

Bridging the Gap between Women Entrepreneurs and Investors in Mexico

A Columbia University Capstone Report Spring 2020



Capstone Overview

This report is the outcome of a Capstone consulting project undertaken by a graduate student team from Columbia University's School of International and Public Affairs.

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This report is produced for Pro Mujer, a leading mission-driven social enterprise that empowers women in Latin America through a suite of financial, health and skill-building services. The purpose of the report is to identify the gaps in financing for women-owned businesses in Latin America, specifically Mexico, and provide actionable recommendations to bridge that gap between investors and women entrepreneurs. At the same time, we also identify other systematic changes required to foster an enabling environment for women entrepreneurs.

Acknowledgments

The Columbia SIPA Capstone team would like to extend our gratitude to our mentors, interviewees, participants, and advisors who made our research possible despite the unexpected world events that occurred during Spring 2020.

We would first like to thank all the entrepreneurs, investors, experts, and professionals who took time to share their perspectives and experiences. Their participation in our research has furthered our understanding of the challenges facing women entrepreneurs in Mexico as well as the success that many actors have achieved to overcome and reduce these barriers. The candid responses of the interviewees directly informed our recommendations to promote a more inclusive entrepreneurial ecosystem.

At SIPA, we are particularly grateful to **Professor Michelle Greene**, Adjunct Professor of International and Public Affairs, whose advising and feedback guided us throughout this research project. We are also grateful to **Suzanne Hollmann**, **Saleha Awal**, and the rest of the Columbia SIPA Capstone Program for their logistical support. In addition, we appreciate the feedback of SIPA faculty members **Richard Koss**, **Carol O'Cleireacain**, and **Thomas Quaranta**, who offered helpful input as we were preparing to conduct our interviews.

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Executive Summary

Recent literature suggests that women-led small and growing businesses (SGBs) in Mexico, and across Latin America, face significant barriers to accessing investment. As past studies show, systemic inequalities, implicit biases, and a mismatch between the needs of investors and women-led SGBs have all contributed to the \$93-billion financing gap faced by women entrepreneurs in the region. This study aims to better understand the barriers to raising capital that women-led SGBs face in Mexico and identify actionable solutions to bridge the gap between women entrepreneurs and investors.

Our interviews revealed that women entrepreneurs have diverse profiles and needs. Some women entrepreneurs challenged our hypotheses that the gender gap in investment was driven by unequal representation in high-growth sectors, time poverty, and a gender imbalance within investment institutions. Instead, they highlighted that traditional financing options often do not meet their needs and that many women entrepreneurs lack the appropriate networks to connect to investors. They also reported encountering gender discrimination in the investment process and suggested that sociocultural norms cause women-led businesses to be evaluated differently. To overcome inequalities in the ecosystem, women entrepreneurs called for more business development services (BDS) that are tailored to their business needs but avoid perpetuating gender stereotypes.

The interviews showed that many investors in Mexico are aware of the business case for gender diversity. While there is still significant room to improve gender parity within their portfolios and institutions, several investors highlighted the importance of actively sourcing women-led businesses and increasing the voice of women on their investment teams. Nevertheless, investor perceptions of women entrepreneurs as risk-averse, a mismatch between investment offerings and the needs of women-led SGBs, and a disconnect between investors and BDS providers contribute to the gender gap in early-stage investment in Mexico.

Interviews with BDS providers offered encouraging evidence that accelerator programs in Mexico have widely achieved gender balance among their participants. In some cases, BDS providers reported proactively recruiting women-led SGBs for their programs. While their perceptions varied, several BDS providers viewed women entrepreneurs to be more conservative when making their business plans and investment pitches. They also recounted that women graduates of their programs faced greater difficulty raising seed capital for their businesses.

Based on the key findings of the interviews, the research team developed seven recommendations for investors, BDS providers, and other actors to help bridge the gender gap in early-stage financing in Mexico (further implementation details and recommendations are included in the report):

- 1) Investors should develop a comprehensive gender strategy to increase the flow of capital to women-led businesses.
- 2) Investors and BDS providers should deepen their collaboration to build a path to investment for women entrepreneurs.
- 3) BDS providers can expand opportunities for women-led SGBs through international partnerships and inclusive programming.
- 4) BDS providers should respond to the business needs expressed by women entrepreneurs in all of their programming.
- 5) BDS providers should reach more women entrepreneurs and help them overcome inequalities in the investment process.
- 6) Gender disparities across the labor market should inform new public policies.
- 7) Universities and NGOs can foster a more inclusive ecosystem for women entrepreneurs through network building and strategic advocacy.

Several of these recommendations were suggested by the interviewees themselves, while others were developed in response to the challenges cited and demands made by women entrepreneurs. **Overall, our research points to the need for investors and BDS providers to incorporate a robust gender lens into their portfolios and programs and to create a clear path to investment for women-led SGBs through increased cooperation.** Other actors in the ecosystem, from universities and NGOs to the government, have an important role to play in building these linkages and leveling the playing field for women entrepreneurs. While a collective effort is needed to bridge the investment gender gap in Mexico, the success of many actors we interviewed in overcoming and reducing the barriers facing women entrepreneurs can serve as inspiration for change.

Definitions

We define some key terms that have been used throughout the report. While most have been given different interpretations by various stakeholders, for the sake of this report we use the definitions below.

Angel investor: Private individuals who make small equity investments at a very early stage of a business, even when it may only have a business plan and little to no revenue. (CFI; HBR, 2013)

Blended finance: The strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets. (WEF, 2015)

Business development services (BDS): Non-financial services and products offered to entrepreneurs at various stages of their business needs. These services are primarily aimed at skills transfer or business advice. (IFC, 2006) In our study we refer to accelerators and incubators as examples of BDS providers.

Conscious biases: A case of bias where the person is very clear about his or her feelings and attitudes, and related behaviors are conducted with intent. It is also known as explicit bias. (NCCC, Georgetown University)

Early-stage investment: Capital allocated to entrepreneurs to help them start a new business or grow a small business. (BDC)

Gender lens investing: An approach to investment that deliberately channels capital to enterprises with women as leaders or beneficiaries. This includes investing in women-led businesses, investing in companies supporting gender equality in the workplace, and investing in companies with products and services directed at having a positive impact on women. (Cambridge Associates, 2018; IDB, 2019)

Gender mainstreaming: The process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. It is a strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetrated. The ultimate goal is to achieve gender equality. (UN Women, ECOSOC, 1997)

Gender-neutral: Not being associated with either women or men. What is perceived to be gender-neutral, however, including in areas of statistics or dissemination of data collected in reference to a population, is often gender-blind (a failure to recognize gender specificities). (Gender Statistics Manual, UN)

Impact investing: Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets. (GIIN, 2017)

Inclusive communications: Bias-free language and images that avoid stereotypes and positively showcase diversity, including diversity in age, gender, sexual orientation, race, religious or other beliefs, ethnicity, social class, or physical or mental traits. (EU, 2018)

Social entrepreneur: A person who pursues novel applications that have the potential to solve community-based problems. This type of entrepreneur is interested in starting a business for greater social good and not just the pursuit of profits. Social entrepreneurs may seek to produce environmentally-friendly products, serve an underserved community, or focus on philanthropic activities. (Investopedia)

Small and growing business (SGB): A business with 5 to 250 employees that is actively pursuing between \$20,000-\$2 million in financing. (Value for Women, 2013)

Small and medium enterprise (SME): Non-subsidiary, independent firms which employ fewer than a given number of employees. The most frequent upper limit designating an SME is 250 employees, as in the European Union. The turnover of medium-sized enterprises (50-249 employees) should not exceed EUR 50 million; that of small enterprises (10-49 employees) should not exceed EUR 10 million. (OECD, 2005)

Private equity firms: Investment funds that invest equity in companies that are not publicly listed, typically when the businesses are at a mature stage. (CFI)

Revenue-based financing: Flexible, uncollateralized financing for SGBs that may be too risky for bank loans but do not meet the return targets of venture capital. Entrepreneurs pay a percentage of revenue to investors, avoiding the fixed payments of traditional debt and the dilutive effect of equity while compensating investors through higher returns and liquidity. This definition also applies to revenue-based loans and lending. (Village Capital, 2019)

Seed capital: Small equity investments made at a very early stage of a business, typically by angel investors or accelerators. (CFI)

Unconscious biases: Biases that operate outside of a person's awareness that can be in direct contradiction to a person's espoused beliefs and values. They include social stereotypes about certain groups of people that individuals form outside their own conscious awareness. (UCSF, Office of Diversity and Outreach)

Venture building: Building companies in-house from pre-concept to full-scale operations through business design and development, capital raising, staffing, and marketing. (Polymath Ventures, 2016)

Venture capital firm (VC): A type of investor that primarily makes equity investments in early-stage companies with growth potential even if they are pre-profit. VCs invest at a later stage and with larger amounts than angel investors. (CFI)

Women-led enterprise: A business with a woman CEO or director, at least one woman board member or with majority woman ownership or membership (Value for Women, 2013). This definition of women-led is also applied to women-led businesses and SGBs in this report.

Methodology

To better understand the barriers to investment facing women entrepreneurs in Mexico and develop actionable solutions, the research team conducted a review of the recent literature and series of interviews with actors across the entrepreneurial ecosystem.

Through the literature review, we identified the most relevant expert analysis that might explain the gender gap in investment in Mexico. Given the shortage of past studies specific to Mexico, this desk research also considered analysis in the wider Latin American and emerging markets contexts. Development finance institutions, like the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC), proved particularly valuable resources for regional and global research on women's entrepreneurship and investment in women-led businesses. The team compiled its sources in an annotated bibliography included at the end of the report.

The literature review enabled us to form a series of initial hypotheses on the key barriers to investment for women entrepreneurs that could be tested in our interviews. This research also allowed us to develop a clearer picture of the relationships between different actors in the entrepreneurial ecosystem in Mexico before identifying potential interviewees.

Prior to engaging with ecosystem actors, the team constructed interview guides for each of the four categories of respondents: ecosystem experts, entrepreneurs, investors, and business development service (BDS) providers.¹ The interview guides were designed to test hypotheses the team developed from the literature review. This report's conclusions and recommendations are drawn from the perspectives and experiences shared by the interviewees, who confirmed several of our hypotheses and gave us new insights into the financing gap facing women-led SGBs in Mexico.

Interview Summary

The research team conducted 40 interviews over the course of the project: 15 with entrepreneurs, 11 with investors, seven with BDS providers, and seven with experts. Of the interviewees, 80% of all interviewees were women. Among investors interviewed, 82% were women. Figure 1 illustrates the gender breakdown by type of respondent while Figure 2 highlights that most of the interviewees were located in Mexico.

The businesses of the 15 entrepreneurs we interviewed were spread across

¹ Appendix A contains a detailed description of the research process. Appendix B contains the full interview guides used in our conversations with ecosystem actors.

different industries in Mexico. Among other sectors, the entrepreneurs operated in consumer goods, family services, renewable energy, technology, financial services, marketing, apparel and fashion, and consulting. In three cases, the

entrepreneur operated a non-profit. Figure 3 illustrates the breakdown of the main industries in which the interviewed entrepreneurs operated.

Figure 1: Respondent Gender

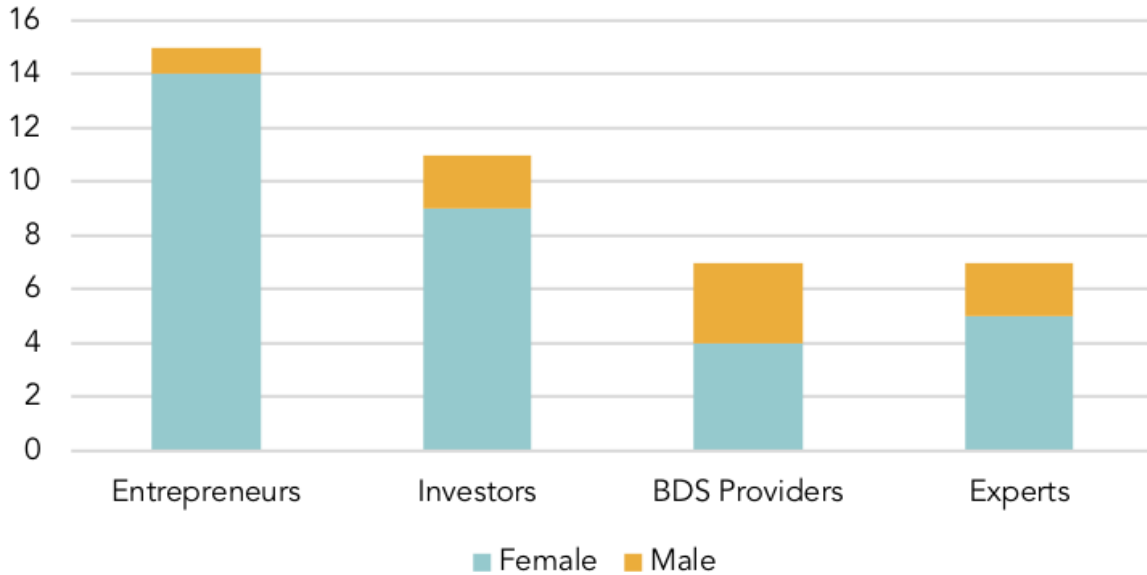


Figure 2: Respondent Location

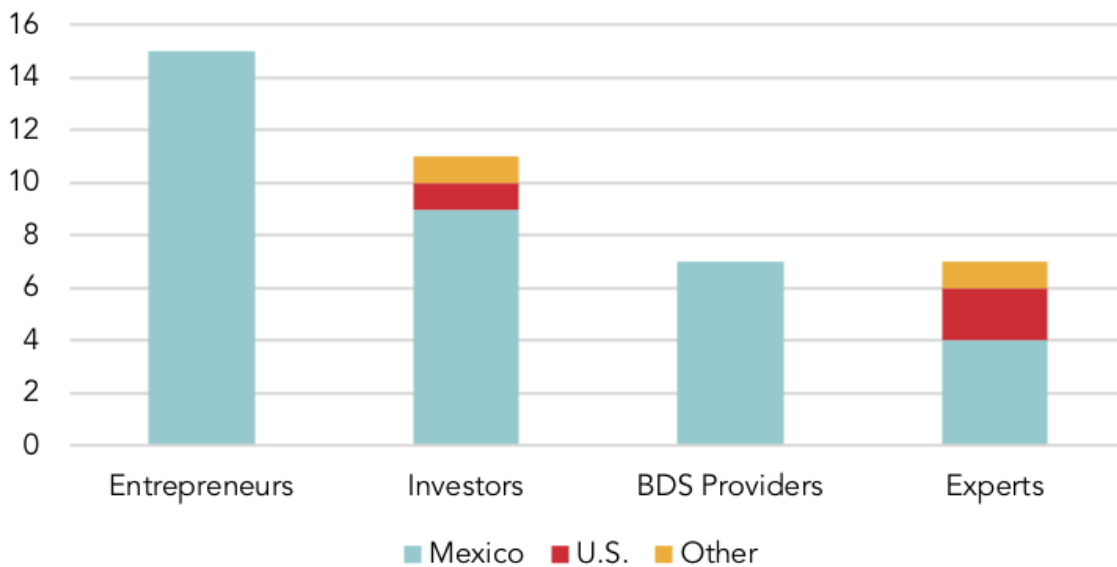
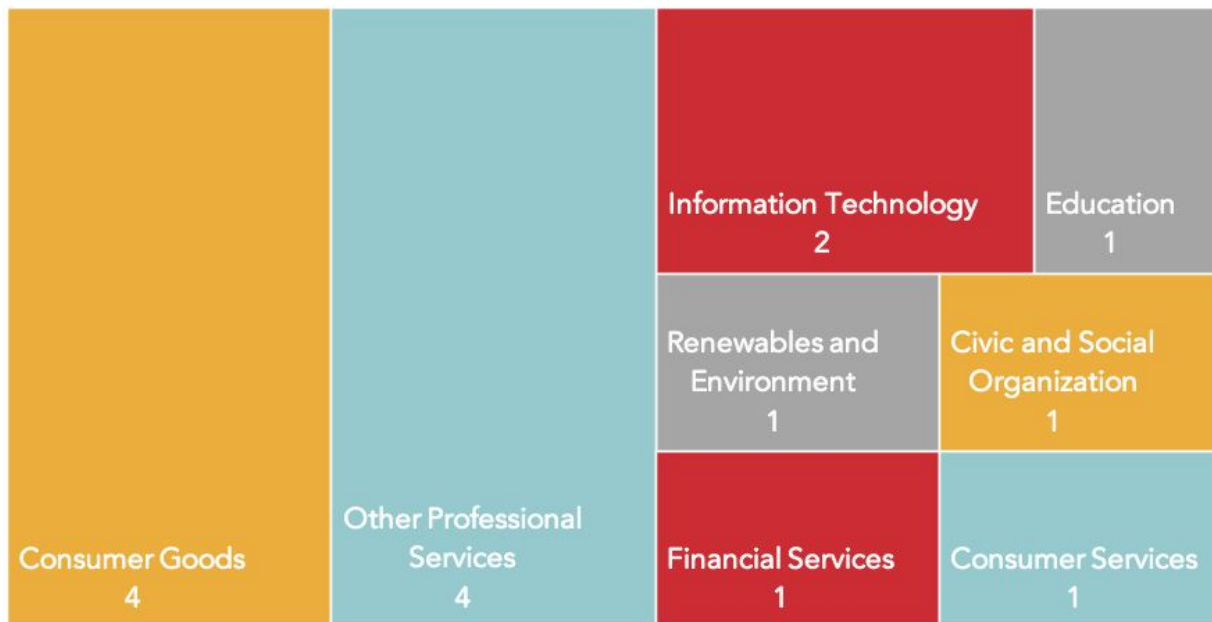


