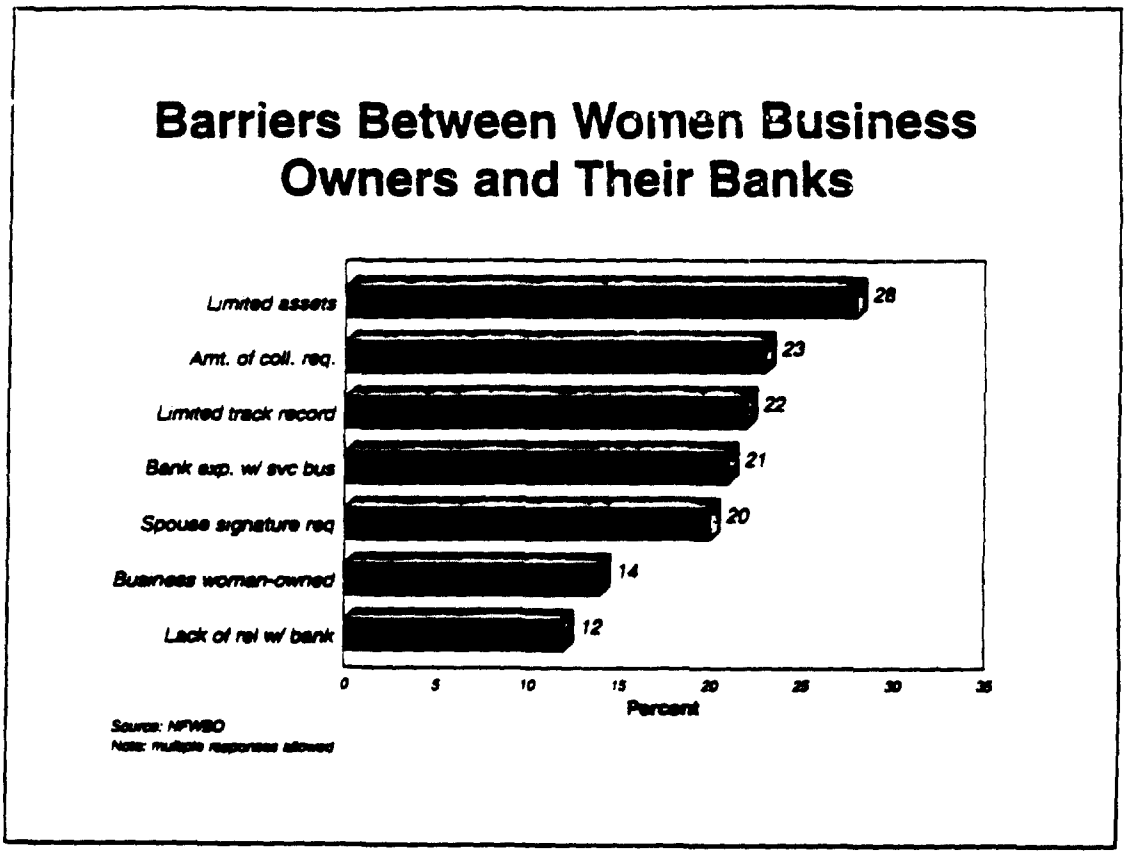
MAJOR FINANCIAL BARRIERS

As previously indicated, the most serious self-described barrier to growth among women-owned businesses, next to overall economic conditions, is the availability of capital -- and fully two-thirds of women business owners report difficulties in working with their financial institutions. In fact, **women-owned businesses are 22% more likely to report problems dealing with their bank than are businesses at large.**[3]

The most common complaint women business owners have in working with their banks in order to obtain financing is the need for more assets (28%) and greater collateral (23%), followed by a limited track record (22%) and the limited experience of banks in dealing with service businesses (21%).

The attitudes and practices of loan officers are another significant financial barrier to women-owned businesses. A surprising 20% of women business owners reported that their loan officer insisted upon their spouse's signature in order to obtain a loan, and another 14% believe that the mere fact that their business was woman-owned was an impediment to obtaining financing. **Thus, fully one-third of women business owners perceive some degree of gender-based discrimination.**

[3] Two-thirds (67%) of NAWBO survey respondents cite barriers encountered when working with their bank, while a lesser 55% of all small to medium-sized firms report difficulties in obtaining financing. The latter figure (and all other comparative figures cited in this report) is obtained from a 1992 survey of firms with less than 500 employees conducted for National Small Business United and Arthur Andersen's Enterprise Group by The Gallup Organization. See Survey Results of Small and Middle Market Businesses: Attitudes, Issues, and Outlook, Arthur Andersen & Co., SC and NSBU, July, 1992, p. 10.


