

4.1 A Golden Opportunity: Women Entrepreneurs and Business Financing



4 MIN READ

When we look at the data on financing for Canadian women entrepreneurs who have an existing business, we may be surprised to learn that the statistics are similar to those for men entrepreneurs in most categories.¹

However, statistics can be misleading and the reality is that there are still four times more majority men-owned businesses in Canada than majority women-owned.² Just imagine how positive the impact would be for the Canadian economy if the number of women entrepreneurs could increase. Unfortunately, the enormous potential of women entrepreneurs remains largely untapped.

Please note that in this document, the terms “majority women-owned” and “majority men-owned” refer to businesses with an ownership ratio of 51% or more.

Women entrepreneurs are somewhat less likely than men to apply for external financing

According to the most recent Statistics Canada data (2017), women entrepreneurs are somewhat less likely than men to apply for external business financing*: about 41% of majority women-owned businesses do so, as opposed to about 47% for majority men-owned businesses.³

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External Business Financing ⁴		
Sources	Majority women-owned businesses	Majority men-owned businesses
Domestic chartered banks	28.7%	33.2%
Credit unions/caisses populaires	9.0%	11.6%
Government institutions	3.0%	4.0%
Online alternative financing/crowdfunding/ peer-to-peer lending	0.7%	0.9%

* Some businesses use more than one source of external financing

A level playing field means equal opportunities!

Even though women entrepreneurs are less likely to apply for financing than men, the figures indicate that when they do apply for financing with lending institutions, they have a better chance of being approved than men.⁵

Business loan approval rate (non-residential mortgages, lines of credit, term loans, credit cards)⁶



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In other words, if women and men are allowed to compete on a level playing field, women entrepreneurs' access to financing could be greatly improved.

It is therefore important to recognize and break down the barriers that sometimes impact women entrepreneurs' access to financing, including biases, stereotypes, financial literacy, access to information and the many myths about women entrepreneurship.

Turn a “no” into a “yes”

Despite lending institutions' generally high approval rates for both men and women entrepreneurs, it is important to outline why a financing application was rejected and to clearly explain the reasons to entrepreneurs, who can then make certain adjustments and perhaps turn a “no” into a “yes” the next time they apply.

Financial institutions' main reasons for rejecting loan applications⁷

Women entrepreneurs	Men entrepreneurs
1. Project was considered too risky	1. Insufficient sales or cash flow
2. Insufficient collateral	2. Poor or lack of credit experience or history
3. Poor or lack of credit experience or history	3. Other unspecified reasons

For more information of these disqualifying factors, see tool 4.2.

Breaking the piggybank

The data also confirms that women, like men, primarily use their own funding to launch or buy a business.⁸

Personal funding

when launching a new business

84%



Majority women-owned



83%

Majority men-owned

when buying/acquiring an existing business

73%



Majority women-owned



69%

Majority men-owned

Hidden figures and bridging the gap

Despite all the positive data indicating that women entrepreneurs are often successful when applying for financing, we must remember that there aren't enough women entrepreneurs in Canada. Moreover, our information sources often don't take into consideration the "forgotten data," meaning the total number of aspiring or discouraged applicants. In summary, the available statistics provide information on existing women entrepreneurs only. This limits our understanding of the entrepreneurial experience of many women entrepreneurs who are not included in the official data.

Did you know?

According to a Merrill Lynch study, approximately 61% of women prefer to discuss their own death rather than talk about money?⁹

It's not uncommon to hear women entrepreneurs admit their reluctance to apply for business financing at lending institutions.¹⁰ For many women entrepreneurs, simply visiting a financial institution requires courage. More work can be done to improve the overall experience for women entrepreneurs with lenders and lending institutions. Check out [tool 4.3 Entrepreneurial Relationships with Women](#) and our blog article [Equality: How do we Break The Cycle?](#) to learn more about this important topic.

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“See it. Be It” – Women Entrepreneurship Knowledge (WEKH)

Aspiring women entrepreneurs, or even those who have felt discouraged in the past, need to be more aware of the success of other women entrepreneurs. By shining the spotlight on women entrepreneurs, we could inspire more women to embark on their own entrepreneurial journeys. Check out the “See It. Be It” campaign on the **Women Entrepreneurship Knowledge Hub (WEKH)** and share this initiative with your clients.

Leading Lenders is in partnership with the **Women Entrepreneurship Knowledge Hub (WEKH)**, a network of 10 regional hubs and over 250 organizations established as part of the Government of Canada’s **Women Entrepreneurship Strategy**.



Women
Entrepreneurship
Knowledge Hub

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Our toolkit includes data taken from the 2017 Survey on financing and growth of small and medium enterprises. The 2022 Survey is available at the following link: <https://www150.statcan.gc.ca/n1/daily-quotidien/220302/dq220302b-cansim-eng.htm>

However, please note that the data included in this most recent survey is greatly influenced by the recent worldwide pandemic, making it difficult to compare it to the stats included in our toolkit which are based on a pre-pandemic period survey.

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Disclaimer

All documents prepared for the LEADING LENDERS project were developed in line with the most appropriate and recent terminology. However, we recognize that terminology is subject to change over time. To the best of our ability, we have attempted to use terminology that respects the dignity and rights of all individuals.