

WOMEN ENTREPRENEURSHIP: ISSUES AND CHALLENGES

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Abstract

This conceptual paper indicates and emphasizes the women entrepreneurs as the potentially emerging human resource in the 21st century to overcome the economic challenges in global perspective. Being a woman entrepreneur is not a random event, but is influenced by personal characteristics as well as by socio-economic and cultural factors. Yet, despite this shift; there still are gender gaps in the startup of entrepreneurial ventures that have been observed in many countries. There are differences in human capital factors such as education levels and intentions or on financial factors such as access to venture capital and credit terms or on the access to social capital at various stages of the entrepreneurial process. Developing and developed nations have realized that developing women entrepreneurship is indispensable to flourish as economically dominant nation in the modern high-tech world.

Purpose - The purpose of this paper is to direct attention to recent research on women's entrepreneurship and the factors affecting it.

Design/methodology/approach - The paper encourages research that investigates how context, such as financing, aptitude, skills and knowledge is related to women's entrepreneurship, and acknowledges that gender is socially constructed.

Keywords: Entrepreneurship, Women, financing, Behavior

Introduction

Female entrepreneurship has attracted increasing attention in recent years in light of concrete evidence of the importance of new business creation for economic growth and development (Acs et al., 2005; Langowitz and Minniti, 2007). Not only does female entrepreneurship contribute to economic growth and employment creation, but it is increasingly recognized to also enhance the diversity of entrepreneurship in any economic system (Verheul et al., 2006) and to provide avenues for female expression and potential fulfillment (Eddleston and Powell, 2008). Globally women are considered as weaker gender physically and emotionally, therefore

prospects open for them to develop into business professionals is an area still quite unexplored and needs attention. Wennekers,(1999). Overcoming the challenges of business world are no doubt more treacherous for women than their male counterparts, therefore they undergo various impediments to achieve their business success. Allen and Truman, (1993). Fortunately due to technological advancement & means of communication the world has turned into a global community which has created new channels & opened up avenues for women to explore not only their potential aptitudes rather search for better business opportunities.

Carter,(2001). Entrepreneurship by definition implies being in control of one's own life and activities. Gundry, Joseph and Posig,(2002). This women empowerment is exactly the real barrier which society does not acknowledge and therefore majority of woman potential remains untapped, which can be a powerful resource in economic growth of every economy. Helms,(1997).

While the literature on female entrepreneurship has traditionally focused on the micro-level, including an exploration of the distinctive characteristics of female and male entrepreneurs in terms of motivation, personality traits, or experience for example, or the features of their firms as in size, goals, access to capital, management, and performance, more systematic attention has been accorded in recent years to the influence of macro-level factors on entrepreneurship generally, and female entrepreneurship specifically (Verheul et al., 2006; Baughn et al., 2006). For insights into for-profit entrepreneurship studies conducted in less industrialized countries, we examine the work by D'Cruz (2003), NFWBO (2002), Jacob (1998), Shabbir and Di Gregorio (1996), Naffziger and Terrell (1996), Berger (1991) and Gupta (1991). From all these studies we find that cultural values and norms are critical to explain entrepreneurship. This literature suggests that the decision to start a business is impacted by factors such as, family support, education and business experience, access to capital, and socio-

economic and personality characteristics. There is a paucity of entrepreneurial literature in the nonprofit sector, notwithstanding anecdotal and historical literature about charismatic founders. A few studies give us insight into nonprofit entrepreneurship: Handy, Kassam, and Ranade (2003); Glaeser and Shleifer (2001); Bilodeau and Slivinski (1996); Pilz (1995); and Young (1983). The latter three are based in North America while the former is based in India. This literature suggests that nonprofit entrepreneurs are driven by their beliefs, personal experiences, perceptions of community needs, and desire to provide services to others. Given that they must incur similar constraints and challenges as their for-profit counterparts, they are likely to be equally willing to take risks, self-directed, and innovative. However their focus is on what they can do for others while for-profit entrepreneurs are interested in financial independence and are driven by profit maximization (Crowell, 2003; Everingham, 2002).