Barriers Between Women Business Owners and Their Banks
Limited assets
Amt. of coll. req.
Limited track record
Bank exp. w/ svc bus
Spouse signature req
Business women-owned
Lack of rel w/ bank
28
23
22
21
20
14
12
0
5
10
15
20
25
30
35
Percent
Source: NFWBO
Note: multiple responses allowed

SHORT-TERM CAPITAL NEEDS: TYPES AND SOURCES OF FINANCING

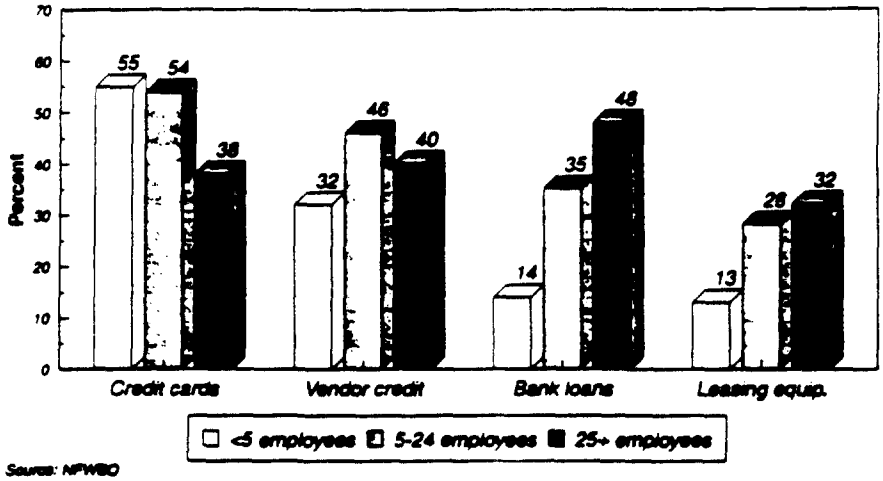
Three-quarters of all women-owned businesses have sought short-term financing within the past year. By far, the largest single type of short-term financing used by women business owners is credit cards. This varies significantly from the findings of the Arthur Andersen/NSBU study, in which more small businesses use bank loans and vendor credit than credit cards for short-term financing.

- One half (52%) of women-owned firms have used credit cards for short-term financing within the past year, compared with 18% of all small to medium-sized firms.

- Other types of short-term financing used by women-owned firms are: vendor credit (38%), commercial bank loans (26%), leasing equipment (21%) and personal bank loans (18%).

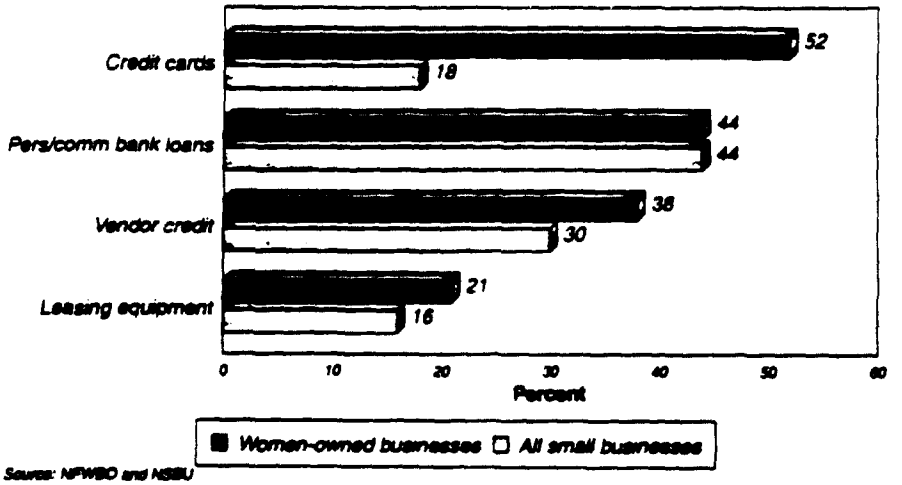
- Credit cards are used most frequently by smaller firms (both women- and men-owned), while the use of bank loans and leasing equipment is higher among larger firms.

