

**Access to Capital
Survey**

Women Impacting Public Policy



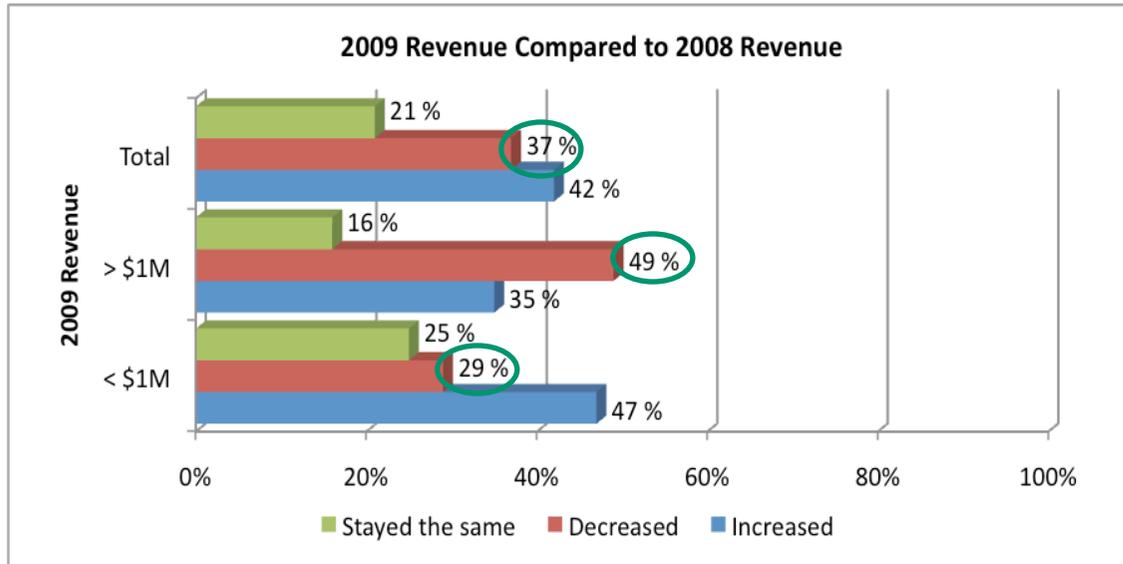
Background & Goals

- WIPP's new program, *Women Accessing Capital*, is a comprehensive educational program geared toward providing women business owners with information and tools to expand their businesses.
- At present, 80% of women-owned businesses are non-employer firms. It is not known whether this is due to lack of funds or due to other issues. In addition, in recent months WIPP surveys indicate a nearly 50% decrease in the number of its members seeking outside capital and credit.
- In order to inform the curriculum for *Women Accessing Capital*, WIPP surveyed its members to understand the following:
 - Reasons for using or not using credit (e.g., grow business, cash flow, risk averse, declined credit).
 - Types of credit used (e.g., credit card, business line or loan, other).
 - How credit use and cost has changed in the past year (e.g., increase, decrease, stayed the same).
 - Interest in and future use of new sources of credit.
- A total of 175 WIPP members completed this study in February 2010.
- This study was designed and analyzed by AllPoints Research, Inc. and Consumer Financial Service Corporation.



