

Center for Women & Enterprise's Venture Center Keynote Luncheon Address

**by Cathy E. Minehan, President & Chief Executive Officer
Greater Springfield Chamber of Commerce Annual Luncheon
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Good afternoon, and welcome to the Federal Reserve Bank of Boston. Today's event marks the kick-off of the Center for Women & Enterprise's Venture Center. This project promises to be an invaluable resource for our region's emerging women entrepreneurs, as they grow their businesses and contribute to the continuing vitality of the New England economy. We at the Federal Reserve Bank of Boston look forward to working with CWE, in the years to come, to improve access to capital for women-owned businesses. Our full support of initiatives like the Venture Center is an integral part of our ongoing work to both raise awareness of pressing economic development concerns, and to promote the creation of supportive development networks throughout New England.

We have always maintained a strong commitment to improving the economic health of all the communities within the First Federal Reserve District. The Bank has played a pivotal role in supporting community development activities in distressed rural and urban areas of New England, through a combination of research, advocacy and hands-on participation. We focus on bringing together the relevant parties to forge strategic partnerships, thereby addressing the development needs of our many communities, including women entrepreneurs.

Our community development activities have largely mirrored the shifting focus of the economic development industry. In the late 1980s, the Bank's study on discrimination in mortgage lending, had a major impact on the practices of the lending community, and paved the way for a more pro-active response by the financial services industry to improving access to housing for low and moderate-income individuals. We followed with several affordable housing initiatives. We facilitated the creation of two multi-family loan funds in Maine and New Hampshire. In helping to establish the Maine Community Reinvestment Center and the New Hampshire Community Reinvestment Center, we brought together lenders, state housing agencies, and non-profits in both states to address the need for more affordable multi-family housing units.

As our work on fair lending issues continued, we observed changes in the direction of the community development field. By the early 1990s, there was an increasing move away from the industry's primary focus on housing, towards addressing broader economic development concerns. Issues of job creation, small business development, and access to credit and capital were added to the agenda. In response, the Bank embarked upon several initiatives. This included working with MicroNet, an association of microenterprise organizations in Maine, to develop a Microenterprise Training Curriculum which serves as a pilot for other programs throughout the District and the country. And the Bank's Rural Economic Development Conference, held in June, was designed to address concerns surrounding small business lending and access to capital in the distressed rural areas of New England.

Our commitment to these endeavors is a reflection of both our mandate and our mission. As the regional Federal Reserve Bank for New England, we are responsible for promoting access to credit and capital for traditionally underserved populations in the entire region. This includes promoting the access to credit and capital for the region's small businesses, including those owned and operated by women.

It is no secret that small businesses are a driving force in our economy. They create the largest number of net new jobs. They are also responsible for much of the innovation in their respective industries. Women-owned small businesses

account for an ever-increasing share of these accomplishments.

According to the U.S. Small Business Administration, there were approximately 8.5 million women-owned businesses in 1997, accounting for roughly one-third of all businesses in the United States, and producing \$3.1 trillion in revenue. Women-owned firms are emerging as viable competitors in a myriad of industries including high technology, construction, communications, transportation and agribusiness. The number of women-owned businesses has grown by around 89 percent since the start of the decade, with revenue growth of an astonishing 161 percent over that same time period. In New England alone, the National Foundation for Women Business Owners found that the percentage increase in women-owned firms between 1987 to 1996 ranged from 56.2 percent in Connecticut to 94.3 percent in Vermont.

In addition to their growing numbers, women-owned enterprises appear to grow at faster rates than other small businesses. In fact, employment by women-owned firms rose by more than 100 percent between 1987 and 1992, compared to a 38 percent increase by all firms in the United States. For women-owned firms with more than 100 employees, employment growth increased by 158 percent between 1987 and 1992, nearly double that for all firms of similar size. In 1997, over 23.7 million employees worked for women-owned businesses, an increase of 262 percent since the late 1980s. And these employment figures are expected to increase, as women continue to go into business in un-precedented numbers. The SBA estimates that nationwide, there will be about 4.7 million self-employed women in 2005 ? a 77 percent increase since 1983. The number of self-employed men in 2005, though larger, will represent only a 6 percent increase since 1983.

Needless to say, improving the access of women-owned firms to credit and capital will improve their ability to expand production, enter new lines of business, employ more workers, and contribute to the revitalization of our communities. Given their growing significance to the nation's economy, the Federal Reserve Bank of Boston recognizes the importance of addressing the particular credit and capital needs of women entrepreneurs. In order to remove obstacles and generate opportunities for this fast-growing segment of the small business sector, the Federal Reserve System has begun to explore the various concerns and perspectives of borrowers, lenders, and investors--the three groups whose continued participation is vital to sustaining the growth of women-owned firms.