Figure 3: Entrepreneurs Interviewed by Industry



Of the 11 investors interviewed, nine were based in Mexico and 10 had active investments in the country. The interviewees represented a wide range of investor types, including both impact (seven) and commercial funds (four) making investments in businesses across the spectrum of seed, growth, and mature stages. The respondents utilized a variety of investment instruments including equity and traditional debt, in addition to revenue-based financing. Ticket sizes for investments in businesses varied from \$20,000 (500,000 pesos) to \$12 million (300 million pesos) with the majority investing above \$1 million (25 million pesos).²

² For simplicity, this report uses an approximate exchange rate of 25 MXN to 1 USD. The spot rate at the time of publication was 24.60.

Seven BDS providers were interviewed in this research. These interviews were split between: four accelerators, one incubator and two non profits (one international and one local). The services offered by these companies varied. One BDS provider is focused on supporting early-stage social enterprises while another accelerator has different programs by sector. One of the accelerators interviewed provides training and networking only for women entrepreneurs. Some organizations offer more than one service, including a BDS that provides accelerator and pre-seed investor and an international organization offering fellowships, incubator, education and advisory. At least two of the BDS providers we interviewed do not charge fees for their services or ask for equity in exchange for their services. These

organizations partner with companies to obtain the funds. Others do charge a fee for the program.

The experts interviewed ranged from academics to professionals who have worked in impact investing, microfinance, international organizations, and stock exchanges.

Limitations of the Study

This study took place during the global outbreak of COVID-19. For this reason, fieldwork in Mexico was not feasible and interviews had to be conducted online via conference calls. The travel restriction limited alternative methods of data collection outside of interviews. The team had planned to conduct observational studies and focus groups with entrepreneurs that would have offered additional insights to our research. The study's conclusions were ultimately based on qualitative research with limited opportunity for statistical analysis.

The sample of perspectives we gathered may not be representative of all women-led SGBs in Mexico. A majority of the entrepreneur contacts came from our client's network. This narrowed our interviewees down to a specific subset of entrepreneurs from the larger ecosystem and to a group of women that have a connection with Pro Mujer. Of the entrepreneurs we interviewed, 67% had completed higher education degrees

abroad, placing them in a very small minority of the Mexican population (WENR, 2019).³ This sample may limit some of our findings to entrepreneurs from certain socioeconomic backgrounds. In addition, most of the entrepreneurs interviewed had achieved a certain level of growth and success in their business and shared their past experiences raising funds. Very few entrepreneurs were currently facing limitations and challenges growing their companies.

Furthermore, 82% of the investors we interviewed were impact investors. Although impact investing is a growing sector, gender disparities may be even more prevalent in the larger traditional venture capital and private equity sectors. The findings from our investor interviews may overrepresent the views of the impact investing sector.

As mentioned, 88% of all total interviewees were female. Only two of the 11 investors were male and only two of the eight BDS interviews were male. In some cases, we initially reached out to additional male contacts, especially in investment firms, but we were referred to their female colleagues for these interviews. This may reflect a tendency for discussions of gender equality to be perceived as a women's issue.

³ As cited by WENR, data from UNESCO suggests that less than 1% of Mexicans pursuing tertiary degrees are enrolled abroad.

Mexico's Entrepreneurial Landscape

Recent literature suggests that women-led small and growing businesses (SGBs) in Mexico, and across Latin America, face significant barriers to accessing investment. Systemic inequalities, implicit biases, and a mismatch between the needs of investors and women entrepreneurs have all contributed to the early-stage financing gender gap in the region. Female entrepreneurs in Mexico operate at a disadvantage to their male counterparts due to cultural norms that contribute to a gender gap in time poverty, risk appetite, and access to credit. Implicit gender biases among early-stage investors and business development service (BDS) providers, like accelerators, may present further barriers to growth for women-led SGBs. The frequent misalignment between the economic incentives of early-stage investors and the financing of women-led SGBs also likely perpetuates the gender gap in investment in Mexico and the wider region.

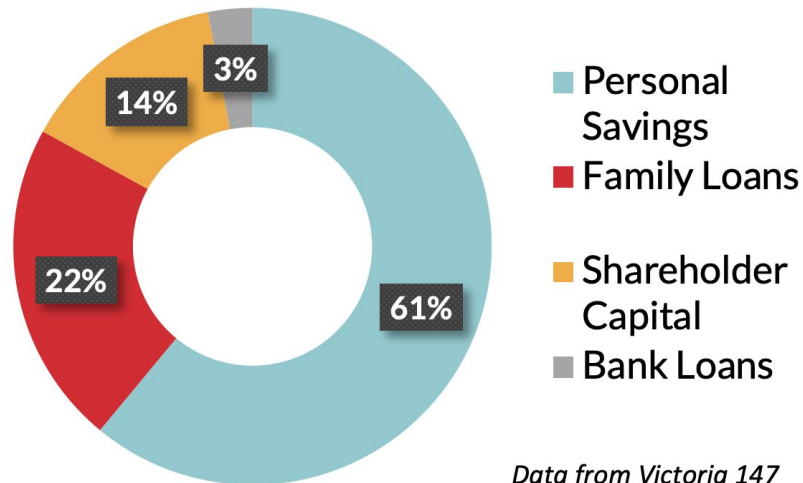
Nearly 75% of all women-led small and medium enterprises in Latin America lack access to adequate financing.

Nearly 75% of all women-led small and medium enterprises (SMEs) in Latin America lack access to adequate financing. The credit gap facing women-led SMEs in the region is estimated to be \$93 billion (Value for Women et al., 2019).⁴ Gender disparities also exist in early-stage investment, but have received less attention. The early-stage financing gender gap is observed across both the commercial and impact investment industries.

Only 5% of the total venture capital and private equity funding in Latin America goes to women-led enterprises (Value for Women et al., 2019). Similarly, women-led enterprises received 10% of impact investment in Latin America and the Caribbean, according to IDB Invest (Buckland et al., 2019). Currently, most funding that women entrepreneurs in Mexico obtain comes from personal savings (61%), while a minority comes from family loans (22%), shareholder capital (14%), and bank loans (3%) (Victoria 147, 2018).

⁴ The credit gap refers to the disparity between the credit needs of women-led SMEs and the credit they receive.

Funding Sources for Women-led Enterprises in Mexico



Data from Victoria 147

Gender lens investing, an approach to investment which deliberately channels capital to enterprises with women in leadership positions or women as beneficiaries, remains a nascent industry in Latin America and Mexico specifically, despite growing on a global scale (IDB Invest, 2019, WEF, 2019).⁵ The broader Mexican impact investment ecosystem consists of 42 investors, out of which 15 invest exclusively in the country, with those headquartered in Mexico managing \$392 million. Of these impact investors, 41% did not have any women among the founding teams of any of their portfolio companies. Of those remaining, 26% said that 10% of their portfolios had at least one woman in the founding team (Dumont

et al., 2016). This reveals that the absence of women founders continues to be an issue. While some investors and business accelerators have taken important steps to close the gender gap, there remains sizable ground to cover to make early-stage investment work for women-led SGBs in Mexico and the wider region (see Key Findings section in the report).

Systemic Inequalities

The literature also reveals various barriers that prevent women entrepreneurs from accessing finance in Mexico. All small businesses face challenges and barriers, but the ones faced by women are magnified and more difficult to overcome (VanderBrug et al., 2016). Some of the common barriers identified in Latin America include unattractive loan terms, lack of collateral, high interest rates,

⁵ The value of private funds with a gender focus reached \$2.2 billion in the year to July 2018, 73 percent higher than the same period in 2016/17, according to a report by Wharton business school and consultancy Catalyst at Large.

aversion to indebtedness, financial illiteracy, risk aversion, lack of customized financial products and services, not understanding the application procedure, and operational challenges (Alliance for Financial Inclusion, 2017; Buckland et al., 2019; Brush et al., 2014; Dalberg, 2020; Maheshwari et al., 2019; and Saavedra et al., 2015). **More concerning barriers in Mexico include sociocultural prejudices around women, machismo, and discrimination in lending practices, as well as a lack of self-belief and a fear of failure** (Impact Hub et al., 2019; Mastercard, 2019; VanderBrug et al., 2016; and the World Bank, year n.a.).

Inequalities in domestic responsibilities also may mean women entrepreneurs face greater time poverty, which limits their ability to grow their businesses. In Mexico, Women spend on average 59 hours on care and domestic work per week, nearly three times more than men (UN Women Mexico, 2016). On top of these disproportionate domestic obligations, women who run SMEs typically work more than 40 hours per week for their businesses.

Evidence also suggests that, globally, the challenges faced by women-owned businesses when trying to access finance, may differ depending on their size. Microfinance can satisfy most of the finance needs of microenterprises, but it comes with high administrative costs and interest rates. For women-led SGBs and SMEs, a lack of collateral and suitable

financial products were identified as key constraints. Regarding start-ups and high-growth businesses, women entrepreneurs tend to lack the professional networks and mentoring support to help them raise required capital (Maheshwari et al., 2019). In Latin America, the transition from a microenterprise to a larger sized one is more difficult for women. Some barriers they face include the high cost of leaving the informal sector, a lack of time or burnout caused by greater household responsibilities, weak knowledge of funding opportunities that are available, a lack of women role models in business, and a lack of assets and professional networks. Most women-led enterprises remain stuck in the informal sector (over 60%) or remain microenterprises (Buckland et al., 2019 and PWC Mexico, 2015).

Implicit Biases

Within the venture capital and private equity industries in Latin America, gender is not perceived as a particular issue or a priority (Buckland et al., 2019). Our research found that investors are confused about how to incorporate gender into their processes and analysis, and there is a misconception that gender lens investing only refers to providing finance to women-led enterprises (Kellner et al., 2018). Although some investors already consider gender lens investing, not all have an explicit strategy or announcement; there is concern among investors that

being labeled a "women's fund" will limit their sources of funding (Value for Women et al., 2019). Another important issue is that investors are not collecting sex-disaggregated data on their investments, which limits gender-related impact analysis, as well as the creation of gender smart products and portfolios (Buckland et al., 2019; and Value for Women et al., 2019).

Past studies also highlight that implicit biases can inform investment decisions. Despite claiming that they invest exclusively based on business concepts and entrepreneurs' track records, investors may be underestimating their biases. Some investors react more positively to a male voice than a female voice, or to an attractive man versus an attractive woman (VanderBrug et al., 2016). **The types of questions female and male entrepreneurs are asked by investors also reflect biases, as women are asked questions around safety, responsibility, security and vigilance, while questions for men focus around hopes, achievements, advancements, and ideals** (Value for Women et al., 2019). Lastly, there is evidence that male and female investors can be symmetrically biased towards the same gender (Ewens et al., 2017). This, combined with the shortage of female decision-makers within investment institutions and committees, as well as with the high concentration of women-owned enterprises in sectors of low growth, further exacerbates the gender gap in financing (IFC, 2019;

Saavedra et al., 2015; and Value for Women et al., 2019).⁶

There is also evidence that gender biases, together with systemic inequalities, may limit the perceived growth potential of women-led SGBs. Past research has highlighted that sociocultural biases portraying women entrepreneurs as less ambitious or capable than men can affect their ability to raise capital (Kelly et al., 2015). Such biases may lead women entrepreneurs themselves to perceive fewer opportunities to grow their businesses. A recent survey found that women entrepreneurs in Latin America were less likely than men to expect significant growth in profits in the near term but were much more likely to report experiencing gender discrimination in the economy (Ilie et al. 2018).

Investor-Entrepreneur Mismatch

The literature review revealed a frequent mismatch between the financial goals of investors and the financial needs of SGBs, including but not limited to those led by women.⁷ In the Latin American context, the literature points to a "missing middle" gap in enterprise financing, in which SGBs cannot attract larger amounts of capital

⁶ Sectors such as employment intermediation services, house care, and education tend to be overlooked by investors.

⁷ Unless specified otherwise, the term 'investors' refers to both providers of debt and equity investments.

that they need to grow (Runde et al., 2019; IDB, 2013). While the “missing middle” is not a gender-specific challenge, this gap may affect women-led SGBs in particular due to other inequalities in the economy, including in fixed asset ownership and representation in STEM fields.

Previous research points to the presence of women-led SGBs in Latin America in the “missing middle.” (Value for Women and Oxfam, 2014). The capital needs of SGBs within this gap exceed the small loans offered by microfinance institutions, but fall short of the amounts offered by investors and banks. The range of capital scarcity for SGBs in emerging markets is estimated to be as broad as \$20,000-\$2 million (Dalberg, 2018). Value for Women and Oxfam found that **the “missing middle” gap in Latin America and the Caribbean appears most acute between \$5,000-\$50,000** and that many women entrepreneurs expressed unmet capital needs in this range (Value for Women and Oxfam, 2014).

Investors face a variety of constraints on their ability to finance SGBs, regardless of the gender of the owner. Among other challenges, investment in SGBs is limited by perceived credit risk, high transaction costs, information asymmetries, and, in the case of venture capital and private equity investors, the unwillingness of some entrepreneurs to give up an ownership stake in their company (Dalberg, 2020). When funding impact enterprises, investors also face higher perceived credit

risk, lower potential returns, longer time horizon to either repay the debt or realize returns, and fewer exit opportunities (for example IPOs, mergers or acquisitions). These challenges suggest that there is an important mismatch between investor expectations and social impact enterprises, which tend not to be growth or profit-oriented (Armeni, 2017).⁸

Different types of SGBs have different financing needs, only some of which align with the incentives of traditional venture capital and private equity investors. In order to understand the source of the “missing middle” gap and the presence of women entrepreneurs within it, it is crucial to first differentiate between the various growth profiles of SGBs. Dalberg classifies SGBs in four segments: high-growth ventures, niche ventures, dynamic enterprises, and livelihood-sustaining enterprises (Dalberg, 2018).

