The Differences in Financial Structure Between Women- and Men-Owned Family Businesses

Lenders are faced with the challenge of evaluating the financial success of business, or proposed businesses, by examining the financial status of the household. This study examines the relationships between business and household financial variables to assess the reliability of these indicators for women- and men-owned business borrowers.

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Access to credit has been perceived as a substantive problem for women business owners. Several studies have examined access to credit by women. More recent research has found that women-owned businesses do not appear to pay higher loan prices or face more stringent collateral requirements than men-owned businesses (Haynes, 1995). Haynes and Haynes (199) suggest that while women-owned firms still have a higher probability of borrowing from family and friends, women-owned businesses have gained access similar to men to commercial bank line-of-credit loans.

Evidence from the National Family Business Survey suggests that women-owned businesses are somewhat smaller, more likely to be organized as sole proprietorships, more likely to be engaged in transportation and retail trade, less likely to be located in small towns, less likely to have children in the household, and have somewhat older manager than men-owned businesses. Women-owned businesses also have fewer assets, liabilities, equity and business and household net incomes than men-owned business owners.

In comparing the financial status of the two, the financial status of the household is a good indicator of the financial status of the business for men-owned businesses, but not for women-owned .

Women business owners use fewer financial resources (assets and liabilities) and earn less income. Household balance sheets (assets, liabilities and equity), income statements and cash flow problems are good indicators of the business balance sheet, income statement and cash flow problems for all businesses. The actions taken to solve cash flow problems are highly correlated between the business and the household.

When differentiating between women- and men-owned businesses, household financial statements are good indicators for men-owned businesses only. This might contribute to the information asymmetry faced by lenders in evaluating the success of women-owned business.

References

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Endnotes

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