

4.2 Disqualifying Factors



2 MIN READ

Certain criteria associated with business financing may directly impact women's access to loans. Take a look below for the most common factors:



Lack of collateral

According to studies,¹ a lack of collateral and other guarantees is the main reason why many women entrepreneurs cannot obtain business financing. In fact, women are almost twice as likely as men to have their applications denied for this reason.²



Credit history

A bad credit score or an insufficient credit history may also explain why women entrepreneurs' financing applications are denied.



Business sector risk

Women-owned businesses often operate in sectors that are considered high-risk, such as retail, restaurants or other services. This may reduce the likelihood of obtaining financing.



Business size

Women entrepreneurs often run small businesses or micro-enterprises with few or no extra employees. In fact, 92.7% of women-owned businesses have fewer than 20 employees.³ Unlike other business owners, women often need micro-loans, which are not always available from lending institutions. In general, financing applications are refused more often when companies have fewer than five employees.⁴ In many cases, micro-enterprise owners turn to credit cards for financing as traditional sources are not available or do not meet their needs.⁵



Lack of experience

Financing applications may also be denied if individuals lack managerial or entrepreneurial experience.



Insufficient sales revenue or cash flow

Businesses that fail to generate enough revenue may have a hard time obtaining financing.



Part-time entrepreneurship

For entrepreneurs running part-time businesses, access to financing can be tricky because these types of businesses are not always eligible for commercial loans. This reality is especially true in some rural areas and for Indigenous women entrepreneurs.

Lenders often have no influence when it comes to these approval criteria; they must abide by the processes implemented by their financial institutions. The above list of factors merely aims to remind them of the main reasons why women entrepreneurs may be denied financing. Ideally, they will then be able to familiarize their clients with these factors. When all parties are better informed, there is a greater likelihood that loan applications will be approved, thus benefiting women entrepreneurs as well as financial industry professionals.

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.

References

- 1 ISED (2018). Survey on financing and growth of small and medium enterprises (SFGSME), 2017, Innovation, Science, and Economic Development Canada, Government of Canada, [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SFGSME-EFCPME_2017_eng_public.pdf/\\$file/SFGSME-EFCPME_2017_eng_public.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SFGSME-EFCPME_2017_eng_public.pdf/$file/SFGSME-EFCPME_2017_eng_public.pdf) (page consulted September 17th 2020).; Scotiabank Women Initiative (2020). Financial Knowledge & Financial Confidence: Closing Gender Gaps in Financing Canadian Small Businesses, p. 17.

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- 2 ISED (2018). Survey on financing and growth of small and medium enterprises (SFGSME), 2017, Innovation, Science, and Economic Development Canada, Government of Canada, [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SFGSME-EFCPME_2017_eng_public.pdf/\\$file/SFGSME-EFCPME_2017_eng_public.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SFGSME-EFCPME_2017_eng_public.pdf/$file/SFGSME-EFCPME_2017_eng_public.pdf) (page consulted September 17th 2020).
- 3 Douwre Grekou, Jiang Li and Hujun Liu (2018). The Measurement of Business Ownership by Gender in the Canadian Employer–Employee Dynamics Database, <https://www150.statcan.gc.ca/n1/pub/11-633-x/11-633-x2018017-eng.htm> (page consulted October 22nd 2020); Women Entrepreneurship Knowledge Hub (2020). The State of Women’s Entrepreneurship in Canada 2020, Toronto, Diversity Institute, Toronto Metropolitan University, p. 7.
- 4 Canadian Federation of Independent Business (October 2016). Research: SME Financing Indicators, prepared by Queenie Wong, https://www.cfib-fcei.ca/sites/default/files/article/documents/rr3412_0.pdf, p. 4.
- 5 Canadian Federation of Independent Business (October 2016). Research: SME Financing Indicators, prepared by Queenie Wong, https://www.cfib-fcei.ca/sites/default/files/article/documents/rr3412_0.pdf, p. 2.

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.