Types of Short Term Capital



Source: NFWBO
Note: Multiple responses allowed

Comparison of Types of Short Term Financing Used



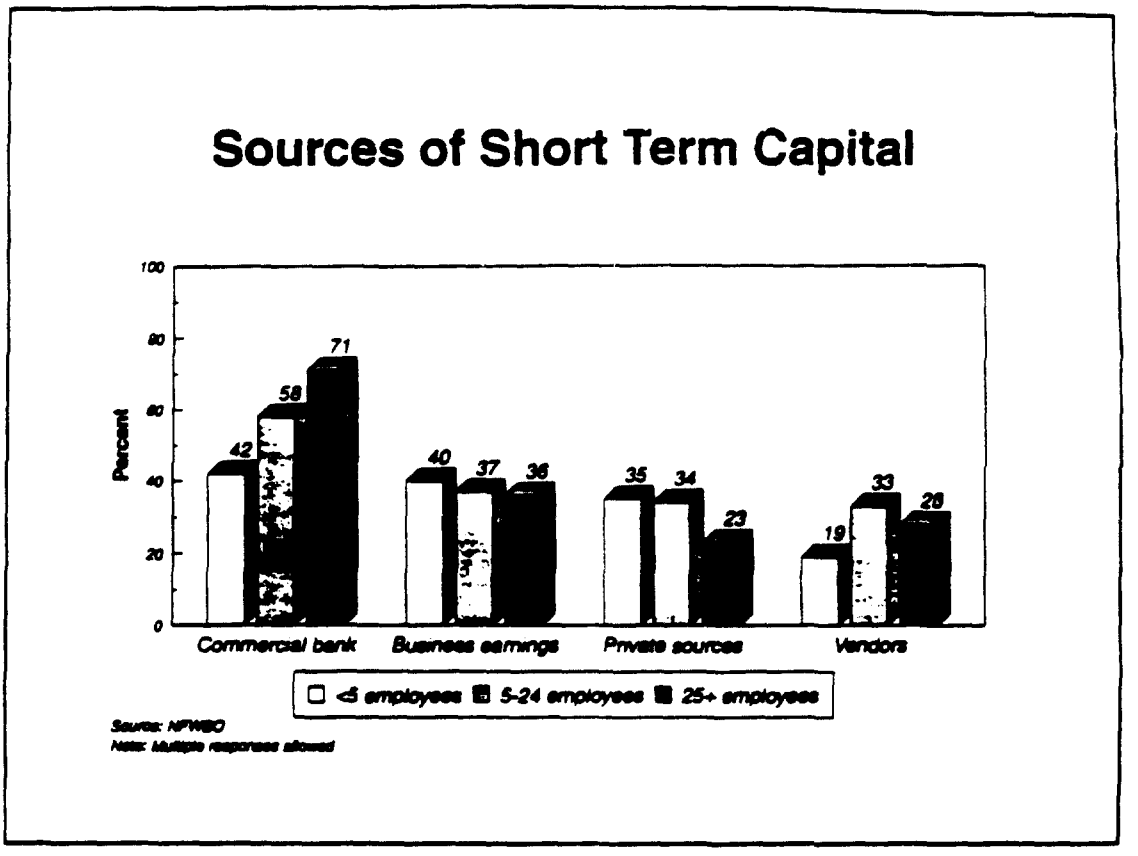
Source: NFWBO and NSBU
Note: Multiple responses allowed

Despite the problems encountered when seeking financing for their business, banks are the most popular source of short-term financing for women and men business owners alike. However, a larger proportion of women business owners rely on private sources for financing than do their male counterparts.

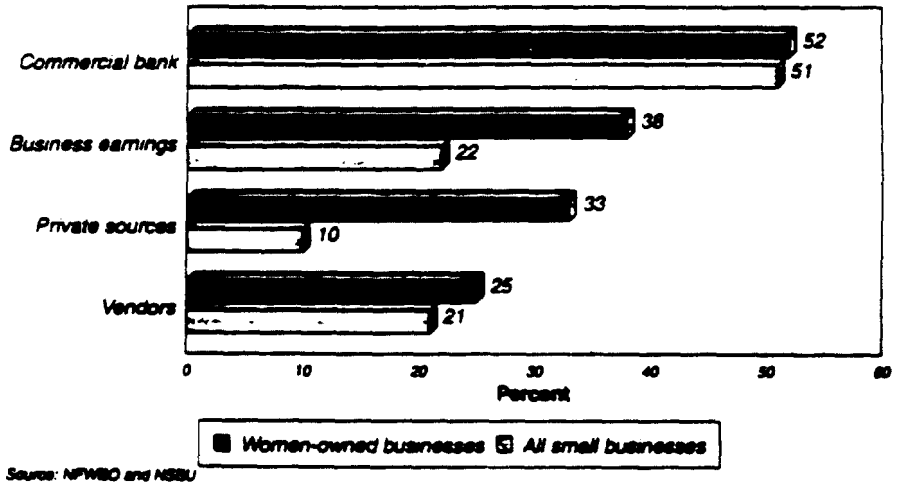
- Just over half (52%) of women-owned businesses have used a commercial bank for short-term financing within the past year, and usage increases with the size of the business – from 42% among those with fewer than 5 employees to 71% among those businesses with 25 or more employees. Similarly, 51% of all small to medium-sized businesses have used a bank for short-term capital needs.

