Sources of Funding for New Women-Owned Firms

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SOURCES OF FUNDING FOR NEW WOMEN-OWNED FIRMS

SUSAN COLEMAN AND ALICIA ROBB*

INTRODUCTION

In this Article we use data from the Kauffman Firm Survey (KFS) to examine the financing sources and strategies for a large sample of new firms in the United States. Our results reveal that women-owned firms raised smaller amounts of capital to start than men. Women also went on to raise smaller amounts of capital in subsequent years. Finally, our findings reveal that women business owners relied heavily on internal rather than external sources of both debt and equity to finance their firms. This finding may reflect differences in motivation between women and men business owners, differences in their levels of risk aversion, or differences in access to external sources of financing.

I. THE IMPORTANCE OF WOMEN-OWNED FIRMS

Small firms play a key role in the economic growth and vitality of the United States. The U.S. Small Business Administration (SBA) defines a small firm as one that has 500 or fewer employees. Using this definition, 99% of all firms in the United States would be categorized as small businesses. Data compiled by the SBA indicate that there were 26.8 million small firms in this country in 2006. These firms generated over half of the gross domestic product and

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1. The Kauffman Firm Survey, http://www.kauffman.org/kfs (last visited May 13, 2010). The public use data set for the KFS, as well as documentation for the survey, is included on this site.
2. OFFICE OF ADVOCACY, SMALL BUS. ASS’N, FREQUENTLY ASKED QUESTIONS 1 (2009), [http://www.sba.gov/advostats/sbfaq.pdf] [hereinafter FREQUENTLY ASKED QUESTIONS].
3. Id.
employed half of all private-sector employees. In fact, small firms have been responsible for 60% to 80% of net new jobs. Small firms are also an important source of innovation in the creation of new products, services, and technologies.

Women-owned firms represent a growing component of the small-business sector. According to data from the U.S. Census Bureau, there were 6.5 million privately-held women-owned firms in the United States in 2002. As shown in Table 1, these firms generated an estimated $940 billion in sales and employed 7.1 million people. “Although women-owned firms still comprise a minority of all firms (28 percent), their numbers have been growing rapidly.” The number of women-owned firms increased by 19.8% from 1997 to 2002 compared with a growth rate of 10.3% for U.S. firms overall. The number of firms with employees increased 8.3% for women-owned firms and just 4.3% for U.S. firms overall.

Nevertheless, during this same timeframe,

the revenues for women-owned firms increased by less than 15 percent, compared with 22 percent for all U.S. firms. Similarly, employment by women-owned firms grew by only one percent, compared with a growth rate of 7.2 percent for U.S. firms overall. Finally, payroll grew by 17 percent, compared with 30 percent for U.S. firms overall. These Census Bureau statistics reveal that, while the number of women-owned firms grew more rapidly than the number of firms owned by men, their performance in terms

5. Frequently Asked Questions, supra note 2, at 1.
7. See Frequently Asked Questions, supra note 2, at 1 (stating that small businesses “hire 40 percent of high-tech workers” and “[p]roduce 13 times more patents per employee than large patenting firms”).
9. See infra Table 1. Table 1 provides U.S. Census data on the total number of firms as well as the number of women-owned firms in both 1997 and 2002. It also provides data on those firms that actually added employees beyond the firm owner herself.
11. See infra Table 1.
12. See infra Table 1.
of sales, employment, and payroll actually declined for the period of 1997-2002.13

“Women own less than 17 percent of firms with employees, employ less than 7 percent of the workforce, and account for just 5 percent of payroll. Women-owned businesses appear to have lost ground over the 1997-2002 period.”14

Other sources have also suggested that women-owned firms continue to struggle in a variety of areas.15 “Women-owned businesses tend to be significantly smaller than firms owned by men.”16 “In terms of performance, previous studies have revealed that women-owned firms were more likely to fail, and had lower levels of sales, profits, and employment.”17 As shown in Table 1, women-owned firms generate less than 5% of all firm revenues and less than 4% of revenues from firms with employees.18 Women-owned firms also “remain heavily concentrated in the service and retail sectors. Because these industries are highly competitive, opportunities for growth and profitability are limited.”19 The National Wo-

18. See infra Table 1.
men’s Business Council reported in 2007 that 69% of women-owned firms were in the service sector in 2006, while 14.4% were in retail trade.\textsuperscript{20}

Access to capital has been a frequently cited problem for women business owners, and a recent study noted that it has been more of a problem during the early stages of a firm’s development.\textsuperscript{21} Similarly, a study of nascent entrepreneurs observed that those firm owners who actually succeeded were much more likely to have had both personal and external sources of capital to draw upon.\textsuperscript{22} A study of over 1,000 Canadian firms found that women were more concerned about access to capital than with any other business problem.\textsuperscript{23} A number of studies contend that women-owned firms, consistent with their difficulties in acquiring capital, tend to “under-perform” relative to men-owned firms in measures of size, growth, and profits.\textsuperscript{24}

This Article will use data from the Kauffman Firm Survey to compare firm, owner, and financing characteristics by gender. It will compare and contrast the financing sources and experiences of women and men firm owners in order to identify financing gaps, specific financial challenges and constraints, and differences in financing strategy.

