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Capital Avenues Widening for Entrepreneurial Women Worldwide

BY JULIE WEEKS

Access to capital: it's long been one of the most important concerns cited by women business owners in survey after survey regardless of country or context, and is generally recognized as a key constraint for women's enterprise development around the globe.

In recent years the avenue leading to more traditional forms of capital has been widening for women, and new roads to less traditional sources of capital are being constructed. The result? It's now much easier for growth-oriented women entrepreneurs to get the capital they need to take their enterprises to the next level.



BANK LENDING

With respect to the widest capital avenue—traditional bank lending—there's a growing awareness among financial institution leaders that women-owned firms are not only a safe bet, but a desirable customer segment.

First, there's an increasing body of evidence from micro-lending institutions that repayment rates from female borrowers exceed 90 percent, and in most cases show higher repayment rates than those seen among male borrowers.

Second, international economic development agencies such as the International Finance Corporation, the Multilateral Investment Fund of the Inter-American Development Bank, and the Asian Development Bank among others are providing funds to banks to facilitate increased lending to women-owned small businesses.



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Thirdly, banks themselves are seeing value in specifically targeting the women's market. Propelling this growth is the Global Banking Alliance for Women. Founded in 2000 by four founding member institutions, the GBA now boasts 34 members that work in 135 countries around the world. The GBA recently announced a plan to mobilize \$4.3 billion USD in capital for women-owned businesses worldwide, and pledges to work toward greater sex-disaggregated statistics on lending to women-

owned firms, which has historically been a challenge for lenders and public sector institutions alike.

Toward that end, the GBA provides the lending community with a wealth of support and information, including information on the business case for lending to women (which women business owners would do well to use as leverage with their own local financial institutions).

EQUITY INVESTMENT

A less frequently trodden path to growth capital for women business owners is equity financing, primarily consisting of angel capital and venture capital investment. Historically less than 10 percent of venture capital investments and under 20 percent of angel capital investments have been made in women-led firms.

Researchers at Babson College, who have been influential in launching the Diana Project, recently published an analysis of women in venture capital to update the inaugural research that launched their collaboration 15 years ago (the project is named after the Roman goddess of the hunt—in this case the hunt for capital).



During this time, the venture capital industry overall has contracted, while the angel capital industry has expanded.

Last year, \$29.4 billion was invested in venture capital deals, with 15 percent of the deals made over the past three years in firms with a woman on the management team—a vast improvement over the 5 percent found in their inaugural 1999 study. And yet, just 2.7 percent of the venture-backed firms were women-led in 2013, and just 3 percent of venture capital dollars invested last year went to firms with a female CEO.

The angel capital marketplace is somewhat more gender diverse. According to the Center for Venture Research at the University of New Hampshire, there were \$24.8 billion in angel capital investments made in 2013, nearly matching the level of venture capital funding.

Nearly one-quarter (23 percent) of those seeking angel capital last year were women-led firms, and 19 percent of angel capital investors were women. This compares to 16 percent and 17 percent, respectively, in 2008. Thus, over the past five years,

there has been a 44 percent increase in the share of women-led firms seeking angel investment and a 12 percent rise in the share of female angel investors.

Since the playing field is more level when there's gender diversity on both



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sides of the investment table, there are efforts to get more women educated in the lingo and logistics of venture capital pitching, and for becoming angel investors.

Astia (with offices in the U.S. and U.K.) and Springboard Enterprises are two organizations that provide training, peer support and introductions to venture capital

fundors; Astia also has an angel investor group.

The Pipeline Fellowship offers boot-camps for would-be angel investors in the U.S., and in Scotland a new women angel network, Investing Women, was launched last year.




CROWDFUNDING

Rising quickly on the capital scene is crowdfunding, a mechanism by which businesses (as well as social causes, artists and others) put out their ideas, needs and fundraising requests directly to individual investors. It's estimated that crowd funding campaigns raised \$5.1 billion worldwide in 2013—more than triple the volume in 2011—and that the number of crowd funding platforms has nearly doubled during that same time period.

Two of the most familiar business crowdfunding sites—Indiegogo and Kickstarter—recently shared some interesting gender-related analysis of the deals funded on their sites.

First, Indiegogo announced that fully 42 percent of their funding campaigns are launched by women, and these women are 61 percent more likely to meet their funding goals and raise 11 percent more money than do the men who seek funding on their platform. Secondly, Kickstarter has found that women are 13 percent more likely than men to meet their funding goals on their platform.

Is it the person-to-person approach provided by crowdfunding? The more modest amounts of capital being sought? Perhaps a mixture of both, but women are finding crowdfunding a fruitful avenue for raising capital. And women are also seeing gains in debt and equity capital markets. All told, while the streets of business growth may not necessarily be paved with gold, they are at least wider and growing much easier for women entrepreneurs to navigate.

JULIE R. WEEKS is President and CEO of Womenable, a for-profit social enterprise that works to improve the environment for women's entrepreneurship worldwide. She serves on the Advisory Board of Enterprising Women, as well as the board of the Global Banking Alliance for Women. Connect and learn more about her at www.womenable.com. 



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