Biz2Credit®

2019 STUDY

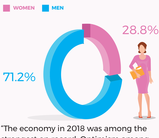
Revenue of Women-Owned Businesses Rose, Credit Scores Dropped in 2018

According to Biz2Credit Study Analysis of 30,000 Companies Finds Average Annual Revenues Up While Credit Scores and Loan Amounts Drop

The number of women-owned Businesses that applied for funding in 2018 increased by 13 percent, although their funding amounts went down, according to an annual study of women-owned companies by Biz2Credit, a leading online credit provider for businesses.

Additionally, the study found that while average annual revenues increased, credit scores for women business owners and the average age of women-owned companies applying for small business loans both dipped.

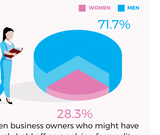
Volume of Applications



"The economy in 2018 was among the strongest on record. Optimism among small business owners was the highest ever recorded and, increasingly, business owners were willing to take risks. Businesses owned by women continue to grow quickly."

-Biz2Credit ***CEO Rohit Arora***

Women-to-Men Borrowing Ratio



"Women business owners who might have previously held off on applying for credit for expansion or capital improvements, increased their borrowing last year. Record high optimism and the strong economic tailwinds of 2018 supported the growth of small businesses."

-Biz2Credit ***CEO Rohit Arora***

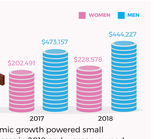
Average credit scores

Average credit scores for women-owned businesses dropped from 598 in 2017 to 588 in 2018.

"When we take a macro look, women are increasingly becoming entrepreneurial and are applying for loans at earlier stages of their companies' life cycles," added Arora, whose firm has arranged more than $2 billion in financing for small business owners in the past decade. "Their credit scores often are lower because of both the wage gap and the higher amounts of student loans that they are paying off."

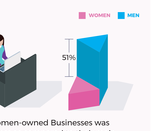
-Biz2Credit ***CEO Rohit Arora***

Average Annual Revenues



Economic growth powered small businesses in 2018 and women-owned companies have seen a more than 13% increase in revenues over the past year.

Average Operating Expenses



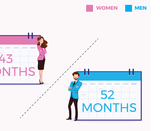
For women-owned Businesses was (51%) less as compared to their male counterparts in 2018.

Average Loan Size

"Funded amounts were lower for both men and women in 2018. This can be attributed, in part, to the high number of SBA loans granted this year. Increasingly, because of the government guarantees that come with SBA loans, banks were willing to lend money to businesses that might not otherwise qualify for traditional bank loans."

-Biz2Credit ***CEO Rohit Arora***

Average Age of Business



More women have launched their own businesses in recent years. The average age of women-owned businesses was lower in 2018 than in 2017.

Adrienne Garland
Women's Leadership Expert

SheLeads media INSIGHTS

What is the biggest challenge that women entrepreneurs face that men do not?
Two Challenges are universal when it comes to entrepreneurship - creating the right product or service to launch, marketing it appropriately to the right audience, hiring great employees, keeping costs down, etc. However, one real challenge that women face is more difficulty in gaining access to financing. It's common knowledge that only 2-3% of all venture capital financing goes to women, and women are more likely to finance their startups with credit card debt, which can negatively impact their credit scores, making it more difficult to gain access to traditional bank and SBA loans. This sets up a cycle where women cannot gain access to the financing they need to grow their companies, so these companies don't grow as quickly or as large as companies who have better access to funding. This is a huge challenge.

What are the two or three most important steps that women can take when they want to start their own business?
I would say do your research on your product/market fit. It's critically important to be passionate about your business, but if there is not a market for your product/service, and people are not willing to pay for your product/service, it doesn't matter how passionate you are. The second step would be to get smart on your numbers, and get comfortable with financial literacy in general. I often hear women say that finance 'isn't their thing' or that they are 'not good with math.' This outlook can harm a business in the long term, as it is critical to business growth and profitability. Women (and men) need to know their product, their service, their sales, marketing, operations AND finances better than anyone else. It's fine to seek help to gain this understanding, but it's not okay to give away that type of power and to claim ignorance out of the fear of numbers.