II. CHARACTERISTICS OF WOMEN-OWNED FIRMS

Prior research has documented distinct differences in the characteristics of women- and men-owned small firms.\textsuperscript{25} A number of studies have noted that women-owned firms are smaller than men-owned firms in terms of sales, assets, and number of employees.\textsuperscript{26}

\begin{itemize}
  \item \textsuperscript{22} Simon C. Parker & Yacine Belghitar, What Happens to Nascent Entrepreneurs? An Econometric Analysis of the PSED, 27 Small Bus. Econ. 81, 90-93 (2006).
  \item \textsuperscript{24} Rosa et al., supra note 17, at 463-64; see Robert W. Fairlie & Alicia M. Robb, Gender Differences in Business Performance: Evidence from the Characteristics of Business Owners Survey, 33 Small Bus. Econ. 375, 375 (2009); Loscocco et al., supra note 19, at 65-66; see also Robb, supra note 19, at 395.
  \item \textsuperscript{25} Coleman, supra note 16, at 303-04.
Also, as noted above, the majority of women-owned firms are concentrated in the service and retail sectors.27 These industries tend to be highly competitive and provide limited opportunities for growth and profits. Conversely, a very small percentage of women-owned firms are in rapid growth or high technology lines of business.28

Previous studies have also noted differences between women and men small-business owners. Though well educated on average, women business owners are less likely to have degrees in business or technical fields.29 Similarly, they have fewer years of prior experience in industry or in managerial roles.30 In this sense, they have lower levels of human capital than male business owners. The same holds true for levels of financial capital. Prior research indicates that women start their businesses with smaller amounts of capital and are less likely to raise capital from external sources.31

Finally, prior research has revealed differences in the motivations and anticipated rewards of business ownership for women and men. Specifically, while men are more likely to be motivated by firm growth and profits, women seek personal fulfillment, flexibility, and a sense of having more control over their destinies.32 Some researchers have suggested that the desire for control and a higher level of risk aversion leads women business owners to keep their

gov/PUBS/feds/2002/200218/200218pap.pdf; see Fairlie & Robb, supra note 24, at 376-77.


29. Menzies et al., supra note 28, at 95.


32. Anna et al., supra note 27, at 286; Morris et al., supra note 28, at 224-26.
firms small and manageable. By the same token, women are more likely to avoid external sources of financing, which would force them to give up control and take on higher levels of risk. Taken together, these various characteristics and motivations for women-owned firms may have an effect on the types of capital they seek and are able to obtain.

III. 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.


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. Similarly, an article by Walker and Joyner observed that women continue to feel that they are discriminated against in their attempts to secure funding. 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


42. *Id.* at 58.

were more likely to borrow through the use of credit cards than men.44

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.45 Constantinidis et al. found differences in both demand- and supply-side patterns when they studied women entrepreneurs in Belgium.46 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.47 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.48 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.49 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.50 Chaganti, DeCarolis, and Deeds found that women tend to use internal rather than external sources of equity for their firms.51 They concluded that the reliance on internal equity hampers women business owners’ ability to grow their firms and to introduce new

44. Robb & Wolken, supra note 26, at 15.
45. See Orser et al., supra note 31, at 658-59.
46. Constantinidis et al., supra note 31, at 153-54.
47. Id. at 142.
48. Id. at 144-46.
49. Id. at 149.
50. Angel investors are wealthy individuals who invest their own capital in new firms. Venture capitalists are professional fund managers who invest the capital of others in new firms.
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 in-depth interviews with women entrepreneurs who used angel invest-

52. Id. at 16.
55. Id. at 17.
56. The Diana Project is a multi-university research program to identify factors that support and enable high growth in women-led ventures. Diana Project, http://www.dianaproject.org (last visited May 3, 2010).
59. Id. at 515-16.
ments.\textsuperscript{60} 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.\textsuperscript{61} 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.\textsuperscript{62}

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.