According to this classification, high-growth ventures have disruptive and highly scalable business models, making them attractive to commercial investors. Niche ventures have innovative products, but target a small consumer segment, limiting their scalability and appeal to commercial investors. Dynamic enterprises are businesses with moderate growth potential that operate in well-established sectors like retail,

⁸ Although it goes beyond the scope of our report, we also found that women entrepreneurs tend to start enterprises to address social concerns more than their male counterparts.

services, trading, and manufacturing with proven business models. At their early stages, dynamic enterprises face a gap in financing options as they are often growing too slowly for venture capital, are too small for private equity, and are too risky for banks. Finally, livelihood-sustaining enterprises are individual or family-run businesses in the formal or informal sector with highly localized operations that only have the potential for incremental growth, placing them outside the purview of direct investment by funds (Dalberg, 2018).

Regardless of the type of SGB they own, women in Mexico and the wider region may face greater difficulty receiving larger loans that enable business growth due to disparities in fixed asset ownership. A gender gap in property ownership has been cited as a barrier to financing for women entrepreneurs in other emerging markets since property serves as an important source of collateral for loans (IDB, 2010). Women in Mexico and other countries in Latin America are less likely to be homeowners, suggesting they may be more likely to fall into the “missing middle.” (INMUJERES, 2016; Deere, 2012).⁹

Women entrepreneurs in the region may also be underrepresented in high-growth ventures, which are best aligned with commercial investor interests. Early-stage

equity investors tend to be focused on the tech sector because of the potential for high returns (Schiff et al., 2013). **Women represent only 30% of STEM graduates in Latin America, despite constituting 60% of all graduates** (IDB, 2018). More research is needed to show how STEM education disparities may translate to a gender gap in STEM occupations. A recent study of nearly 1,000 women entrepreneurs in Latin America found that **54% of women-led SGBs in STEM sectors had successfully raised capital compared to 31% in non-STEM sectors** (IDB, 2020). Although women entrepreneurs may currently be underrepresented in STEM fields, this offers promising evidence that innovative women-led SGBs in the region are overcoming systemic barriers to accessing capital.

⁹ As cited by INMUJERES, INEGI’s 2015 Intercensal Survey finds that women represent only 35% of homeowners in Mexico.

Global Insights: From Microfinance to SGB Financing

In some countries, there has been progress in addressing the issue of the “missing middle,” a term used for companies that are too large for microfinance, but too small for larger financial institutions and private equity firms. These enterprises often face a mismatch between their specific needs and available financing, a similar situation that many women entrepreneurs and women-led SGBs face (Dalberg, 2018). At an international level, World Vision Canada and Vision Fund International have set up a fund to expand microfinance programs to include special financing for SGBs in emerging markets like Mexico (World Vision Canada, 2017).

In the MENA region, Grofin specializes in the finance and support of SGBs across various sectors and industries (minimum medium-term loan is \$100k USD). In sub-Saharan Africa, there have been success stories in Madagascar, Senegal and Côte d’Ivoire, where Baobab (formerly Microcred), an operator of microfinance institutions, organically expanded its portfolio to include SME finance. Their minimum SME loan is \$10,000, contributing to 40% of their portfolio volume and 4% of total loans. Additionally, COFINA, a financial institution with a presence in Senegal, Mali, Gabon, Guinea, Congo and Côte d’Ivoire, specializes in meso-finance to support SMEs (FinDev Blog, 2017). Meso-finance loans start from an amount of \$1000 USD and specifically meant for small and medium sized enterprises.

Based on a study by CGAP, East Asia and Pacific, Latin America and sub-Saharan Africa have the highest share of microfinance institutions that have increasingly started to serve small businesses. Some of the key challenges identified to make this transition include a lack of appropriate risk assessment methodologies, inadequate traditional microfinance products, a lack of specialized department and staff, and weak data analysis and portfolio management (CGAP, 2012).

Ecosystem Enablers

Despite the investment barriers women-led SGBs face, we found evidence that markets with supportive entrepreneurial conditions can drive the progress of women business ownership (Mastercard, 2019). In the Mexican ecosystem, there is an increased focus on supporting women's empowerment and financial inclusion, although machismo and prejudices toward women entrepreneurs still exist (Impact Hub et al., 2019). Gaps persist between women entrepreneurs and influential actors in the ecosystem that could support their growth (Impact Hub et al., 2019). Women entrepreneurs find issues with the government's effectiveness, regulatory quality, and political stability. (Mastercard, 2017). **We also found that the main barriers in the ecosystem—for all entrepreneurs—are the lack of infrastructure supporting startups, a complex tax system, challenges in hiring someone formally, and corruption practices** (StartupBlink, year n.a.). Organizations like Ashoka and New Ventures are taking on these challenges by raising awareness and creating resources for entrepreneurs. There are also efforts to bring renowned international intermediaries to Mexico (Orejas et al., 2016).¹⁰

Within the ecosystem, accelerators play an important role in the development of

¹⁰ At the time when the cited report was released, CO_Plataforma was working on bringing to Mexico Makesense, Socialab, SVX and Sistema B.

entrepreneurs' projects. Many entrepreneurs start one or more accelerator cycles to ultimately achieve "investment readiness," however, indirect benefits of using accelerators include improving business models and expanding professional networks (Gali, 2018). In the first round, entrepreneurs hone their business models, consolidate their operations and equipment, and establish the legal, accounting and financial structure of their enterprise. In later rounds, entrepreneurs seek more specific technical advice, often related to attracting investment. There is evidence that companies benefit more from the acceleration, in terms of capital investment, if they have previously participated in another program (Gali, 2018).

Like accelerators, investors can help minimize the barriers faced by all SGBs, including those led by women. Across Latin America, innovative financial products are emerging that are changing the landscape for SGB financing and may help to address the "missing middle" gap. Examples include: revenue-based financing (Adobe Capital), digital credit platforms for SGBs (Konfio), and venture building (Polymath) (Dalberg, 2020; Village Capital, 2019).¹¹ Recoverable grants, with debt- and

¹¹Revenue-based financing gives entrepreneurs the flexibility of paying a percentage of revenue to investors, avoiding the fixed payments of traditional debt and the dilutive effect of equity. Venture building involves the creation of SGBs through in-house, start-to-finish business development and capital raising.

equity-like terms, have proven an effective tool to support impact enterprises. In contrast to traditional grants, these alternative grant structures allow philanthropic investors to recoup their investments with or without interest (Armeni, 2017). Although the benefits of these innovative approaches to

investment are not exclusive to women-led SGBs, women entrepreneurs stand to benefit from the emergence of flexible financing options that fill the gap between microfinance on the one hand and traditional bank loans and equity investment on the other



There are three main ecosystem enablers that directly affect SGBs in Mexico, including those led by women. The three enablers are the investors, BDS providers, and experts, categorized as government and civil society. The financial sector provides loans and some seed capital for businesses. However, there is a lack of focus on funding women-led businesses among investors. Most accelerators do not focus on women entrepreneurs, instead many accelerators target social impact entrepreneurs (Impact Hub et al., 2019). Without widespread efforts to actively source women-led SGBs for their programs, BDS providers may not be

offering women entrepreneurs sufficient opportunities for mentorship, networking, and access to finance (Impact Hub et al., 2019).

Government is a key actor in the ecosystem, however many government policies and bureaucratic systems act as a barrier for women entrepreneurs (Impact Hub et al., 2019). Civil society supports women-led SGBs with training, mentoring, coaching and financial advice, however, their role in financial assistance is limited (Impact Hub et al., 2019). Universities are also a unique leverage point that can be utilized to help interconnect the sectors of

the ecosystem that do not connect, however, this might be more helpful at the startup stage of the business cycle (Impact Hub et al., 2019).

The social entrepreneurship space has generated a lot of excitement in the last few years, especially around impact investing. However, this interest did not translate into increase in deals and investments towards social companies. While the buzz of social impact was growing, the number of deals was relatively small. The Bain impact investment study of 2014 found that while \$2 billion had been committed to Latin American impact investing by 2013, only \$800 million had been invested. Of that amount, \$100 million was invested in Mexico (Huberts, 2015).

The government has also made efforts to support the development of the ecosystem, although not always with a gender focus. A former agency within Mexico's Ministry of Economy, the National Institute for the Entrepreneur (INADEM) was created in 2013 and responsible for national policies and funding to support entrepreneurs and SMEs, including those led by women (OECD, 2018). However, the impact of INADEM on SME growth remains unclear, and the Institute was recently closed under the new administration.

Under the new administration, Mexico's National Development Plan for 2019 to 2024 includes "equitable" and "inclusive"

economic development. Gender equality has been defined as a goal within this plan (OECD, 2019). Despite these commitments, confidence in public institutions in Mexico and law enforcement is still considered quite low and concerns about corruption remain high. The OECD cites "low availability and quality of information to consumers" as a barrier faced by SMEs in Mexico (OECD, 2014).

At a local level, there has also been some support for entrepreneurs from state and municipal governments. Success stories exist from programs mainly run by the governments of Guadalajara,¹² Yucatan,¹³ and Jalisco.¹⁴ Programs launched include financial support to young entrepreneurs, access to credit for micro, small and medium-sized companies and business development funds.

¹² The Municipality of Guadalajara financially supports young people from 18 to 35 years of age to start local businesses. The program also offers training and advice to promote youth business projects that contribute to the economic development of Guadalajara.
<https://guadalajara.gob.mx/proyectos-especiales/red-de-apoyo-al-emprendedo>

¹³ Access to Credit from the Integral Fund for the Economic Development of Yucatan provides business loans for micro, small and medium-sized companies in the state. The state also has a fund for entrepreneurs (FONDEY).
<http://www.yucatan.gob.mx/servicios/>

¹⁴ The Jalisco Business Development Fund allocates 90 million pesos in financing for companies that generate 16 to 100 jobs.
<https://fojal.jalisco.gob.mx/>

Key Findings

The 40 interviews conducted over the course of this project confirmed that, **while women-led SGBs in Mexico still face steeper hurdles to raise capital, many actors have found success in overcoming and reducing these barriers.** Our conversations with ecosystem experts, entrepreneurs, investors, and BDS providers offered a panoramic view of the challenging path to investment facing women entrepreneurs. While the interviews supported many of the hypotheses from our desk research, the personal experiences and candid perspectives of the interviewees offered a rich source of detail and nuance to our understanding of the gender gap in early-stage financing. We hope that insights drawn from these interviews can stimulate discussion and action across the ecosystem to continue leveling the playing field for women entrepreneurs.

Ecosystem Interviews

Our interviews with experts, entrepreneurs, and BDS providers revealed a number of broader findings on the overall ecosystem in Mexico.¹⁵ These interviews offered insights into a variety of

¹⁵ Experts here include academics, gender experts, women who at some point started a company, and professionals who have worked in impact investing, microfinance, international organizations and stock exchanges.

systemic issues, many of which we encountered in our initial desk research, including: the “missing middle” and the role it plays in the mismatch between investor and entrepreneur; the concentration of women-led enterprise in industries traditionally overlooked by investors; and the many economic barriers currently faced by women entrepreneurs in Mexico.

The key gap flagged by entrepreneurs and experts was the “missing middle” in terms of funding for medium-sized businesses. These were businesses that had crossed the threshold from microenterprises but were not big enough to get funding from venture capital or private equity. These businesses typically have a funding need between \$20,000 to \$1 Million.

Experts felt that there is also a focus on investing in tech companies in the last 18-24 months. Even for traditional business, entrepreneurs need to make their businesses sound tech-enabled to be attractive to investors.

The interviewees suggested that SGBs, including those led by women, faced economic barriers due to an **underdeveloped banking infrastructure with branches in inconvenient locations, unappealing bank products with high fees and interest rates, a limited cell phone network, and a high income tax rate.**

Discussing the gender gap in investment, some experts also suggested that women

tend to go into businesses in sectors that are not attractive to investors, such as services, education and health. Experts perceived that many companies led by women are not-for-profit and seek grants and donations, and suggested that male-led organizations are more likely to be for-profit and seek more investment. A leading accelerator mentioned that within their portfolio of businesses, 17% of total female-led organizations were non-profit, compared to 7% non-profits among male-led organizations.

Experts also felt that there is confusion between having a gender lens and being gender-neutral. A company may be gender-neutral but still contribute to gender gaps by not actively correcting for unconscious biases or systematic inequalities faced by women entrepreneurs.

Some of our interviewees also mentioned that investors ask women pitching projects

different questions relative to men. These are often questions not related to the growth and future of their businesses, instead **focusing on aspects of their personal lives or risk mitigation plans.**

Regarding public policy initiatives that support women entrepreneurs, one expert mentioned initiatives being undertaken by some state governments, including in Jalisco and Yucatan, and municipal governments like Guadalajara. Experts also noted that the Federal Government used to support the ecosystem through INADEM, which held an Entrepreneurship Week to provide entrepreneurs with a platform to showcase their businesses, as well as other support programs. However, the institute was recently shut down and many of its functions were absorbed by the Ministry of Economy. To this point, an expert mentioned that private actors should coordinate to make up for this loss in the ecosystem.

Global Insights: Bridging the “Missing Middle” through Angel Investing

Strengthening the angel investment industry is key to closing the “missing middle” gap in Mexico, where many women-led SGBs are too small for venture capital funds, too risky for banks, and unable to grow through microfinance. Within Latin America, Brazil stands out as having one of the most developed angel investment industries with over \$260 million invested in 2016, around the amount Mexico’s venture capital funds invested in the five years prior (Anjos do Brasil, 2018; LAVCA, 2017). Although comparative data is scarce, a 2009 survey by the IDB found that angel investment accounted for 13% of high-growth SME financing in Brazil but was not a significant source of early-stage funding in Mexico, where dependence on family loans was far higher at 18% compared to 3% in Brazil (Loossens, 2009).

The Brazilian government has supported the development of angel investment by co-investing with and providing training to angel investors. Brazilian government-backed programs include *INOVAR Semente*, which provided co-investment, risk guarantees, and training to participating angel investors beginning in 2005, and a co-investment fund launched by national development bank BNDES in 2017 (Leamon et al., 2012 and BNDES, 2017). The Mexican government announced it would launch a “Pilot Program to Develop the Network of Angel Investors” in 2018, offering training and guarantees to angel investors, but it is unclear if the initiative will continue following the closure of INADEM, which was set to oversee the pilot alongside rural investment fund FOCIR (Government of Mexico, 2018).

Entrepreneur Interviews

“Women entrepreneurs need different things,” said the co-founder of a leading consulting firm in Latin America, and they do, indeed. Our interviews with 14 women entrepreneurs with businesses across different industries revealed five key insights: (1) women entrepreneurs have diverse profiles and needs; (2) traditional financial options do not always meet these needs; (3) they have limited networks to connect with investors; (4) gender stereotypes underestimate their business' performance and potential; (5) they want BDS tailored to their business needs, not to their gender. For all of these categories, we have included the context described by the interviewees. Subsequently, we used their own statements to denote what they need to streamline the available resources to bolster their business performance and establish better connections with investors. The key findings from the entrepreneur interviews serve as the basis for many of this study's recommendations to create more investment and growth opportunities for women-led SGBs.

Entrepreneur Finding 1: Women entrepreneurs are diverse and so are their needs.

Women entrepreneurs offered varying responses when asked to identify the main reason women receive less investment

than men in Mexico. While there were entrepreneurs who agreed with our hypothesis that women may tend to launch stable, but low-growth businesses in sectors that are less attractive to investors, other entrepreneurs challenged the notion of a gender gap in risk appetite and emphasized that not all women fit this stereotype.

For example, one businesswoman dissected the theory that women may tend to run businesses with less ambitious growth goals, saying that it could be valid based on cultural conditioning. In her case, however, she said, **“I was overly ambitious, wanted to grow and open more branches; but I always received pushback and was punished for being too ambitious.”**

Likewise, although the data suggests that most women entrepreneurs build companies in industries such as services (21%), art and design (15%), beauty, personal care and wellness (13%), fashion (13%), food and beverage (13%), some businesswomen also called this idea into question and said that, over the years, they have seen more women who are diving into other sectors in which women rarely did business a few years ago (Victoria 147, 2018). **“I have seen women leading companies in fintech and agrotech, which are big fields and have large markets to compete in,”** said one entrepreneur.