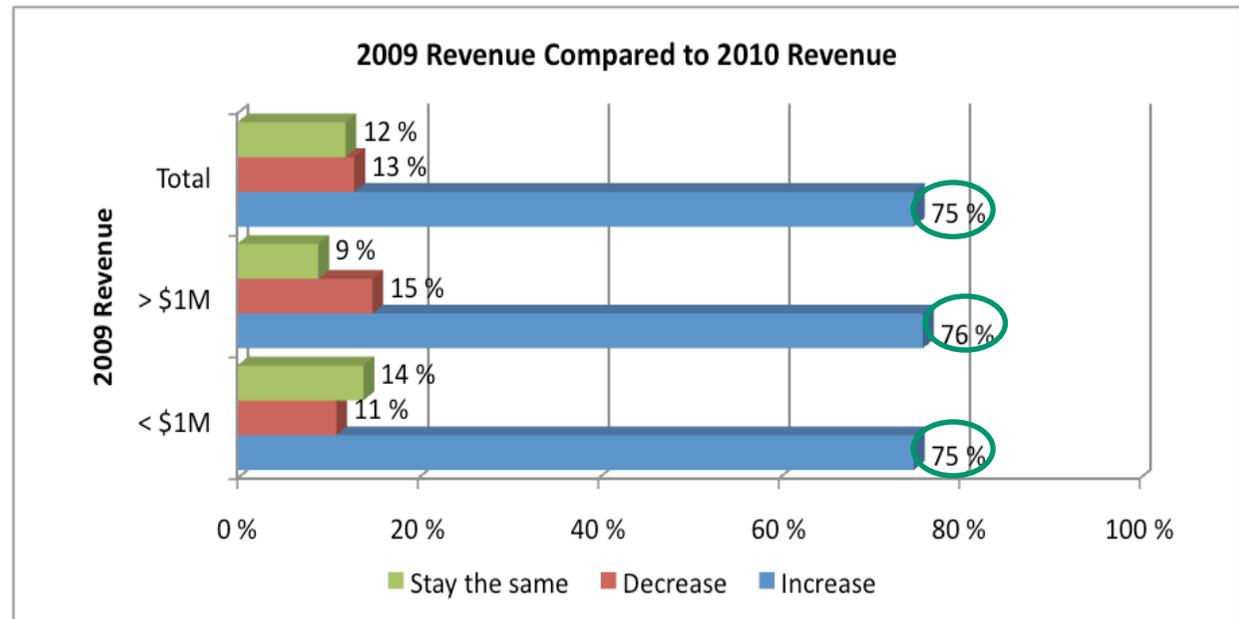
**Findings in Detail:
Current Use of Credit**

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This study confirms 2009 was a challenging year for many small businesses. When asked how 2009 revenues compared to 2008 revenues, 37% of women business owners in this study report 2009 revenues were down—especially hard hit were businesses with 2009 revenues of over one million dollars.

Projections for 2010 show 75% of women business owners are projecting an uptick in their business over 2009.





Sources of Credit Currently Used

- Women business owners rely predominantly on credit cards and open credit lines as their sources for capital. Other sources of capital mentioned include bank loans backed by home equity or other collateral and funding from family and friends.
- Significantly more businesses with 2009 revenue over one million dollars utilize open credit lines and bank loans backed by home equity or other collateral than do those with 2009 revenue less than one million dollars.

Sources of Credit (By 2009 Revenue)			
	Total	≥ \$1,000,000	< \$1,000,000
Credit card that you use for your business that you pay finance charges on	73 %	77 %	69 %
An open credit line for your business supplied by your bank	46 %	70 %	28 %
Bank loan backed by home equity or other collateral	28 %	42 %	18 %
Family and friends funding	28 %	22 %	33 %
Bank loan backed by SBA (7a)	6 %	11 %	3 %
SBA Micro-loan program	3 %	3 %	4 %
Angel investor funding	1 %	3 %	0 %
Other	18 %	22 %	16 %
None of the above	8 %	3 %	11 %
Total (n=)	175	74	101

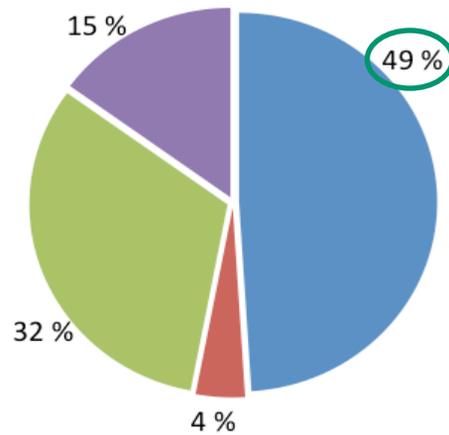
Percentages appearing in red type are statistically significantly different

Experience With Credit Cards

- Nearly half of the women business owners in this study have experienced unexpected interest rate increases and approximately 40% have received unexpected decreases in their credit limits for their primary business credit cards. With nearly 75% of women business owners relying on credit cards as their primary source of capital, these shifts in interest rates and credit limits have impacted cash flow and credit accessibility for women business owners.

