



WIPP Works In Washington – September 2014

The Struggle for Capital

By Ann Sullivan

At a recent House Small Business Committee [hearing](#), Congresswoman Janice Hahn quoted a statistic that caught my attention: before the recession, women-owned businesses were getting about 40% of SBA loans, today that number is down to 16%.

I suppose it shouldn't have surprised me as much as it did because I hear it from women all over the country. It underscores the need for continued soul searching within women's business community who are asking why women lag behind their male counterparts when it comes to obtaining capital for their businesses? The speculation comes in various forms: "women don't have the confidence to go ask for money/investment," "men lend to men not women," "lending requirements stack the deck against lending to women."

The release of a Senate [report](#) describing the barriers women entrepreneurs face, the introduction of WIPP-supported [legislation](#) by Small Business Committee Chair Maria Cantwell to address those challenges, and a recent [study](#) by the National Women's Business Council, make it clear that there is no silver bullet to remedy this disparity. The SBA Administrator said that herself in response to Congressional questioning.

The NWBC study found that: men tend to start businesses with twice as much capital as women, women receive only 2% of total funding from outside equity compared to men, who receive 18%, and women were more likely to be discouraged from applying for loans due to fear of denial.

The study recommends that entrepreneurs band together to seek business funding, that lending institutions boost outreach to women and increase the number of women serving on their boards and lending offices. For the broader ecosystem, it recommends women gain experience in STEM fields, while business training and incubation programs be expanded.

We are all seeking a way to bring more capital to women-owned businesses so that they can grow, succeed, and create wealth for themselves and their families. The solution – as it turns out – requires action on a number of fronts.

In the private sector, organizations serving women need to do much more education and outreach, make connections between members and lenders, creating a pipeline of women who

are ready and eligible for loans. With respect to the public side of the equation, the SBA should look for ways to make getting a loan easier by streamlining requirements on banks, continuing the fee waiver on loans below \$150,000, and the roll out of the new SBA One platform next year. The Congress should fund Women's Business Centers at a level that meets the demand. There are only 106 WBCs across the country, which is not nearly enough to serve the millions of women entrepreneurs – not to mention the fact that we're the fastest growing segment of businesses.

But it's also on us. We need to think bigger and bolder and discard the notion that business debt is bad. Insisting on a cash business will almost certainly keep the business small and result in slow growth. That is unless you come to the business armed with lots of cash or you take over a business that is well established. The last time I looked, not many of us fit into either category.

To be successful, we need capital. All stakeholders, both private and public, must work together to increase capital for women entrepreneurs.

So what are we waiting for? Let's do it.