Similarly, one entrepreneur challenged the hypothesis that women experience greater time poverty than men, saying that it “applies only in some cases.” Speaking about her experience, she added, “if you take a more active role in your company than your life, you can expect social shaming that no one talks about. To spend more time on your company than your family depends on the personal situation of a woman. I don’t have kids or compromises. This is first in my priorities. The company is my top priority. Sacrifices of entrepreneurs who are also mothers are different, but we must understand that these are very personal situations.”

Similarly, women entrepreneurs offered differing perspectives toward the hypothesis indicating that investor organizations are not diverse and equitable. **While some entrepreneurs said that the pitching experience was more empathetic when there was at least one woman on the investors’ side, others suggested that was not necessarily a predictor that investors would put more capital into women-led SGBs, unless they are fully aware of what it means to invest with a gender lens.** “A diversity focus doesn’t necessarily mean anything. The headcount of women-led SMEs doesn’t matter. It would be more interesting if they do gender training and incorporate that vision into their decision-making.”

Entrepreneur Finding 2: Traditional financing options often do not meet the needs of women entrepreneurs.

Women entrepreneurs who participated in this study mentioned some limitations in accessing financial resources, both from traditional commercial banks and investors. One entrepreneur suggested that **“banks in Mexico do not have the mindset to enable entrepreneurship.** Bank portfolios for SMEs are very focused on profitability, which makes no sense for startups.”

In addition to preferring established companies, many banks require collateral, which, as an entrepreneur in Mexico pointed out, “is a challenge for many businesses, since you need fixed assets.” This input is consistent with what was suggested in our review of the literature. Since banks are more risk-averse, they have rigid requirements for credit such as collateral, a precondition that women often do not meet because they are less likely to have fixed assets.

In discussing the financing gap, some female entrepreneurs expressed that “investors don’t think women can make difficult decisions; they also think investing in women-led businesses is riskier. They believe men would work harder for their

company while women's domestic responsibilities could potentially impact the time they invest in their company." One entrepreneur in the tech industry stated, **"if I were a man, I would've raised three times more capital."** Another entrepreneur recounted, "It's not that I don't have ambition, it's that I don't have access to resources. It's because I don't have the support."

Some women entrepreneurs suggested that investor behavior could be explained by the fact that "venture capital funds in Mexico are too risk-averse" and "they want your business model to be already proven, almost risk-free." In contrast, one social entrepreneur highlighted the advantages of operating in the social impact space. She noted that being registered as a Benefit Corporation helped in the social impact investment landscape through a blended finance investment scheme and a grant from a foreigner investor in partnership with a Mexican accelerator. She pointed out that "venture capital rarely focuses on social businesses," which she suggested offered "a big opportunity for social funds in Mexico."

"It's not that I don't have ambition, it's that I don't have access to resources. It's because I don't have the support."

In order to address their unmet financing needs, what women entrepreneurs demand, according to their own words, is a) support for women-led business in early stages through seed capital. **"Investors can support women entrepreneurs from the very beginning through seed capital."** "There is a long list of challenges that women entrepreneurs face when raising capital in Mexico. There are scarce sources to provide seed capital. Hence, everyone struggles to raise capital in Mexico because it is still being developed."

In addition to more seed capital, women entrepreneurs identified needs that go beyond the financing options, but are key for enabling access to capital and business scalability under fair conditions. Women entrepreneurs expressed the need for b) support to design and develop a digital strategy. **"If you are not tech-enabled, you are limited in the investors that you are able to access."** Companies that are tech-oriented are more likely to get investment faster. In the case of one woman entrepreneur who owns an eyewear company and sells online, her company is not in the tech field, but was able to incorporate this dimension into her business, which was essential for pitching. Another entrepreneur with a small business said that "she knows the next step to grow is to do marketing online," but that her lack of computer skills has kept her from doing so.

Women entrepreneurs also reported needing c) legal counseling, especially on copyright and tax issues. A woman entrepreneur suggested that **“there needs to be not only financial education, but technical education on how to navigate topics such as legal and tax issues.** I have a master’s degree and struggled with the legal system in Mexico, which is very complex. I needed a team to help me with that.”

Another entrepreneur reflected on her bad experience with a fund, she claimed that women-led SGBs need legal counseling and assistance to protect their copyrights. She mentioned that, due to her lack of knowledge on copyright issues, she shared information about her business with an investment fund without any formal agreement. In the end, the fund ended up stealing part of her business idea and now it makes revenue from it. When asked what she would do if she started a new business again, the entrepreneur replied that she “would do due diligence of investors and make a stronger term sheet with [her] co-founders.”

Entrepreneur Finding 3: Women entrepreneurs often lack the appropriate networks to connect to investors.

“What serves you the most is the network that you are connected to.” While entrepreneurship depends on a variety of factors, being in networks is vital to accessing additional resources. Entrepreneurs are fully aware of the importance of networks and highlighted how essential it is to scale a business, especially in Mexico. “Your network is key for attracting investors,” said one entrepreneur in the energy sector.

“Your network is key for attracting investors.”

As another entrepreneur emphasized, “in Mexico, people have the privilege or not to become an entrepreneur depending on where they were born and the economic status of their families. Some women entrepreneurs in Mexico have the advantage of inheriting a business or working for a family-owned company, which is a perk in the entrepreneurial ecosystem of Mexico.”

To that end, a woman entrepreneur pointed out that **“rounds with friends and family help your company have more drive and strength.”** Although startups do not necessarily need initial support from friends and family, this may be common and is a hypothesis to test further in the context of women-led SGBs in Mexico. If women entrepreneurs do not have a support network that is affluent enough to give them seed capital at the very beginning of their ventures, it will be

difficult for them to bring their businesses to the stage at which they can attract capital from investment funds

In the words of one entrepreneur interviewed, “women entrepreneurs need a worthy introduction—one that matters and has worth. Stronger connections matter. Cold email [is worse than] a warm introduction. Some accelerators in Mexico fall short of creating real connections with investors and facilitating access to capital for women-led enterprises. They could add more value to the process rather than only requiring a one-pager so that they can submit it to investors. It is better to send it to one person you are connected with, rather than sending six out randomly.”

In a nutshell, women entrepreneurs are interested in developing meaningful networks that leverage their businesses and boost their connections with investors. Therefore, it is important to address this demand in a way that, no matter the socioeconomic background of a women entrepreneur, they have access to opportunities that strengthen their business potential.

Entrepreneur Finding 4: Gender stereotypes of women entrepreneurs tend to underestimate their businesses’ performance or potential.

In the context of Mexico, “a large proportion of businessmen are not used to seeing women in leadership positions. So they interpret their behaviors as ‘too emotional’ or ‘too aggressive.’ With investors it does not happen that much.” This view was offered by one co-founder, however, other interviewees recounted experiences of such bias within the investment process. More than half of the women entrepreneurs who participated in this research reported having experienced at least one situation in which investors exhibited gender bias while they were raising capital.

One founder in the health sector expressed that some fund representatives show their biases by asking women entrepreneurs **“questions about their plans to have children and marital status.”** Another woman in the tech industry claimed that she faced gender biases when raising funds. Would-be investors questioned her ability to run a company and whether she knew about finance. She was constantly asked about risk mitigation and not about company growth. They also told her she was “too young”.

Some women entrepreneurs also questioned the implicit biases that may be rooted in clients’ mindsets. One female entrepreneur from the tech industry mentioned that, “in some cases, my male partners have to be present when I have to give a presentation to certain customers. Otherwise, they do not believe the information if it comes from me.”

Some entrepreneurs do not feel they have been subject to discrimination, but identify as masculine in their profiles, behaviors or attitudes. In other words, they have challenged the gender stereotypes that are traditionally associated with women entrepreneurs. "I do recognize that there are gender biases in my country, especially in the north where the culture is more traditional. But **my business partner and I don't let that affect us, we don't let people treat us differently for our gender.** However, I also recognize that we have certain masculinized attitudes that we have learned are useful to demonstrate our skills and capacities."

Another woman entrepreneur claimed: "I have the professional background of a man for the context of Mexico." Following that, another woman entrepreneur asserted: "I studied economics, a major where most students are men, and I have an MBA. That is the reason why I haven't faced the same challenges as other women entrepreneurs."

Yet, some women entrepreneurs may be prone to expressing limiting perceptions toward their businesses' performance or potential due to unequal gender norms. **One entrepreneur suggested that women tended to assign a lower valuation to their companies than men due to insufficient training.** Why is that the case? Most of the women entrepreneurs that were interviewed suggested that, on average, "women are more risk-averse compared to men, and are more cautious."

On the other hand, there are women entrepreneurs who "don't want to take risks in early stages. If you have a family you don't want to take risks even if your family support allows you to work."

There are women entrepreneurs who "don't want to take risks in early stages. If you have a family you don't want to take risks even if your family support allows you to work."

Then, what do women entrepreneurs need to overcome gender stereotypes and limiting perceptions toward their businesses performance or potential? Their demands to tackle this dimension are by and large gender-neutral. According to them, it's essential to a) work on eliminating their risk aversion. They believe that women tend to be more risk-averse and "value [their] companies less relative to men." Also, they reported needing to b) develop strong finance and product knowledge. "Wow, you know your numbers!" That was an expression of surprise that a woman entrepreneur in the intersection of tech and cleaning services encountered during a round with an investor in Mexico.

Sometimes VC investors do not expect a woman to have a robust knowledge of tech

and finance. However, as one interviewee described it, “showing a strong knowledge in finance and the know-how of the business is key to resolving the questions and doubts of investors about whether to invest or not in your business. They were surprised that I—as a woman—knew the numbers, essentially revealing their preconceived notion or assumption that women don’t usually know their numbers.” Linked to demand b), women entrepreneurs manifested they need c) to learn about monitoring businesses performance and presenting the big picture.

An entrepreneur emphasized that, “In funds, not just in Mexico, but in Latin America, and the United States, numbers and metrics are essential. Whatever a CEO needs to know, male or female, it’s the company’s metrics.”

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Some entrepreneurs believe that, during the pitching stage, women can be more detail-oriented and struggle to present the big picture. “Traditional investment conversations are formatted to men’s conversations. They are more aggressive and direct. Women have other ways to look at business. “We are more cautious. We analyze more.” This entrepreneur commented that, after working with men for so long overseas, she had adjusted her

tendencies, but when she came to Mexico, she changed her mindset and recognized that it is okay to be feminine in business. Speaking of her fellow women entrepreneurs, she emphasized, **“We shouldn’t change what we are. We don’t have to become men. However, we still need to know how to play by the investors’ rules.”**

This connects to the need for women entrepreneurs to d) Get familiar with investor jargon. According to one interviewee, “The biggest challenge female entrepreneurs face is their lack of knowledge of finance vocabulary. Female entrepreneurs are very focused on the expertise of the business, but they lack the finance background.”

**Entrepreneur Finding 5:
Women entrepreneurs want BDS tailored to their business needs, not their gender.**

Some women entrepreneurs who have participated in accelerator programs in Mexico believe that services provided by BDS often do not match the needs of women entrepreneurs. Some are too general and fail to address the main challenges women entrepreneurs face, while others that target women-only services or training are perceived to be reproducing gender stereotypes around women and business. On this matter, one

entrepreneur in the tech sector questioned the gender approach of an accelerator program in Mexico, “if I were a businessman, would I be asked those kinds of questions? But because you are a women entrepreneur, you have to be targeted to receive the ‘traditional package’ of services that are designed for women entrepreneurs.”

One of the entrepreneurs who participated in our research said that “the model of accelerators is too general. They are not innovating and adapting models to entrepreneurs’ needs. **Accelerators should help entrepreneurs put together an executive team, and support them through the process of raising funds and negotiating with investors.**” The same entrepreneur told us that she was part of an accelerator’s program in Mexico that, according to her, was “too pink. The speech is too repetitive. Very often they focus on the type of businesses that recreate gender inequality and gender stereotypes. They need to focus more on business and gender equality.”

Based on their experiences with BDS providers, entrepreneurs suggested they need tailored mentoring involving skilled and trustworthy mentors.

Based on their experiences with BDS providers, **entrepreneurs suggested they need tailored mentoring involving skilled and trustworthy mentors.** “Mentorship works better when it is provided individually, rather than in groups. It is more practical because when working one-on-one with a mentor, we set goals, deliverables, and he/she provides better guidance to enhance financial aspects.” In his case—a male entrepreneur who provides integral support to women micro-entrepreneurs who are excluded from access to financial resources—getting tailored mentoring was key to get financing from Kiva.

Discussing the quality of some mentors from accelerator programs in Mexico, a woman entrepreneur expressed that “they don’t have the experience needed. They have never run, started or sold companies themselves. Then, the ecosystem is so small that the same mentor has other clients competing for the same fund money.” Moreover, another entrepreneur added, the mentor’s role from most BDS providers in Mexico is limited if they are not inspiring or trustworthy people. For example, “if a woman entrepreneur faces a harassment situation from someone in the ecosystem, as it was my case, she might not feel comfortable to share it with this person; instead, if the mentor is inspiring and trustworthy, then she/he can provide more comprehensive mentorship that helps us to go through difficult situations.”

Global Insights: Making the Business Case for Financing More Women

Multilateral development finance institutions have helped demonstrate the business case for increasing the supply of capital to women entrepreneurs in Latin America. In 2010, the International Finance Corporation (IFC) launched the global “Banking on Women” program, which has provided \$685 million in funding for banks in Latin America and the Caribbean to increase their loan portfolios for women-led SMEs (IFC, 2018). This program has increased profitability and generated new growth opportunities for participating banks, which have found women entrepreneurs to be more reliable borrowers and more frequent savers (IFC, 2018; IFC, 2019).

In 2019, IDB Invest, a member of the Inter-American Development Bank Group, provided a \$50-million loan and technical assistance to Mexican financial institution Crédito Real in order to expand its lease financing portfolio targeting women-led SMEs (IDB Invest, 2019). Since women entrepreneurs in Mexico often lack access to collateral, many women-led businesses experience challenges receiving SME loans that would enable them to grow. Under this innovative lending model, however, women could utilize the physical assets they lease from the bank as collateral. The participation of a commercial lender in the program highlights the business case for increasing the flow of financing to the underserved market of women-led enterprises.

Investor Interviews

The interviews showed that many investors in Mexico are aware of the business case for gender diversity. While there is still significant room to improve gender parity within their portfolios and institutions, several investors highlighted the importance of actively sourcing women-led businesses and increasing the voice of women on their investment teams. Nevertheless, investor perceptions of women entrepreneurs as risk-averse, a mismatch between investment offerings and the needs of women-led SGBs, and a disconnect between investors and BDS providers contribute to the gender gap in early-stage investment in Mexico.

Investor Finding 1: Many investors are aware of the business case for gender diversity.

Investors interviewed were broadly aware of the business case for gender diversity, however, this may not be representative of the investment industry as a whole in Mexico. Some investors have established gender checks within their portfolios and organizations. **The investors with the most gender-balanced portfolios had targeted strategies to source women-led SGBs and an explicit gender lens.**

Most investors we spoke with were aware of the business case for increasing the representation of women in their

institutions and in their portfolios. As one commercial investor described the business case for backing more women-led enterprises, **“women entrepreneurs are the biggest untapped opportunity.”**

Several investors emphasized the importance of having women on investment teams in order to reduce bias in the decision-making process. This point was echoed in our interviews with experts on the Mexican entrepreneurial ecosystem. Actual levels of female representation within investment teams varied widely among these respondents from below 40% to as high as 80%.

“85% of the investment committees I served on were all men apart from me. I was the only woman.”

Female investors interviewed nevertheless highlighted that the investment industry in Mexico remains largely male-dominated. They reported that, while the number of women in the industry was growing, women working at funds were often not in the senior decision-making positions. Among the investment firms interviewed, only one had a female partner. One experienced female investor described always being outnumbered by male decision-makers.