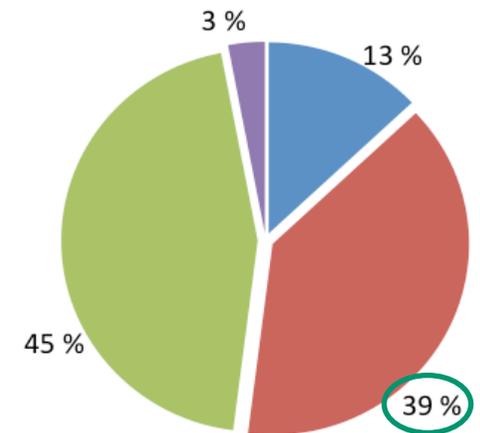
My Interest Rate For My Primary Business Credit Card Has...

- Unexpectedly Increased
- Unexpectedly Decreased
- Stayed the Same
- Not Sure



My Credit Limit For My Primary Business Credit Card Has...

- Increased
- Decreased
- Stayed the Same
- Not Sure



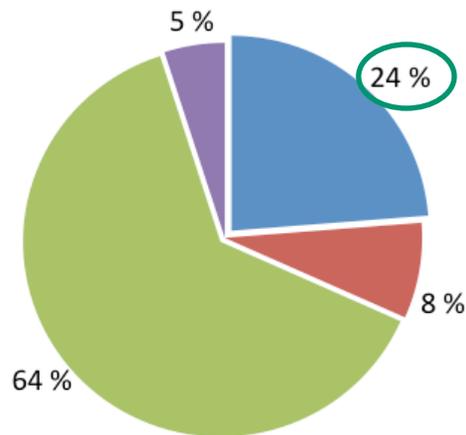
- Approximately 75% of women business owners will continue to use their primary business credit card in spite of interest rate increases and credit limit decreases.
- Of those business owners who are considering other credit card companies to replace their current primary credit card, **89% are seeking a lower interest rate and 63% are seeking a higher credit limit.**

Experience With Credit Lines

- 46% of women business owners surveyed have open credit lines. The majority (71%) of these women have a balance on their credit line.
- Approximately 25% of those with access to an open credit line have seen an unexpected increase in their interest rate and an unexpected decrease in their credit limit.

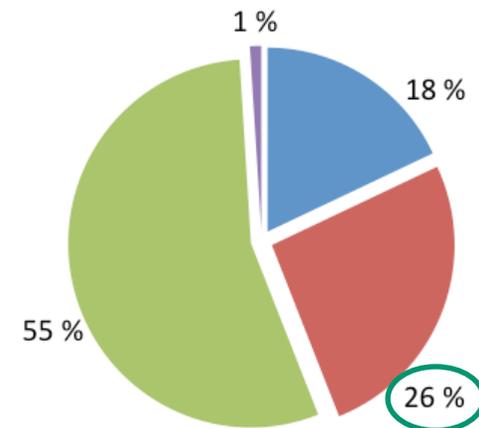
My Interest Rate For My Business Line of Credit Has...

- Unexpectedly Increased
- Unexpectedly Decreased
- Stayed the Same
- Not Sure



My Credit Limit For My Business Line of Credit Has...

- Increased
- Decreased
- Stayed the Same
- Not Sure



→ One in five women business owners who currently have business credit lines are considering **discontinuing** their use of their business credit line.



How Credit Sources Are Currently Used

- Nearly 75% of women business owners utilize their current capital to assist with smoothing cash flow from month to month.
- Just over 50% of women business owners in this study used their credit sources to fund an activity or purchase that could relate to business expansion.
- Significantly more business owners with revenues over one million dollars in 2009 are using their capital to expand their business by adding employees or launching new products than business owners with 2009 revenues under one million dollars.

