

Introduction

This INTRODUCTION document provides an overview of the entire package of tools and resources. The package was developed for people who work in financial lending institutions, to provide information regarding access to business financing for women entrepreneurs, and to provide practical tips and strategies to address some identified challenges/ barriers. This document includes information such as: why these tools were created, how the tools can be used, and details about the barriers that the tools are intended to address.

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The Restigouche CBDC is proud to present this package of tools and resources, developed for people who work as BUSINESS LOAN AGENTS within financial lending institutions.

This INTRODUCTION is divided as follows:

- a) Why this package was produced
- b) How to use the tools and resources
- c) The project
- d) Project partners
- e) Further information about the project research findings
- f) Systemic barriers*

a) Why this package was produced

These tools and resources were developed to provide Business Loan Agents with opportunities to increase their understanding and awareness regarding access to business financing for women entrepreneurs, and to provide practical tips and strategies to address identified challenges.

* Definition available in Glossary (Tool #8)

Research suggests that female entrepreneurs face more barriers* to accessing financing compared to their male counterparts. At the same time, women are increasingly becoming business owners.

The strategies contained within the tools in this package create a “win-win” situation for lending institutions and their business clients.

Important statistics:

- According to Statistics Canada's Labour Force Survey reports, there were 950,000 self-employed women in Canada in 2012, accounting for 35.6% of all self-employed persons.
- Among established businesses (non start-ups), the percentage of female entrepreneurs rose from 27% in the early 1990s to 33% in 2012.
- Majority women-owned small and medium-sized enterprises represented over \$117 billion of economic activity per annum in Canada. ⁱ

The present situation is not that women need special treatment and cannot perform in business the same way men do. It is that occasionally some policies and practices in some parts of the modern business world are out-of-date in ways that can cause women entrepreneurs to be at a disadvantage.

Change can start by altering small aspects of how we deliver loan services. By analyzing assumptions* and expectations with female clients, it is possible to better understand their needs and to better accommodate a wide range of clientele in general.

The activities proposed in this package can: lead to increased success rates for women entrepreneurs; increase the number of women in business; create more job opportunities; and increase the overall volume of business clients.

Increasingly, women are pushing through the barriers* to become entrepreneurs and contributors to the economy. The strategies within this package of tools will further contribute to their success.



* Definition available in Glossary (Tool #8)

b) How to use the tools and resources

You can use the tools in the order in which they are presented in the ***Table of Contents***, or, you could use the tools according to the different topics as you want. Ideally, it is most effective to start with the first three tools: Tool #1 (this ***Introduction***), then Tool #2 (***Understanding Stereotypes****), followed by Tool #3 (***Self-Evaluation***).

The tools vary in length. Generally, each tool should take no more than one hour to review, and some will take much less than one hour.

Glossary:

Tool #8 is a ***Glossary***, including definitions of various words and terms used throughout the other tools in this package.

Words identified with an Asterisk * are defined in the ***Glossary***.

c) The project

The Restigouche CBDC received funding from the Status of Women Canada to deliver a project to explore issues and challenges relating to women's access to business financing. The project is titled "*Improving Women's Access to Business Financing.*"

In the first phase of the project, the project team organized research activities including consultations, interviews and surveys. The materials in this package were developed based on the findings and results of this research.

In many instances, women are more likely than men to be turned down for financing. An Industry Canada (2015) report, for example, suggested that the rejection rate for financing was more significant for majority female owners than majority male owners. This was due to insufficient collateral, and the fact that the lending institutions judged* that women are more likely to operate in unstable (i.e., risky) sectors, such as service-oriented businesses.ⁱⁱ

There were also other, more intangible, barriers* identified in research, such as "inherent bias* against women on the part of lending institutions."ⁱⁱⁱ During consultations for this project, for example, some loan agents expressed to us that the following assumptions* might present barriers*: "Women think differently,"

* Definition available in Glossary (Tool #8)

“they have different values* and priorities,” and “they are more emotional than men.”

These assumptions* could also be called “stereotypes*,” taking an idea that many people might have about a group (i.e., “all women”) that may often be untrue or only partly true in a given situation, without verifying whether it actually applies to the particular individual.