Reflecting on her career, she shared that, “85% of the investment committees I served on were all men apart from me. I was the only woman.”

Of the 10 investors with active investments in Mexico, three had already incorporated an explicit gender lens into their investment decision-making process, meaning they systematically considered the participation of and impact on women as a positive attribute when evaluating an investment opportunity. Two additional investors planned to incorporate a gender lens into their new funds. **Interestingly, only investors with an impact focus reported establishing or planning to establish a gender lens.**

One investor utilized a thorough gender scorecard when assessing potential investees in their pipeline, taking into account women’s representation within the companies’ staff, management, shareholders, and clients, as well as gender criteria related to their marketing and supply chains. This same investor established a separate gender committee to review investment opportunities through a gender lens in addition to including women on their investment team.

Three investors, including two commercial investors, reported they made efforts to actively source investment opportunities in women-led SGBs. One commercial investor noted that her firm made a point to meet with all the women CEOs in its

pipeline despite not having a formal gender lens. One investor highlighted the importance of actively recruiting women entrepreneurs in order to promote female representation within their portfolio. She suggested that **targeted marketing, inclusive communications, and even educational workshops are needed to source more women entrepreneurs**, who may be less likely to approach investors and face a larger financial literacy gap. As she put it, “I realized I had to *look* for women-led companies if I wanted 50% women-led companies [in my portfolio].”

A few investors tracked the number of women-led SGBs in their pipeline and portfolio, but did not have an active sourcing strategy for women entrepreneurs or an explicit gender lens. In some cases, investors without an active sourcing strategy for women-led companies or a gender lens expressed that they were gender-neutral, did not have a social mission, or focused on other types of impact besides promoting women. One investor described having a gender-neutral investment process as a strength, despite the importance of correcting for the unequal sociocultural norms that women entrepreneurs face in seeking out capital.

For investors with active sourcing strategies for women entrepreneurs and an explicit gender lens in place, women-led companies represented as much as 42% of the portfolio. Investors with only active sourcing strategies but no

gender lens in the decision-making process had 20-33% women-led companies in their portfolios. One investor with neither policy in place had no women-led portfolio companies.

The interviews revealed that several investors across the impact and commercial segments are leading the way in increasing the supply of capital to women-led SGBs. The conversations suggest that a targeted sourcing strategy and an explicit gender lens are necessary to correct for systemic inequalities and sociocultural norms that contribute to an underrepresentation of women in investment pipelines and portfolios.

Investor Finding 2: Perceptions of women entrepreneurs as risk-averse may be a barrier to investment for women-led SGBs.

Some investors perceive women entrepreneurs as more conservative and risk-averse, although this behavior is not tracked. Women entrepreneurs report being evaluated by investors under different criteria due to their gender. This suggests that unconscious biases may present an additional barrier that women-led SGBs must overcome to raise capital.

Nearly all the investors cited risk aversion among female entrepreneurs as a limiting factor on the frequency of investment in women-led SGBs in Mexico. Some investors argued that women-led SGBs are more likely to pursue moderate, but stable growth targets than riskier ventures with the potential for exponential growth, which meets the required profile for conventional venture capital. One investor underscored that size itself was not the limiting factor for investment in women-led SGBs but rather the risk appetite and growth ambition of female entrepreneurs. As one investor described it, “there is a tendency for women entrepreneurs not to dream big. Investors want their entrepreneurs to dream big.”

Some investors argued that women were more hesitant to give up full ownership of their companies to investors.

Risk aversion was also cited as a reason for the limited supply of women entrepreneurs seeking investment. Some investors argued that women were more hesitant to give up full ownership of their companies to investors even if that meant they could achieve only modest growth through their own operations. One investor without a strategy to actively source women entrepreneurs suggested that the sociocultural norms that made women entrepreneurs risk-averse

accounted for the gender imbalance within their pipeline. Another investor suggested that the consequences for failure were higher for women entrepreneurs and thus they were a poor fit for the risk-loving venture capital industry. As she described it, “women don’t want to start the next unicorn.”

“Women undersell and overdeliver.”

Several investors suggested that women entrepreneurs may provide a more conservative picture of their businesses to investors than their male counterparts. As some highlighted, more conservative pitches could lead investors to view their businesses as less attractive for investment. One investor suggested women entrepreneurs were more likely to wait for investors to approach them rather than proactively market themselves. Another investor, the only female partner interviewed, suggested that women’s tendency to run and market their businesses more conservatively should instead give investors greater confidence in their ability to succeed. A third investor echoed the benefits of a more conservative approach to operating and pitching businesses, emphasizing that “women undersell and overdeliver.”

The prevalence of investor perceptions of women entrepreneurs as risk-averse may be fueling unconscious biases within investment decision-making. This

hypothesis is supported by the differential treatment that some women entrepreneurs report experiencing when engaging with investors. As one investor noted, decision-makers in the industry must correct for potential gender disparities in pitches and work with women-led SGBs to develop a framework for growth that meets the goals of both the entrepreneurs and their firms.

Investor Finding 3: The mismatch between the types of capital offered by investors and the needs of women-led SGBs is perpetuating the “missing middle.”

Venture capital funds and impact investors often make investments that are too large for SGBs, including women-led SGBs, and there is a shortage of funding with smaller ticket sizes. This contributes to a “missing middle” gap in enterprise financing in Mexico that includes many women entrepreneurs.

Of the investors we spoke with, only two made investments below \$1 million (25 million Mexican pesos): 500 Startups and VIWALA. 500 Startups is a women-led accelerator and seed-stage investor with offices in San Francisco and Mexico City. The firm makes equity investments of \$60,000 (1.5 million pesos) across sectors

in exchange for a 10% stake in its accelerator participants, a third of which are women-led startups. VIWALA, a part of the New Ventures group, is a Mexico-city based investor offering flexible revenue-based loans from \$20,000-\$200,000 (500,000-5 million pesos). VIWALA explicitly designed its product to serve women entrepreneurs, as well as enterprises in the organic agriculture and renewable energy sectors.

Investors with larger ticket sizes underscored the difficulty of finding women-led SGBs that had reached the scale necessary to receive investments above \$1 million. **One investor highlighted the absence of a developed angel investment ecosystem in Mexico that could carry SGBs from the seed stage to the size capable of attracting capital from investment funds.** A second investor noted that early-stage SGBs in Mexico typically relied on friends and family,

rather than angel investors, if they seek outside seed capital, while a third noted that this was common for women-led SGBs in emerging markets. Another investor highlighted that women-led SGBs tend to grow more slowly because they rely on their own earnings for growth.

These interviews point to a “missing middle” gap in enterprise financing in Mexico. **This gap spans impact and commercial investment and appears to be more acute for women-led SGBs.** This gap can be closed by cultivating the local angel investment ecosystem and encouraging institutional investors to offer some investments with ticket sizes below \$1 million (25 million pesos). These actions could help ensure that women entrepreneurs would be better equipped to grow and funds would be more likely to increase the gender balance within their portfolios.

VIWALA: Flexible Financing for Women-led SGBs in Mexico

VIWALA is a new arm of New Ventures, an impact investor and accelerator, launched in 2019. They provide flexible loans to social, environmental, and women-led companies at early stages, with the aim of promoting growth and the impact generated by these companies. They target companies with sales between \$100,000 to \$1 million. They offer working capital loans from 500,000 to 5,000,000 pesos (\$20,000 to \$200,000).

VIWALA provides revenue-based loans with variable and fixed rates. This innovative lending model allows companies to pay off credit with variable payments that depend on the company's sales. Their plan is to have companies pay back in 30 months, but they can extend to 36 months. They believe that this model works better for small companies and helps fill in the “missing middle” of financing for companies in the \$1,000 to \$1 million in sales that currently receive few financing options.

Furthermore, VIWALA decided to dedicate 50% of its portfolio to women-led companies. They proactively go out to find potential female clients. Currently they have 11 companies in their portfolio and 42% are female-owned businesses. They are also working with business accelerators at New Ventures to provide business readiness workshops with the goal of making women entrepreneurs more successful. VIWALA currently has five people on its investment team. They are all female.

Investor Finding 4: Investors point to a domestic BDS gap that may block the path to investment for SGBs, particularly those led by women.

Investors did not cite domestic BDS providers as a primary source of investment opportunities, suggesting instead that incubation and acceleration programs in Mexico produce few investment-ready companies. Since investors often characterize women-led SGBs as too small or too risk-averse, the domestic BDS gap may disproportionately affect women entrepreneurs, depriving them of training, mentorship, and networking opportunities that could help them raise capital.

Rather than looking to domestic BDS providers, **investors reported relying on their own networks, particularly referrals from limited partners in their funds**, to source promising investment opportunities. Investors also cited direct outreach from businesses as one source of companies in their pipelines, but suggested these opportunities tended to be less likely to fit the goals of their funds.

When investors did collaborate with domestic accelerator programs for sourcing, these programs typically had a direct affiliation with the institution. The

exact model of integration varied, with one investor offering seed capital to all participants in their in-house accelerator programs and others identifying standout performers from programs operated by their parent organizations. Another investor employed a “venture building” strategy in which the organization developed and financed business ideas internally and hired staff to lead the ventures, which eventually became self-sufficient.

Investors suggested that the acceleration and incubation ecosystem in Mexico was growing, but remained underdeveloped and a limiting factor on investment opportunities.

One VC investor reported sourcing investment from Silicon Valley-based accelerator programs like Y-Combinator instead of domestic programs. She argued that domestic BDS providers worked with SGBs that had only steady and modest growth targets, a risk profile she said was common among women-led SGBs in Mexico, but a mismatch for VCs. Another investor suggested that the acceleration and incubation ecosystem in Mexico was growing, but remained underdeveloped and a limiting factor on investment opportunities.

The interviews suggest that participation in domestic accelerator programs may not be sufficient to attract interest from investment funds. Given the additional hurdles women entrepreneurs must overcome to prove their investment readiness to investors, women-led SGBs may feel the BDS gap most acutely. Further developing the capacity of domestic incubators and accelerators will be key to fostering closer ties between BDS providers and investors and improving the financing outcomes for SGBs, especially those led by women.

500 Startups: Building a Path to Investment for Women-led SGBs

Launched in 2010, 500 Startups is a women-led accelerator and seed-stage investor based in San Francisco and Mexico City. 500 Startups stands out among BDS providers in Mexico for the significant seed capital it provides its accelerator program participants, a third of whom are women.

The firm makes direct equity investments of \$60,000 (1.5 million pesos) in exchange for a 10% stake in the SGBs that participate in its program. With over 160 investments made globally, this capital offers a vital source of early-stage financing to SGBs. This financing is particularly important in Mexico given the scarcity of investment funds offering ticket sizes below \$1 million (25 million pesos) and the absence of a developed angel investment sector. Since many investors in Mexico point to the small size of women-led SGBs as a barrier to investment, this capital helps women entrepreneurs bridge the financing gap between friends and family or microfinance on the one hand and investment funds on the other. In providing significant seed capital in tandem with BDS, 500 Startups is bringing best practices in business acceleration from Silicon Valley to Mexico and creating a path to future investment and growth for women-led SGBs.

BDS Provider Interviews

Interviews with BDS providers offered encouraging evidence that accelerator programs in Mexico have widely achieved gender balance among their participants. In some cases, BDS providers reported proactively recruiting women-led SGBs for their programs. While their perceptions varied, several BDS providers viewed women entrepreneurs to be more conservative when making their business plans and investment pitches. They also suggested that female graduates of their programs faced greater difficulty raising seed capital for their businesses.

BDS Finding 1: BDS providers have widely achieved gender balance in their programs.

All of the organizations interviewed have a balanced gender breakdown of entrepreneurs, ranging from organizations with 46% of companies led by women to 51%. From these conversations we found that organizations are aware of gender breakdown in their organizations and are trying to implement or improve metrics on gender. One BDS provider highlighted the need to collect data on capital raised after participating in accelerator programs, by gender. One of the accelerators interviewed tracks growth after their program by gender and noted “no difference in growth: 24% revenue growth for women, 22% growth for men.”

Although there is increased awareness of gender among BDS providers, most do not currently track gender data for their participants. Two BDS providers admitted that there is no real gender gap between women-led businesses compared to those led by men at the accelerator stage, however the gap exists in sourcing opportunities for women. They suggested that it is harder to get more women enrolled in accelerator programs, because fewer women apply.

BDS Finding 2: Some BDS providers are taking active measures to source women-led SGBs.

We found that different BDS providers have identified a need to increase communication and outreach to female entrepreneurs and are investing in these resources. One accelerator stated the need to change marketing material to highlight women entrepreneurs and promote their gender focus. In addition, they are offering workshops for women in the community that have participated in one of their programs. These conferences cover a variety of programs including discussions around financial readiness. Other accelerators are launching digital campaigns to highlight the voices of women entrepreneurs. Online workshops are also becoming more popular with organizations offering online courses in

addition to their face-to-face workshops. This has created additional opportunities for women across the country to enjoy these services and meet other entrepreneurs. Furthermore, Facebook and LinkedIn groups are helping women entrepreneurs build communities and share information.

BDS Finding 3: Perceptions of women entrepreneurs vary among BDS providers.

During BDS provider interviews, participants were asked what are some of the main challenges women entrepreneurs faced. **In terms of risk aversion, one accelerator shared that “the fear is not about the risk of their business but putting their families at risk.”** One accelerator shared this while stating that women don’t lack the ambition in starting their businesses, but face additional social pressures to support their families. This family pressure puts them in a disadvantaged position to take on major risks. In another interview, risk aversion was thought to be linked to fear of repayment **“Women tend to take fewer risks than men, they reflect longer if they really need the loan, if they can pay it back. Men don’t worry as much.”**

Knowledge gaps were also raised as some of the main challenges women entrepreneurs face. **“Women exhibit weak knowledge about finance.”** This connects

to some of the conversations with women entrepreneurs who felt they needed additional training on certain areas such as finance and regulations.

“Women ask for less funding than men, similar to salary negotiations.”

In terms of attitudes and behaviors, one of the interviewees compared business pitching with salary negotiation **“Women ask for less funding than men, similar to salary negotiations.”** Additional comments were made in terms of entrepreneurs’ perspectives. **“Women feel that they are less equipped to develop a business and thrive, but that is only a perception,”** **“They believe that if they talk in first person they will be perceived as arrogant and will lose credibility among their audience.”**

One of the BDS providers interviewed works solely with social entrepreneurs. In their portfolio of companies they have noticed a difference between business models of male and female entrepreneurs. **While women tend to have more non-profit models, men tend to have hybrid models.** **“Women tend to be comfortable depending on donations while men want more sustainable businesses.”** This is represented in Ashoka’s Social Entrepreneurship in Mexico and Central America report, where they stated that 40% of the total applications they received in the past five years came from women

and only 15% of for profit applications came from women (Huberts, 2015).

One accelerator reported that women-led SGBs applying to their programs were often at a more advanced stage than male-led SGBs. Just as investors suggested that female entrepreneurs tend to be more conservative when making investment pitches and more cautious about giving up control of their companies, this suggests that female entrepreneurs may feel more pressure to prove their business models before seeking out support from BDS providers.

BDS Finding 4: Women entrepreneurs that complete BDS programs face challenges attracting seed capital.

During these interviews BDS providers did identify a mismatch between the kind of companies that accelerators work with and the kinds of companies that investors are looking for. **At least three BDS providers highlighted the need for more medium ticket sizes for entrepreneurs, referring to financing options between \$20,000 and \$1 million.** One accelerator mentioned VIWALA's revenue-based lending model as a way to better serve the

needs of accelerator program graduates, a pool of entrepreneurs in which women are close to equally represented.

In terms of gender disparities, **all BDS providers agreed that female entrepreneurs face harder times raising funds than men after leaving accelerators.** "Equity raises are rare among accelerator participants, even more so among women entrepreneurs." This can be a result of investor biases towards female entrepreneurs. For example, social entrepreneurs reported receiving questions from investors like, "Why don't you go ask your dad for this money," after completing BDS programs.