How Current Credit Sources Are Currently Used (By 2009 Revenue)			
	Total	≥ \$1,000,000	< \$1,000,000
Smooth cash flow from month to month	74 %	73 %	74 %
NET Fund a large purchase/Expand business/Buy company	54 %	58 %	51 %
Fund a large purchase for your business (equipment, land, building, etc.)	36 %	34 %	38 %
Expand your business (add employees, launch new products/services, etc.)	34 %	42 %	27 %
Buy another company	1 %	3 %	0 %
Pay down higher interest debt	16 %	14 %	18 %
Other	14 %	17 %	11 %
Total (n=)	161	71	90

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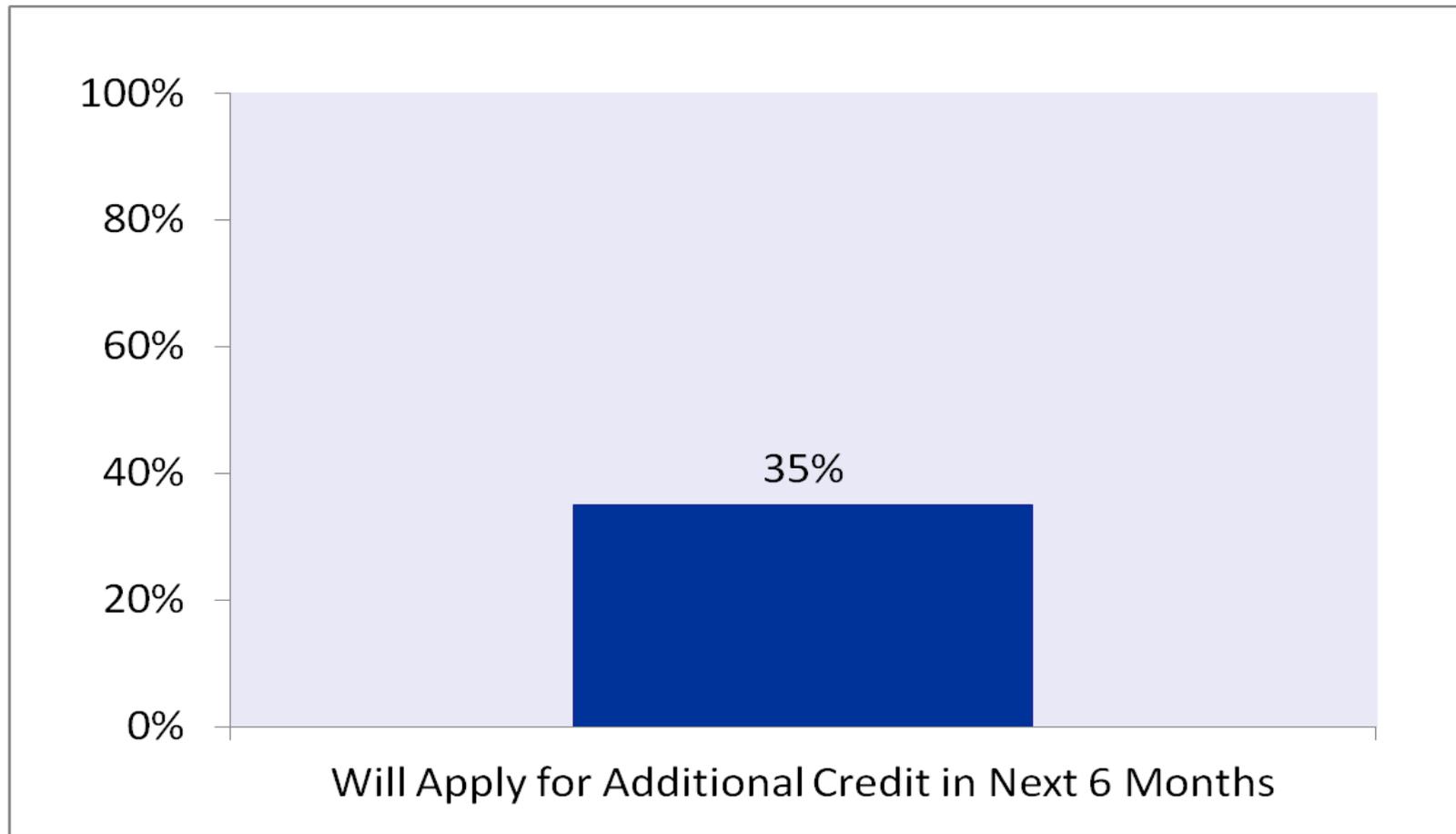
**Findings in Detail:
Future Needs for Credit**

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Need for Credit Over the Next 6 Months

- Women business owners will require additional credit over the next 6 months for business expansion activities—35% claim they will apply for additional credit in the next 6 months.





