Report of the Committee on Small Business House of Representatives, One Hundredth Congress, Second Session, *New Economic Realities: The Rise of Women Entrepreneurs.* Washington, D.C.: U.S. Government Printing Office. June 28, 1988.

This government report is purported to be "the result of the most extensive hearings ever held by the Congress on women-owned business." This bipartisan effort documents the progress that has been made by women entrepreneurs and by an increasingly supportive society while also recognizing the many barriers that still remain to women in their quest to achieve full and equal status in the American mainstream economy.

The report makes recommendations regarding four critical problem areas confronted by the woman entrepreneur. As reported by Committee Chairman John J. LaFalce of New York, there is:

1. a need for management training and technical assistance sponsored on a public-private basis to overcome traditional stereotyping;
2. a need to clarify the application of the Equal Credit Opportunity Act to cover commercial and business lending;
3. a need for specific goals and timetables to increase women's access to Federal procurement opportunities; and
4. a need to gather more accurate and timely statistics on women-owned business.

Since the publication of this report in June, 1988, the Women's Business Ownership Act of 1988 (Public Law 100—533), which was submitted by Congressman LaFalce was signed into law by President Reagan on October 26, 1988. The Act follows up most of the policy recommendations of the June report. In particular, the Act:

1. extends the Equal Credit Opportunity Act to business transactions;
2. establishes a Women's Business Council (although as of this writing appointees have not yet been named to the Council by the Bush Administration);
3. creates demonstration projects funded on a matching public/private partnership basis, in a limited number of geographic test areas to provide sustained, high quality management training and technical assistance for women-owned businesses;
4. allocates a three-year $10,000,000 program to finance the demonstration projects;
5. offers an incentive by cutting the SBA fee from 2% to 1% to encourage banks to grant Small Business Administration guaranteed mini-loans up to $50,000;
6. calls for the development of a statistical base to provide periodically updated data on business organizations owned and controlled by women.

Specifically, the Bill requires the Bureau of Labor Statistics to obtain data on sole proprietorships, partnerships, and corporations owned by women as a by-product of any Census that it conducts. The Bureau of the Census is required to include data on women-owned businesses in its Census, and the Departments of Labor and Commerce, and the Small Business Administration are required to conduct a joint study on the most effective means of gathering this data.

The Small Business Administration is charged with managing all but the fair credit sections of the Act, which are now administered and implemented through the Federal Reserve Board.

Additionally, the Act requires the Federal Reserve Board to (1) promulgate strict limitations covering inquiry into marital status by lending institutions in applications for business and commercial transactions; (2) provide for retention of records including evaluative criteria on loan denials; (3) take appropriate action requiring lending institutions to provide written notice to all business and commercial applicants of their right under the Equal Credit Opportunity Act to be informed in writing of the reasons for any adverse credit action.

These highlights of the Women's Business Ownership Act of 1988 are more than just a beginning. The eradication of barriers to the achievement of full participation by women in the free enterprise system of the United States and the achievement of equality in programs and capital markets is spotlighted nationally in the United States. This Act and the report that preceded it are capstone policy reinforcements of almost 20 years of growth and evolution by women into the mainstream economic community of the United States. Catalyzed largely by the women's movement of the early 1970s, this period of growth brought women out of centuries of economic tyranny and servitude. The Act recognizes the tremendous present and potential human resources available to a nation recently beset by competitive woes in global competitive markets. The Act also recognizes the real and artificial barriers confronted by women as they compete for capital, government procurement contracts, and a full participation in international trade.

Several themes pervade both the Act itself and the report that catalyzed it. First, there is the theme of discrimination in credit markets. As a scholar and academician, I find no fault with the anecdotal evidence provided to support the conclusion that women seeking to start a business must meet a higher standard of personal net worth, and must offer greater security than men in order to obtain any given loan amount. Indeed, the anecdotal evidence is consistent with the findings of empirical studies conducted by Hisrich and Brush (1984)[1] and Haftel and Martin (1986).[2]