Village Capital: Making BDS Work for Women-led SGBs

Founded in 2009, Village Capital is a global women-led BDS provider and seed-stage investor with an office in Mexico City. The firm's gender-balanced internal and external review committees assess applications to their accelerator programs. Village Capital's internal committee is 60% female and 40% male, while its external committee, composed of program alumni, features an equal representation of women and men. In addition to its gender-balanced committees, women make up the majority of its Board of Directors.

The strong representation of female decision-makers within Village Capital has translated to increased opportunities for women-led SGBs. In a typical program, the firm trains 10-12 SGBs over the course of three months before asking the participants to select two of their peers to receive seed capital up to \$125,000 (3 million pesos). Much like their institutional gender diversity, this peer review process is designed to mitigate unconscious biases in traditional investor due diligence. Of the 115 investments they have made globally, 46% are women-led businesses. In 2019, five of the 11 startups they added to their Latin America investment portfolio were women-owned businesses. Together with Village Capital's emphasis on training accelerator participants to "speak the language of investors," its equitably allocated seed funding is opening doors for women entrepreneurs seeking to scale their businesses in Mexico and beyond.

Recommendations

Based on the key findings of the interviews, the research team developed a series of recommendations for investors, BDS providers, and other actors to help bridge the gender gap in early-stage financing in Mexico. While some of the recommendations were suggested by the interviewees themselves, others were developed in response to the challenges cited and demands made by women entrepreneurs.

Overall, our research points to the need for investors and BDS providers to incorporate a robust gender lens into their portfolios and programs and to create a clear path to investment for women-led SGBs through increased cooperation. Other actors in the ecosystem, from universities and NGOs to the government, have an important role to play in building these linkages and leveling the playing field for women entrepreneurs. While a collective effort is needed to bridge the investment gender gap in Mexico, the success of many actors we interviewed in overcoming and reducing the barriers facing women entrepreneurs can serve as inspiration for change.

Recommendation 1: Investors should develop a comprehensive gender strategy to increase the flow of capital to women-led businesses.

Although most of the investors interviewed were aware of the importance of gender equality and diversity, there is still room for improvement when it comes to achieving gender-balanced portfolios. Investors can contribute by developing a comprehensive gender strategy that impacts their work with entrepreneurs and startups, as well as the organizational climate at their own firms.

Adopting a gender strategy does not mean a commercial investor must change its identity to an impact investor or an impact investor must change its identity to a gender lens investor. Instead, a comprehensive gender strategy would help investors correct for the systemic barriers that women entrepreneurs must overcome to bring their businesses to the attention of an investment committee. By increasing the voice of female decision-makers in their institutions and the number of women-led companies in their pipeline, investors will be able to build portfolios that contain more of Mexico's best entrepreneurial talent.

The strategy should include an action plan to monitor the advancement towards gender equity. Below is a proposed checklist that an investment firm could use to develop a gender strategy.

- ❑ **Gather gender-disaggregated data.** To identify where in the process of raising capital, women entrepreneurs are falling off and to learn if the actions taken are contributing to reduce the gender gaps, investors need to collect gender-disaggregated data and use it to inform their decisions. It is progress that among the investors interviewed a few already tracked the number of women-led SGBs in their pipeline and portfolio. However, the practice of gathering gender-disaggregated data should be extended to the remaining stages of the process to detect where the efforts to promote gender parity would serve better. Different courses of action are needed if the biggest disparity is in the recruiting than if it is in the final pitch. Example of relevant metrics:

Goal: Change in the amount and proportion of capital going to women-led SGBs

Metric 1: Proportion of deals going to women-led SGBs

Metric 2: Total and average funding received by women-led SGBs (ANDE, 2019)

- ❑ **Establish achievable targets to improve gender balance.** Any process of change requires established goals to orient the efforts of the organization. Investors have already identified that women entrepreneurs are an untapped economic opportunity in Mexico, but lack concrete targets and deadlines to turn a spontaneous process into a deliberate road to equality.¹⁶ Investors should review changes in the number of women-led companies in their pipelines and portfolios and the number of women on their investment teams and committees every year to ensure progress is being made. Available diagnostic tools like the Women's Empowerment Principles (WEPs) tool developed by the United Nations to support companies' assessments of their gender equality performance could be useful in this exercise.¹⁷ (IDB Invest, 2019).
- ❑ **Proactively source women-led SGBs, including by attending conferences and events with more female entrepreneurs.** Build a pipeline of early-stage women-led

¹⁶ "There is a developing business case for gender equality demonstrating that women are perhaps the world's greatest under-utilized asset. In 2016 McKinsey forecast a GDP annual growth opportunity of \$28 trillion at the global level and of \$2.6 trillion for Latin America if the gender gap is bridged" (IDB Invest, 2019)

¹⁷ Access this tool at: <https://weps-gapanalysis.org/>

SGBs and stay in-touch with them as they grow and become investment-ready.

- ❑ **Inclusive communications.** Representation and communication matters. Outreach and communications that systematically exclude women might discourage them from approaching an investment fund. It could also be the case that men and women entrepreneurs are better reached by using different communication channels or strategies. Again, such a deep understanding can only be achieved once enough gender-disaggregated data is collected. A simple change to marketing materials using neutral language instead of masculine pronouns, as is the common practice in Spanish, might have a large impact on the public's perception.
- ❑ **Provide feedback to every entrepreneur, even if they don't receive funding.** Women entrepreneurs reported that they received no concrete feedback when investors decided not to fund their businesses. The entrepreneur ecosystem is largely based on trust among the parties and transparency contributes to build trust, as it demonstrates objective decision-making. Providing feedback is a practice that serves investors as well as entrepreneurs as it requires analyzing why the applicants are not meeting the requirements, and it contributes to understanding the common limitations among women entrepreneurs.
- ❑ **Actions to reduce unconscious bias.** As mentioned in the findings section, some investors perceived women entrepreneurs as more conservative and risk-averse (although this behavior is not tracked), while women entrepreneurs report being evaluated by investors under different criteria due to their gender.¹⁸ Unconscious bias is real and widespread because the human brain needs a system to process and classify information in an effective way; everyone has unconscious bias, however, there are ways to mitigate its impact in investment decisions. Investors can begin to correct for unconscious biases by providing more transparent feedback to entrepreneurs and by including women on every decision-making committee. Investment firms can make further progress by providing unconscious bias training sessions to their staff through partnerships with expert organizations. One of the added values of unconscious bias training is that it can be extended to the Human Resources departments and it can promote gender awareness during processes like recruitment, promotions and relations with other stakeholders. Village Capital provides an example of adjustments to program models. They implemented and analyzed a peer selection investment model and found that peer selection (as opposed to outside investors) evidenced results in “reducing implicit bias” and that

¹⁸ Balachandra, L., Briggs, T., Eddleston, K., & Brush, C. (2019). Found evidence that “investors are biased against ventures pitched by entrepreneurs who display more feminine-stereotyped behaviors, both men and women alike.”

“outcomes appear to suggest that peer selection is less exclusionary.” (ASPEN, 2019)

- ❑ **Promote women’s leadership in the investment industry.** The best way to incorporate a woman’s perspective into the business is to bring women into the business, and most investors acknowledge this already, according to our research. The underrepresentation of women in investment funds is an issue in itself, but it is directly linked to the funding gender gap analyzed here. Following the same intuition mentioned above, setting clear targets, gathering disaggregated data to identify the barriers that women professionals face within investment organizations, monitoring advancements, using inclusive communication (for recruitment and promotions) and making efforts to reduce unconscious bias, sets the path to a gender-equitable organization, and this progress will impact investment decisions. For example: **Mujeres invirtiendo is a network of women aiming to raise women’s representation in the private investment sector in Mexico.** According to them, 84% of the investment funds in the country do not have any women in their investment teams and only 4% of them have a woman partner. The network works advancing the conversation of gender equity and promotes women’s visibility in the industry by hosting events, promoting the presence of women in panels and facilitating the recruitment of women in the most important funds.¹⁹

Recommendation 2: Investors and BDS providers should deepen their collaboration to build a path to investment for women entrepreneurs.

Our interviews suggested that women-led businesses are well-represented in Mexico’s accelerator programs, but rarely feature prominently in investment portfolios. BDS providers report that their female program graduates have a harder time raising capital. Since investors do not source most of their investment opportunities from BDS providers, deeper collaboration would create a clearer path to financing for women-led SGBs.

Investors should provide the metrics they use to assess businesses to BDS providers so the services delivered by accelerator programs can directly support women entrepreneurs in becoming investment-ready. Investors should increase their dialogue with BDS providers to help identify promising women-led SGBs to add to their portfolio.

¹⁹ <https://www.mujeresinvirtiendo.com/>

BDS providers can design creative models to connect entrepreneurs with potential investors in Mexico. **For instance, Victoria 147 connected entrepreneurs with Farmacias del Ahorro in Mexico, a well-established drugstore that was interested in launching a new line of healthy products.** Farmacias del Ahorro invited woman entrepreneurs to pitch their business to become direct suppliers of the products sold at the drugstore. The network building scheme was so positive that Victoria 147 implemented a similar model with City Express hotels and is assessing how to replicate this model in the investment field.

Partnership between investors and BDS providers can help relieve sourcing issues on the investor side and investment access gaps for women entrepreneurs. Investors noted that they rarely sourced businesses from accelerators in Mexico, and when they did the accelerators were directly affiliated with the institution. Therefore, a dialogue between investors and accelerators to develop a partnership can be of benefit to both parties and women entrepreneurs.

Recommendation 3: BDS providers can expand opportunities for women-led SGBs through international partnerships and inclusive programming.

To increase their value-added, BDS providers should explore partnerships with international accelerators that can bring their experience and capital to Mexico or offer international opportunities for graduates of Mexican BDS programs. International accelerators would benefit by gaining exposure to talented women entrepreneurs and women entrepreneurs would benefit by gaining further growth opportunities after completing domestic BDS programs.

BDS providers can raise the ceiling for Mexico's SGBs without reinventing the wheel. In addition to the international BDS providers already operating in the country, such as 500 Startups, other actors have taken steps to bring accelerators to Mexico. Co Capital, a Mexico City-based impact investor, identifies leading international BDS providers that can offer new services to local social entrepreneurs. Co Capital invests in these BDS providers in order to bring their services to Mexico, a strategy that has proven effective in expanding the support networks for entrepreneurs in the country.

BDS providers should offer free networking opportunities to open up the ecosystem to women entrepreneurs from different backgrounds and socioeconomic statuses. Disruptivo.tv and Socialab Mexico launched *10 mil Mujeres de Cambio* (10,000 Women of

Change), a program that provides its participants with free access to digital content, a Facebook group to connect with other entrepreneurs, free online classes, workshops, and culture events. The participants can also enter into the Socialab Innovation Challenge to win seed capital and a spot to participate in the Socialab accelerator program.

BDS providers that charge a fee should incorporate an option for grants or scholarships to widen the pool of women entrepreneurs who can participate. Entrepreneurs interviewed in this project commented on the high price of some BDS programs that prevented them from getting access to valuable service offerings. Village Capital has accelerator programs that entrepreneurs can participate in without requiring a fee or equity. Village Capital covers the participation fee by partnering with other organizations to cover the costs of their programs.

Recommendation 4: BDS providers should respond to the business needs expressed by women entrepreneurs in all of their programming.

Whether their programs are women-focused or not, BDS providers should provide training that meets the diverse needs of women-led SGBs. **Among other programming, women entrepreneurs requested more industry-specific mentors, digital strategy development, and technical training on financial and legal issues.**

Women entrepreneurs provided feedback that one-on-one mentorship programs were more helpful than group mentor programs. They also suggested mentors should be industry-focused. One woman entrepreneur who worked with Connovo, a Mexico City-based venture builder, said her mentors were the best part of working with the firm, because they were industry-specific. She emphasized that her mentors were able to provide feedback on what she could expect in the next stages of her business and prepare her.

Mentors should go through gender mainstreaming training to ensure they are not perpetuating gender stereotypes. Entrepreneurs cited instances of mismatched mentors who lacked gender sensitivities. The gender mainstreaming training is not only a benefit for women entrepreneurs, but will allow men entrepreneurs to reflect on how gender affects their personal and professional lives. Such reflection is value-added from the business perspective as well as such training can help business owners connect to their customers and clients of all genders.

BDS programs can help women entrepreneurs, and their male peers, develop a digital strategy. Women entrepreneurs interviewed shared that even if their business was not in the tech industry, having a strong online presence or ability to incorporate technology to attract clients or beneficiaries was essential in the pitching stage of the investment process.

BDS providers can also help develop entrepreneurs' legal knowledge to help them make informed business decisions. Training on relevant corporate law and copyright law in particular would help prevent entrepreneurs from making costly mistakes, such as sharing sensitive information about their businesses with outsiders. Training programs on the tax codes specifically for Mexico would also benefit entrepreneurs, as it was included as a barrier to growing businesses. Finally, training to expand entrepreneurs' knowledge of **finance and investor jargon** would help entrepreneurs when making investment pitches.

Recommendation 5: BDS providers should reach more women entrepreneurs and help them overcome inequalities in the investment process.

In order to reach more women entrepreneurs, BDS providers should use inclusive communication when marketing their programs. This will include gender-sensitive communication material that uses language and content that has women in mind. One way to ensure this is to ensure the BDS providers themselves have women leaders at every level of their organizations. Furthermore, biases related to race, socio-economic status, and religion should be considered in concert with gender.

BDS providers should also undergo gender sensitivity training to participate in to help them recognize unconscious biases that are hindering women-led SGBs. Such training would help BDS providers better serve their participants. Furthermore, accelerators and incubators can incorporate this training into their programs for all entrepreneurs to help “their start-ups see the benefits and implement gender lens strategies themselves.” (IDB Invest, 2019).

Like investors, **BDS providers should gather gender-disaggregated data.** One accelerator shared that they disaggregate all of the participants in their programs by gender, but also, look at revenue growth and capital raised percentages for businesses disaggregated based on gender. At a minimum, accelerators should be looking at such disaggregated data to identify gender gaps.

BDS providers should deliver training on risk assessment. Unequal gender norms in society contribute to unequal perceptions of the performance and potential of women-led businesses. In some cases, these sociocultural norms can lead women entrepreneurs to undervalue their own companies and overestimate business risks. BDS providers can help women entrepreneurs better evaluate risk, particularly as it relates to financing their businesses, and develop risk management strategies.

In order to encourage more women applicants, BDS providers should create targeted programs that only accept applications from woman-led organizations. This will help women-led businesses not get lost in the pool of majority-male applicants and will underscore the BDS providers' commitment to gender equity.

While BDS providers should develop services that better meet the needs of women-led SGBs, they should avoid offering programming that could be perceived as “too pink.” The phrase “too pink” was used by a woman entrepreneur to refer to programming that focused on women with the aim of closing gender gaps but ended up perpetuating gender stereotypes. Entrepreneurs interviewed felt that such programming underestimated women's skills and knowledge and overgeneralized their diverse needs, for example, by assuming they all had the same needs as mothers or were not financially educated.

Recommendation 6: Gender disparities across the labor market should inform new public policies.

Additional gender-disaggregated data on the federal and local levels would enable policymakers to demonstrate progress toward national goals of inclusive economic development and gender equity.²⁰ According to the OECD, “women comprise only 7.5% of the management boards of Mexico's largest companies, far below the OECD average of 20%” (OECD, 2019). The ecosystem would further benefit from data and transparency on women represented in investment and credit committees.

More research is needed to study the effectiveness of past public investments and government interventions in SME growth. Evaluations of past programs funded by INADEM will provide clarity on the role of public funds in driving small and medium enterprises growth. Although the gender finance gap was beyond the mandate of INADEM, for future policy work, it would be useful to see if it had any positive or negative

²⁰ While we did not speak with policymakers or government actors, our research across the ecosystem revealed the need for public policy that considers gender-disaggregated data and for a deeper understanding of the impact of publicly funded matching grants in enterprise growth.

impact on this gap.²¹ An interdisciplinary impact study on past public programs would increase transparency surrounding the impact of INADEM interventions. Such studies provide an important example of how academics and multilaterals can provide more public transparency.

