



Women's Enterprise
Organizations of Canada

Bootstrap or Borrow?

Improving Equity and Access to
Financing for Women and Non-Binary
Entrepreneurs in Canada

IN BRIEF

In the spring of 2022, Women's Enterprise Organizations of Canada (WEOC) undertook a research project with the aim of learning more about the decisions and experiences of women, Two-Spirit, transgender, non-binary and gender non-conforming entrepreneurs across Canada as they considered funding sources for their businesses.^a

Using a behavioural economics and financial capability lens, the research looked at both the internal processes and external forces that influence decisions to pursue business funding. The study explored the *nudges* and *mental models* that lead people down certain funding pathways and away from others. It also looked at the elements of *sludge* and *bias* that keep entrepreneurs from accessing capital when they are ready to receive it.

Through a combination of online surveys, focus groups, and individual interviews, 1,024 women and non-binary entrepreneurs were asked about their attitudes towards financing; their experiences of accessing or attempting to access capital; and their insights into how to improve the lending/granting process. This report outlines ways to reduce sludge, bias, and bottlenecks to the advantage of both entrepreneurs and funders.

^a This included entrepreneurs who identify as women, Two-Spirit, transgender, non-binary and gender non-conforming people. Throughout the remainder of the report, all respondents will be referred to as "women and non-binary entrepreneurs" or "respondents".

Contents

4	Key Findings
5	Methodology
6	Should I Bootstrap or Should I Borrow?
9	A Positive Outlook for Women-Led Businesses in Canada
23	The Application Process: Too Much Sludge, Not Enough Nudge
29	Experiences of Intersectional Women Entrepreneurs
39	Recommendations for Funders
45	Recommendations for Women and Non-Binary Entrepreneurs
48	Appendix A: Methodology
50	Authors and Contributors

Key Findings

- Women and non-binary entrepreneurs in Canada have set their sights on growth and have plans to expand their businesses within the next three years. Growth intentions are even higher across most of the five intersectional groups surveyed (LGBTQ2S+, person with a disability, racialized, Indigenous, and newcomer).^b
- Self-funding is the default option for most of the respondents. They rely on personal savings and credit cards to launch their enterprise and often to fuel ongoing growth.
- Banks, credit unions, venture capitalists, angel investors, and other potential sources of external funding are not always aligned with the growth trajectory and values of women entrepreneurs.
- For some entrepreneurs, the choice to self-fund is a matter of personal preference, one that reflects both debt aversion and pride in self-reliance; for others, it is the only option that can be exercised in the absence of any viable funding alternatives.
- Entrepreneurs' distaste for borrowing or bringing on funding partners is reinforced by encounters with institutional 'sludge': that is, by unnecessary points of friction and disagreeableness in the funding application process. Every element of sludge adds to the time crunch faced by women and non-binary entrepreneurs, leading many to cease applying for financing in favour of engaging in business activities with more certain outcomes.

^b Intersectional categories are interacting dimensions of identity. In this case we define them as LGBTQ2S+, person with a disability, racialized, Indigenous and newcomer.

Methodology

In March 2022 a quantitative online survey was conducted to understand more about the experiences of women and non-binary entrepreneurs throughout Canada when seeking funding for their enterprises. Entrepreneurs with at least a 50% ownership stake in a Canadian business were invited to take part in their choice of either a French- or English-language survey of 15 minutes in length. A total of 1,024 surveys were completed. Of the respondents, 895 were operating their businesses, while the remaining 129 had closed their business.

The online survey respondents were invited to participate in the qualitative second phase of the study. Between March 28 and April 14, 2022, there were 62 original respondents who took part in follow-up focus groups and 1:1 interviews. Throughout both phases of the study, concerted efforts were made to solicit input from five Intersectional groups: LGBTQ2S+, people with a disability, racialized, Indigenous and newcomer.

Appendix A contains detailed information about the study methodology and the characteristics of respondents.

Should I Bootstrap or Should I Borrow?

When it comes to funding business growth, one of the most consequential decisions faced by respondents is whether to rely on their own funds or look to external funders. Many of the factors that took them down the entrepreneurial pathway in the first place are also at play in their decisions around how to fund the journey. These factors include the need for flexibility; a vision for a different way of doing things; and the desire to be in control of their time, earning potential and advancement, especially in the face of structural inequalities and inflexible workplaces^c.

^c Thébaud, S. (2015). "Business as Plan B: Institutional Foundations of Gender Inequality in Entrepreneurship across 24 Industrialized Countries." *Administrative Sciences Quarterly*, 60: 671-711

Research from the field of behavioural economics makes it clear that borrowing decisions have both internal and external inputs. These inputs interact with each other in predictable ways. The current study explores the bootstrap-or-borrow dilemma in light of key concepts from behavioural economics.

THESE ARE:

Mental Models

- An explanation or understanding of how something works that supports reasoning, understanding, and prediction of outcomes. These mental shortcuts allow people to solve problems or make quick judgements but may or may not be accurate.

Nudges

- Elements such as defaults and incentives that increase the likelihood of making a more desirable choice, without eliminating options or restricting rights in the process.

Sludge

- Elements that slow progress through “excessive or unjustified frictions, such as paperwork burdens that cost time or money; that may make life difficult to navigate...and that may end up depriving people of access to important goods, opportunities, and services”.^d

^d Sunstein, Cass R., Sludge Audits (April 27, 2019). Harvard Public Law Working Paper No. 19-21

The study also looks at factors that help shape **Financial Capability** – that is, the combination of attitude, knowledge, skills and self-efficacy needed for money management decisions that best fit the circumstances of one’s life. It is influenced by the presence or absence of enabling factors such as access to appropriate financial services.

While these concepts are solidly grounded in theory and well supported by academic research, their real-world impact cannot be overstated. Access to capital affects the success trajectory of businesses throughout all stages of development. The availability of funds is what determines the ability to buy supplies, purchase equipment, market products and services, hire staff, pay for outside expertise, support expansion, and recover from setbacks. Without access to start-up and growth capital, entrepreneurs are at a disadvantage when exploring opportunities to propel their businesses to the next stage of development.

Through focus groups, individual interviews and online surveys, this study explores these questions:

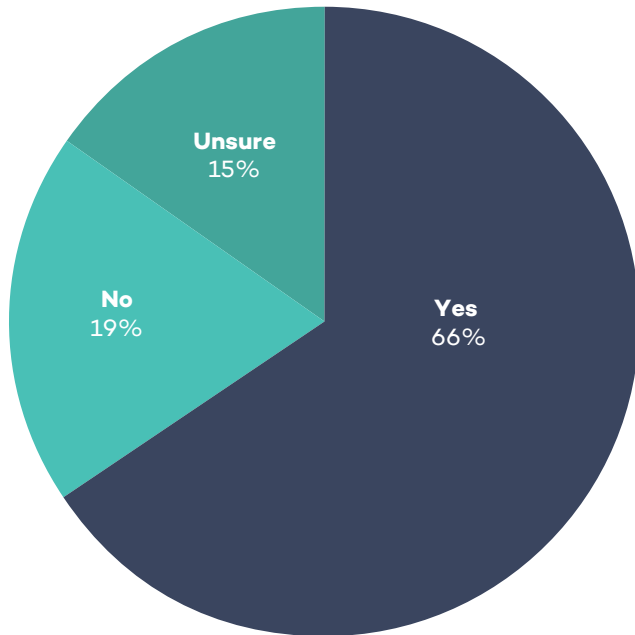
- How do women and non-binary entrepreneurs view debt and the funding ecosystem?
- How do women and non-binary entrepreneurs think they are viewed by lenders?
- What nudges and defaults appear to be influencing their funding decisions?
- Where does sludge exist in the funding process?
- How does sludge influence women and non-binary entrepreneurs’ decision to seek funding opportunities, and persist in pursuing them?

A Positive Outlook for Women-Led Businesses in Canada

Two-thirds of respondents intend to grow their businesses within the next three years. This intent to grow is seen throughout all the intersectional groups included in this survey; in fact, members of four of the five groups (LGBTQ2+, Racialized, Indigenous and Newcomer) are significantly more inclined to grow their businesses than their non-intersectional counterparts.