- Other sources of short-term capital for women business owners include business earnings (38%), private sources such as personal savings, family and friends (33%), and vendors (25%).

- While 33% of women business owners utilize private sources for short-term capital needs, only 10% of all businesses seek short-term capital from private sources.


Sources of Short Term Capital
Percent
100
80
60
40
20
0
42
58
71
40
37
36
35
34
23
19
33
28
Commercial bank
Business earnings
Private sources
Vendors
<5 employees
5-24 employees
25+ employees
Source: NFWBO
Note: Multiple responses allowed

Comparison of Sources of Short Term Financing Used



Source: NFWBO and NSBU
Note: Multiple responses allowed

LONG-TERM CAPITAL NEEDS: TYPES AND SOURCES OF FINANCING

Just over six in 10 women business owners (61%) state that they have long-term capital needs, somewhat less than the 75% cited by all small- to medium-sized firms. The types of long-term capital sought within the past year or that women business owners plan to seek in the next 12 months include term loans from a financial institution and equipment leasing.

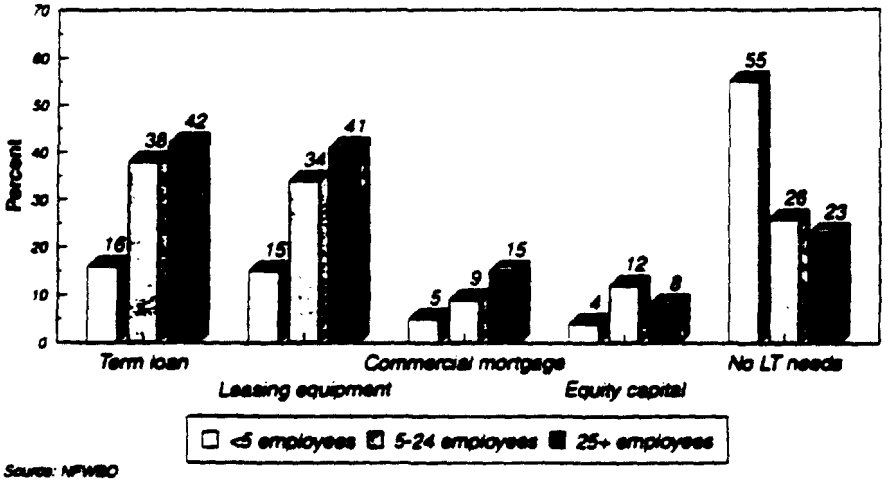
- Larger businesses are much more likely to be in the market for long-term financing than small firms. Only 45% of women-owned firms with less than five employees say they have or plan to seek long-term financing, while fully 75% of those with 25 or more employees are in the market.

- Forty-five percent (45%) of women-owned firms in the market for long-term financing (28% overall) have used or plan to use a term loan from a financial institution.