Need for Credit Over the Next 6 Months (Cont'd)

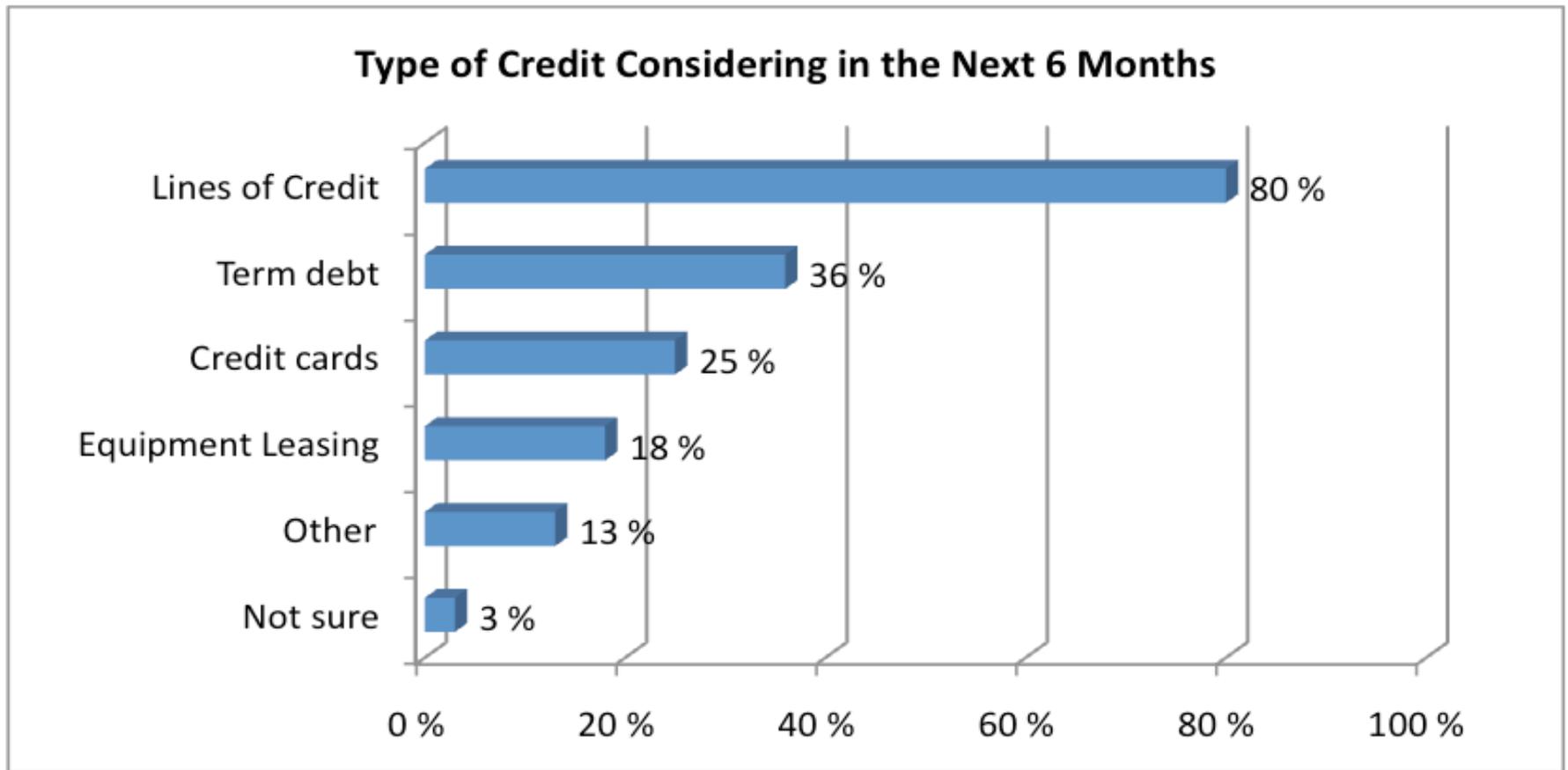
- Of those who plan to apply for additional credit, 69% are planning to use the capital for a purchase or activity with the potential to expand their business.