Factors affecting female entrepreneurship

The most popular themes in entrepreneurship research have traditionally revolved around micro-level factors including opportunity recognition, motivation, financing and performance. Opportunity identification is considered a mainstream fundamental issue in entrepreneurship research, given that it is an important entrepreneurial capability and a source of competitive advantage (DeTienne and Chandler, 2007). Gender differences in opportunity identification have been linked to differences in human capital variables including education and work experience, with men documented to leverage significantly higher levels of prior industry or entrepreneurial experience as well as experience in managing employees than women (Carter and Brush, 2005; Carter and Williams, 2003; Boden and Nucci, 2002). While men and women may indeed have unique and differentiated stocks of human capital as recently implied by DeTienne and Chandler (2007), the evidence generally suggests that women have less human capital to bring to self-employment which negatively impacts their opportunity identification and exploitation potential.

Women-owned firms and financing

A number of studies have examined women business owners' uses of various sources of financing. Prior research suggests that issues exist with both the supply and the demand side of acquisition of capital. Supply side factors would include the preferences of investors for specific types of industries, firms, or entrepreneurs. Conversely,

demand-side issues would include the preferences of the entrepreneur for growth, profits, industry sector, risk, and control. In this research, we will address both supply- and demand-side considerations as we examine women entrepreneurs' uses of debt and equity.

A. Debt Financing

In the area of debt financing, women continue to report difficulty in securing bank loans and dealing with lenders. This is troubling given that most studies indicate that women are no more likely to be turned down for loans than men. Women were more reluctant to apply, however, and also more likely to anticipate denial. There is also evidence that women apply for significantly smaller loans that may not be sufficient to fund the growth of their firms. (Sara & Rosa, 1998). This suggests that both supply- and demand-side factors are at work in terms of women's ability to obtain and willingness to seek debt capital. One study of Canadian firms noted that women were less satisfied with their banking relationships, although they were no less likely to be granted loans. (Lola Fabowale et al., 1995) Similarly, an article by Walker and Joyner observed that women continue to feel that they are discriminated against in their attempts to secure funding. (Walker & Joyner, 1999). Using data from the 1998 Survey of Small Business Finances (SSBF), one of the authors of this article validated the observation that women were significantly more reluctant to apply for loans than men in spite of the fact that they were no more likely to be turned down if they did apply. Cole and Mehran found similar results using the 2003 SSBF. Although commercial banks are typically a major source of financing for small firms, only 27% of women-owned firms used them in 1998. These findings were echoed in a subsequent study by Treichel and Scott using data from three surveys conducted by the National Federation of Independent Business (NFIB). Treichel and Scott's analysis of the different surveys concurred that women were less likely to apply for bank loans although they were no less likely to be approved. Results from an NFIB-member study covering the years 1998-2001 show that firms owned by women were less likely to borrow. They were less likely to have bank loans and to use trade credit but more likely to use credit cards, particularly to finance working capital and capital outlays, than firms owned by men. Similarly, a study by Robb and Wolken found that women were more likely to borrow through the use of credit cards than men. Recent studies of bank borrowing by small firms suggest that loan

applications may be affected by structural factors such as firm size and industry sector. In a study of Canadian firms, Orser et al. found no difference in the likelihood of seeking debt capital when they controlled for firm size and industry sector. Similarly, women were no less likely to be approved once they had applied for a loan. Constantinidis et al. found differences in both demand- and supply-side patterns when they studied women entrepreneurs in Belgium. Ironically, although 86% of loan requests by women were approved, nearly 50% of the women surveyed indicated they experienced barriers in their attempts to secure loans. When Constantinidis et al. categorized the firms by growth potential, the authors found that women in high-growth or traditionally male dominated lines of business encountered fewer gender-related barriers to borrowing than women in more traditional service or retail lines of business. Additionally, the authors found a high level of risk aversion in the women entrepreneurs interviewed and concluded that women may choose businesses more suited towards balancing family and work demands. These businesses tend to be smaller firms that are less dependent on external sources of capital.