A second theme — access to capital markets — although addressed by the report — is not adequately addressed by the Act. Studies suggest that although men and women in business, in general, have the same personal sources of financing (largely personal assets, personal savings, and family), there are overwhelmingly different gross revenues, with women earning around one-third that of their male counterparts. Of all the women-owned businesses that started with a bank loan, women report lower revenue than men, suggesting that under-capitalization may be more of a problem for women than men (Haftel and Martin, 1986).[3] Although the Act addresses this issue by offering bank incentives for SBA guaranteed loans up to $50,000, and by leaning toward the development of Federal Reserve Board sanctions for credit discrimination, much more ought to be done in this area. I, for one, look forward to the careful assessment of the pioneering efforts that have been undertaken at State and local levels to assist women business owners access to capital. Such an assessment is necessary, according to the report, before Federal programs can be developed.

The themes of procurement and subcontracting may be discussed within the context of the broad theme of education. One of the findings of the report and addressed by the Act is that a principal need of women business owners is high quality, sustained management training and technical assistance to improve entrepreneurial skills and increase profitability. Imparting knowledge of procurement and subcontracting opportunities and procedures ought to be part of that training. The legislation, as passed, calls for monitoring of present Federal agency procurement and subcontracting procedures to determine problem areas for women. Legislative follow-up, or at least Federal guidelines, are recommended. The opportunity to compete fairly for government business is critical to the achievement of economic equity by women business owners.

Although the report identifies several successful model programs (AWED, for example, the American Woman's Economic Development Corporation established in New York City as a model management training and technical assistance program), it also states that these models have not been initiated in other geographic locations. One hopes that the Women's Business Council and the SBA will glean the best from all of these successful models to develop the demonstration projects provided by the legislation. Accordingly, one also hopes that several council members be selected from among the leadership of these successful programs, from the banking and financial community, from the ranks of successful women-business owners in a variety of industrial areas, and from among the ranks of the academic community. Although the report says, "we do not need academics," I find this to be a highly biased utterance reflecting a preconceived, stereotyped notion of what academics do.

You do need some academics, preferably those who have practitioner experience in the small business/entrepreneurial area (as most teachers of business management do) and who can assist in creating a partnership and efficient utilization of business, education and government resources. Academics have access to resources on site at colleges and universities that might otherwise be unavailable. There are dozens of successful entrepreneurship programs (at Babson College and Harvard Univeristy, for example) with outstanding track records for training entrepreneurs. The right academics could build into these programs features to meet the specialized needs of women business owners.

Assessing how well existing structures such as small business development centers and small business institutes meet the needs of women business owners might also be a move toward the efficient utilization of limited resources and ought to be part of the Federal effort.

An inevitable conclusion after reading this report and the resultant Act is that in spite of all of its good intentions, the Act is inadequately funded. Ten million dollars (the amount allocated to the development of demonstration projects) is hardly sufficient to support a class group of entrepreneurs which has already contributed $250 billion to the national economy five years ago, and which is making a major contribution today to the economy in revenues, services and jobs.[4] The Act, however, is an optimistic advancement and recognition of the woman entrepreneur.

Notes

[1] Hisrich, Robert D., Brush, Candida, 'The Woman Entrepreneur: Management Skills and Business Problems', *Journal of Small Business Management*, January, 1984, pp. 30—37.

[2] Haftel, Sandra-Honig, Martin, Linda R., 'Is the Female Entrepreneur at a Disadvantage', *Thrust: The Journal for Employment and Training Professionals* 7 (1—2), 1986, pp. 49—64.

[3] *Ibid.*

[4] *Selected Documents Pertaining to the Women's Business Ownership Act of 1988* (Public Law 100—533), Committee on Small Business House of Representatives, U.S. Government Printing Office, Washington, D.C., 1988, p. 40. *Note*: The report contained in these documents entitled "New Economic Realities: The Rise of Women Entrepreneurs" says, "Receipts from women-owned sole proprietorships approximated $100 billion in 1982, according to the U.S. Bureau of the Census. However, the total economic impact of these businesses far exceeds this level if one takes into account the multiplier effect of these dollars as they turn over in the economy. Using a conservative estimate that each dollar will be multiplied 2.5 times in the local economy, women-owned businesses already contributed $250 billion to the national economy five years ago."

SANDRA HONIG-HAFTEL
University of New Haven,
New Haven, Connecticut