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Executive Summary

The financing situation of young businesses – a gender specific analysis in Braunschweig

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Executive summary

International research paints a complex and sometimes contradictory picture of the financing situation of women-led businesses. As there are few recent findings for Germany, this study aims to examine the financing situation of young businesses led by women and men in Germany. Using data from the IAB/ZEW Start-up Panel, the study focuses on the use of different financing sources, encountered financing difficulties, and the phenomenon of self-rationing, where loan applications are not submitted due to the expectation of rejection. Additionally, four expert interviews were conducted.

Young businesses led exclusively by women use bank loans less frequently

In contrast to the findings of international studies, our analysis initially shows no difference in the use of bank loans between young companies led by women and those led by men. However, a detailed examination of the gender composition of management teams reveals that companies led exclusively by women – particularly those run by a single individual – utilise bank loans less frequently than men-led companies. In teams predominantly led by women, the use of bank loans does not differ from that in purely men-led teams.

Women-led young businesses use venture capital significantly less frequently than those led by men

Women-led young businesses utilise equity capital less frequently than those led by men. This is less a result of structural disadvantage and more a reflection of financing preferences. Women tend to seek smaller financing volumes, which reduces their attractiveness to external equity investors. Conversely, women-led businesses draw more often on financial support from personal networks (family and friends) and public funding than their male led counterparts.

Women-led young enterprises are more likely to engage in self-rationing

The chances of success in loan applications for women- and men-led young enterprises are equal in general. In fact, entirely women-led enterprises face fewer difficulties in obtaining credit than those led by men. This is partly because women-led enterprises apply for loans less frequently, since they fear rejection. As a result, they avoid the risk of potential rejection altogether. Women-led enterprises therefore demonstrate a significantly stronger tendency towards self-rationing compared to their male-led colleagues.

A more realistic assessment of financing prospects is a long-term task

The financial situation of women-led young enterprises could be improved by reducing self-rationing. To achieve this, it would be necessary to stop conveying the impression that female entrepreneurs generally face greater difficulties in obtaining bank loans. In the medium term, this could lead to a more realistic assessment of their financing prospects, which would also contribute to a more accurate self-perception of their entrepreneurial abilities. At the same time, efforts should be made with those who provide external financing, by regularly raising their awareness of potential gender bias in their actions. This could not only counteract any remaining discrimination against women but also ensure that no unintended signals are sent that could be misinterpreted by women.