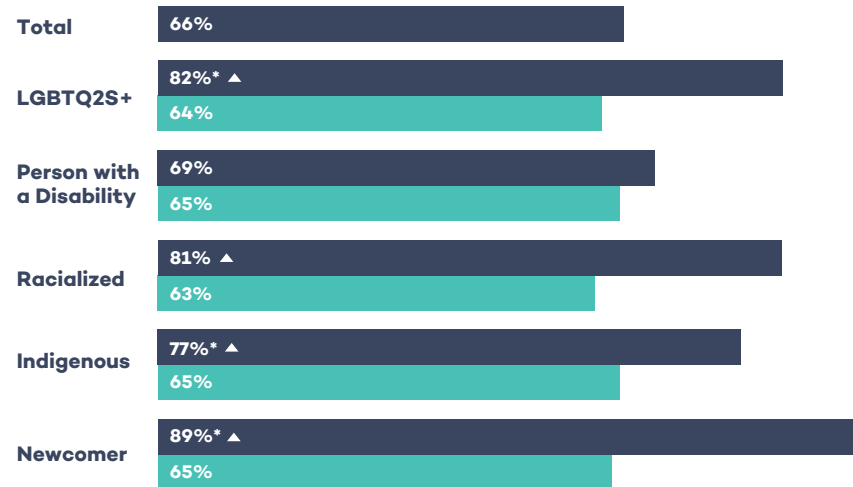
Growth Intentions

Base: Current business owner n = 895
Question: Within the next 3 years, do you intend to grow your business?



Growth Intention (% yes)

Base: Current business owner, Total n = 895, 2SLGBTQ+ n = 80*, Person with a Disability n = 117, Racialized n = 149, Indigenous n = 74*, Newcomer n = 41**; Non base varies
*Low base (<100); interpret with caution
**Very low base (<50); interpret with caution
Question: Within the next 3 years, do you intend to grow your business?



▲ Denotes a statistically significant difference compared to the "Non" group at 95% confidence interval

Optimism in the growth potential of their business is matched by confidence in their ability to keep up with the financial tasks resulting from growth.

More than 80% of respondents indicate that they are “up to the challenge of managing the finances” of their growing businesses.

These growth intentions bring significant opportunities for traditional lenders, venture capitalists, angel investors and entrepreneurs to form mutually beneficial working alliances.

Infusions of capital have the potential to accelerate growth and profitability in women-owned businesses, allowing them to generate tens of billions of dollars in incremental GDP for the Canadian economy before the end of this decade.^e Women-owned businesses have been found to deliver greater value per dollar invested^f and to have exceptional repayment records.^g For the 20% of respondents who indicated that they do not feel up for the challenge, initiatives that help develop their financial competency would be an opportunity for lenders.

^e Innovation, Science and Economic Development Canada, “Women Entrepreneurship Strategy”

^f The Conference Board of Canada (2022) “Parallel Paths, Unique Challenges”

^g According to the WeBC study The Path Forward: Advancing the Funding Journeys of BC Women Business Owners, their loan repayment record is 94%.

Perceptions of Debt

Despite the possible advantages from infusions of capital, respondents appear to have an uneasy relationship with the idea of debt. **Nearly 8 in 10 acknowledge that they “hate owing money”**, even though they are confident in their ability to “distinguish between good debt versus bad debt” in their business. As well, **6 in 10 report that it feels “too risky to take on debt”**.

For some business owners, acquiring new debt could indeed be hazardous. It could destabilize financial circumstances that are already precarious. For such individuals, it would be imprudent to pursue any options that increase their debt ratio.

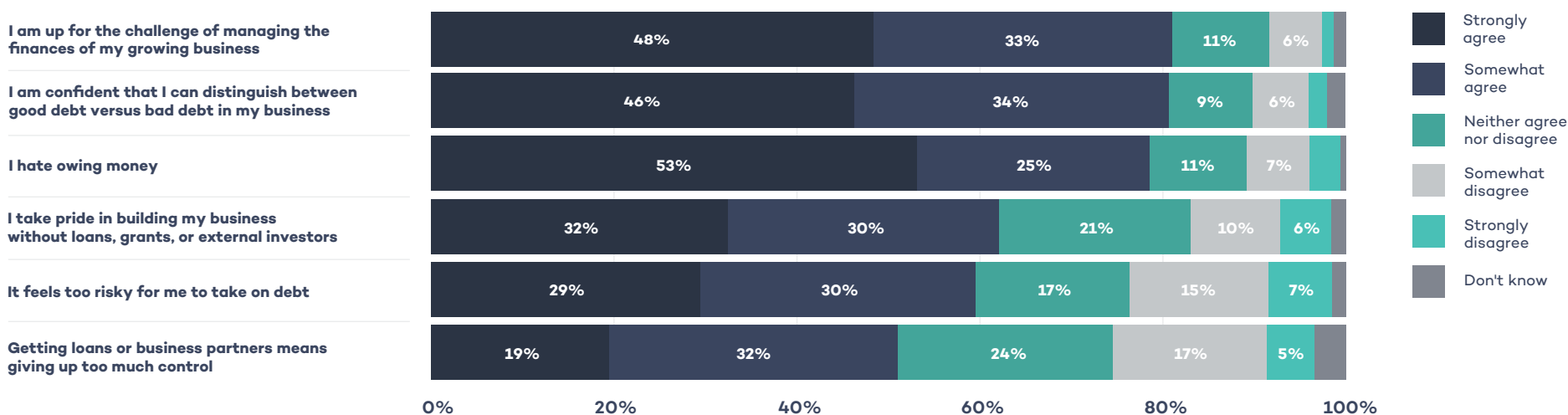
These issues notwithstanding, there is some cause for concern that 6 in 10 entrepreneurs in this study report that they “take pride in building (their) business without loans, grants or external investors”, and that 5 in 10 perceive that “getting loans or business partners means giving up too much control”. There is a point at which taking pride in independence and bootstrapping can cause entrepreneurs to sacrifice growth opportunities unnecessarily, and perhaps even jeopardize their financial futures. Debt aversion and pride in bootstrapping are particularly regrettable if they

predispose entrepreneurs to turn down low-cost funds such as grants or forgivable loans for which they are eligible, or to overlook the costs of using their own savings rather than tapping into external sources.

Modifying entrepreneurs’ mental models towards debt and financial support will require a two-pronged approach. One set of efforts must focus on bringing about changes in funder offerings and outreach; the other must involve increasing the financial capability of business founders through educational interventions and direct exposure to the positive aspects of financial support. Each of these approaches must highlight the benefits (*improve the nudges*) and reduce the barriers (*address the sludge*) associated with accessing new sources of capital.

Perceptions of Business Owners and Ownership

Base: All respondents n = 1024 Question: Please indicate how much you agree or disagree with the following statements



Perceptions of Funders and Funding Options

Many of the respondents have a mental model of Canada's funders that renders them pessimistic about the chances of successful funding outcomes. One key belief is that "they won't lend to people like me", a statement endorsed by 40% of respondents. Racialized and Indigenous entrepreneurs are at least three times more likely than their non-intersectional counterparts to feel that banks would be biased or would discriminate in their dealings with them.

These perceptions are far from baseless. For every 10 entrepreneurs with real-world experiences of having applied or pitched for funding, three report having encountered bias or discrimination at some point in the process.

Perceptions of Identity-Based Discrimination and Bias

For some, such bias was related to easily identifiable personal characteristics such as race, disability, or accent; in general, however, the feedback shared by intersectional participants emphasizes the barriers and that gender bias appears to trump everything else.

“Pitching to investors who are 98.99% male, when you are building a business that is for women understood by women and will be used by women using technology, is like throwing yourself in the lion’s den because it’s male dominated. It’s like, impossible. It’s impossible.”
[Racialized, Newcomer]

Some respondents report that they have chosen to hide or downplay certain aspects of their identity that might lead to additional bias. For example, they might not flag their Indigenous status or request their preferred pronouns.

“Being closeted as a Trans person was hell. Looking back, I don’t know how I survived it. I almost didn’t. So I have a bit of a reaction to hide anything about myself. Because it’s just not worth it. But if it’ll help feed me and put a roof over my head.” *[LGBTQ2S+]*

Perceptions of Exclusion Based on Financial Metrics and Stages of Business

For some entrepreneurs, the belief that funders are biased has less to do with unchangeable aspects of their personal identity, and more to do with aspects of their credit history or stage of business development. This leads many entrepreneurs to opt out of applying.

“My perception is that banks give money to people who already have money.”

“The rules are – and this is whether you’re a bank, you’re a credit union, you’re a business development bank, you’re the Women’s Enterprise Centre – they won’t loan to you until you have the product. And this is fine if you’re doing app development. You can do that with no overhead. However, starting a manufacturing business is an entirely different beast. This just perpetuates business as usual – only the already rich people who are already doing manufacturing in the same old way.”

Newcomers often cannot provide credit histories acceptable to Canadian banking institutions and minority language speakers often cannot express themselves adequately on application forms.