IV. DATA

The Kauffman Firm Survey (KFS) is a survey of new businesses in the United States. This survey collected information on 4,928 firms that started in 2004 and went on to survey them regularly in subsequent years.\textsuperscript{63} This cohort is the first large national sample of firm startups to be tracked over time. These data contain detailed information on both the firm and up to ten business owners per firm. In addition to the 2004 baseline-year data, three years of follow-up data (2005-2007) are now available. Additional years are planned. Detailed information on the firm includes industry, physical location, employment, profits, intellectual property, and financial capital (equity and debt) used at start-up and over time. Information on up to ten owners includes age, gender, race, ethnicity, education, work experience, and previous start-up experience. The detail provided by these data allows us to compare the financial strategies and the use of both debt and equity for new women- and men-owned firms from 2004 through 2007.\textsuperscript{64} A data subset of firms reporting for all three years and on firms verified as going out of

\textsuperscript{60} Frances M. Amatucci & Jeffrey E. Sohl, Women Entrepreneurs Securing Business Angel Financing: Tales from the Field, 6 Venture Capital 181, 187-89 (2004).


\textsuperscript{62} Treichel et al., supra note 41, at 61.


\textsuperscript{64} A public use dataset is available for download from the Kauffman Foundation’s website, and a more detailed confidential dataset is available to researchers
business in either 2005 or 2006 is used in this research. This reduces
the sample size to 4,159 businesses. The method for assigning
owner demographics at the firm level was first to define a primary
owner. For firms with multiple owners (35% of the sample), the
primary owner was designated by the largest equity share. In cases
where two or more owners owned equal shares, hours worked and a
series of other variables were used to create a rank ordering of
owners to define a primary owner.\textsuperscript{65} Firms with a female primary
owner are classified as women-owned firms. Multi-race/ethnic
owners are classified into one race/ethnicity category based on the
following hierarchy: black, Asian, other, Hispanic, and white. For
example, an owner was defined as black, even if that individual was
also Hispanic. As a result of the ordering, the white category in­
cludes only non-Hispanic white owners.\textsuperscript{66}

Table 2 provides descriptive statistics, by primary owner gen­
der, for various sources of equity and debt used at startup in 2004,
the baseline year.\textsuperscript{67} It reveals that roughly the same percentage
of women and men used equity (80\%) and debt (55\%) for initial capi­
tal injections. Nevertheless, the specific sources differed by gender.
Consistent with prior research, the vast majority of both women
and men used internal rather than external equity to finance their
firms. About 80\% of women used internal equity while only 8.2\%
used external equity. Further, the major sources of external equity
for women were funds provided by either a spouse or a parent.
Only a very small percentage of women used outside equity inves­
tors (1.5\%) or venture-capital financing (0.2\%). Although men
were more likely than women to use external equity during the first
year of operation (10.2\% vs. 8.2\%), the percentages were still very
low.\textsuperscript{68}

Table 2 also reveals that a higher percentage of women than
men used personal rather than business debt to finance their firms
(49.7\% vs. 20.9\%).\textsuperscript{69} Major sources of funding were personal
credit-card balances (32.7\%), personal bank loans (15.8\%), busi­
ness credit-card balances in the owner’s name (13.4\%), and family

through a data enclave provided by the National Opinion Research Center (NORC).
This paper uses the confidential version of the dataset.

65. \textit{See Ballou et al., supra note 63, at 15-18.}
66. \textit{Id. at 2.}
67. \textit{See infra Table 2.}
68. \textit{See infra Table 2.}
69. \textit{See infra Table 2.}
loans (10.7%). Conversely, only 5.3% of women had bank loans for the firm, and only 4.9% had a line of credit. Although the percentage of business debt was higher for men-owned firms (25.6% vs. 20.9%), it also reveals minimal use of bank financing. This finding is consistent with prior research that attests to the difficulties faced by smaller and newer firms in their attempts to secure external sources of capital.

In addition to providing information on sources of debt and equity for the baseline year, Table 2 also provides similar data for 2005 and 2006, which reveal similar patterns. Both women and men were more likely to use internal rather than external sources of equity; outside investors and venture-capital funding continued to be minimal. Similarly, both men and women continued to be more reliant on personal debt rather than business debt. Nevertheless, by 2006, almost twice as many men used bank loans for the business or lines of credit than women. It is noteworthy that for 2004, 2005, and 2006, credit cards, either personal or business, were the major source of debt financing for both women and men.