How would you advise a woman who runs her own business to approach getting funding? What does she need to focus on?
My advice would be to know your numbers - past and present revenue, expenses, future sales, operational expenses, any changes (opportunities or threats) to your business viability and your cash flow, as well as your credit score. Plus, don't forget to know exactly what you will be using the financing for, and how that will help you to achieve your business objectives. In growing a business, there are a thousand things that require focus - but the most important thing in any business is to serve your customers, and serve them well.

Industry Sectors

Nearly one-in-five loan applications from women-owned businesses were in the services (excluding public administration) followed by Retail Trade, Accommodation and Food Services, Health Care and Social Assistance and Construction.

19.7% Services

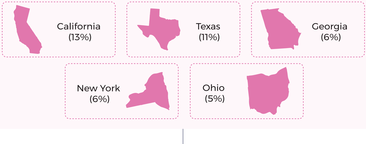
18.2% Retail Trade

14.3% Accommodation and Food Services

7.6% Health Care and Social Assistance

6.4% Construction

The Top Five States For Applications



Key findings

- **Volume of Applications** from women-owned businesses were **28.8% of the applicants in 2018**.
- **Average Credit Score** for women dropped ten points from **598 in 2017 to 588 in 2018**.
- **Average Annual Revenues** of women-owned business rose to **$228,578** in 2018, an improvement of 13% over 2017.
- **Industry Sectors**: **Services** (except Public Administration) represented almost one-in-five (19.7%) women-owned companies in the study. Other top industries included **Retail**, **Accommodation and Food Services**, **Health Care and Social Assistance** and **Construction**.
- **States** where the greatest number of loan applications from women-owned businesses originated were: California, Texas, New York, Georgia, and Ohio.

Rohit's Takeaways from the 2019 Women-Owned Business Study

Rohit Arora
CEO Biz2Credit

"2018 was a good year for the economy and for small business owners in particular. Revenues and earnings both rose for women-owned businesses last year, which means women entrepreneurs are succeeding."

"Women-owned businesses showed lower credit scores (588) last year than they did in 2017 (598). The age of businesses also dropped. This shows us that more women are starting businesses and choosing to apply for financing. It also appears that women who start their own businesses are potentially fueling their business growth with personal financing, affecting their overall credit."

"Loan applications from women business owners were highest in states where technology and construction are on the rise, such as California, Texas, New York, Georgia, and Ohio. This is a sign that many women are starting companies in traditionally male-dominated industries, which is an excellent sign."

CASE STUDY

Maryam Zadeh
Owner, HIIT BOX

Even though women-owned businesses are growing, the findings indicate that they still face challenges, especially when the company is in a male-dominated industry. For instance, Maryam Zadeh, owner of the trendy HIIT BOX gym in Brooklyn, NY, had strong personal credit scores and a growing customer base, yet still found it challenging to secure funding.

"We're a pioneer in Brooklyn with a boutique fitness gym. I can get press and have a level of notoriety, but often lenders will ask me where my 'male partner' is," said Zadeh, who has twice moved into larger spaces because of the growing customer base for her high intensity interval training. "Like any other business, we need growth capital."

She recently secured a bridge loan that enabled her to secure a larger space in the Gowanus section of Brooklyn, a once gritty area that is now booming with small businesses just like hers. Zadeh says the solid offering of her business, her growth rate, and the positive publicity she has received were helpful in securing funding.
"We are adding to our customer base, but with that growth comes increased costs, including front desk help, salaries and other costs," Zadeh says. "There is always something to spend money on during a growth phase."

About Biz2Credit

Founded in 2007, Biz2Credit has arranged more than$2 billion in small business financing and has several times been named to Crain's New York's Fast 50 and was recently ranked among the top 200 fast-growing companies on Deloitte's 2018 Technology Fast 500. Biz2Credit is expanding its industry-leading technology in custom digital platform solutions for leading banks and other financial institutions, investors and service providers in the U.S.

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