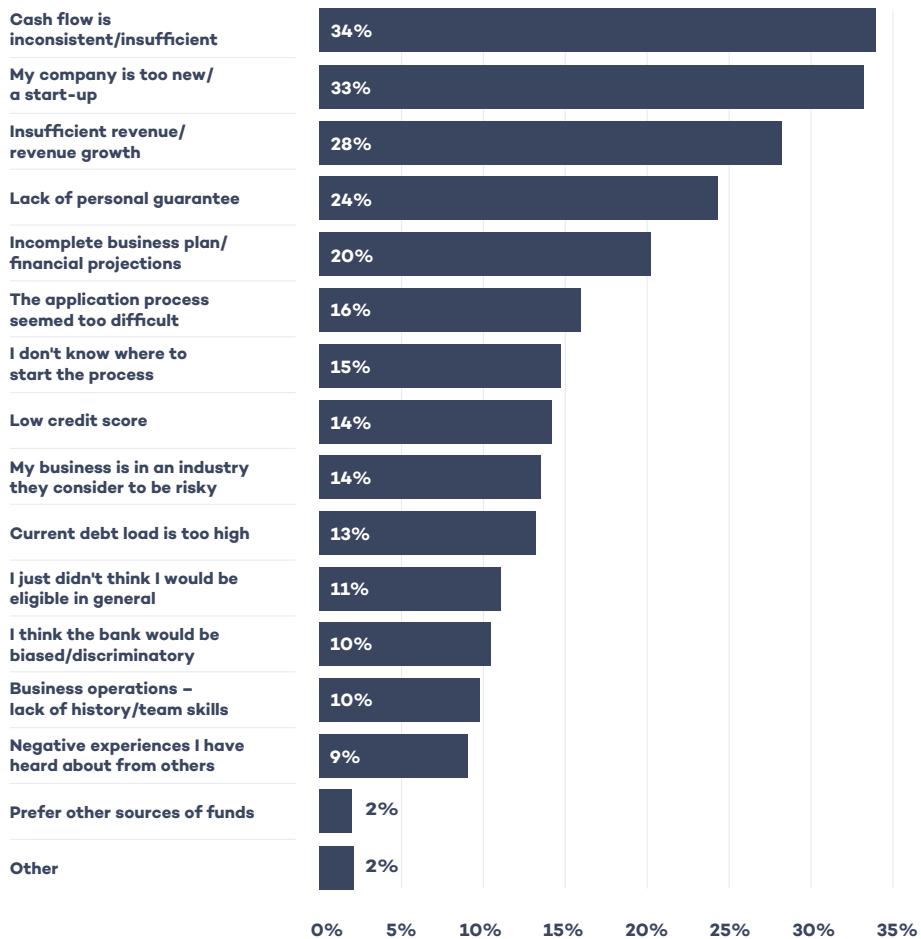
“

Pitching to investors who are 98.99% male, when you are building a business that is for women understood by women and will be used by women using technology, is like throwing yourself in the lion's den because it's male dominated. It's like, impossible. It's impossible.”

[RACIALIZED, NEWCOMER]

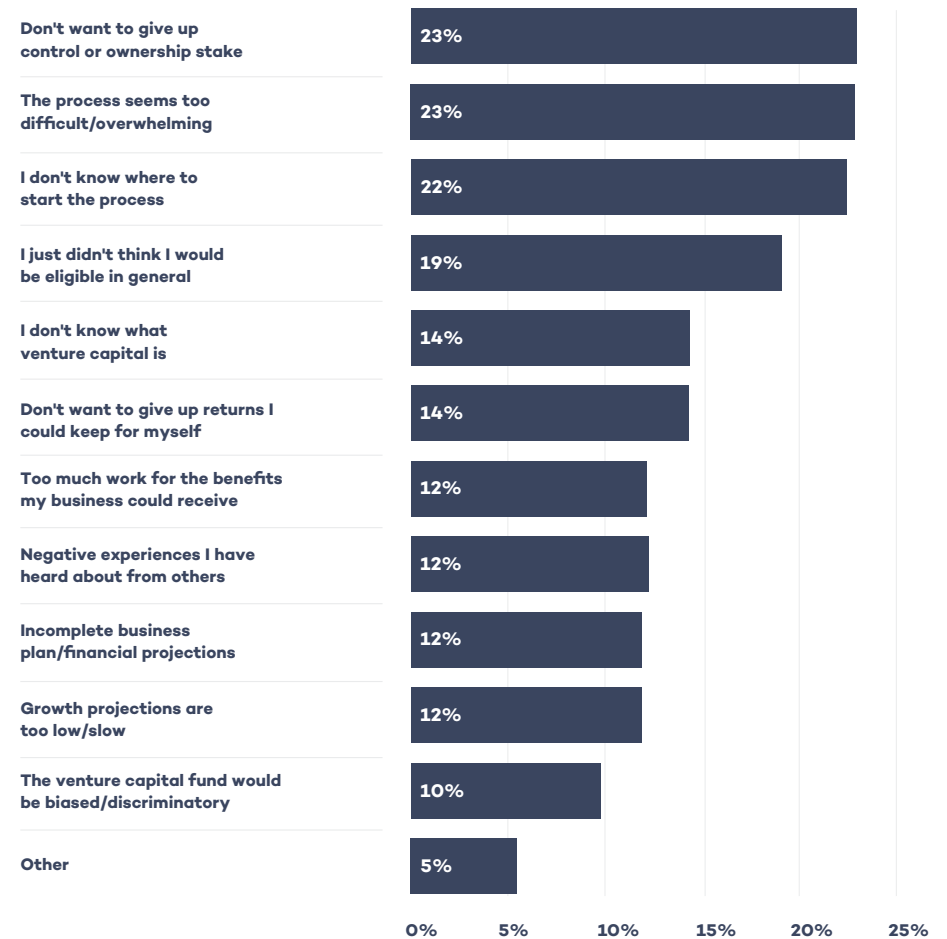
Reasons for Never Having Applied to a Bank

Base: Have not applied for funding from a bank, excluding those who don't need/want outside funding n = 582; unsure and prefer not to say responses not shown
 Question: Earlier you indicated that you have never applied for funding with a bank. Why have you never applied for funding with a bank?



Reasons for Never Having Pitched to a Venture Capital

Base: Never pitched to venture capital for funding, excluding those who don't need/want outside/capital funding n = 152; unsure and prefer not to say responses not shown
 Question: Earlier you indicated that you have never pitched for venture capital funding. Why have you never pitched to a venture capital for funding?



Once again, this perception is not groundless.

Banks, credit unions and enterprise funders assess an applicant's credit-worthiness on the basis of "the 5 C's": namely, character, capacity, capital, collateral, and conditions. Their models and processes disproportionately disadvantage respondents such as newcomers to Canada, owners whose businesses are less than two years old, individuals whose family obligations have taken them out of the workforce for periods of time, and people who may have had personal setbacks (such as illness or divorce) that have interrupted their work history or harmed their credit rating.

"I would not be approved at all for any loan. My debt is too high; even though it's a good debt, it's still too much. Again, my age and lack of savings, I have no savings because I'm a new mom. There's no way I would be approved at all." [Indigenous, Person with a Disability]

This is an opportunity for funders to examine processes and assess whether bias and inflexibility inhibits them from exploring unconventional yet valid ways of determining the credit-worthiness of an entrepreneur.

"I think it would be good to ensure that any of the intake officers have training on these additional barriers that women and more vulnerable business owners go through. I would hope that might translate into something more like character-based loans and financing. If that can be established more. To bring that credibility and have someone that really understands where these applicants are coming from."

Concerns about bias play a small role in the decision to forego applying for venture capital. When asked why they've never pitched to a venture capital fund, approximately 8% say that negative word-of-mouth had an influence on their consideration, and 7% report a belief that the venture capital fund would be biased or discriminatory.

The options become even more limited when combining the perception of anticipated bias with the fact that many entrepreneurs don't know enough about venture capital to consider pitching. In fact, just 13 of 1,024 survey respondents answered questions about their experiences attempting to access venture capital.



I would not be approved at all for any loan. My debt is too high; even though it's a good debt, it's still too much. Again, my age and lack of savings, I have no savings because I'm a new mom. There's no way I would be approved at all."