Table 3 sheds further light on the amounts of debt and equity used by new firms. It reveals that women used dramatically lower amounts of total capital, debt, and equity to start their firms than men. Mean amounts of start-up capital in the baseline year (2004) were $55,410 for women compared with $82,632 for men. The differences are even more dramatic when we look at external sources of capital. Men used more than twice as much business debt to establish their firms as women ($21,885 vs. $9,312), while women were more reliant on owner or personal debt. Similarly, men used almost three times the amount of external equity as women ($11,224 vs. $3,196). The fact that women business owners start their firms with much smaller amounts of capital may have implications for their ability to hire employees, develop new products and services, grow, or even survive.

As with Table 2, a similar pattern persists in 2005 and 2006. In both years, women raised roughly half of the amount of incre-

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70. See infra Table 2.
71. See infra Table 2.
72. See infra Table 2.
73. Lee, supra note 21, at 85.
74. See infra Table 2.
75. See infra Table 2.
76. See infra Table 2.
77. See infra Table 2.
78. See infra Table 2.
mental financing that men did. The discrepancies are even more extreme when we examined the categories of business debt and external equity, where the amount of new capital raised by women was closer to one-third of that raised by men. To summarize, for the first three years of operation, women-owned firms raised an average of approximately $120,000, compared with more than $200,000 for firms owned by men. Similarly, women raised a total of $26,000 in business debt and $8,000 of external equity, compared with $64,000 in business debt and $26,000 of external equity for men.79

Our review of Tables 2 and 3 suggests differences in the financing sources and strategies of women- and men-owned firms. Specifically, women appear to start their firms with much smaller amounts of capital than men, and women are more likely to rely on internal rather than external sources of capital. Beyond those differences, only a small percentage of either women or men used external capital in the form of business loans, lines of credit, angel investments, or venture capital. These findings suggest the possibility of both supply- and demand-side constraints on new firms in general and on new women-owned firms in particular.

The fact that so few firms, male or female, use external sources of business debt or equity suggests constraints on supply, possibly driven by the high risk and potential for failure among newer firms. The fact that women-owned firms start their firms with dramatically less capital than men suggests constraints on demand. As suggested by prior research, women may be more risk averse than men,80 or they may be more motivated to start smaller firms that will allow them to balance the demands of work and family.81 Alternatively, women may experience subtle forms of discrimination or difficulty in securing access to networks used by providers of external capital.82

79. See infra Table 3.
80. See Cliff, supra note 33, at 528; Constantinidis et al., supra note 31, at 148.
CONCLUSION

In this Article we have provided a preliminary examination of differences in new firm financing by gender using data from the Kauffman Firm Survey, a longitudinal survey of nearly 5,000 new firms in the United States. Results reveal that, consistent with prior research, women started their firms with significantly less capital than men, and women raised significantly smaller amounts of follow-up capital, both debt and equity. Our findings show that women relied more heavily on personal rather than external sources of financing. In fact, by the third year of operation, approximately twice as many men were using external debt, such as bank loans for the business or lines of credit, as women, although a low percentage of both women and men used external equity.

Prior research has suggested both supply-side and demand-side constraints on women’s access to capital. In terms of supply-side constraints, investors may choose to avoid newer firms in general, because they lack a track record and have a greater risk of failure. Supply-side constraints could also include investors’ preferences for certain types of businesses or subtle forms of discrimination that exclude women from networks that could provide them access to capital.

The fact that women in this study raised substantially less capital and relied heavily on personal sources of debt and equity may also be evidence of demand-side constraints. Prior research attests to a higher level of risk aversion on the part of women, a preference for smaller firms that allow for work and family balance, and a desire to maintain control. These motivations may cause women to start smaller firms requiring smaller amounts of capital that can be supplied by personal rather than external sources. Whatever the cause, the fact that women use dramatically smaller amounts of start-up capital and rely on personal rather than external sources has implications for their ability to develop new products and services, grow their firms, hire employees, and survive periods of adversity.

This study lays the groundwork for further research on gender differences in financing sources and strategies. First, with regard to the possibility of both supply- and demand-side constraints on women’s access to capital, further study is needed to determine precisely why women use the financing sources they do and why they avoid or are discouraged from others. Further research could also shed light on whether women raise smaller amounts of capital be-
cause they do not feel they need it or, alternatively, because they are unable to get it. A second possible direction for further research would be an examination of the link between financing sources, strategy, and firm outcomes in the form of sales, profits, growth, and employment. Specifically, are women at a disadvantage in terms of performance outcomes because of the financing sources and strategies they use? These preliminary results are intended to lay the groundwork for these important questions.
### TABLE 1