B. Equity Financing

There is considerably less research on women entrepreneurs' use of equity capital. Although women rely heavily on internal sources of equity, only a small percentage of firms actually use external equity in the form of angel investments or venture capital. Chaganti, DeCarolis, and Deeds found that women tend to use internal rather than external sources of equity for their firms. They concluded that the reliance on internal equity hampers women business owners' ability to grow their firms and to introduce new products and services. In a subsequent study of the financial structure of small firms, Haynes et al. found that women business owners with families had lower levels of income and owned firms with lower levels of equity than men. These findings were echoed in a study by Carter et al. using a sample of over 200 women business owners. They found that only 17% of their sample had any type of equity investment.

The authors of the Diana Project found that between 1953 and 1998, less than 5% of total venture-capital funding went to women-owned firms. They concluded that this low level of funding was at least partially due to the relatively small number of women employed in the venture-capital industry. Becker-Blease and Sohl surveyed angel-investor portals and found that only 9% of the proposals received were from women entrepreneurs compared

to the 91% from men. Women were, however, significantly more likely to apply for funding to angel networks having a higher proportion of women angel investors. This suggests that women entrepreneurs' willingness to apply for external equity may be suppressed by the relatively small number of women who are capable of being investors.

One consensus arising from several studies examining women entrepreneurs' use of both debt and equity is that, whatever the source of capital, women do not raise enough of it. This lack of capital depresses their ability to grow and increases the risk of financial distress if the firm does not have sufficient liquidity to weather periods of adversity. Amatucci and Sohl did a series of indepth interviews with women entrepreneurs who used angel investments. In general, the women indicated their wish to have sought funding sooner and to have raised more money. In a study of Norwegian firms, Alsos et al. found that women applied for significantly smaller amounts of capital than men. Thus, although they were just as likely to apply for and receive loans, they did not raise enough capital to fund the growth of their firms. In a study of U.S. firms, Treichel and Scott also found that women-owned firms applied for significantly smaller loans than men, even controlling for other factors. Taken together, these studies point to continued difficulty on the part of women entrepreneurs in accessing both debt and equity sources of capital. Further, they suggest constraints and barriers in dealing with the providers of those sources of capital

Consequently, it should come as no surprise that women-owned businesses tend to be smaller, slower growing and less profitable than those owned by men (Greene et al., 2003). Objective performance measures have traditionally been used in the context of female entrepreneurship, including turnover and employment growth, and only recently have those been complemented by attention to outcomes other than financial measures, including self-stated growth and the interdependence between performance, success and personal goals (Bruin et al., 2007). Gender is considered to play a role in new venture performance, given that it influences the self-perception of women entrepreneurs and their abilities to realize business growth in a particular environment (Bruin et al., 2007). Performance and growth are also certainly affected by prevailing role expectations, the nature and extent of family support, as well as family and household responsibilities. Hence, performance in the context of female

entrepreneurship is recognized as a complex construct, affected by various antecedents and extraneous factors.

Other Factors affecting Women Entrepreneurship

The likelihood of starting new ventures in business depends significantly on the aptitudes, skills and knowledge level of women entrepreneurs. Smith, (2005). Women who perceive themselves as having necessary skills and knowledge their preferences to be business owners is higher as compared to women who are lacking in these skills. As a result greater emphasis lies on individual awareness and perception processes which consequently points out the importance of local social norms. Littunen, (2000). It depends on the market demand and supply side which determines the entrepreneurial environment within which women receive incentives to take appropriate decisions about entrepreneurship. Orhan and Scott, (2001). These findings implies that well defined policies need to be framed which could generate favorable conditions to promote entrepreneurial activity on a consistent basis. Transparency, the rule of law & well defined property rights promote productive entrepreneurship in all times and places. Equal opportunities policies need to be framed because women entrepreneurs do not act or perform in seclusion from their society & community. Gem report,(2004).

Embedding is particularly vital for female entrepreneurship since a women's entrepreneur behavior is deeply molded by family structure & social ties in both high and low income countries. Different cultural context may produce a different policy outcome. Star and Yudkin, (1996).

Across the globe, generations of women from very different backgrounds show very encouraging sign of entrepreneur spirit. It is to be hoped that governments at all levels will work to provide an environment in which this spirit may flourish

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