

# EXPORT THROUGH A GENDER LENS:

## SECTION 3

### Financing and access to capital: Identifying needs and securing support

The current economic environment has two important implications for women-owned businesses. Firstly, it is critical to get financially fit. That means keeping good financial records and building strong business plans, including cash flow projections. Secondly, it is more important than ever to be aware of the full range of available finance options.

As a business advisor, you play a vital role in making clients aware of all their funding options and outlining which ones best suit their business needs. It is important to determine whether your client is looking to borrow or is seeking investors. Having a conversation to identify the underlying business needs will help clarify their best source of funds. Key triggers in seeking business funding include a focus on the need for expansion and growth, which further drives the need for new equipment, inventory, and staff all putting pressure on cash flow. Likewise, scaling up to meet the demands of a large customer or new opportunity can use up surplus cash and create an inability to meet existing commitments and obligations.

Depending on the business need or financial position when choosing to borrow, your client must understand what a lender looks for. Traditionally, bank lenders use the five Cs of lending: credit, capital, capacity, collateral, and credit history to determine if the potential borrower can service and repay a loan. It will be important for entrepreneurs to understand what type of finance is best for their stage of business, their needs (short-term or ongoing), and what security they have to offer. Where they stand with these key markers will determine the available funding options.

As an example, a main funding variable might be the urgency of an immediate need. This might be an unexpected situation such as acting on an opportunity where time is of the essence like a large, one-off order. In contrast, there is the ongoing need in their business plan such as requiring funding for long-term growth that might include expansion or a shareholder buyout. Whether funding a short-term or urgent need, they must weigh the advantage of getting fast access to money against the fact that fast access to capital may mean interest and other fees at higher rates. Many SMEs seek short-term funding when they would actually be better off with a longer-term solution, either using debt financing or an equity infusion. Longer term approaches may be more feasible and affordable from a cash flow perspective.

The relatively newfound interest in lending to small businesses by financial institutions, especially women-owned entities, is a welcomed relief to many in the industry. However, it is important that entrepreneurs know exactly what they are getting into when entering a financing agreement with a lender or investor. Some financing products that look reasonable initially have significant annual carrying costs at higher rates while others may have terms and conditions that lead to unexpected operating costs. It is critical to ensure your clients understand the total cost of a loan, including any fees and charges, as well as potential early exit conditions before signing on the dotted line.

Alpana Sharma, with the Women's Enterprise Centre in British Columbia and an Export Business Advisor, provides guidance and support to women-owned companies seeking financing to grow their business. It is common, says Sharma, for entrepreneurs to feel overwhelmed when looking at financing options. So, it is important to provide the right knowledge, tools, and resources to help them with their decision.

 “At the Women's Enterprise Centre we help them understand the options available to access the right funding programs which in turn helps them capitalize on opportunities, diversify markets, and grow globally,” she says.

#### ALTERNATIVE FUNDING OPTIONS:

The span of financing available for women entrepreneurs has grown from the traditional banks and credit unions to different levels of government and NGOs. In the current economic environment, there are several options available, which complement the role played by private-sector financial institutions. Alternative funding sources supporting women entrepreneurs specifically include:

1. **Export Development Canada:** EDC has a dedicated team helping Canadian women-owned/led businesses pursue new opportunities, including a new product to access equity growth capital with the \$100 million Women in Trade Investment Program. EDC offers several financing products for companies to support their international transactions covering such things as: paying for the up-front costs associated with the production of a large export order and expanding into new markets or responding to a buyer's request for financing. They do this by providing financing to cover costs such as work in progress, buying equipment or setting up an overseas office. Insurance to protect against risks such as not getting paid, political unrest or customer bankruptcy is also available. EDC works with the company's banks to get requisite bonds posted and helps them break into new markets, going as far as introductions to potential customers.
2. **Business Development Bank of Canada:** BDC focuses on small and medium-sized enterprises and has a specific program dedicated to women-owned/led business. The bank helps businesses with financing, advisory services, and access to capital in all industries and at all stages of development. BDC's Capital Women in Technology (WIT) Venture Fund is one of the world's largest venture capital funds dedicated to investing in women-led technology companies and helping to build a robust ecosystem to support women in tech.

3. **Grants and Contributions:** Two Federal government grant and contribution programs offer direct financial support to SMEs developing new export opportunities in international markets: The CanExport program, supported by Global Affairs Canada, covers a percentage of eligible expenses for a variety of export marketing activities such as business travel, participation in trade shows, market research, adaption of marketing tools and more. CanExport has a program specifically for women entrepreneurs. Agriculture and Agri-food Canada support the AgriMarketing program, a complementary program aimed at increasing and diversifying exports to international markets by supporting industry-led promotional activities that highlight Canadian farm products and producers. In addition, Farm Credit Canada's (FCC) Women Entrepreneur Program, has dedicated \$500 million in lending, enhancing events, and creating resources specifically for women entrepreneurs in agriculture, agribusiness, and food, all to support start-ups and growing businesses.
4. **Canadian Technology Accelerator:** CTA is not a funding program per se, since applicants must be ready to make a significant commitment of time and money, with senior personnel in their company devoting several months of full-time participation. The CTA can provide companies with an existing technology, product or service with vast opportunities and a head start in a foreign market. The focus is helping businesses take advantage of what the local market has to offer. These services vary among CTAs, but generally include mentorship and advice from industry leaders in the foreign market, office space in technology centres shared with other entrepreneurs and innovators, access to potential investors, and connections and networking in the technology business community.
5. **Venture Capital Catalyst:** The VCC program focusing on the global transition towards the adoption of clean technologies designed to enhance productivity, increase resource efficiency, and reduce waste and pollution. It presents an economic opportunity for women-owned companies. The Venture Capital Catalyst Initiative (VCCI) is an alternative funding option to improve financing opportunities for women and under-represented groups in the clean tech sector. It also seeks to improve gender balance among Canadian VC fund managers and companies. A portion of the funds made available under this initiative are dedicated to enhancing diversity and increasing women's participation in the venture capital ecosystem, helping business start-ups, scaling existing businesses, and accessing new markets.
6. **Futurpreneur Canada:** FC provides financing, mentoring and support tools to aspiring business owners aged 18-39 to secure financing through collateral-free loans.
7. **Startup Canada:** Has the Women Founders Fund, providing micro-grants to women entrepreneurs and women-led companies in STEM (science, technology, engineering, math).
8. **Regional Development Agencies:** There are six Regional Development Agencies (RDAs) across Canada that work closely with businesses to help them scale up by providing access to financial assistance. Each of the RDAs have tailored programs that support women entrepreneurs.

There are many financing options available, so it requires some effort evaluate the options, assess your client's needs and steer them towards those best suited to their needs. Helping them understand the different sources of financing will help them move forward expeditiously with their application.