How Additional Credit Sources Will Be Used Over Next 6 Months (By 2009 Revenue)			
	Total	≥ \$1,000,000	< \$1,000,000
NET Fund a large purchase/Expand business/ Buy company	69%	70 %	68 %
Expand your business (add employees, launch new products/services, expand marketing and advertising budget etc.)	59 %	60 %	58 %
Fund a large purchase for your business (technology, equipment, land, building, etc.)	34 %	33 %	36 %
Buy another company	8 %	7 %	10 %
Smooth cash flow from month to month	61 %	67 %	55 %
Pay down higher interest debt	38 %	47 %	29 %
Other	15 %	10 %	19 %
Total (n=)	61	30	31



Need for Credit Over the Next 6 Months (cont'd)

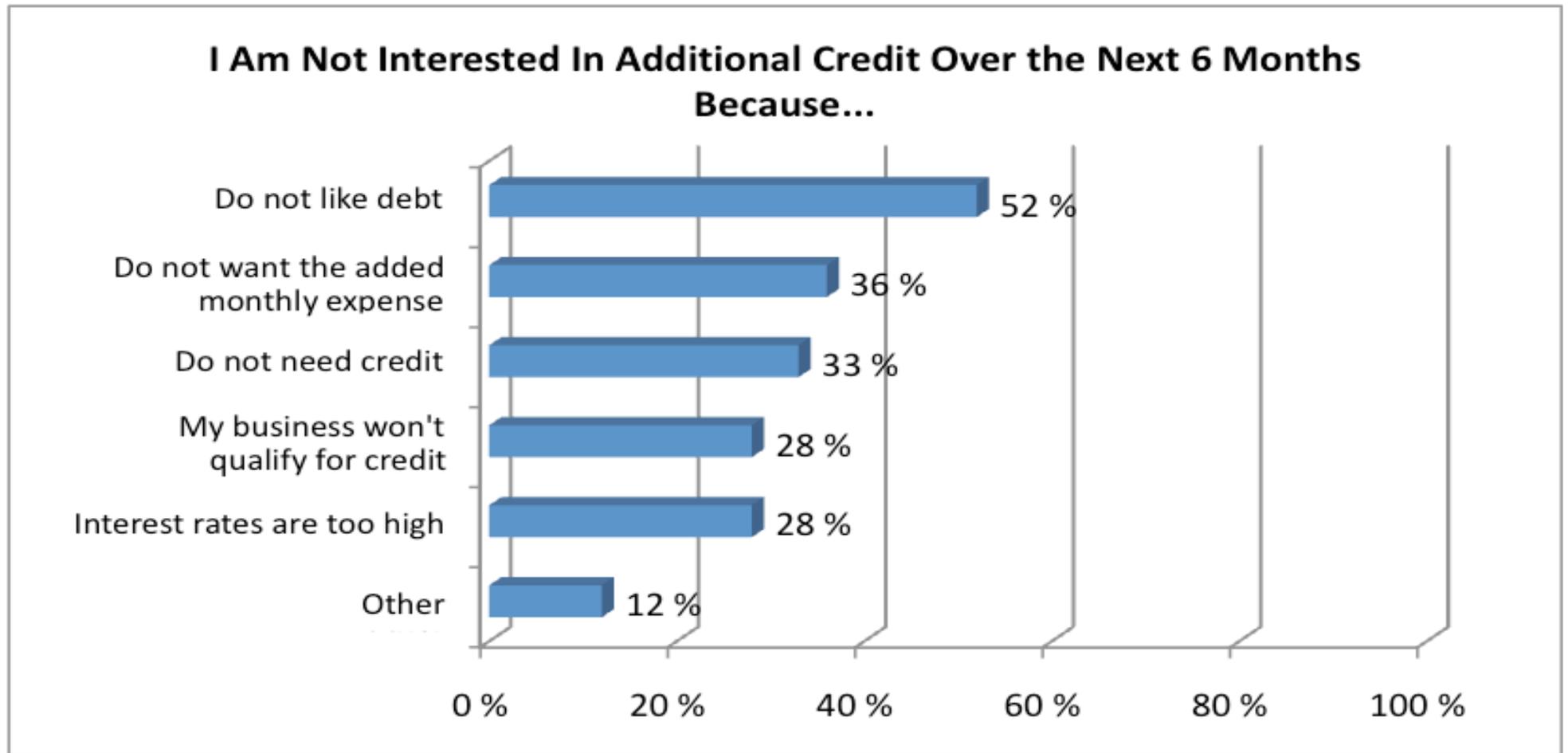
- Traditional sources of credit are being considered for these expansion activities, as illustrated by the following chart.