[INDIGENOUS, PERSON WITH A DISABILITY]

Perceptions of the Funding Experience

The entrepreneurs who completed the survey have considerable lived experience in terms of real-world interactions with funders. At some point in the past three years, 50% of respondents had applied for external business funding such as bank loans, pandemic relief funds, and venture capital support. Of those respondents, 171 were able to recall the experience well enough to report on it: 108 entrepreneurs had applied for funds from banks and 26 from credit unions; 24 had pitched to angel investors; and 13 had pitched for venture capital.^h

Among those who applied for funding from banks, the median amount requested was \$50,000; the mean was \$134,960. More than 65% received full or partial approval for requests for financing products that included lines of credit (requested by 54%), loans (requested by 53%), increased limits on credit cards (16%) and mortgages (2%). Direct experience in applying for funding contributes to the attitudes, knowledge, skills and self-efficacy that positively influence financial capability.

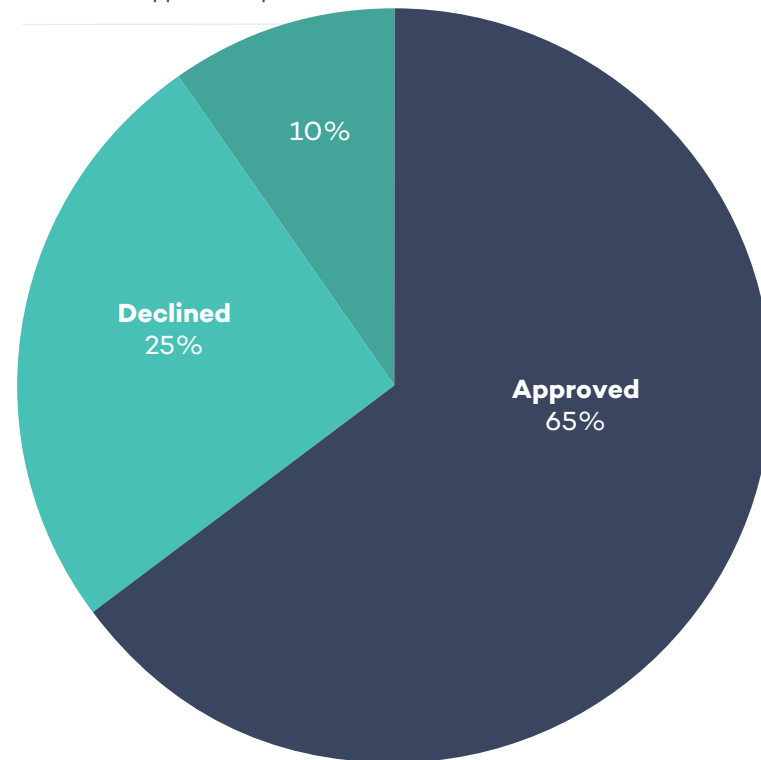
Reviews of the bank experience by recent applicants suggest that there is room for improvement on many fronts. Fewer than half of the respondents strongly agreed that staff listened to their needs; only 3 in 10 strongly agreed that staff genuinely had applicants' best interests at heart, while 17% somewhat or strongly disagreed. The existence of sludge in the application process is evidenced by the 19% of applicants who disagreed that the forms were easy to fill out and for 10% that the required information was easy to obtain.

Bank Funding Application Outcome

Base: Recall application experience at bank in last 3 years n = 108
Question: Was your application approved?

Unknown

(Still in the application process)



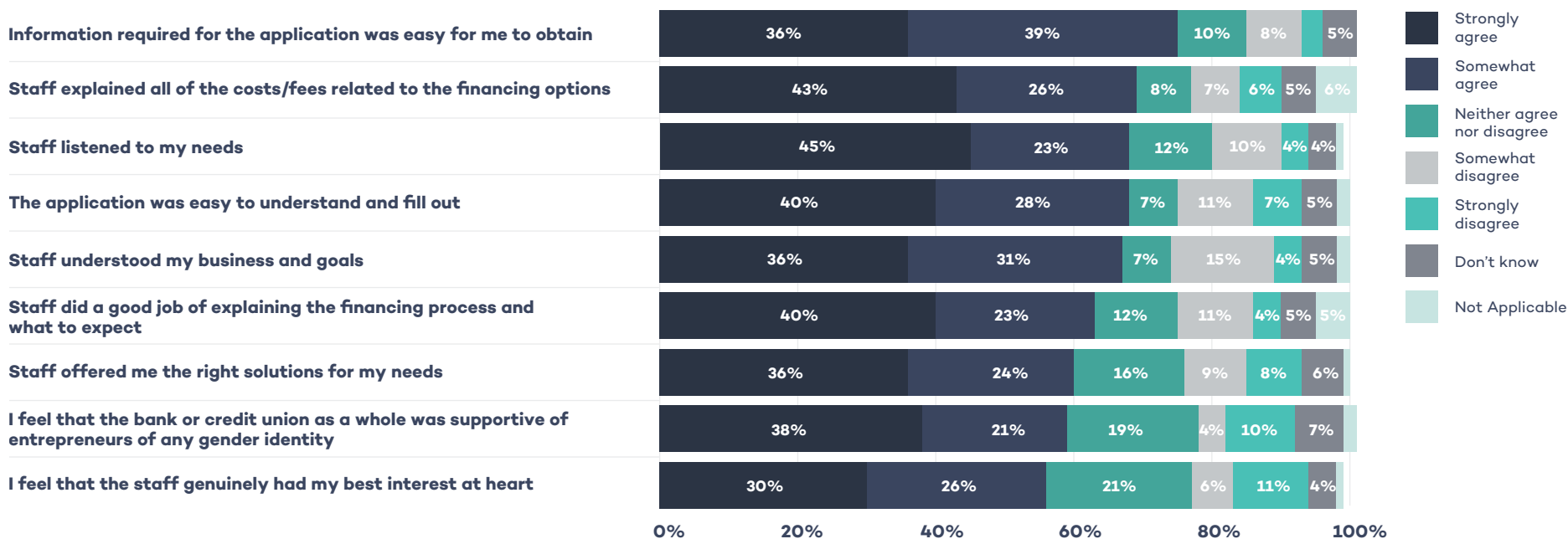
^h Although the numbers for the latter two categories are too low to report on statistically, the experiences are reflected in the qualitative aspects of the survey.

There was a very low base rate of applicants from intersectional groups and other groups of interest. The following statements offer insights and could be viewed as possible avenues of inquiry for future studies:

- None of the 6 newcomers who reported on this experience felt staff offered them the right solutions for their needs.
- None of the 19 people who are part of an Official Language Minority Community felt the application was easy to understand and fill out.
- None of the 9 entrepreneurs with a disability felt that staff listened to their needs.

Perceptions of the Bank Experience

Base: Recall application experience at bank in last 3 years n = 108
 Question: Please indicate how much you agree or disagree with the following statements about your experience.



Sources of Funding

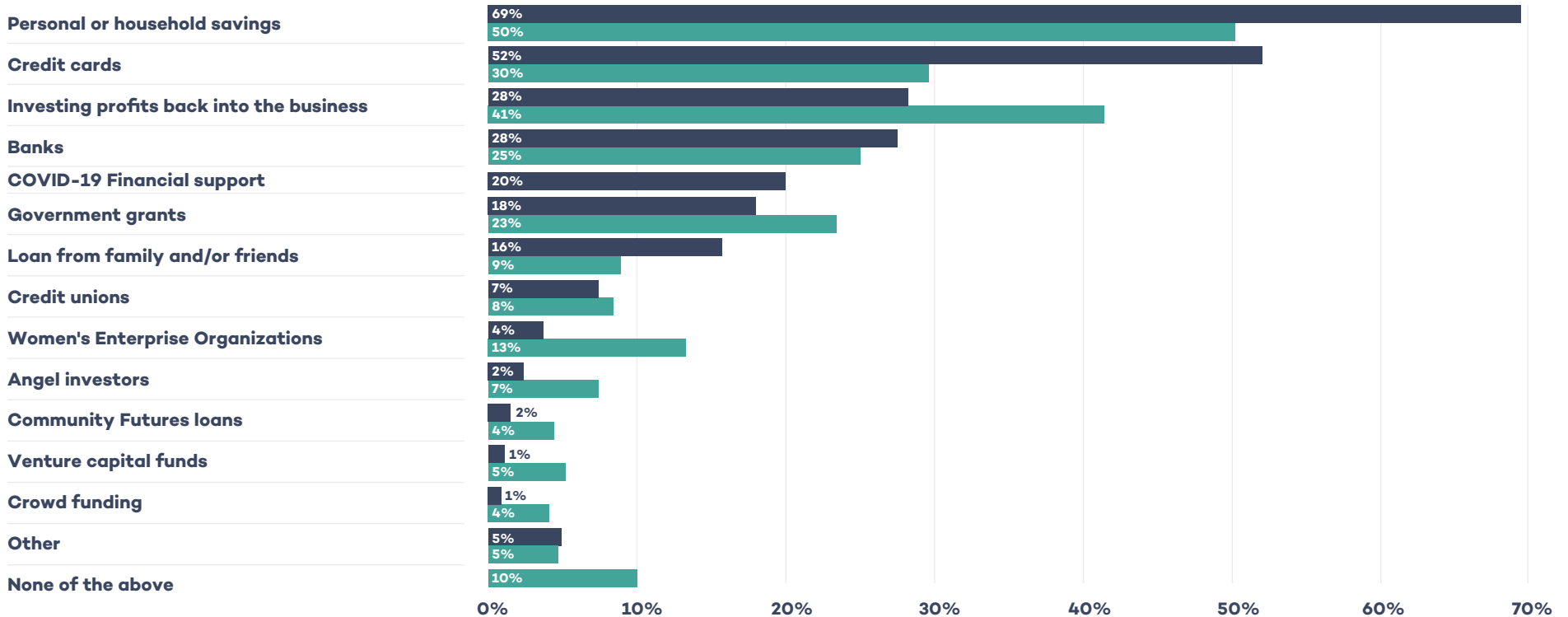
Business owners' mental models of debt and funders have clear implications for whether they will apply for funding. Previous studies have demonstrated that women entrepreneurs use fewer sources of funding when compared to their male counterparts, and that they rely much more on personal assets and credit cards.¹

