



August 3, 2023

Senate Committee on Small Business and Entrepreneurship  
428A Russell Senate Office Building  
Washington, D.C., 20510

Dear Chairman Cardin, Chairwoman Ernst, and members of the Senate Committee on Small Business and Entrepreneurship,

Thank you for convening a hearing last month covering women's entrepreneurship and the barriers women face when launching and growing companies. Engine is a non-profit technology policy, research, and advocacy organization that bridges the gap between policymakers and startups. Engine works with government and a community of thousands of high-technology, growth-oriented startups across the nation—many founded and led by women—to support the development of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues. Equitable access to the startup ecosystem for women founders is a core tenet of Engine's work, and we are grateful for the opportunity to provide our feedback on the struggles and successes of women entrepreneurs.

Women entrepreneurs are amongst the most resilient in the nation. They face significant hurdles to entrepreneurial success, including child and family care responsibilities, diminished opportunities in STEM fields, disparities in capital access, and significant student loan debt. And yet, women own roughly 42 percent of U.S. businesses and in 2019 generated \$1.9 trillion in revenue.<sup>1</sup> Woman-founded and co-founded startups, though they receive significantly less VC funding on average, perform better over time than their male counterparts and generate more revenue over five years<sup>2</sup> and a higher return on investment.<sup>3</sup> And women founders support women workers—hiring 2.5 times more women than startups founded by men.<sup>4</sup>

Despite these clear signs of success for women business owners and startup founders, significant challenges remain. While women own 42 percent of businesses, the number of startups with at least one woman founder hovers under 30 percent.<sup>5</sup> And just 14 percent of startups have a

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<sup>1</sup> *National Women's Small Business Month*, Small Business Administration.

<https://www.sba.gov/about-sba/organization/observances/national-womens-small-business-month>.

<sup>2</sup> Katie Abouzar et al., *Why Women-Owned Startups are a Better Bet*, Boston Consulting Group (June 6, 2018), <https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet>.

<sup>3</sup> *Female Founder Statistics*, Springboard Enterprises, <https://sb.co/female-founder-stats/>.

<sup>4</sup> Colin West and Gopinath Sundaramurthy, *Women VCs Invest in Up to 2x More Female Founders*, Kauffman Fellows (March 25, 2020), <https://www.kauffmanfellows.org/journal/women-vcs-invest-in-up-to-2x-more-female-founders>.

<sup>5</sup> *Female Startup Founders Worldwide - Statistics & Facts*, Statista, <https://www.statista.com/topics/4691/female-founded-startups/#dossier-chapter3>.

female CEO.<sup>6</sup> Women founders also receive just a fraction of all venture capital. In the first quarter of 2023, startups founded by women received just 2.1 percent of allotted venture capital dollars—that represents just \$800 million of the roughly \$37 billion in VC funds directed to U.S. startups.<sup>7</sup> These statistics are even more bleak for women founders of color, who receive just a small fraction of a percent of funding.<sup>8</sup> And women founders are often made to feel that they have no choice but to work within this flawed system to find success. Kathryn Rose, founder of getWise told us, “While I appreciate the opinion that we have to play the game—the game is rigged. So if we’re not getting the early dollars, or we’re not getting as many dollars, or the dollars that we are getting come at too high a price for our companies, we’re starting at a deficit.”<sup>9</sup> And the funding disparities are only further highlighted by the greater inequity in the U.S. investment space. When women represent just 13 percent of partners at VC firms,<sup>10</sup> equitable access to capital isn’t possible. Because women venture capitalists are twice as likely to invest in women founders than their male counterparts,<sup>11</sup> without more women investors, woman-founded startups are left behind.

Women founders don’t just struggle to secure venture capital, but all sources of startup funding. In fact, the vast majority of startups never raise venture capital at all, and instead rely on a combination of funding sources, including personal capital, loans, credit cards, and funds from friends and family.<sup>12</sup> But many women start from a financially less secure place with regards to personal finances, as women are more likely to hold lower wage jobs,<sup>13</sup> and the ever-present wage gap continues to persist.<sup>14</sup> Women also often receive worse treatment when applying for loans—according to a survey by funders, women represented just 25 percent of business loan applicants, and have a financing approval rate of just 32%.<sup>15</sup> Women entrepreneurs are often quoted higher interest rates and are more likely to receive shorter-term loans.<sup>16</sup> And with respect to

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<sup>6</sup> *More than Half of US Startups Lack Women in Leadership, According to Silicon Valley Bank’s 2020 Women in US Technology Leadership Report* (March 5, 2020),

<https://www.svb.com/news/company-news/more-than-half-of-us-startups-lack-women-in-leadership-according-to-silicon-valley-banks-2020-women-in-us-technology-leadership-report>.

<sup>7</sup> Narim Emdjian, *Bridging the Funding Gap for Diverse Founders and How SBIR Can Help* (May 22, 2023), <https://www.linkedin.com/pulse/bridging-funding-gap-diverse-founders-how-sbir-can-emdjian-mba/>.

<sup>8</sup> Engine, *Making the Startup Ecosystem More Equitable* (Nov. 2021), <https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/6193d03ac7eb9c40442a6740/1637077051416/Making+the+Startup+Ecosystem+More+Equitable+11.15.pdf>.

