.
40. Ibid.
41. Springboard Enterprises. Retrieved from <https://sb.co/about/>.
42. An IPO is short for an initial public offering. It is when a company initially offers shares of stocks to the public. It's also called "going public." An IPO is the first time the owners of the company give up part of their ownership to stockholders.
43. Finney op cit.
44. See MicroMentor.org, <https://www.micromentor.org/>.
45. James Beard Foundation, <https://www.jamesbeard.org/blog/the-2018-womens-entrepreneurial-leadership-program-fellows>.
46. "SBA's Entrepreneurial Development Programs: Resources to Assist Small Businesses," *U.S. House of Representatives Small Business Committee Subcommittee on Contracting and Workforce*, March 30, 2017, p. 86 (statement of Antonella Pianalto, President and CEO, Association of Women's Business Centers), <https://www.congress.gov/115/crpt/hrpt1079/CRPT-115hrpt1079.pdf>.
47. "Women Unbound: Unleashing Female Entrepreneurial Potential," *PricewaterhouseCoopers*, 2017, <https://www.pwc.com/gx/en/diversity-inclusion/assets/women-unbound.pdf>.
48. In principle, Community Development Financial Institutions (CDFIs) are supposed to serve these aims. However, they are limited by the nature of their spatial targeting approach; they focus on the poor living in "distressed areas" rather than the poor regardless of where they live. The recommendation here is for the provision of services that are person-centered instead of location-centered. See Sean Lowry *Community Development Financial Institutions (CDFI) Fund: Program and Policy Issues* CRS Report for Congress 7-5700, Washington D.C.: Congressional Research Service, October 3, 2012.
49. Yusuf Ismail, "New Report Finds Racial Discrimination in Small Business Lending," *Newark Patch*, November 18, 2017, <https://patch.com/new-jersey/newarknj/new-report-finds-racial-discrimination-small-business-lending>.
50. The California Reinvestment Coalition has a community development and community rights-based mission, including insistence on California-based banks fully meeting the dictates of the Community Reinvestment Act. <http://calreinvest.org/about/>.



Asset Funders Network

The Asset Funders Network (AFN) is a membership organization of national, regional, and community-based foundations and grantmakers strategic about using philanthropy to promote economic opportunity and financial security for low- and moderate-income Americans.

AFN works to increase the capacity of its members to effectively promote economic security by supporting efforts that help low- to moderate-income individuals and families build and protect assets.

Through knowledge sharing, AFN empowers foundations and grantmakers to leverage their resources to make more effective and strategic funding decisions, allowing each dollar invested to have greater impact.

www.assetfunders.org

CLOSING THE WOMEN'S WEALTH GAP

The women's wealth gap is the result of a long history of policy, practices, and norms that have limited the capacity of women, especially women of color, to earn, save, invest, and preserve financial assets. Closing the gap will require a broad cross-section of stakeholders working together to understand the causes and effects of the gap and advance a range of policy, programmatic, and market-based solutions.

We invite you to join the Closing the Women's Wealth Gap, a national network of more than 300 philanthropic, nonprofit, private, and public-sector leaders who are leveraging their collective knowledge, expertise, and networks to advance promising solutions.

For more information, please visit www.womenswealthgap.org or contact Director Heather McCulloch at heather@womenswealthgap.org.