This year, the Federal Reserve Bank of Boston, in conjunction with the Federal Reserve Banks of San Francisco and Chicago, produced a documentary entitled *To Their Credit: Women-Owned Businesses*. Aired on public television, and available on video, *To Their Credit* focuses on the experiences of women entrepreneurs in accessing credit from lending institutions. This program is an inspirational documentary of women entrepreneurs and their difficulties in obtaining credit for various commercial endeavors, including business start-up and expansion of existing, profitable enterprises. The main thrust of this video project was not simply to illustrate the obstacles that many women entrepreneurs face, but to outline techniques and strategies that women businessowners can use in order to maximize their chances for loan approval. These tips included developing business plans and advisory boards, standardizing accounting procedures, shopping among banks for better terms, and developing strong management teams. In particular, the Boston, San Francisco and Chicago Banks, found that women entrepreneurs needed to create and maintain relationships with their bankers, even before searching for financing. Through these relationships, lenders will better understand the short and long-term credit needs of women-owned businesses, guaranteeing improved access to credit and funds as their businesses developed.

Recognizing the problems faced by women business-owners as they access credit, the Federal Reserve System has also undertaken projects which attempt to help lenders better meet the needs of these entrepreneurs. The Federal Reserve Bank of Chicago has published *Access to Credit: A Guide for Lenders and Women Owners of Small Businesses*, with the Women's Business Development Center. The guide makes recommendations to both lenders and women small business-owners regarding ways to overcome gender stereotyping and bias in the loan application and approval process. In particular, the guide presents methods to ensure that lending practices are free of gender bias, and techniques for lenders to better service the expanding demand for commercial credit from women-owned businesses.

In another effort, our Bank joined the National Women's Business Council and the SBA to prepare a report presented to the President, the Congress and the Interagency Committee on Women's Business Enterprises. The report, entitled *Access to Capital and Credit: Recommendations for Growing Women's Businesses*, was completed in 1997. Through a series of workshops held by ten Federal Reserve Banks across the country, lenders, regulators, women's business

groups, community development professionals, and representatives from the National Women's Business Council and the SBA, articulated the specific needs and barriers to accessing capital which plagued women entrepreneurs across various industries and regions.

The Boston workshop, led by our Bank, focused on "angel" capital finance networks. The program looked at the number of active angel investors in the Boston area, and at improving the flow of capital and information to the region's growing women-owned businesses. Our workshop participants concluded that in order to increase the number of angel investors and to accelerate access for women entrepreneurs to more venture capital, two policy goals should be implemented. First, a national network should be created to help connect entrepreneurs and angel investors. Second, we proposed that tax incentives should be introduced to encourage "patient" or long-term investment in early stage enterprises which are owned and operated by women. The intent was to advocate for the development of a tax policy which positively favored entrepreneurship and early-stage investment in burgeoning women-owned firms.

Through these various initiatives, the Federal Reserve Bank of Boston has begun to address the concerns of the investors in women-owned businesses. We are delighted to have this opportunity to work closely with CWE to address the pressing need of women-owned businesses for equity capital. The launching of CWE's Venture Center is an important effort that will help connect female entrepreneurs with the right investors. The Venture Center will be a valuable resource for the region's women-owned businesses, as they attempt to move beyond debt financing and attract more equity capital. In particular, The Venture Center will give women entrepreneurs in New England the necessary technical assistance and networking support so that they can tap into the huge flows of venture capital. The Center will also help inform the investor community about the tremendous, financially rewarding investment opportunities available in our region's dynamic women-owned firms. We hope that CWE's efforts will complement our continuing work to improve communication and information sharing among the borrower, lender and investor communities--all of whose participation is crucial to the continued success and prosperity of women-owned businesses.

Throughout the Bank's long involvement with community development, our ongoing goal has been to both raise awareness and promote supportive networks to provide resources for traditionally under-served populations. The existence of such support systems is integral to opening the doors of entrepreneurship, self-employment, and economic advancement to those who may be overlooked by both the credit and capital markets. The Federal Reserve Bank hopes that CWE, through its new Venture Center, will be able to provide this important technical and networking assistance for years to come, building stronger women-owned businesses in New England and by extension, a stronger New England economy.

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