Thorough research on past programs by experts across the ecosystem can also foster discussions on how to integrate an effective gender lens in public funding for small businesses. A study by the World Bank, Columbia University, and MIT evaluated the impact of INADEM's High Impact Entrepreneurship Program (HIEP) and identified key lessons to inform future policies (World Bank, 2017). Although the matching grant program was widely applauded, the research raised concerns that publicly funded cash transfers may not complement private investments but rather crowd them out (World Bank, 2017; OECD, 2013). A similarly thoughtful study could be replicated to identify the best practices for governments to catalyze private investment in women-led SGBs.

Recommendation 7: Universities and NGOs can foster a more inclusive ecosystem for women entrepreneurs through network building and strategic advocacy.

Universities play a fundamental role in developing a pipeline of entrepreneurs with strong networks. Local universities can consider additional education incentives that support women entrepreneurs or aspiring entrepreneurs in MBA programs. **Local MBA programs can encourage women to start high-growth or knowledge-based enterprises during business school and provide seed capital.** For example, the EGADE Business School at el Tecnológico de Monterrey has been expanding a network of accelerators since 2006. There are currently 17 accelerators across different campuses in Mexico.²²

NGOs and universities may be better positioned to advocate and move the needle forward on gender lens investing in Mexico. Given the general lack of trust in public institutions previously mentioned, NGOs should continue advocating for greater awareness and information on the gender disparities across the SGB landscape. To strengthen the connection across sectors, NGOs can organize panels that bring together investors, policymakers, and business leaders to discuss the disparities driving the gender

²¹ PRONAFIM is a federal government program that supports women entrepreneurs, but the profile of entrepreneurs they seek to serve is different than the one we focused on in this report.

²² <https://tec.mx/en/entrepreneurship/business-accelerator-network>

finance gap and jointly work towards more inclusive outcomes. Together, these actors can step in to provide a forum similar to INADEM's National Entrepreneur Week.

Finally, NGOs and academics should examine competing expectations driving women entrepreneurs to produce both social impact and high-growth financial outcomes.

Throughout our interviews, we found that women entrepreneurs were prominent in the impact investing, social entrepreneur, and NGO space. While microfinance may be accessible to women entrepreneurs, many investors seek SGBs. If the supply of investors willing to invest in women remains confined to the impact space, it is unlikely we will see an increase in women-led SGBs in high-growth industries.

Areas for Future Research

Although this study can help inform solutions to close the gap between women entrepreneurs and investors in Mexico, there is a need for further research to push this conversation forward. We recommend conducting a survey to obtain quantitative findings and consider more perspectives and experiences of women entrepreneurs. The team developed an online survey for female entrepreneurs that was shared with the client and can be used to supplement this research with more meaningful data. Focus groups and observational research in Mexico would also offer valuable first-hand insights that could build upon the findings of this study.

We recommend reaching out to entrepreneurs outside Pro Mujer's network and those from different parts of the country with businesses in different growth stages, as well as entrepreneurs with different socioeconomic backgrounds. Engaging with a wider and more representative sample of entrepreneurs will be essential for drawing conclusions that pertain to the overall ecosystem in Mexico. Similarly, additional interviews with venture capital and private equity funds would offer broader insights into the gender gap in the commercial investment industry. We recommend pursuing interviews with decision-makers on investment teams and speaking with men who hold these positions to gauge their perceptions of women entrepreneurs.

There is also a need for more research into alternative investment strategies that could better serve women-led SGBs and help close the "missing middle" in Mexico. A future study could explore the profitability of using smaller and more flexible investment instruments, such as the revenue-based loans offered by VIWALA, in order to add further proof to the business case for financing more women entrepreneurs. Further research could also study the potential for development banks to catalyze private investment in women-led businesses through blended finance (IDB Invest, 2019).

Finally, there is room for a deeper investigation of the roles played by non-financial actors in shaping the landscape for women-led SGBs in Mexico. Along with a more detailed study of domestic BDS programs and outcomes for women, the impact of public policy and the education system on the gender financing gap merit further attention. Interviews with government actors in particular would offer a more complete understanding of the opportunities to build an inclusive ecosystem for women-led business in Mexico.

Appendix

A. Research Process Overview

Research Plan prior to COVID-19

The team conducted desk research, producing an annotated bibliography and literature review, pre-field interviews and field interviews. The research process included identifying specific hypotheses for each research category to be tested through the field interviews.

1. Prior to the field visit, the team conducted desk research to understand the background, landscape, and entrepreneurial ecosystem in Mexico. The team also focused on four main research streams in reference to the research question. Desk research was conducted for one month.
 - a. Research Streams:
 - i. Investors
 - ii. Business development services
 - iii. Entrepreneurs
 - iv. Experts
2. Pre-field interviews were intended to provide additional background information related to the topic and help narrow the team's hypotheses. Pre-Field interviews were conducted with industry experts.
3. Field Interviews were conducted as a means to test the team's hypotheses for each specific research stream. Field Interviews will be conducted with all of the research categories, investors/financial, BDS, entrepreneurs, and experts.
4. Analysis of research for final deliverables and recommendations

Research Plan post-COVID-19

Due to the COVID-19 outbreak and Columbia University international travel restrictions, travel to Mexico for field interviews was prohibited. In lieu of in-person interviews, the team conducted all interviews via phone or video call. A total of 40 interviews were conducted with different actors in the ecosystem. The goals of the interviews remained the same as the prior to COVID-19 research plan.

To supplement the 40 interviews, additional comparative research streams were identified and included in the report.

Additional Research Streams:

1. Microfinance to SGB financing
1. Closing the "missing middle" through angel investment
2. Improving investment outcomes in acceleration

3. Best practices in promoting women entrepreneurs in BDS
4. Promoting gender diversity in the economy
5. Financial institutions programs
6. Reaching women entrepreneurs
7. Gender metrics

Hypothesis testing

The interviews supported many of the hypotheses we developed through our desk research in addition to giving us new insights into the barriers to capital facing women-led SGBs. Figure 4 illustrates the relative frequency with which different actors made comments supporting a particular hypothesis. More than any other hypothesis, the interviewees gave weight to the hypothesis that risk aversion among female entrepreneurs, either actual or wrongly perceived by investors, may limit investment in women-led SGBs.

Figure 4: Interview Findings that Supported Hypotheses

Hypotheses		Investors	Entrepreneurs	BDS/Accelerators
Systemic Inequalities	Economic discrimination	✓	✓✓	--
	Credit constraints	✓	✓	--
	Behavioral constraints	✓✓	✓✓	✓✓✓
	Gender roles	✓	✓✓✓	✓
	Labor market	--	--	--
Implicit Biases	Investor perceptions of women entrepreneurs	✓✓	✓✓	✓✓
	Investor diversity awareness	✓✓	✓	✓
	Investor gender checks	✓✓		✓
	Investor sourcing disparity	✓	✓	✓
	BDS gender neutrality	✓	✓	✓✓
	BDS providers perpetuating investor biases	✓	✓	✓
Investor-Entrepreneur Mismatch	Underrepresentation in high-growth ventures	✓	✓	✓
	BDS gap	✓	✓✓	--

Note: a single ✓ indicates that only a few of the interviewees talked about the issue; ✓✓ indicates that some of the interviewees talked about it; ✓✓✓ indicates that almost all interviewees talked about the issue.

B. Interview Guides

ENTREPRENEUR INTERVIEW GUIDE

Goals

- To find out about women's entrepreneurs' environment to operate a business and expand (is it an enabling/not enabling environment?) What constraints do they observe in the dimensions below:
 - Knowledge from the ecosystem
- To understand challenges in raising capital: lack of knowledge, encountered investors biases, risk aversion
 - What biases they've identified/felt from investors
- To know about any explicit/implicit bias in women's behaviors/visions about running a business
- Are there any gaps women identify in the ecosystem that need to be closed? What kind of support do they need and are not getting from BDS providers or other relevant ecosystem players (universities, government, networks, etc.)?

Top Questions

1. What type of funding did you use to start your business?
 - a. Did you get any rejections? If so, what was their reason?
2. What do you consider the biggest challenge women entrepreneurs face when raising funds for their business?
3. Are there any unmet needs you face as an entrepreneur that you wish BDS providers could provide?
4. What do you think are the key elements that a female entrepreneur must have to be successful? How can accelerators/incubators contribute to that?
5. We have identified the following hypothesis that might explain why female entrepreneurs raise less capital than their male counterparts, which ones do you think are true for the case of Mexico?
 - Time poverty
 - Ambition gap
 - Care economy
 - Industry mismatch
 - Lack of gender checks and awareness in investment companies

INVESTOR INTERVIEW GUIDE

Goals

- Understand if there is a disparity in the number of women and men-led businesses that investors source and if investors are doing anything to address this disparity.
- Understand if less diverse institutions are less likely to invest in women-led businesses.
- Understand if institutions are less likely to invest in women-led businesses if they lack gender checks in their investment process?
- Understand if investors perceive that women entrepreneurs tend to have a lower capacity to succeed and if they tailor their approach to better serve women.
- Receive recommendations from investors offering potential solutions to the disparities between women and men entrepreneurs.

Top Questions

1. Could you provide some background on your fund?
 - a. Do you make equity or debt investments (or both)?
 - i. Do you use any innovative financial instruments (revenue based loans/ convertible debt, mezzanine capital?)
 - b. Approximately what is the size of your assets under management?
2. How do you source investment opportunities?
 - a. Do you work with any accelerators or other organizations that provide technical assistance to pipeline and portfolio companies?
 - b. Is there a difference in the number of women or men-led companies that come into your pipeline? Do you keep track of this information
3. Do you have any portfolio companies that are woman-led? If so, how many, and what role does the woman have (founder, CEO, other senior management)?
 - a. Do you have any portfolio companies that serve women in particular? If so, how do they serve women?
4. Are there any women on your investment team? If so, how many out of the total team?
5. Do you think women and men-led businesses tend to perform differently or have different attitudes toward risk?
6. How do you think the gender gap can be addressed on the investor side (different types of investment, technical assistance

BDS PROVIDER INTERVIEW GUIDE

Goals

- Understand how many women participate in BDS programs.
- Understand how important are BDS providers in the entrepreneurial ecosystem.
- Determine what services they offer BDS providers are offering, whether they are financial or training. Determine whether the services are free, for a fee or equity investment.

Top Questions

1. What capabilities/training needs do entrepreneurs ask for?
 - a. Is there a difference between the genders?
2. Do you have disaggregated data on the performance of the organizations that complete your program by gender?
3. What are the challenges your entrepreneurs face? What do the women entrepreneurs face?
 - a. What challenges do you see women led-business face when accessing to finance
 - b. What type of financing are the entrepreneurs looking for
4. How do you define investment readiness?
 - a. Is this defined by investors?
5. What are the main needs women entrepreneurs have?
6. If you connect entrepreneurs with investors
 - a. What percentage of men-led vs. women-led businesses are willing to get an investment?
 - b. What percentage of men-led vs. women-led businesses are ready to get an investment?

EXPERT INTERVIEW GUIDE

Goals

- To understand why women led businesses have difficulty accessing capital and if experts have any solutions.
- To identify what the main challenges in the ecosystem are.
- To identify main actors with power to influence policy and practices that support/hinder women entrepreneurship.
- To identify whether the government plays a substantial role in addressing the barriers women entrepreneurs face.
- To try to have at least one focus group organized.
- To understand the challenges that women entrepreneurs have faced to accelerate their business.
- To identify where women entrepreneurs have found the best sources of support for their business.

Top Questions

1. Our research project focuses on trying to understand why capital is not reaching women-led enterprises. Based on your experience, is this a well-known problem or is it being overlooked? Are there serious efforts that are addressing this issue?
2. How would you describe the role of the government in supporting women entrepreneurs?
3. We understand that there are information asymmetries that both investors and women entrepreneurs / women-led SMEs face. For example, investors may not have sex-disaggregated data on the type of products that women-led business need; while enterprises may not be aware of the types of products that exist for them. In that sense, what factors or gaps in the system do you think contribute to the deepening of these information asymmetries? Is there enough data on this gender gap?
4. What recommendations do you have for the investor ecosystem overall to improve outcomes for women entrepreneurs?
5. What recommendations do you have for women entrepreneurs and women-led businesses if they are searching for investors?

Annotated Bibliography

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A report that assesses survey results from 13 governments' approach in supporting financial inclusion for women. The survey responses indicate that Mexico is among the country governments that has policy priorities in place for financial inclusion for women, however, there is "lack of data, definitions and financial capacity, social norms, and innovative financial services targeted to this market are still big challenges that require further research."
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This report conducts a regional analysis of broad trends in the impact investment space and deep dives into impact investing in three key markets where the industry is most active or developed: Brazil, Colombia, and Mexico. Some key takeaways from the ecosystem in Mexico include: impact investing ecosystem in Mexico includes 42 investors focused on Mexico, 15 of which are exclusively investing in

Mexico. In 2014 and 2015, investors closed 45 deals in Mexico, primarily in financial inclusion, health, and agriculture. Local firms typically seek higher return rates than international investors. Eighty-two percent of the Mexico-only funds expect returns higher than a 15% net annual return, and 36% of investors expect returns higher than 25%. In contrast, 83% of international investors expect less than a 16% rate of return. Applying a gender lens to the enterprise portfolios of impact investors reveals that 41% of the investment firms had no women among the founding teams in their portfolio.

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38. **IFC. (2019). Banking on Women Business Case Update #2: Lower NPLs for Women-led SMEs. Retrieved from**

<https://www.ifc.org/wps/wcm/connect/c56cb1b8-2773-43e0-9912-1d19f16ae652/Banking+on+Women+NPLBusinessCaseUpdate%232+2019FINAL.pdf?MOD=AJPERES>

IFC update on the business case for funding more women entrepreneurs. The results of its Banking on Women program indicate that women tend to be better credit risks for banks than men. The non-performing loan (NPL) ratio for female borrowers of over 100 surveyed banks was lower every year from 2015 to 2018, and the difference was even greater for banks in the program that had a targeted strategy to attract women clients.

39. **IFC. (2019). Moving toward gender balance in private equity and venture capital. Retrieved from**

<https://www.ifc.org/wps/wcm/connect/79e641c9-824f-4bd8-9f1c-00579862fed3/Moving+Toward+Gender+Balance+Final.pdf?MOD=AJPERES>

A global survey of gender disparities in private equity and venture capital with a focus on emerging markets. The IFC finds evidence that suggests women investment officers are more likely to invest in women and that portfolio companies with gender-balanced portfolio companies tend to outperform male dominated portfolio companies.

40. **Ilie, C., & Cardoza, G. (2018). Entrepreneurship and Gender in Latin America. Retrieved from**

https://www.researchgate.net/publication/323384496_Entrepreneurship_and_Gender_in_Latin_America

INCAE Business School developed a study in 2017 about entrepreneurship in Latin America using results from 342 surveys from entrepreneurs in 15 countries in Latin America. The study states that Latin America is the second region in the world where more women discontinue their businesses. When analyzing the reasons why entrepreneurs decide to close their companies, the men indicate, in greater proportion than women, that they discontinued their business for low financial profitability while the female entrepreneurs point out the difficulty for obtaining financing as the main impediment to continue their business.

41. **Impact Hub, INSEAD, and Cartier. (2019). Women-Run Impact Driven Enterprises: Ecosystem Mapping by impacthubglobal—Issuu. Retrieve from**

https://issuu.com/impacthubglobal/docs/women_se_ecosystem_mapping

Impact Hub, INSEAD, and Cartier collaborate to better understand and strengthen

support ecosystems for women run impact driven enterprises in markets across the globe. Findings from ecosystems in nine cities are presented in this report: Boston, Lagos, London, Mexico City, San Francisco, São Paulo, Shanghai, Taipei, and Tokyo.