Need for Credit Over the Next 6 Months (cont'd)

- 65% of women business owners do not plan to apply for credit over the next 6 months.





Dream List

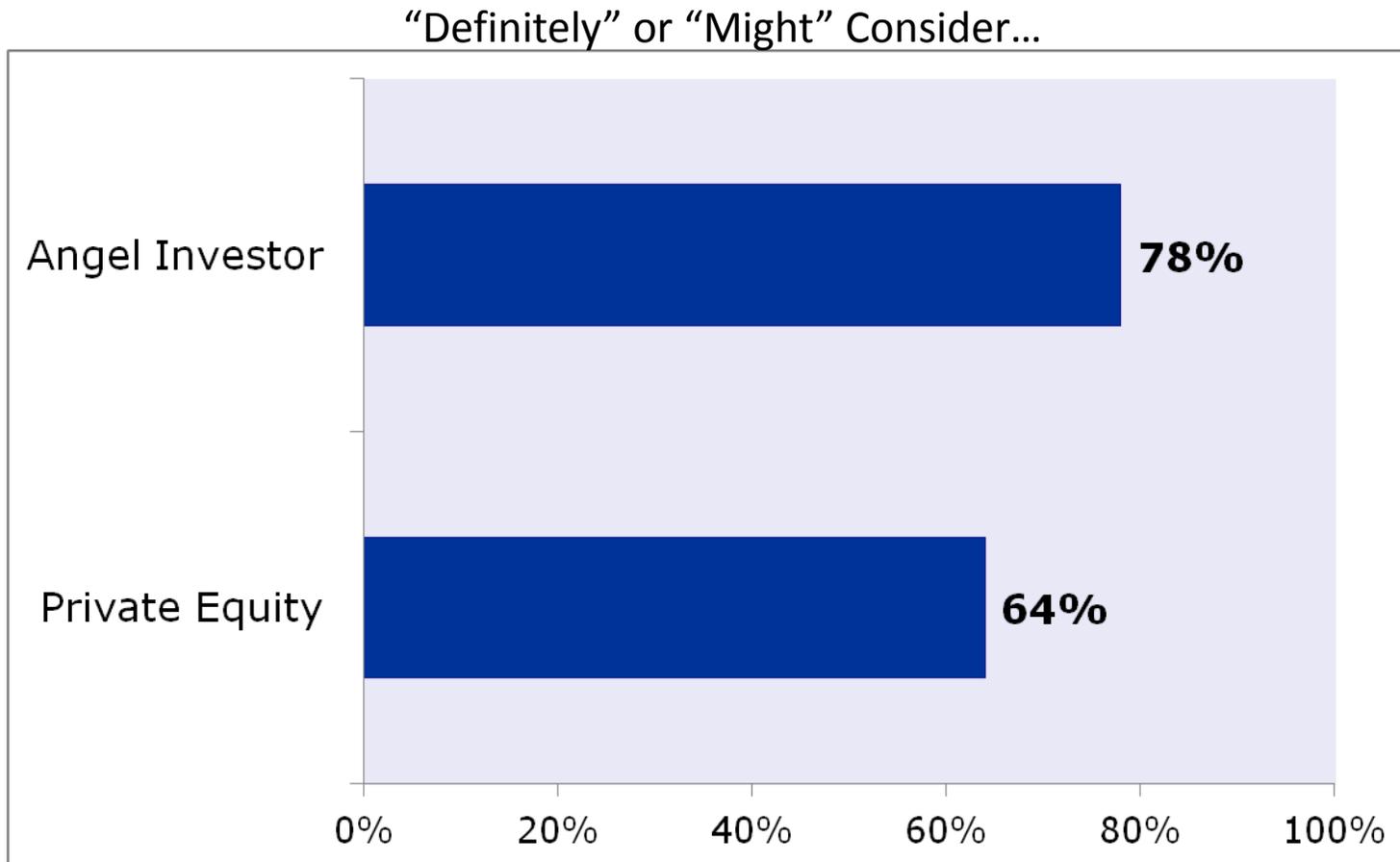
- All women business owners have a desire to grow their businesses. When asked how business capital would be used if there were no strings attached, nearly all of the women business owners surveyed would engage in business expansion activities or purchases. This may suggest women business owners might benefit from being better educated on how to plan for and fund business expansions.