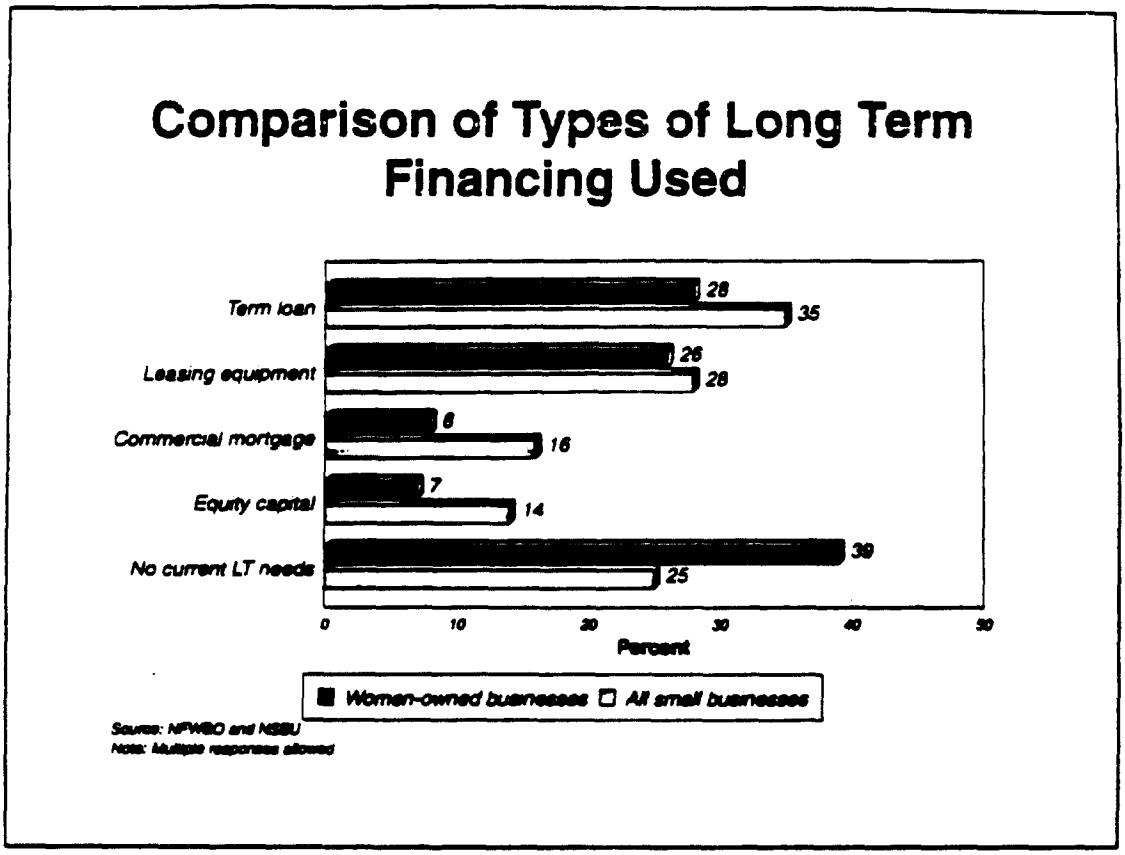
- Forty-two percent (42%) of those in the market (26% overall) have leased or plan to lease equipment on a long-term basis.

- Women-owned firms are less likely to use equity capital for long-term financing needs. Only 12% of those in the market (7% overall) have sought or plan to seek equity capital, compared to 19% and 14%, respectively, of all small- to medium-sized firms.