**U.S. Nonfarm Firms by Gender and Ownership, 1997 and 2002**

<table>
<thead>
<tr>
<th>As Published</th>
<th>All Firms</th>
<th>Firms with paid Employees</th>
<th>Annual payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Firms (Number)</td>
<td>Receipts (Millions of dollars)</td>
<td>Firms (Number)</td>
</tr>
<tr>
<td><strong>Women-owned firms</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002¹</td>
<td>6,489,483</td>
<td>940,775</td>
<td>916,768</td>
</tr>
<tr>
<td>1997²</td>
<td>5,417,034</td>
<td>818,669</td>
<td>846,780</td>
</tr>
<tr>
<td>growth (percent)</td>
<td>19.8%</td>
<td>14.9%</td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>All U.S. firms</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>22,974,685</td>
<td>22,627,167</td>
<td>5,524,813</td>
</tr>
<tr>
<td>1997</td>
<td>20,821,934</td>
<td>18,553,243</td>
<td>5,295,151</td>
</tr>
<tr>
<td>growth (percent)</td>
<td>10.3%</td>
<td>22.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2002 percent of total U.S. firms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Women-owned</strong></td>
<td>28.2</td>
<td>4.2</td>
<td>16.6</td>
</tr>
</tbody>
</table>

¹ 2002 Survey of Business Owners, Women-Owned Firms.

2010] SOURCES OF FUNDING FOR NEW WOMEN-OWNED FIRMS

Table 2
NEW FIRM FINANCING BY PRIMARY OWNER GENDER
KAUFFMAN FIRM SURVEY (PERCENT OF ACTIVE FIRMS)

<table>
<thead>
<tr>
<th></th>
<th>Baseline 2004</th>
<th>First Follow Up 2005</th>
<th>Second Follow Up 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Total Equity</td>
<td>80.5%</td>
<td>80.1%</td>
<td>47.3%</td>
</tr>
<tr>
<td>Total Debt</td>
<td>55.5%</td>
<td>55.7%</td>
<td>51.6%</td>
</tr>
<tr>
<td>Inside Equity (Owners)</td>
<td>79.8%</td>
<td>79.1%</td>
<td>46.6%</td>
</tr>
<tr>
<td>Outside Equity</td>
<td>8.2%</td>
<td>10.2%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Parent Equity</td>
<td>2.1%</td>
<td>1.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Angel Financing</td>
<td>1.5%</td>
<td>3.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other Business Equity</td>
<td>0.3%</td>
<td>1.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Venture Capital Equity</td>
<td>0.2%</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Owner Debt (Used Resp. Debt)</td>
<td>49.7%</td>
<td>47.2%</td>
<td>64.9%</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>32.7%</td>
<td>27.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Business Credit Card Balances</td>
<td>15.8%</td>
<td>17.5%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Family Loan</td>
<td>13.4%</td>
<td>14.2%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Other Loan</td>
<td>10.7%</td>
<td>9.4%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Other Debt</td>
<td>5.5%</td>
<td>2.2%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Total Business Debt</td>
<td>20.9%</td>
<td>25.6%</td>
<td>23.3%</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>10.7%</td>
<td>11.9%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Credit Line</td>
<td>5.3%</td>
<td>6.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Non Bank Loan</td>
<td>4.9%</td>
<td>5.4%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Family Loan</td>
<td>0.7%</td>
<td>2.0%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Owner Loan</td>
<td>2.6%</td>
<td>3.1%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Tabulations of the Kauffman Firm Survey Confidential Microdata
<table>
<thead>
<tr>
<th>Baseline</th>
<th>First Follow Up</th>
<th>Second Follow Up</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>2004</td>
<td>$55,410</td>
<td>$52,672</td>
</tr>
<tr>
<td>2005</td>
<td>$34,813</td>
<td>$34,782</td>
</tr>
<tr>
<td>2006</td>
<td>$32,778</td>
<td>$32,778</td>
</tr>
</tbody>
</table>

**Total Financial Capital**
- Female: $55,410
- Male: $52,672

**Total Debt**
- Female: $30,510
- Male: $41,488

**Owner Debt**
- Female: $21,918
- Male: $19,603

**Business Debt**
- Female: $9,312
- Male: $21,885

**Equity Investment**
- Female: $23,865
- Male: $38,797

**Internal Equity**
- Female: $21,704
- Male: $29,920

**External Equity**
- Female: $3,196
- Male: $11,224

**Leverage Ratios**
- Debt/Equity: 127.8%
- Debt/Total FK: 106.9%
- Internal Equity/Total FK: 55.1%
- External Equity/Total FK: 106.9%

Source: Tabulations of the Kauffman Firm Survey Confidential Microdata