Such assumptions* or “stereotypes**” can (unknowingly) influence the decision that a loan agent might make about whether or not to approve a loan or extend a line of credit. This can result in “barriers*” to access.

The materials in this package focus on the “systemic barriers**” that were identified. (“Systemic barriers**” are things within the system itself that represent ongoing obstacles.) At the same time, this package takes into consideration what is practical and realistic (based on our discussions with collaborating loan agents) to expect loan agents to be open to receiving and to consider using, and what is within the scope of this project.

If you want to read more about the findings of the project research, or about the identified systemic barriers*, see **Subsections e) and f)** of this **Introduction** document.

* Definition is available in Glossary (Tool #8)

d) Project Partners

The Restigouche CBDC wishes to thank all of the partners and participants of the ***“Improving Women’s Access to Business Financing”*** project for their valuable contributions towards making this package of tools and resources possible. The CBDC gratefully acknowledges each of the following:

- Status of Women Canada (Financial Partner)
- NB Association of CBDCs – Women in Business Initiative
- Representatives of:
 - CBDC Westmorland-Albert
 - Business Development Bank of Canada
 - Canada Business
 - National Bank
 - Bank of Montreal
 - Royal Bank
 - UNI Financial Cooperation
 - DPG Communication
 - Humphrey Raymond - Lawyer
 - Marie-Hélène Whitty – Accountant

- Women entrepreneurs – Participants in consultations
- Various loan agents – Participants in interviews
- NB Entrepreneurs – Participants in the survey
- Piloting participants in the following:
 - CBDC Madawaska
 - CBDC Southwest
 - CBDC Restigouche
 - Bank of Montreal
 - UNI Financial Cooperation
 - NB Association of CBDCs – Women in Business Initiative

e) **Further information about the project research findings**

As stated by Industry Canada, “Small and medium businesses are of utmost importance for the economy; however, access to financing or the perception of access to financing is a long standing issue of concern for women in Canada. It is therefore important to explore the issue to create conditions for success for women in areas where fewer opportunities exist. The factors contributing to the current situation regarding the perception accessing financing varies in nature. Researchers are concerned that women have less access to financing, or that they receive financing under less favourable loan conditions, than do men. Some of the factors noted include business size, lack of experience, and weaker credit history”.^{iv}

According to Status of Women Canada, “Men's and women's realities are different as a result of both sex* (biological differences) and gender* (social differences). Although great strides in economic and social equality have been made, equality has not yet been achieved. Furthermore, different groups of women and men might experience inequality as a result of other factors in their lives”.^v

Though women are exceedingly making strides in the business sector and are more broadly influencing and shaping Canada's economic landscape, there is still an underrepresentation of women in this sector, and challenges in accessing capital and opportunities persist. Women still face great challenges in accessing the necessary financial opportunities both to create new businesses and to expand existing projects, despite the advances they have made.

For example, Industry Canada reports that in 2011 the rejection rate for financing was higher for businesses with a majority of female owners versus those with a majority of male owners due to insufficient collateral (66.6% compared to 35.7%).^{vi}

This situation presents an untapped opportunity for business institutions, which not only makes business sense, but can also have far reaching benefits to society such as: increased gender* equality and more equal representation; positive role modelling for youth; as well as overall job creation and community economic growth.

Increasing opportunities for women in the business sector starts with a better understanding of what women need and of the barriers* they face in accessing capital.

* Definition available in Glossary (Tool #8)

Female entrepreneurship is an important economic factor (as stated by the Kauffman Foundation); everyone benefits when women entrepreneurs succeed. Their success is important to all communities and should be encouraged, promoted and supported.