Types of Long Term Capital



Source: NFWBO
Note: Multiple responses allowed

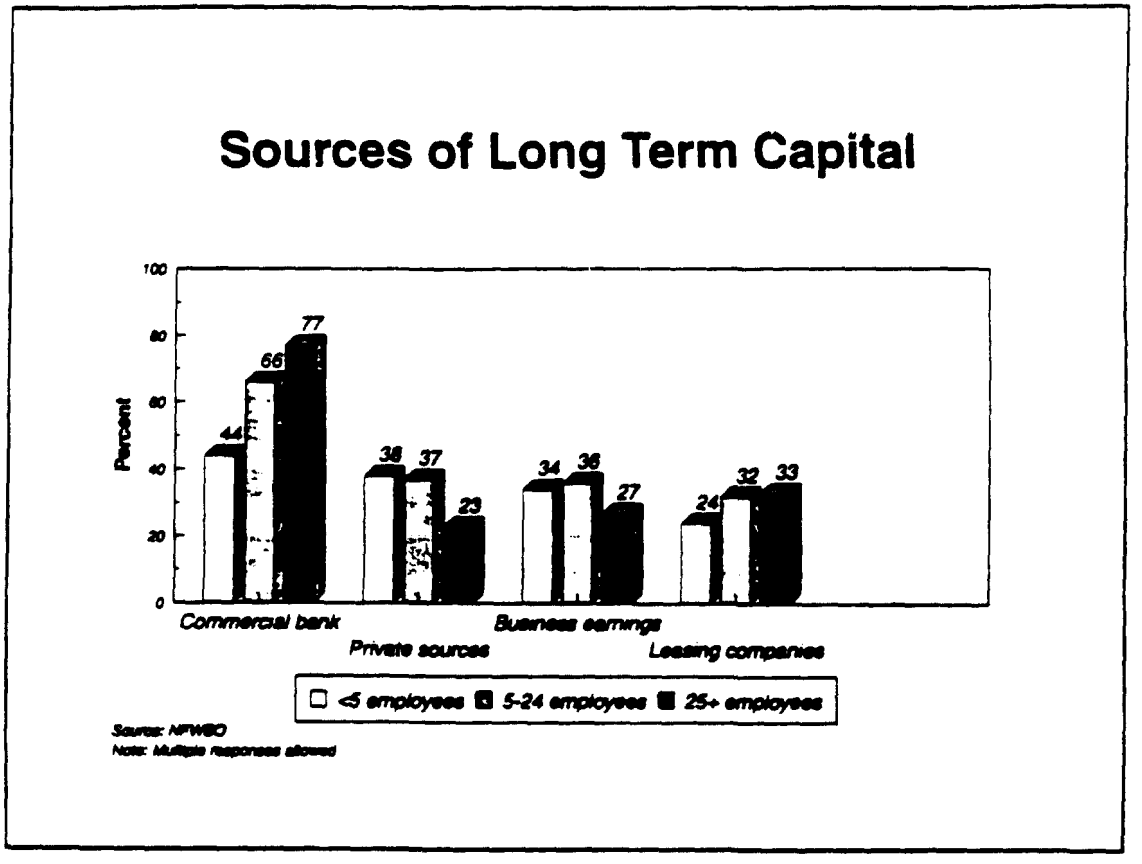

Comparison of Types of Long Term Financing Used
Term loan
28
35
Leasing equipment
26
28
Commercial mortgage
8
16
Equity capital
7
14
No current LT needs
39
25
0
10
20
30
40
50
Percent
Women-owned businesses
All small businesses
Source: NFWBO and NSBU
Note: Multiple responses allowed

Although the long-term capital needs of women-owned businesses are similar to most businesses, a greater proportion of women-owned firms are turning, or are forced to turn, to private sources of funding -- and *multiple* sources of funding -- rather than to banks for their long-term capital needs.

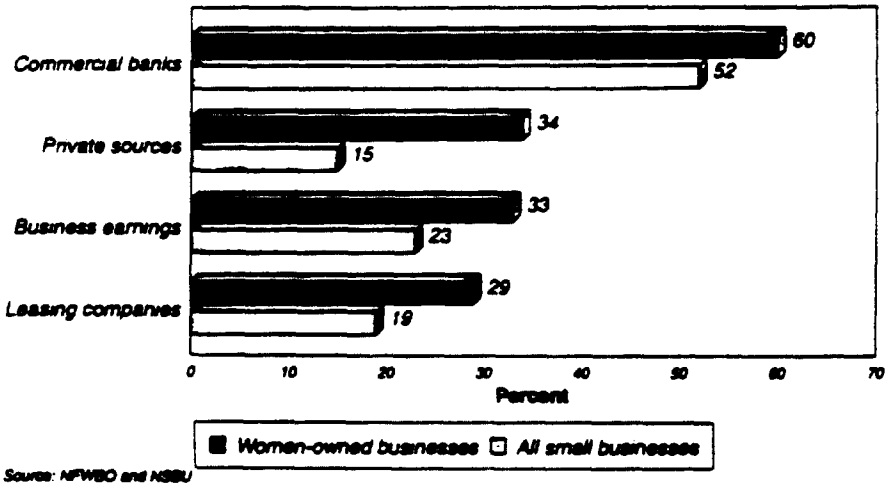
- The largest single source of long-term capital, for both women- and men-owned businesses, are financial institutions. Banks are the source of 60% of the long-term capital needs of women-owned firms, while they supply 52% of the long-term capital needs for small- and medium-sized businesses as a whole.

- Other important sources for long-term capital needs are private sources (34% for women-owned firms, 15% in general), business earnings (33% women-owned firms, 23% in general), and leasing companies (29% for women-owned firms, 19% for all firms).

- Larger women-owned businesses are more likely to use banks for long-term capital requirements, while smaller firms turn to private sources to nearly the same extent as they do to banks. However, regardless of business size, women business owners are tapping private sources, and a wider variety of sources, at a greater rate than are other business owners.


Sources of Long Term Capital
Percent
100
80
60
40
20
0
44
66
77
38
37
23
34
36
27
24
32
33
Commercial bank
Private sources
Business earnings
Leasing companies
<5 employees
5-24 employees
25+ employees
Source: NFWBO
Note: Multiple responses allowed

Comparison of Sources of Long Term Financing Used



Source: NFWBO and NSBU
Note: Multiple responses allowed

SUMMARY AND CONCLUSIONS

Women-owned businesses are a growing and increasingly significant sector of the nation's economy. They provide employment for more people in the United States than the Fortune 500, increased sales and employment last year despite slow economic growth, and are poised for continued expansion and growth in the coming years.

Unfortunately, there are barriers to this continued growth. Financing their business' growth remains a key concern to women business owners, and access to capital is identified by them as one of the most significant barriers to their business' growth.

Among the key findings of this analysis of the types and sources of financing among women business owners:

- Women business owners rate themselves as somewhat conservative in their financial policies, placing themselves an average 2.45 on a 1 to 5 scale. Fully 51% place themselves on the conservative end of the scale, 28% in the middle, and 17% classify themselves as aggressive financially. Women-owned businesses neither expand nor contract as rapidly as other businesses, making them a safer risk for investors and lenders.

- Fully two-thirds of women business owners report difficulties in working with their financial institutions; women-owned businesses are 22% more likely to report problems dealing with their bank than are businesses at large.