This study's 1,024 respondents support that general pattern:

- They used an average of just two funding sources in the past
- Personal and household savings were the funding choice for 7 in 10
- Credit cards were the second most popular choice, with 5 in 10 entrepreneurs choosing to use them

Funding Sources

Question: Which, if any, of the following sources of funding for your business have you used/applied to? Base: All respondents n = 1,024
 Question: Which of the following sources of funding, if any, do you intend to use within the next 3 years? Base: Current business owners n = 895



¹ Women Entrepreneurship Knowledge Hub, "The State of Women's Entrepreneurship in Canada"

■ Sources Ever Used/Applied To ■ Future Funding Sources of Interest

The Default Option

Why are personal savings and credit cards the default funding options for so many of Canada's women and non-binary entrepreneurs? On the face of things, they seem like risky choices. But there are many good reasons for preferring these options, not least of which is the fact that they may well be the only ones available.

“There's not a lot of options when you're just starting out apart from credit cards. What happens if you're starting with nothing but your work history and a good idea?”

From a behavioural economics perspective, the selection of credit cards over lower-interest funding options is understandable. Of all possible funding sources, credit cards introduce the least amount of friction and have the greatest number of nudges driving their selection. Many retailers and lending institutions incentivize credit card use via sign-up bonuses, rewards points, and periods of low or 0% interest. Credit cards are viewed as essential in order to build a credit history.

Compared to other funding application processes, the amount of sludge involved in credit card applications is negligible. Approval is rapid (often given 'on the spot') and funds are immediately accessible. They can be held in abeyance for emergencies that never arise or used frequently to enhance short-term cash flow and then immediately paid off. In such instances, they offer flexibility and peace of mind at virtually no cost.

Whereas the decision to self-fund may be an empowered one for some entrepreneurs, for others it may well reflect a lack of empowerment. Regardless, the decision to use credit cards and/or deplete personal savings can have long-term consequences that may not be fully appreciated at the time.

“I'm using my finances to try and make (this new model of business) happen. If I knew how much this was going to be fueled by me taking out my retirement savings, I probably wouldn't have done it, but I'm here now. I'm going to try and barrel forward. But especially speaking as a widow who had ups and downs, I won't be getting a pension. I say I'm putting my retirement savings on the line, and I come from a line of long-lived, living into their late nineties, kind of people. I could seriously be screwing myself. Yes, I have the ability to do this, but if it doesn't work out, I'm going to be in trouble as an old lady. Probably I wouldn't necessarily do this again.”

The Application Process: Too Much Sludge, Not Enough Nudge

Bottlenecked from the Beginning

Some elements of sludge in an application process are inevitable and even desirable. Tremendous clarity can emerge from the acts of gathering financial information, putting together pitch decks, and responding to outsiders' questions about why funding is needed and what it will be used for. It can lead to improved knowledge of business fundamentals and help prevent unnecessary accumulation of debt. But for Canada's women entrepreneurs, the beneficial aspect of friction appears to be outweighed by the disadvantages.

Are funders missing opportunities because of real and perceived sludge within their processes? Entrepreneurial exploration stops without access to clear information about available products and personnel who can provide real-time answers to questions. Their experiences with forms also play a role in deciding to opt out, even when there are clear benefits to applying. "Every click, step, field, form and signature" introduces frictions whose negative impacts can be just as significant as those posed by massive social barriers.^j

Unsurprisingly, the most common complaints of newer, less experienced entrepreneurs cluster around frequent experiences of uncertainty at the outset of the funding process. These include problems in obtaining clear, honest and transparent information regarding:

- The existence of products suitable for their circumstances,
- Who, exactly, is eligible to receive them, and
- What kinds of information will be required in order to complete the application.

^j p. 8, Common Cents Lab (2016). End of Year Report.



Honestly, I don't even know where to start."

[RACIALIZED, NEWCOMER]



The process has always seemed too overwhelming to bother with. I just want to know my options; too often, the information is hidden behind "industry speak" or can only be heard through a representative."

In attempting to address problems of financial scarcity in their business, Canada's women entrepreneurs find that they must immediately increase the problem of time scarcity. This forces a mental calculus of whether the up-front costs in time and mental energy are worth the hassle of applying for something with an unknown likelihood of success. This is one aspect of sludge that often proves insurmountable, leading people to opt out of the application process altogether. In what seems like a clear invitation for informational nudges, 56% of entrepreneurs agree with the statement, *"I would apply for funding if I felt more certain of getting it"*.



If only people would be treated with a flow chart saying that 'you're going to need to provide this... make sure you have this. And then this is the next step... this is what you need. And then you need this.' If you go for this, or if they ask you for this particular information, drill down, and this is who you ask to get it."

[INDIGENOUS]



Their paperwork was daunting. I felt like I was giving them my firstborn sometimes."



I like writing, but the amount of paperwork that has to be filled out got in the way of running my business. It's (the amount of) time for me time that I just would rather spend working on the business."

[RACIALIZED, PERSON WITH A DISABILITY]

Uncertainty is Painful

All aspects of an application process that increase uncertainty and self-doubt are powerful deterrents to persisting.^k Low levels of financial literacy, a key component of financial capability, can contribute to such uncertainty. More than 40% of respondents in this study admit that it is a “struggle to understand financial terminology”.

While entrepreneurs need to master some of this terminology to procure business funding, lenders and granting agencies should look at ways of reducing unnecessary cognitive load on their customers and clients. By ferreting out sources of sludge such as jargon and overly complex language, funders can help ensure that qualified candidates are not denied access to needed resources.

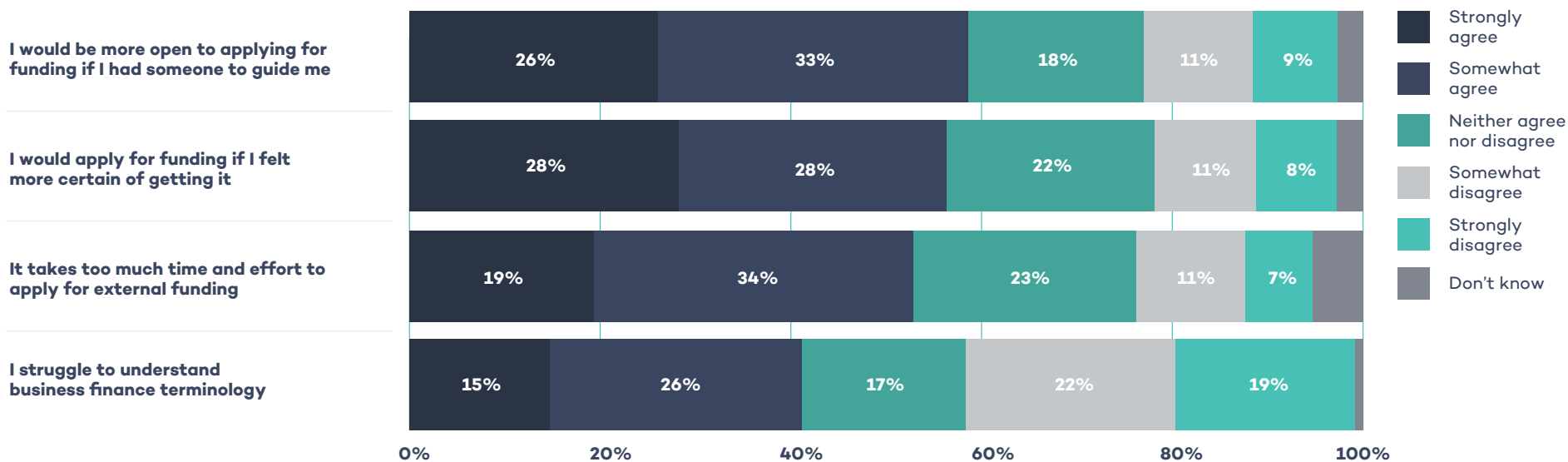
In the current study, 70% of women entrepreneurs with business partners had applied for external funding, vs 44% of women entrepreneurs who fully own their businesses.