42. **INMUJERES. (2016). Mujeres y hombres en México 2016.** Retrieved from http://cedoc.inmujeres.gob.mx/documentos_download/MHM_2016.pdf
A statistical overview of demographic, health, and economic differences between women and men in Mexico. The report is based on the results of the 2015 INEGI Intercensal Survey and cites, among other gaps, inequalities in homeownership between women and men.
43. **Kellner, A., Kumbuli, N., Mikowicz, C., Moran, L., Pryce, J., & Valdivia, D. (2018). Just Good Investing: Why Gender Matters To Your Portfolio And What You Can Do About It (Edition 1).** Retrieved from <https://www.calvertimpactcapital.org/storage/documents/calvert-impact-capital-gender-report.pdf>
This report helps demonstrate that gender equity is not only a moral obligation, but also a critical business consideration that companies and investors should not ignore. It addresses the issue of incorporating gender into business processes and analysis.
44. **Kelly, D., Brush, D., Greene, P., Herrington, M., Ali, A., & Kew, P. (2015). Global Entrepreneurship Monitor 2015 Women's Entrepreneurship Report.** Retrieved from <http://www.gem-spain.com/wp-content/uploads/2015/03/GEM-2014-womens-report.pdf>
Report on global trends in women entrepreneurship that examines gender gaps and their sources, including biases. The report highlights growing female entrepreneurship rates and reduced gender gaps in 61 economies in the previous two years. In particular, the authors find that some economies have achieved gender parity in education and innovation levels.
45. **LAVCA. (2018). Latin America Venture Capital—Five Year Trends.** Retrieved from <https://lavca.org/industry-data/latin-america-venture-capital-five-year-trends/>
Overview of trends in the venture capital investment in Latin America by country. Mexico accounted for \$260 million of VC investment from 2011-2015 or 12.5 percent of the regional total, one fifth of the VC investment in Brazil over the same period.
46. **Loossens, R. (2009). High growth SMEs innovation, entrepreneurship and intellectual assets: Study of High Growth SMEs in Brazil, Chile and Mexico,** Retrieved from Inter-American Development Bank website: <https://publications.iadb.org/en/publication/12026/high-growth-smes-innovation-entrepreneurship-and-intellectual-assets-study-high>

Cross-country comparison of SGBs in Brazil, Chile, and Mexico. The study explores the characteristics of startups and their founders in the three markets as well as differences in their sources of financing.

47. **Maheshwari, P., Gokhale, A., Agarwal, N., Makena, A., & Borthakur, S. (2019). The global landscape of gender lens investing.** Retrieved from <https://www.intellectcap.com/wp-content/uploads/2019/02/The-Global-Landscape-of-Gender-Lens-Investing.pdf>

A report that gathers qualitative and quantitative sources to explore the global landscape of gender lens investing. The report examines the ecosystem that enables women enterprises to thrive, as well as the trends in gender lens investing.

48. **Mastercard. (2019). Mastercard Index of Women Entrepreneurs 2019.** Retrieved from <https://newsroom.mastercard.com/wp-content/uploads/2019/11/Mastercard-Index-of-Women-Entrepreneurs-2019.pdf>

The purpose of the index is to determine whether countries have or not a conducive and enabling environment that help women in business to thrive. The index is composed of three components that the author uses to delve into the economies of the 58 countries that participated in the research. Those are: (i) Women's Advancement Outcomes, (ii) Knowledge Assets & Financial Access, (iii) and Supporting Entrepreneurial Conditions. According to the index, Mexico decreased by 5.2% in 2019.

49. **Navarrete-Báez, F., & Purcell, R. (2019). Insights on Entrepreneurial Failure: An Empirical Investigation of Ireland and Mexico.** Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3481903

An evidence-based report that focuses on understanding entrepreneurial failure. The authors find evidence that entrepreneurial failure is more correlated to constraints in the entrepreneurial conditions rather than cultural attitudes and social norms.

50. **OECD. (2013). OECD Library: Mexico Key Issues and Policies, Executive Summary.** Retrieved from https://read.oecd-ilibrary.org/industry-and-services/mexico-key-issues-and-policies/executive-summary_9789264187030-5-en#page3

Additional background on the SME fund established under the Ministry of Economy to boost entrepreneurship. Provides additional context on the history of INADEM.

51. **OECD. (2014). Achieving stronger growth by promoting a more gender-balanced economy.** Retrieved from <https://www.oecd.org/g20/topics/employment-and-social-policy/ILO-IMF-OECD-WBG-Achieving-stronger-growth-by-promoting-a-more-gender-balanced-ec>

[onomy-G20.pdf](#)

Background on social and employment policies that can promote gender equity.

52. **OECD. (2015). Policy Priorities to Upgrade the Skills and Knowledge of Mexicans for Greater Productivity and Innovation.** Retrieved from

<https://www.oecd.org/mexico/mexico-policy-priorities-to-upgrade-skills-and-knowledge-of-mexicans.pdf>

Background on entrepreneurial landscape in Mexico and SME growth.

53. **OECD. (2018). OECD-INADEM International Workshop on “Building Business Linkages that Boost SME Productivity”** Retrieved from

<http://www.oecd.org/industry/smes/Agenda-OECD-INADEM-workshop-Boosting-Business-Linkages.pdf>

Provides definition of INADEM and its purpose within the government.

54. **OECD. (2019). OECD Economic Surveys Mexico.** Retrieved from

<http://www.oecd.org/economy/surveys/Mexico-2019-OECD-economic-survey-overview.pdf>

Key economic indicators on Mexico and economic development priorities at the federal level.

55. **ONU Mujeres. (2016). Trabajo Doméstico y de Cuidados No Remunerado.** Retrieved from

<https://www2.unwomen.org/-/media/field%20office%20mexico/documentos/publicaciones/2016/trabajo%20domestico%20serie%20transformar%20nuestro%20mundo.pdf?la=es&vs=105>

This short report discusses the economic and social relevance of unpaid domestic work and caring services in the Mexican economy, with a focus on their implications on gender dynamics.

56. **Orejas, R., & Buckland, H. (2016). Study of Social Entrepreneurship and Innovation Ecosystems in the Latin American Pacific Alliance Countries. Country Analysis: Mexico .** Retrieved from

<https://publications.iadb.org/publications/english/document/Study-of-Social-Entrepreneurship-and-Innovation-Ecosystems-in-the-Latin-American-Pacific-Alliance-Countries-Country-Analysis-Mexico.pdf>

A study of the different social entrepreneurship and social innovation ecosystem actors in Mexico. The study highlights key milestones in the ecosystem, as well as various challenges that need to be addressed in the country. It also gives an overview of the social entrepreneurship and social innovation ecosystem in Mexico, including successful actors.

57. **Polymath Ventures. (2016). Venture Building: The Evolution of The Startup Model.** Retrieved from

<https://polymathv.com/venture-building-evolution-startup-model/>

A description of the venture building model for developing startups from a leading venture builder in Latin America. The article highlights that venture builders distinguish themselves from BDS providers by performing in-house, start-to-finish business design, development, and capital raising and not accepting outside applications or running competitive programs.

58. **PwC Mexico. (2015). Doing Business in Mexico.** Retrieved from <https://www.pwc.de/de/internationale-maerkte/assets/doing-business-mexico.pdf>
- A report that outlines what doing business is like in Mexico. It examines different aspects of the infrastructure that affect business including, taxation, legal, investment, regulations etc.
59. **Runde, Daniel F., Erol K. Yayboke, and Sundar R. Ramanujam. (2019). The New Missing Middle in Development Finance.** Retrieved from <https://www.csis.org/analysis/new-missing-middle-development-finance>
- An overview of the "missing middle" in enterprise finance within emerging markets and with a particular focus on the role for development finance institutions in closing the gap. The study assesses enterprises in Latin America to constitute 22% of the global "missing middle" gap.
60. **Saavedra, M., & Camerena, E. (2015). Retos para el emprendimiento femenino en América Latina.** Retrieved from <https://revistas.unilibre.edu.co/index.php/criteriolibre/article/view/129>
- A paper that highlights some of the main findings from studies in Latin America that focus on the main challenges female entrepreneurs face in the region. Some of the main takeaways are: male own businesses are larger than those of women both in the commercial and industrial space. Recent studies have showed a negative correlation between childcare and household work and the size of the enterprise and its performance. Another reason is the fact that a majority of female own businesses operate in sectors of low performance. In addition, risk aversion prevents women own businesses to access external financing to grow. In addition, the survival rate of female own companies is less than the companies created by men as a result of lack of labor and business experience.
61. **Schiff, H., Fries, R., & Chambers, T. (2013). Beyond the Threshold: Investing in Women-led Small & Growing Businesses.** Retrieved from Value for Women, Aspen Institute website: <https://assets.aspeninstitute.org/content/uploads/files/content/upload/VFW%20Report%20Brochure.pdf>
- A study that explores the gap between investors and women-led small and growing businesses in developing countries. The report offers recommendations to increase the flow of capital to female entrepreneurs.
62. **Siba, E. (2019). Empowering women entrepreneurs in developing countries: Why current programs fall short.** Retrieved from

<https://www.brookings.edu/wp-content/uploads/2019/02/Empowering-women-entrepreneurs-in-developing-countries-190215.pdf>

Current women's economic empowerment interventions are not enough to overcome all obstacles faced by female entrepreneurs. The emerging evidence from psychology and experimental economics on agency, mindset, and leadership show that for successful interventions to be transformative, they need to move beyond basic access to financial and human capital and also tackle central psychological, social, and skills constraints for women entrepreneurs. Emerging evidence from recent studies on different capital-based, training-based, and gender-based interventions, using randomized control trials, present promising interventions to support women entrepreneurs.

63. **StartupBlink. (2019). StartupBlink Ecosystem Ranking Report 2019. Retrieved from <https://report.startupblink.com>**

Brief report that provides an overview of Mexico City's startup ecosystem.

64. **USAID. (2018). Accelerating Entrepreneurs: Insights from USAID's Support of Intermediaries. Retrieved from**

<https://www.usaid.gov/sites/default/files/documents/15396/Accelerating-Entrepreneurs.pdf>

The report offers an understanding of trends in access to capital and non-financial support for entrepreneurs in fragile and emerging markets. It reflects both successes and significant gaps in supporting the needs of early-stage entrepreneurs. In particular, the study's findings highlight the incredible potential of women entrepreneurs and the work left to do to mitigate gender bias to enable these women and their businesses to reach their full potential.

65. **Value for Women, & Aspen Network of Development Entrepreneurs. (2019). A Landscape Report: Impact Investing with a Gender Lens in Latin America. Retrieved from**

https://cdn.ymaws.com/www.andeglobal.org/resource/resmgr/research_library/landscape_report_gender_lens.pdf

Interview-based report that examines the impact investing ecosystem, with a focus on gender lens investing. The report looks at the importance of gender lens investing and presents evidence of the positive impact of investing in women-led enterprises. It also looks at some of the challenges mentioned by investors when investing with a gender lens.

66. **Value for Women and Oxfam (2014). The Problem of Underinvestment in Women-Led Small and Growing Businesses in Latin America and the Caribbean: The Most Missing of the Missing Middle (M4). Retrieved from <https://www.oxfamamerica.org/explore/research-publications/the-problem-of-underinvestment-in-women-led-small-and-growing-businesses-in-latin-america-and-the-caribbean-the-most-missing-of-the-missing-middle-m4/>**

A study on the unmet financing needs of women-led SGBs in Latin America and the

Caribbean. The study relies on a combination of desk research, interviews, and focus groups to better understand the barriers to investment in the \$5,000-\$50,000 range, which the authors identify as the “most missing” of the “missing middle.” The research was conducted in Colombia, Guatemala, and Haiti but offers conclusions and recommendations for the wider region.

67. **Value for Women, Cherie Blair Foundation for Women, & ExxonMobil Foundation. (2018). Understanding How to Unleash the Untapped Potential of Women Entrepreneurs in Mexico: An Assessment of Women-Led Small and Growing Businesses in Mexico. Retrieved from <https://cherieblairfoundation.org/unleashing-the-potential-of-women-entrepreneurs-in-mexico/>**

The assessment examined the characteristics of women-led SGBs and small and medium-sized enterprises (SMEs) in Mexico through primary and secondary research.

68. **VanderBrug, J., & Quinlan, J. (2016). Gender lens investing: Uncovering opportunities for growth, returns, and impact; chapter 5. Wiley-Blackwell. Accessed through Columbia University Libraries Catalog.**

Chapter 5, “New Paths to Capital,” looks at the issues behind access to capital for women. Analyzing information and data about gender in the business world, this chapter identifies some of the barriers women face when accessing finance- The chapter also explores the different dimensions of the dividend associated with women entrepreneurs.

69. **Victoria 147. (2018). Reporte Anual de Impacto. Retrieved from <https://victoria147.org/quienes-somos/>**

Victoria 147 is a network of female entrepreneurs and businesswomen in Mexico. In their Impact Report of 2018 they state that on average, companies in Victoria 147 Accelerator have eight years of operations. The industries that female entrepreneurs focus on are services (21%), art and design (15%), beauty, personal care and wellness (13%), fashion (13%), food and beverage (13%). Most investments that women obtain come from personal savings (61%), family loans (22%), shareholder capital (14%) and bank loans (3%).

70. **Village Capital. (2019). Capital Evolving: Alternative Investment Strategies to Drive Inclusive Innovation. Retrieved from <http://adobecapital.nvgroup.org/wp-content/uploads/2019/01/Capital-Evolving-Village-Capital-1.pdf>**

A report outlining alternative approaches to investment that can make access to capital more inclusive for SGBs that are underserved by traditional financing options due to their size and risk-profile. The report highlights innovative solutions such as revenue-based financing and peer-based decision-making, two strategies that Village Capital and its affiliated investment fund have employed in Latin America and beyond.

71. **Villegas Mateos, A. O., & Amorós Espinosa, J. E. (2017). Entrepreneurial Ecosystem: Experts' Perspectives of Mexico.** Retrieved from <http://congreso.investiga.fca.unam.mx/docs/xxii/docs/9.07.pdf>
This study identifies some factors that contribute to entrepreneurial activity, and some actions that can be taken to promote entrepreneurial activity in Mexico.
72. **WENR. (2019). Education in Mexico.** Retrieved from <https://wenr.wes.org/2019/05/education-in-mexico-2>
Summary of higher education statistics for Mexico. Using UNESCO data, the report states that 33,854 out Mexico's 4.4 million tertiary students are pursuing degrees abroad (0.77%).
73. **World Bank. (2017). Promoting High Impact Entrepreneurship in Mexico.** Retrieved from <https://www.worldbank.org/en/programs/competitiveness-policy-impact-evaluation-lab/brief/promoting-high-impact-entrepreneurship-in-mexico>
Overview of HIEP Study conducted by researchers at Columbia University, MIT, and the World Bank to understand the impact of public matching grants for high growth SMEs.
74. **World Bank Group. (n.d.). Women in the Supply Chain.** Retrieved from https://olc.worldbank.org/system/files/WB_Nairobi_Notes_3_RD3.pdf
A short note that provides evidence to support the case of involving more women in the supply chains.
75. **World Economic Forum. (2015). Blended Finance Vol. 1: A Primer for Development Finance and Philanthropic Funders.** Retrieved from <https://www.weforum.org/reports/blended-finance-toolkit>
An overview of blended finance approaches to catalyzing private investment in emerging and frontier markets through concessionary capital. The paper highlights different mechanisms for development and philanthropic financing to absorb the risks of commercial investors and channel capital towards social, environmental, and economic impact.
76. **World Vision Canada, & Vision Fund International. (2017). Small and Growing Business Fund.** Retrieved from <https://www.ccbf.org/companies/world-vision-canada-1>
A work by World Vision Canada that sheds light on the issue of the missing middle. It also includes their strategy to address this issue, including supporting statistics.