- Three-quarters of all women-owned businesses have sought short-term financing within the past year; the largest single type of short-term financing used by women business owners is credit cards. Women-owned firms are much heavier credit card users than other small firms, most of whom use bank loans and vendor credit for short-term financing.
- Despite the problems encountered when seeking financing for their business, banks are the most popular source of short-term financing for women and men business owners alike. However, a larger proportion of women business owners rely on private sources for financing than do their male counterparts.

- Just over six in 10 women business owners state that they have long-term capital needs, a lower percentage than all small- to medium-sized firms. The types of long-term capital sought within the past year or that women business owners plan to seek in the next 12 months include term loans from a financial institution and equipment leasing.

- Although the long-term capital needs of women-owned businesses are similar to most businesses, a greater proportion of women-owned firms are turning, or are forced to turn, to private sources, and to a wider variety of sources, to fulfill their long-term capital needs.

Business financing is one of the most important issues facing small businesses today. It is a key concern among women business owners, who are encountering significant barriers to assess to capital. These barriers are hindering the growth of these businesses -- businesses that are growing at a faster rate than the national average despite these hindrances. Removal of these financial barriers would encourage even stronger growth in this important sector, and would result in much greater economic growth throughout the economy.

METHODOLOGY

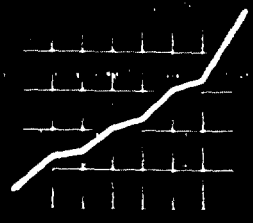
In November 1992, the National Foundation for Women Business Owners (NFWBO) mailed 3,855 questionnaires to members of the National Association of Women Business Owners (NAWBO). Of the 3,855 questionnaires sent out, 1,071 completed questionnaires were returned – for an impressive 28% response rate.

A respondent base of 1,071 yields statistical reliability of plus or minus 3.2% at the 95% confidence level. This means that, 95 times out of 100, survey responses will be within 3.2% of true population values.

The completed questionnaires were tabulated and analyzed by C.J. Olson Market Research in Minneapolis, MN, a woman-owned research firm. Carolyn Olson, President of C.J. Olson Market Research, also assisted NFWBO in the design of the survey.

WOMEN-OWNED BUSINESSES: BREAKING THE BOUNDARIES

THE PROGRESS AND ACHIEVEMENT OF WOMEN-OWNED ENTERPRISES



The National Foundation for Women Business Owners

and

Dun & Bradstreet Information Services

April 1995

A REPORT

WOMEN-OWNED BUSINESSES:

BREAKING THE BOUNDARIES

A REPORT ON THE PROGRESS AND ACHIEVEMENT OF WOMEN-OWNED ENTERPRISES

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1100 Wayne Avenue
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APRIL 1995

Dun & Bradstreet Information Services is proud to partner with the National Foundation for Women Business Owners (NFWBO) to produce this comprehensive, empirical study on the state of women-owned businesses in the United States. The idea for the study was the Foundation's, and the organization has been an outstanding partner throughout its development. We are pleased to have produced together a study that documents the power of women-owned businesses in the nation's economy.

The study's powerful results, which are captured in this report, "Women-Owned Businesses: Breaking the Boundaries," are important to a wide range of groups in the business community—from bankers and marketers to potential suppliers and partners. This study documents the enormous progress that women-owned businesses have made in the past few years.

The study and its findings are also important to Dun & Bradstreet. As the world's largest provider of business-to-business financial, credit and marketing information, we take pride in the integrity and usefulness of the records we maintain on more than 38 million businesses around the world.

We are pleased that, by providing access to our information and participating in the study's analysis, we have contributed to the production of this report. And we know that the NFWBO's dedication to supporting and advancing women-owned businesses will ensure that this information will be widely disseminated to help us all better understand the achievements and significance of women-owned businesses.

David T. Kresge

David T. Kresge, Ph.D

Senior Vice President, Analytical Services

Dun & Bradstreet Information Services, North America

The emergence of women-owned businesses as an increasingly potent economic force has been one of the defining trends of the past decade. This report demonstrates the continued progress and growth of women-owned firms in this country. For me, as a woman entrepreneur, there is a sense of pride and excitement at the level of achievement and economic contribution which these statistics document.

Today, there are [illegible] million women-owned businesses in the U.S., providing over one-third more jobs in the U.S. than the Fortune 500 companies provide worldwide. Women-owned businesses are soaring beyond the curve, exhibiting above-average growth rates in numbers of firms and employment. Further, this report shows that these businesses are as financially sound and creditworthy as all U.S. firms.

