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# Close the credit gap facing female business owners

**By Marla Willner | April 29, 2022**

Women-owned small businesses have struggled to secure access to credit, and it is up to us, as leaders at financial institutions, to help solve this problem. To understand the lending landscape for women-owned small businesses, we only need to look at the numbers.

While women are marginally less likely to receive business credit than men (32% vs. 35%), they are more likely to receive a shorter-term loan with less capital and significantly higher interest rates. Women also struggle to secure private equity capital. In terms of venture capital, women-owned businesses receive a minute percentage of overall funding. In fact, in 2020, only 2.3% of VC funding went to women-led startups.

Despite these challenges, women-owned businesses employ approximately 9.4 million people and generate trillions of dollars in annual sales. While those numbers are good, it's important that we think about the potential sales and economic stimulation women-owned small businesses could have if they were not subject to these funding challenges. Ensuring these businesses can thrive is critical to our economic recovery and to the re-entry of women into the workforce.

We could spend time debating the reasons why and discussing societal biases that may play into this phenomenon, but instead, let's focus on some actions banks can take to help improve this financing gap.

Our first step is to rethink what has historically been evaluated to inform lending decisions. Women often start businesses that are less capital-intensive or that are run on a small scale. This can be less attractive to financial institutions because these types of businesses are often considered higher risk. Rather than looking at a business as part of an industry that is less capital-intensive, I encourage our team to make credit recommendations based on the business' growth plan and long-term business strategy.

We have found it valuable to promote Small Business Administration lending programs like the Women-Owned Small Business (WOSB) Certification. Through this program, the government limits competition for certain contracts to participating businesses. This can provide a large boost for WOSB-certified businesses since the federal government spends approximately $500 billion each year on contracts.

Additionally, I believe it is important to have community business development officers who understand the unique needs of our minority-owned small businesses, including women-owned small businesses. Along with providing information on relevant certification programs and grants, these business development officers get to know our customers and the challenges they face. They can be key resources to ensure women-owned businesses have access to the crucial information, tools, and, ultimately, capital they may need to start and grow their businesses.

Financial institutions themselves need to consider how they are directly supporting the advancement of women-owned businesses by looking at their own supplier diversity. Institutions, from the top-down, should implement supplier diversity policies and formal ways of tracking this progress to hold themselves accountable for how they are supporting minority and women-owned businesses.

Education and resources are also ways financial institutions can help women-owned small businesses flourish. Banks should continue to promote financial education that women small-business owners can leverage to help them develop business plans, prepare for the loan-application process, and learn about other relevant grants and external funding programs.

We have a long way to go when it comes to securing equal access to funding for women-owned businesses. However, there are steps we can take right now to continue chipping away at biases that are inherent to the financial system, while simultaneously building up and advocating for women small business owners. Every one of us must hold ourselves accountable if we truly want to increase our economic diversity.

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