This points to the positive role that teamwork and social support can play in overcoming reluctance to pursue funding. Additional evidence comes from the 59% of respondents who agree that they would benefit from the nudge provided by having “someone to guide me” through the application process.

Perceptions of Business Owners and Ownership

Base: All respondents n = 1024

Question: Please indicate how much you agree or disagree with the following statements



^k For further information, see The “3B’s” Framework from Irrational Labs at www.irrationallabs.org

Closing Thoughts

Looking at Canadian women and non-binary entrepreneurs' approach to financing through the lens of behavioural economics and financial capability explains the decision to self-fund and use credit cards for business start-up and growth. These are the only sources of funding used by 50% of survey respondents. Significant nudges exist to make these options the most likely choice for all entrepreneurs, especially in the early stages of business development, even for those who ultimately apply for other sources of funding.

Many elements of sludge bog down exploration of financing options and applications for all levels of funding. Lack of transparency, jargon, and onerous pitch and paperwork requirements lead to discarded attempts to access funding.

Women entrepreneurs are intentional about integrating principles such as sustainability, social impact, and inclusivity into their business operations and expansion efforts.¹ This values-based approach does not necessarily align with a funding ecosystem that is not considered to be responsive to their needs, lacks products for women who do not meet the customary criteria for credit-worthiness, and is at times biased against them.

¹The Conference Board of Canada (2022) "Parallel Paths, Unique Challenges"

Experiences of Intersectional Women Entrepreneurs

With a goal of providing a fulsome picture of the attitudes and experiences of women entrepreneurs in accessing financing, it was important to ensure that identifying terms around gender identity were as inclusive as possible. As a starting point for all phases of the survey, focus groups and 1:1 interviews, respondents included entrepreneurs who identify as women, Two-Spirit (2S), transgender, non-binary and gender non-conforming. Concerted efforts were made to gather input and experiences from five intersectional groups: LGBTQS2+, people with a disability, racialized, Indigenous and newcomer.

While coming from different regions, industries and business-types, two common things were heard across all intersectional groups:

1. Respondents anticipate they will experience racism or bias at some point during their interactions with funders.
2. Respondents expect a general lack of support from funders based on their own appearance and perceptions of “otherness”.

Experiences of Intersectional Women Entrepreneurs

Racialized Entrepreneurs

The 170 respondents who identified as racialized were asked to indicate in their own words how they described themselves. Asian, South Asian, Chinese, Black, African American, Caribbean, Latin, and Filipino were the most common responses.

- Highly growth-oriented, racialized entrepreneurs are significantly more open to applying for funding if they have guidance and support and are more confident in there being a potential positive outcome.
- The length of time it takes to apply for funding is a disproportionate barrier.

“In the early stages, doing research independent to my husband, even before I could talk about the business and present the business case, they’d say, oh, but have you thought of the Black Women Entrepreneurs? I’m like, I’m still talking here. But I’m already being shifted and told, okay, there’s a (different) place for you. So, I thought, am I limited to that little box? It just wasn’t encouraging.” *[Racialized]*

“The process was not inclusive, especially for the ones that don’t have English as a first language, because they asked for a kind of proposal, which always, I think is more challenging for me, because my weakness I will say is writing.” *[Racialized]*

Total Perceptions (% Agree)

Base: All respondents n = 1024; Racialized n = 170, Non n=771

Question: Please indicate how much you agree or disagree with the following statements

▲▼ Denotes a statistically significant difference compared to the “Non” group at 95% confidence interval

	Total	Racialized	Non
I would be more open to applying for funding if I had someone to guide me	59%	71% ▲	56%
I would apply for funding if I felt more certain of getting it	56%	66% ▲	54%
It takes too much time and effort to apply for external funding	53%	66% ▲	50%
People like me are unlikely to receive bank loans	41%	54% ▲	38%

**“ It’s built into
our systems...”**

**That’s the thing about
Canadian racism or bias, it's
polite and it’s never going to tell
you to your face. It's actually
almost like gaslighting. You’re
failing because your ideas
aren’t good enough.”**

[RACIALIZED]

Experiences of Intersectional Women Entrepreneurs

Indigenous Entrepreneurs

A total of 81 participants self-identified as First Nations, Inuk (Inuit), and/or Métis.

- Indigenous entrepreneurs are growth-oriented, with 77% of respondents indicating an intention to expand.
- They are more likely than other entrepreneurs to have applied to/used credit unions (18% vs 7% of non-Indigenous entrepreneurs). They have also engaged with women's enterprise organizations significantly more than other women entrepreneurs (20% vs 3% respectively).
- When looking to fund growth in the next few years, venture capital is of particular interest (20% vs 5% of non-Indigenous entrepreneurs).
- Business finance terminology is an area where Indigenous entrepreneurs self-report having more difficulty (58%) than other women entrepreneurs (41%).



I don't even say that I'm Indigenous at all, just because I know that's a guaranteed slash – you're not going to get anything. And I don't look Indigenous. I don't look Métis, but I don't bother putting it down... The Indigenous aspect, they think I'm just going to take that money for other things.”

[INDIGENOUS]

Experiences of Intersectional Women Entrepreneurs

LGBTQ2S+ Entrepreneurs

A total of 106 participants self-identified as a Two-Spirit, transgender, non-binary or gender non-conforming entrepreneurs and a member of the LGBTQ2S+ community.

- LGBTQ2S+ entrepreneurs feel that people like them are unlikely to receive loans from banks.
- Among those who never applied to a bank, LGBTQ2S+ entrepreneurs are three times more likely to indicate that they just don't know where to start the process.
- More than 70% of LGBTQ2S+ respondents indicated they would be more open to applying if they had assistance with the process and felt more confident that they would get it.



I have talked to them enough times and been denied enough times that now at this point it's pointless. And there's a perception, I don't know how accurate it is, but in my conversations with credit unions and banks and trying to get loans, my impression has been that being a transgendered person has made them more hesitant and more doubtful about my capacity to pull off what I'm trying to do."

[LGBTQ2S+]