Banks play an important role, with their expertise in helping business owners bring goals to reality. It is important that banks and society in general understand what motivates business men and women, the challenges they face, and the lessons that can be learned from their approach to business that can be shared more widely for future growth.^{vii}

“Financial institutions that recognize the business opportunities of women-owned small businesses will implement business strategies to increase their market share of this growing and profitable market segment,” as stated by Lorraine M. Woos from the Federal Reserve Bank of Chicago. These strategies include^{viii}:

- Implementing specific suggestions on how to improve networking with women business owners
- Reviewing and monitoring underwriting criteria for gender bias*
- Training staff
- Strengthening small business lending units
- Improving communication with women business customers
- Staying current with emerging small business trends
- And more

* Definition is available in Glossary (Tool #8)

As stated by Status of Women Canada, “we often assume that our work or policies apply to everyone equally, and therefore, there are no gender* or diversity* issues to consider. We might also be reluctant to consider gender* and/or diversity* based on the beliefs and assumptions* of those around us, or due to the norms reflected by our institutions. Exploring assumptions* can sharpen our awareness of relevant factors and enhance the development of most initiatives^{ix}.”

f) Systemic Barriers

Systemic barriers* are things within the system itself that represent ongoing obstacles to applying for and/or accessing financing for women-owned businesses. (For example, in our project consultations, women entrepreneurs repeatedly mentioned the following challenges: it is difficult to find the information they need; they do not necessarily understand the language and terms used in financing documentation; it is not always clear what is expected of them when they apply for financing; and they do not know where to go for further assistance. These are all examples of issues resulting from systemic barriers*.)

Systemic barriers* can and must be changed, if women entrepreneurs’ access to financing is to be enhanced and improved.

* Definition available in Glossary (Tool #8)

Key systemic barriers identified in this project:

Note: This list includes the identified barriers* that (based on input from partnering financial institutions and consultations with women) could potentially be addressed with tools developed for loan agents. (This list does not include other identified barriers* that would not be addressed by loan agents.)

- **STEREOTYPES:** According to our consultations, some women perceived a negative attitude* from some lending institutions. (For example, some women told us that they felt they were not taken seriously when they wanted to start a business, especially if it was in a non-traditional sector, because some loan agents may have thought that women have physical limitations or that women would not succeed because they were too busy with children). Gender*-related issues can influence not only lender behaviour and judgement*, but also women's own use of information and skills that lead to successful loan requests^x.



* Definition is available in Glossary (Tool #8)

- **ACCESS TO INFORMATION:** Some women say they find it difficult to access information on programs and services from some lending institutions and from government (they would like to have easier and clearer access to information, with more direction provided as to where information can be found). Among women entrepreneurs in our 2016 survey who said they had difficulty when applying for loans, the main difficulties were: providing financial projections, providing documents from various sources, convincing loan agents, and preparing business plans – all of which can in some way be related to finding appropriate information.
- **LENDERS' POLICIES:** According to our consultations and our survey, women stated that they experienced barriers* because of credit history/collateral being in their husbands' names. In past generations, credit and collateral were mostly in the husband's name. Today, this is starting to change, but women still experience difficulty regarding this. According to our survey (2016), the predominant reasons for refusal for women remain: insufficient guarantees (35%) and being considered in "a sector at risk" (22%). Criteria regarding maternity leave is also perceived as a barrier*, because women on paid maternity leave are often considered as "out of work", and as having "no income". The options regarding obtaining maternity leave revenue for self-employed people can be difficult to navigate. This barrier* is further addressed in *Tool #5* in this package.

* Definition available in Glossary (Tool #8)

- **DISTINCT FEATURES OF WOMEN-OWNED BUSINESSES:**
Women-owned businesses tend to be smaller and younger than businesses owned by men, which might be why women more often apply for smaller loans, yet our research suggests that their business survival rates are statistically higher. Women more often start businesses in service-producing sectors, which some loan agents consider more “risky”. Although men are more in traditional and industrial goods-producing sectors, our research suggests that the gap appears to be getting smaller over time and that women-owned businesses are becoming more diverse. There are a lot of varying opinions within research regarding whether or not women are more “risk-adverse” than men, and whether they find it more difficult to manage risk. Some loan agents suggest that this could result from a lack of experience in business management. As more and more women establish and grow businesses, they are becoming more experienced in this area.
- **FINANCIAL LITERACY:** Financial literacy* appears to be a barrier for both women and men. It is a systemic barrier* due to educational system policies and curriculums; however, loan agents’ practices can exacerbate this barrier*, for example by using complicated or unclear forms and calculation instructions. In our consultations, women suggested that instruction concerning financial matters should be taught much earlier in life.

* Definition is available in Glossary (Tool #8)

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