In 1992, the National Foundation for Women Business Owners' first report of statistics on women-owned businesses stunned the business world by documenting women-owned firms' economic force and began changing the way these businesses are viewed. Economic policy makers, financial decision makers and corporate leaders started to focus on women-owned businesses.

Our hope is that this report will further strengthen the recognition of the vital role women-owned businesses play in the present and future health of our country's economy, thus creating opportunities for every woman business owner.

On behalf of all the women business owners whose accomplishments are documented in this report, we thank Dun & Bradstreet Information Services for collaborating with us. Certainly access to their business database, the most comprehensive in the U.S., was essential. More important, their substantive collaboration in the economic analysis and report preparation demonstrates their recognition of the seriousness and significance of women-owned businesses.

Our gratitude also goes to two corporations which have supported every major National Foundation for Women Business Owners' research project over the last four years, AT&T and IBM. Thanks to them the body of knowledge about women-owned businesses has grown significantly. Their generosity has made this report possible.

Laura Henderson

Laura Henderson

Chair, The National Foundation for Women Business Owners

President and CEO, Prospect Associates

ACKNOWLEDGEMENTS

This research and the resulting report were made possible by the collaboration and assistance of many people. On behalf of the women business owners whose progress and achievements are documented through this work, thank you.

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The National Foundation for Women Business Owners is the research and leadership development arm of The National Association of Women Business Owners. NFWBO supports the growth of women business owners and their organizations by gathering and sharing knowledge.

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TABLE OF CONTENTS

Executive Summary 2

Women-Owned Businesses:
Breaking the Boundaries 3

Data and Methodology 6

Detailed Findings: Commercially Active
Women-Owned Firms 7

Employment and Employment Growth . . 8

Industry Diversification 11

Financial Strength 13

Growing Maturity 16

100+ Employee Firms 18

Hot Growth Areas for Women-Owned
Businesses 20

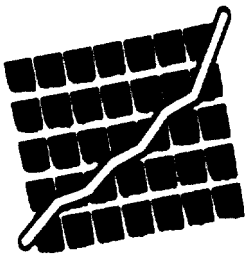
Looking Forward 22

Research Patrons 23

Statistical Tables 25

Order Form 63

EXECUTIVE SUMMARY



Women-Owned Firms Are Growing

■ Women-owned firms are growing in number and in economic power. The National Foundation for Women Business Owners now estimates that there are 7.7 million women-owned businesses in the U.S., employing 15.5 million people and generating nearly $1.4 trillion in sales.

■ With these 15.5 million workers, women-owned businesses now employ 35% more people in the U.S. than the Fortune 500 companies do worldwide.

■ Employment growth in women-owned firms exceeds the national average by a substantial margin. From 1991 to 1994, employment grew by 11.6% among commercially active women-owned firms in the U.S. compared with 5.3% among all firms. Employment growth in women-owned firms exceeds the national average in nearly every region in the country and in nearly every major industry.

Women-Owned Firms Continue To Diversify

■ Women-owned firms are continuing to diversify, expanding beyond the boundaries of what has popularly been considered "traditional" industries. In the 1980's, women moved into wholesale trade, agriculture, manufacturing and transportation/communications at a higher rate than into any other industries. That trend continues today. The number of women-owned construction and manufacturing firms increased by 19.2% and 13.4%, respectively, between 1991 and 1994. Over that same period, the overall number of firms in those industries actually declined by 0.8% and 2.0%. Women-owned businesses in transportation, communications, wholesale trade, and finance insurance real estate grew by nearly 20%, twice the rate of increase in those industries as a whole.

■ Though women-owned businesses continued, between 1991 and 1994, to expand into "non-traditional" industries, they still maintained their solid base in retail trade and services. Fully 72.5% of women-owned firms in the U.S. are in these two industries.

Financial Strength Of Women-Owned Firms Matches National Average

■ Women-owned businesses are just as financially strong and creditworthy as all U.S. firms, with similar performance on bill payment and similar levels of credit risk. Fully 92% of women-owned firms pay their bills within 30 days of their due date; not significantly different from the 93.6% for all U.S. firms. In addition, based on Dun & Bradstreet's Credit Score, 40.5% of women-owned firms are at risk of becoming delinquent in paying their bills, compared to a somewhat higher 44% of all U.S. firms. Finally, according to Dun & Bradstreet's Financial Stress Score, 14.7% of women-owned firms have a relatively high risk of failure, not significantly different than the 13.7% among all firms in the U.S.

Women-Owned Firms Have Staying Power

■ Women business owners have tenacity. They are **more likely** to have remained in business over the past three years than the average U.S. firm. Nearly three quarters (72.2%) of the commercially active women-owned firms in existence in 1991 are still in