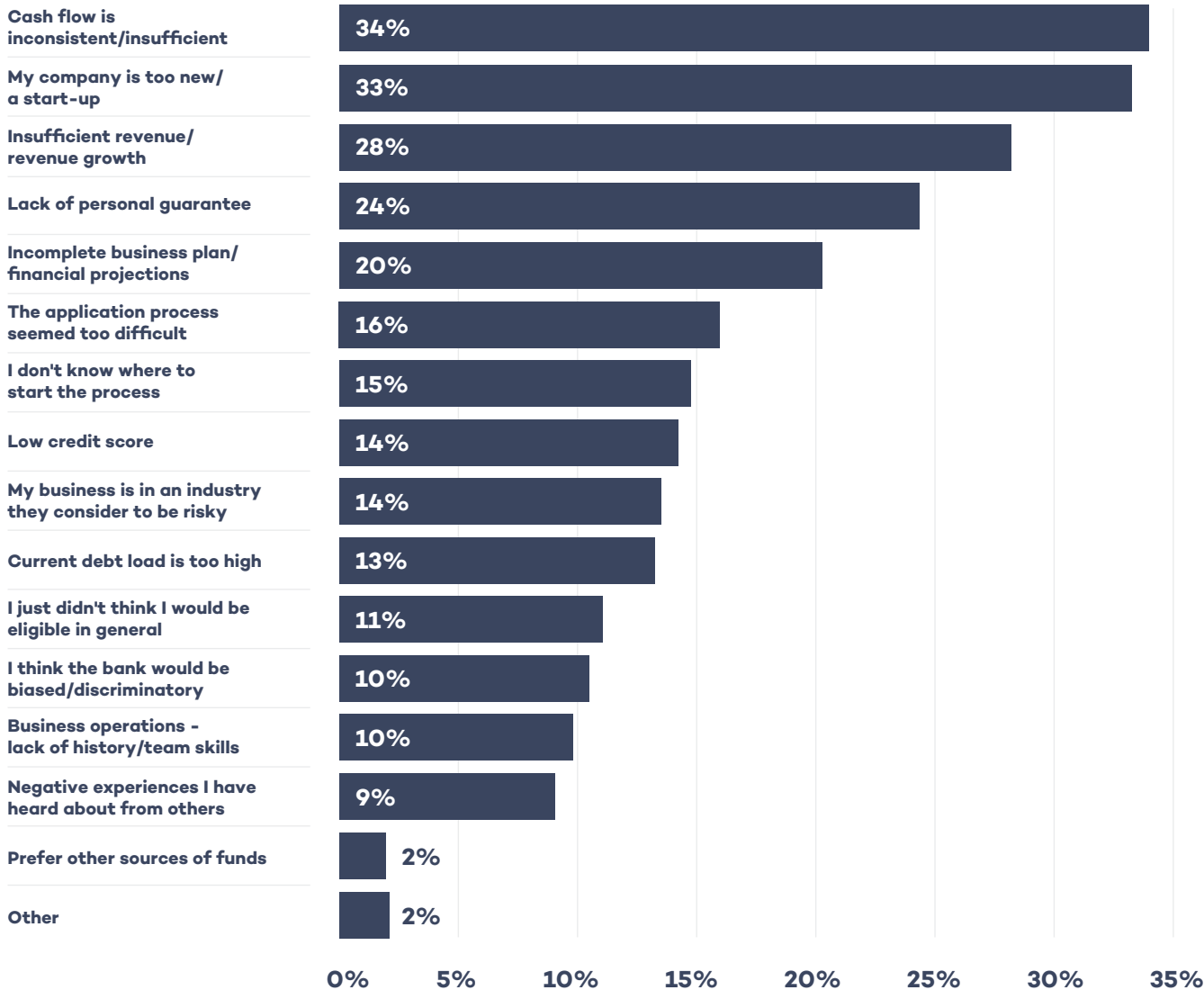
“

I think, generally speaking, the private sector lacks awareness and understanding of women and members of the 2SLGBTQAAIS community and their beliefs and values undermine opportunities. More education in diversity and inclusion would be a good start.”

[LGBTQ2S+]

Reasons for Never Having Applied to a Bank

Base: Have not applied for funding from a bank, excluding those who don't need/want outside funding. Unsure and prefer not to say responses not shown
 Total n = 582; LGBTQ2S+ n=71*; Non n=408 *Low base (<100); interpret with caution
 Question: Earlier you indicated that you have never applied for funding with a bank. Why have you never applied for funding with a bank?



LGBTQ2S+	Non
40%	34%
45%	31%
33%	27%
31%	22%
17%	20%
14%	15%
32% ▲	13%
30% ▲	13%
25%	13%
15%	13%
14%	12%
11%	10%
12%	10%
21% ▲	9%
0%	2%
2%	2%

Experiences of Intersectional Women Entrepreneurs

Entrepreneurs With a Disability

A total of 133 participants self-identified as a person with a disability, as defined as an impairment that is physical, mental, neurological, sensory, or psychiatric.

- They are more likely to be the sole owners of their businesses.
- Their intention to grow in the next few years was just 3% less than entrepreneurs without a disability.
- They are more likely to believe that “people like me” are unlikely to receive a bank loan (52% compared to 41% among women entrepreneurs who do not live with a disability).
- As with other intersectional groups, they are concerned about the general lack of support from funders based on appearance and perceptions of “otherness”, in part based on physical ability.
- They are more likely to have used their personal or household savings to fund their businesses; 69% of respondents indicate that personal or household savings will continue to be a significant source of funding over the next three years.



“It just seemed like the same answer (was no)...especially coming from a place where I've had a number of traumas in my life that I've worked hard to put a face on and overcome. There were two women that I went through. I don't want to say this, it sounds all very, like I'm saying negative, but in all honesty, they weren't helpful. I find often the feedback I get is 'I'm very sympathetic', but I don't need sympathy.”

[PERSON WITH A DISABILITY]

Experiences of Intersectional Women Entrepreneurs

Newcomer Entrepreneurs

Self-identifying as a not having been born in Canada and having lived in Canada for less than 5 years, 50 newcomer women and non-binary entrepreneurs participated in the study.

- They are more open to applying for funding if they have greater support and guidance throughout the process.
- They are less likely than non-newcomer entrepreneurs to dislike owing money
- With limited or lacking credit history, it is not surprising that 72% of newcomer entrepreneurs are self-funders. They are twice as likely to self-fund as non-newcomers.



There is some bias. Sometimes it's not mentioned. It's not spoken. We don't live in a perfect world. But having the proper support from the government and all the institutions around us here in Canada, [they've] helped me to find strength and helped me build confidence that I can go to any institution and have the right support."

[NEWCOMER]

“

Being an immigrant, I think I haven't had the opportunity to build strategic relationships. I'm a community builder myself. I connect with people, but I just haven't come across people who are the right people who can support me.”

[NEWCOMER]

Recommendations for Funders

Recommendations for Funders

1. Review Application Processes to Audit for Sludge

While newer entrepreneurs cite challenges in locating eligible funding sources, they also mention problems understanding the funding application process and paperwork. Entrepreneurs with more established businesses describe pitch and application experiences that are cumbersome and, on occasion, biased. Overall, 42% of respondents report that application processes, no matter the source of the funds, are characterized by sludge (elements that cause unnecessary friction or slow progress).

While it is impossible, and even undesirable, to remove all friction, current application processes deter entrepreneurs from finishing and submitting pitch decks and applications. Sludge audits should examine and track key spots in the application process by looking for:

- Sections that frequently require reworking or staff support.
- Jargon and financial terminology that could be eliminated or more easily explained.
- Exit points in the online application process to find additional information not identified at the outset.

Funders are encouraged to seek feedback from applicants on what specific parts of the process are daunting and difficult.

2. Be Transparent About Offerings and Processes

Both new and experienced entrepreneurs say they faced processes, procedures, and expectations that were not clear or transparent. Lenders' decisions, in some cases, seemed capricious and arbitrary as a result.

Be clear from the outset regarding:

- What information will be required and how it helps funders assess the applicant.
- The amount of time to expect between application submission and approval.
- Which products and offerings are available and how they can help entrepreneurs at different stages of business growth.

Recommendations for Funders

3. Increase Direct Support for Finishing Applications

Respondents say the funding application process is multi-step and complicated. Some of the required elements such as pitch decks and financial projections can take weeks or months to prepare. Very few entrepreneurs have staff who are well-versed with the business to either take on this task or provide guidance through the application process.

In response to this feedback, funders should:

- Provide entrepreneurs with access to dedicated, trained staff who can assist in all aspects of the funding application process.
- Offer targeted 'micro-courses' aimed at increasing the business financial literacy and acumen for new entrepreneurs.

4. Ensure Mechanisms Are In Place to Detect Bias

Respondents from all of the intersectional groups anticipate they will experience racism or bias at some point in their interactions with funders. Approximately 1 in 7 bank funding applicants report experiences of discrimination and bias at the bank. Age and gender identity were the most common biases on which discrimination was encountered, followed by income level. Gender expression, ethnicity, and skin colour were also mentioned, but to a lesser degree.

Since biased outcomes are a reflection of biased processes, mechanisms must be put in place to detect and correct bias at all levels. These include:

- Mandatory Diversity, Equity and Inclusion (DEI) training for all staff. To ensure meaningful participation, this should be presented as immersive, small cohort training rather than online sessions that can be 'viewed' when an employee has time.
- Culturally sensitive practices that are informed by members of funding applicants' communities and intersectional groups
- Looking for outliers versus the average in terms of application redo's, concerns, and application success rates.
- Increased one-to-one personalized engagement and support for entrepreneurs. This is the best way to understand the context of the applicant's concerns and unique considerations that cannot be uncovered using a form.
- Inclusive marketing practices that use precise messages that will resonate and showcase successful role models.

Recommendations for Funders

5. Stop Labelling For Confidence and Risk Levels

There is much discussion about confidence and risk aversion levels, and their impact on entrepreneurial success. The notion that women lack 'confidence' conveys pervasive gender bias and contradicts our findings.

Using labels such as *low confidence* and *risk aversion* carries the chance of attributing funding challenges to a personal deficiency, rather than to external barriers and friction in the actual funding process.