<sup>9</sup> Engine, *Women Startup Leaders Roundtable: What We Heard* (Nov. 2022), [https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/64346ad31d539c3d06092981/1681156819155/Innovation+for+All+\\_+Women+Startup+Leaders+Roundtable\\_+What+we+Heard\\_Final.pdf](https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/64346ad31d539c3d06092981/1681156819155/Innovation+for+All+_+Women+Startup+Leaders+Roundtable_+What+we+Heard_Final.pdf).

<sup>10</sup> *Venture Capital Is Still A ‘Boys’ Club.’ Let’s Start To Change That* (Aug. 17, 2021), <https://news.crunchbase.com/venture/venture-capital-female-gender-diversity/>.

<sup>11</sup> Ashley Bittner and Brigette Lau, *Women-Led Startups Received Just 2.3% of VC Funding in 2020* (Feb. 25, 2021), <https://hbr.org/2021/02/women-led-startups-received-just-2-3-of-vc-funding-in-2020>.

<sup>12</sup> Engine, *supra* note 8.

<sup>13</sup> Jasmine Tucker and Kayla Patrick, *Low Wage Jobs are Women’s Jobs: The Overrepresentation of Women in Low-Wage Work*, National Women’s Law Center (Aug. 2017), <https://nwlc.org/wp-content/uploads/2017/08/Low-Wage-Jobs-are-Womens-Jobs.pdf>.

<sup>14</sup> Engine, *supra* note 8.

<sup>15</sup> Jared Hecht, *State of Small Business Lending: Spotlight on Women Entrepreneurs*, Fundera (Feb. 2, 2021), <https://www.fundera.com/blog/the-state-of-online-small-business-lending-q2-2016>.

<sup>16</sup> *Id.*

government funding, complex application processes hinder many, and women-owned businesses remain underrepresented in federal government contracts.<sup>17</sup>

Unfortunately, the barriers faced by women founders aren't just limited to capital access. Like most underrepresented founders, women founders face diminished access to the networks and mentors needed for success. And this lack of access translates into slowed capital access. As Sarah Adler, founder of Wave told us, “[Without] a small supportive network of other female founders who have already been through the process, I would have spent six months fundraising talking to 500 people instead of 30.”<sup>18</sup> Women also struggle to gain adequate representation in STEM fields that feed the innovation ecosystem. Despite the clear benefits of a diverse STEM talent pipeline, a number of factors, including caregiving responsibilities, keep many diverse populations out of STEM fields.<sup>19</sup>

Significantly, child and family care responsibilities keep women out of the innovation ecosystem and hinder many from being able to launch companies.<sup>20</sup> Even if women are able to launch startups, caregiving responsibilities consume much of a woman founder's time—time they do not then have to grow their businesses. According to one study, 54 percent of women entrepreneurs that were also parents indicated that they were the primary caregiver of their children —vs. just 37 percent of their male counterparts—performing over 50 hours of childcare duties in addition to their work as founders.<sup>21</sup> Dr. Grin Lord, founder of Empathy Rocks told us, “When entering the startup world, I was most affected by access to child care. It's cost prohibitive, and remote schooling plus lack of consistent child care almost stopped my startup journey.”<sup>22</sup> This is just one story—without access to more affordable childcare options, women will continue to be pushed out of the startup ecosystem.

There is currently a lot policymakers can do to assist women founders. Policymakers can ensure federal agencies engage in better data collection so that we understand exactly where inequities are present, particularly with respect to government funding sources. They can ensure diverse representation amongst federal decision makers, so that those awarding federal funds reflect the population they serve. And they can work to ensure key government metrics, like in federal contracting, are met with respect to awards to women-owned small businesses. Policymakers can continue to explore and implement tools so women can better, and more affordably, access childcare, including through subsidies, incentives to employers to provide childcare, investment in childcare facilities, and implementing an enhanced child tax credit. To improve access to private investment, lawmakers should explore expanding the definition of accredited investor, so that we build a more equitable, diverse pool of potential investors who will in turn invest in diverse founders. And policymakers should facilitate access to networks and mentoring, including by ensuring that

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<sup>17</sup> Curran McSwigan, *Shut Out: The Dearth of Opportunity for Minority Contracting*, Third Way (June 23, 2022), <https://www.thirdway.org/report/shut-out-the-dearth-of-opportunity-for-minority-contracting>.

<sup>18</sup> Engine, *supra* note 9.

<sup>19</sup> Engine, *supra* note 8.

<sup>20</sup> Engine, *supra* note 8.

<sup>21</sup> Michael Guta, *Only 28% of Entrepreneurs were Encouraged to Start Businesses When Young*, Small Business Trends (June 2, 2019), [https://smallbiztrends.com/2019/06/parenthood-and-entrepreneurship.html?expand\\_article=1](https://smallbiztrends.com/2019/06/parenthood-and-entrepreneurship.html?expand_article=1).

<sup>22</sup> Edward Graham, *#StartupsEverywhere: Bellevue, Wash.*, Engine (March 12, 2021), <https://www.engine.is/news/startupseverywhere-bellevue-wash-empathyrocks>.

Small Business Administration regional offices are staffed by a diverse workforce, ensuring more areas have the support of women's business centers, and making sure they are equitably distributed throughout the country.

Thank you once again for your commitment to examining the barriers faced by women business owners and exploring how Congress can better support women entrepreneurs. Engine is happy to serve as a resource for the committee as you continue this critical work.

Sincerely,

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