Dream List (By 2009 Revenue)			
	Total	≥ \$1,000,000	< \$1,000,000
NET Hire new employees/Invest in technology/ Purchase inventory/Expand marketing/ Buy company	95%	96 %	95 %
Hire new employees	75 %	76 %	74 %
Invest in technology	57 %	57 %	57 %
Purchase inventory	22 %	15 %	27 %
Expand marketing and advertising budget	63 %	59 %	65 %
Buy another company	18 %	27 %	12 %
Pay down business loan	46 %	51 %	42 %
Pay down commercial real estate loan	12 %	16 %	9 %
Other	15 %	14 %	17 %
Total (n=)	175	74	101
<i>Percentages appearing in red type are statistically significantly different.</i>			



Non-Traditional Sources of Capital

- Women are open to considering nontraditional sources of capital such as angel investors or private equity.





Subjects of Interest

- Nearly half of the women business owners (49%) in this study desire education on understanding their options with respect to funding sources.

Subjects of Interest Regarding "Access to Capital" (By 2009 Revenue)			
	Total	≥ \$1,000,000	< \$1,000,000
Funding Sources: Understanding your options	49 %	43 %	52 %
Understanding the Parameters for an SBA loan	31 %	28 %	33 %
Building your team for growth: Your accountant, attorney, banker, and board	31 %	31 %	31 %
How to prepare your bank presentation	28 %	23 %	32 %
Financial Fundamentals: Getting your financial house in order	27 %	16 %	35 %
Ex-Im Bank (The Export-Import Bank of the U.S.)	15 %	19 %	13 %
Other	15 %	11 %	19 %
Not sure	24 %	28 %	21 %
Total (n=)	175	74	101

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**Insights &
Observations**

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Insights & Observations

- Women business owners are optimistic about 2010 revenue—nearly all are projecting increases in revenue over 2009.
- News of rising interest rates and decreases in credit limits are confirmed by study participants. With the majority of business owners utilizing their existing capital to help smooth cash flow, these limitations may negatively impact small business.
- The study findings reveal a desire among the study participants to grow their businesses.
 - In the next 6 months, 35% of study participants plan to apply for additional credit. Of those who plan to apply for additional credit, 69% are planning to use the capital for a purchase or activity with the potential to expand their business.

- However, there is hesitancy among some small business owners to apply for additional capital to meet their needs. Some business owners are reluctant to apply for additional capital because they dislike debt or believe their business will not qualify for additional capital. This may be an indicator that women business owners need additional guidance balancing the risk of accessing capital with the reward of growing/expanding their business—can their business grow without additional capital?
 - Businesses with 2009 revenues over one million dollars are more likely to have open credit lines than those with 2009 revenues of less than one million dollars.
 - Few women business owners are utilizing bank loans backed by SBA (7a). Further research may be warranted to understand why SBA-backed loans are not attractive to women business owners.
- Nearly half of the study participants are interested in learning about “Funding Sources: Understanding Your Options.”

Questions