- Recognize that confidence and risk are context specific. Our data shows that respondents are self-confident in their ability to do what it “reasonably” takes to navigate the funding environment, but they are less confident in the funding process itself. They are also risk astute and require more information to assess their options and whether to proceed with a course of action.

Final Thoughts

Of bank and credit union applicants, 63% were approved for the total amount they asked for; 6% received partial funds; 58% of bank applicants were approved for the total amount they asked for; 6% received partial funds. While it might be tempting to claim that internal funding processes are sound, funders are urged to refrain from doing so. Several respondents point to gaps in the application process and would have liked to see more solutions to support them, a simpler process and a more welcoming environment.

Highly experienced entrepreneurs expressed that they do not wish to receive any more advice, tool kits, or access to accelerators and incubators. They were clear that those offerings were often provided instead of direct funding, leaving them with no solutions to their financial needs and a greater sense of time scarcity. Other entrepreneurs expressed the need for direct links to connections, referrals and warm introductions to help them open doors to more money.

In response, funders are advised to:

- Incorporate open-ended feedback mechanisms for all applicants—successful or not—rather than collecting a net promoter score to measure customer experience and predict growth.
- Ask entrepreneurs what they need most to succeed quantitatively and qualitatively and provide resources.
- When rejecting applications, provide concrete recommendations for what they need to do to become a successful applicant (i.e. build credit history, minimum level of equity or alternative, etc.) This is not an immediate answer to their borrowing needs but will help put them on the path to eligibility.

Recommendations for Women and Non-Binary Entrepreneurs

Recommendations for Women and Non-Binary Entrepreneurs

1. Be Wary of Banking on Personal Resources

The findings reveal that while 50% of respondents at some point applied for external funding, the other 50% have relied only on personal savings, credit cards, or support from family and friends to launch and sustain their enterprise. In fact, credit cards were the second most popular choice, with 3 out of 10 saying they will continue to rely on them.

Entrepreneurs are cautioned against depending heavily on personal resources, particularly if these are regarded as the easier and less risky options. Consider the following:

- Interest payments on a loan obliges the borrower to meet specific payment terms and to pay back more than the original loan amount, however, paying out of savings or a retirement fund means losing the interest those funds could have earned.
- Credit cards have been institutionalized as the “go-to” source of payment vs. cash and a necessity to build credit history. However, the prospect of high interest fees and a tainted credit score may be unnecessary if low-cost or even free alternatives, like government grants, are available.
- Relying solely on savings or retained earnings in the business puts a cap on revenue and earnings potential as opposed to leveraging more funds (loans or investment infusion) to scale.

2. Embrace the Good Sludge

The research survey found that 53% of entrepreneurs believe it takes too much time and effort to apply for external funding while 4 in 10 struggle to understand business finance terminology. This suggests there is considerable opportunity for improvement to make the funding application process less complex.

However, not all of the ‘sludge’ is bad. Sometimes short-term hurdles can have long-term benefits for entrepreneurs:

- While the process of putting together a business plan and marketing analysis can be time consuming and tedious, it helps bring theories and ideas to life through the development of a strategy.
- Financial projections together with net-worth statements can reveal challenges and opportunities but most of all can minimize the risk of failure.
- Remember that funders have “skin in the game” and want their clients to succeed so they succeed.

Recommendations for Women and Non-Binary Entrepreneurs

3. Educate and Advocate

While nearly 7 out of 10 respondents are confident that they can learn everything they need to know about applying for funding there is still work to be done before approaching a funder.

To begin, entrepreneurs should make a list of what they need and want from a funder: capital only, mentorship, specific business support, connections, etc., and then assess which funders can provide the right supports. It may require using a few different resources or starting with one and progressing to another as business needs evolve.

A prospective funder can't immediately know the details about a business' operations, the knowledge level of an entrepreneur, or what is ultimately needed to achieve business success. Funders will begin by making assumptions about an entrepreneur's knowledge, experience and circumstances. It is imperative then that entrepreneurs anticipate and counter perceived biases by asking the right questions and being prepared with informed answers.

Approximately 75% of respondents said they have faith in their ability to form good relationships with business advisors, loan officers, and others who can help them with business finances. Being able to build relationships is a strength that can be bolstered by preparing questions for funders and asking for clarification on terminology. Examples include:

- What funding alternatives exist and how can these options help your business succeed?
- What is required of you to receive your funding of choice?
- What unique considerations are given if you don't meet a specific requirement?
- What resources are available to support the application process?

4. Tap Into Your Network

Entrepreneurs may find great support and advice about finding and securing funding through their existing entrepreneurial network. Gathering feedback on the experiences of other women and non-binary entrepreneurs can help with:

- Working through resolutions to process 'sludge'
- Discovering useful programs and resources
- Identifying which funders have shown (or have not shown) bias towards women and non-binary entrepreneurs and intersectional groups.

Appendix A: Methodology

The B.C.-based market research firm CTRS developed the online survey and facilitated the focus groups and one-on-one interviews. Participants were sourced through WEOC's member network, social media, referrals, panel providers, and outreach to key demographic organizations and groups. As participants were sourced in some cases by targeted invitations, the study cannot be considered randomly sampled.

No margin of error can be associated with a non-probability sample. If a margin of error was reported for this sample, it would be $\pm 3.1\%$ at 95% confidence interval, based on estimations of incidence of Intersectional entrepreneurs:

- Private sector business counts by majority ownership in the first quarter of 2022 were found at [statcan.gc.ca](https://www150.statcan.gc.ca/n1/pub/28-263-x/2022001/article/00001-eng.htm)
- Results for the total sample are reflective of women entrepreneurs across Canada. In some areas of analysis, sample sizes are small and should be interpreted qualitatively and directionally only.
- Diversity, Equity and Inclusion experts were consulted to provide perspective and guidance on the outreach approach and design of the survey questions.

WEOC acknowledges that conversations about the relationship among sex, gender identity and gender expression have evolved over the past decade and continue to evolve. WEOC recognizes these changes and will evolve with the conversation. For this document, the term "women and non-binary" is defined to include all forms of gender identity and expression, including those who self-identify as women, two-spirit, non-binary and gender non-confirming individuals. Feedback about this and all aspects of the report are welcome and can be forwarded to info@weoc.ca.

Province/Territory	Count of respondents (base)
Yukon	2
Northwest Territory	2
Nunavut	1
British Columbia	200
Alberta	123
Saskatchewan	34
Manitoba	64
Ontario	344
Quebec	164
New Brunswick	17
Prince Edward Island	6
Nova Scotia	33
Newfoundland and Labrador	34

Intersectional Groups

Survey participants self-identified as being a part of or not being a part of each of these groups.

For this report, the Intersectional Groups are defined as:

- **LGBTQ2S+:** a member of the Lesbian, Gay, Bisexual, Transgender, Queer, Two Spirit community.
- **Person with a Disability:** living with an impairment that is physical, mental, neurological, sensory, or psychiatric.
- **Racialized:** according to the Merriam-Webster dictionary, defined as giving a racial character to someone or something: to be categorized, marginalized, or regarded according to race.
- **Indigenous:** First Nations, Inuk (Inuit), and/or Métis.
- **Newcomer:** not born in Canada and has lived within Canada for less than 5 years.

Context and Considerations

- Base sizes of less than $n = 100$ should be interpreted directionally
- The context of the survey was designed to be inclusive of any experience among women, transgender women, non-binary and gender non-conforming entrepreneurs. However, there are not enough participants among the three latter identities to analyze them exclusively (0.3% of total sample referred to themselves by the category label “Other”).
 - The intent of this context is to refer to experiences that are exclusive of men or male-identifying experiences.
 - The sample base will be referred to as “women and non-binary entrepreneurs” or “respondents”, which by definition in this report is inclusive of entrepreneurs who identify as women, Two-Spirit, transgender, non-binary and gender non-conforming people.
- Entrepreneurs whose business closed recently were asked to participate.
- Multi-level marketing, direct selling companies, charities and not-for-profits were excluded from this research.
- Only those who had equal or majority ownership (50%+) in a business were eligible to participate in this study.
- Participants with more than one business were asked to reflect specifically on the business for which they have the greatest percentage ownership.
- Entrepreneurs who had a funding application/pitch experience within the past three years with banks, credit unions, venture capital funds and angel investors and indicated that they recalled the experience well enough to answer questions about what they applied for, what they needed the funding for and how they were treated during the experience were asked questions about their funding experiences
- Banks have a sufficient sample size to report on with confidence. Data for experiences related to credit unions, venture capital funds and angel investors are reported on qualitatively and should be interpreted as directional only.

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