How Did Women-Owned Businesses Fare in the Payroll Protection Program?

RESULTS OF A NATIONWIDE SURVEY OF WOMEN BUSINESS OWNERS • APRIL 23, 2020
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Results of a NATIONWIDE SURVEY of Women Business Owners

Small business owners across the nation were relieved when, on April 3rd, the SBA began accepting applications for the $349 billion Paycheck Protection Program (PPP). For millions of them facing economic uncertainty, this loan program was the potential lifeline they needed to keep their workers on the payroll.

Just 14 days later the funds ran out, and most business owners were left empty handed. As stories of who got funded and who didn’t began circulating, the puzzles of the PPP process began to emerge. Did banks honor the first-come-first-served provisions of the program or did some businesses get preferential treatment? Did all banks perform equally or did some drop the ball? And did banks run a process that distributed loans in alignment with broader geographic and demographic patterns?

It is this last question that led us to wonder: How did women-owned businesses fare?

The SBA has done a remarkable job of sharing the program’s progress and preliminary data, but we don’t yet have insights into demographic breakdowns. Rather than waiting, or speculating, we decided to go find the answer.

On April 17th, Builders + Backers, Her Corner, Springboard Enterprises, and HelloAlice distributed the Women-Owned Business PPP Survey to our members, communities and networks and asked women to tell us about their experiences. Our goals were two-fold:

(1) to gather enough data to gain some insights that may help women-owned small businesses and women-led nonprofits navigate the system better and to help them compare their own experience with their peers, and

(2) to freely share what we learned and give specific insights to the SBA, members of Congress, political, government, and community leaders, financial institutions and women business owners to help inform and shape any future economic rescue initiatives and ensure women have equitable access to critical rescue loan packages.

Hundreds of women took the survey and told us their stories – the good, the bad, and the ugly – of navigating the process. We want to thank all of them for taking time to answer our questions during such a stressful time and for trusting us with their confidential information and harrowing stories. We also want to thank the many community leaders who helped distribute this survey far and wide so that we could gather as diverse a range of responses as possible. It is exactly this kind of collaboration and sharing that gives us hope that we will pull together during and following this crisis.
Lessons Learned

On April 17th, Builders + Backers, Her Corner, Springboard Enterprises, and HelloAlice distributed the Women-Owned Business PPP Survey via email to members, communities and networks across the United States.

Partners, such as Village Capital and Global Accelerator Network shared the survey in their communities and numerous individuals shared it on Facebook, LinkedIn and Twitter.

As of April 22nd, 337 women business owners have responded. Here is what we learned.

1. It does not appear that women business owners were discriminated against during the application process. In fact, based on the proportion of them that were successful in receiving PPP loans, it appears they fared the same or better than the total pool of potential applicants.

2. While that is excellent news, the data tells a much more nuanced and troubling story. Women-owned businesses were passed over in several significant ways that both reflected pre-existing gender gaps in lending and, as a whole, left them unable to take full advantage of the PPP. This, in turn, will have a significant impact on the U.S. economy.

3. There were also substantial and troubling differences in how women fared between the various financial institutions they chose to apply through. There were a few shining stars, far too many underperformers, and several that outright failed the women that trusted them to help them navigate the PPP loan process. In particular, the women’s stories shine a harsh light on America’s biggest banks. This is all the more troubling given the high percentage of women business owners that favor big banks over small ones.

4. Finally, the PPP loan process was a microcosm of the gender funding gap. From a system with a propensity to discourage them from applying to their own conservative tendencies and fears of being turned down and more, all the ways the financing cards are stacked against women were on full display in the PPP process.

— The following sections provide insights into the survey details.
Baseline Data

America’s Small Businesses

There are 30.7 million small businesses in the U.S. In the 14 days the PPP loan program was open, 70% of them, or approximately 21,490,000 businesses, attempted to apply for a PPP loan, and 72% of those (or 15,472,800 businesses) that attempted to apply were successful in submitting an application.

As of April 16, the SBA reported that it had made 1,661,367 loans, at an average of $206,000, and approved $342,277,999,103 in distributions through 4,975 lenders across the United States. It is estimated that just 11% of applicants received loans, leaving another 89% of small businesses still looking for a lifeline.

Women own 42.6% (13.1 million) of all US small businesses. Applying the ratios above, nationally we would expect approximately 9,170,000 women to have attempted to apply for a PPP loan, 6,602,400 of them to have successfully submitted an application and 726,264 of them to have received loans.

Next Section

Survey Data • Submissions & Approvals
Overall, women fared better than national averages both in ability to submit an application and in successfully obtaining a PPP loan.

85% of survey respondents who tried to apply were able to submit a PPP loan application, which is higher than the national average of 72%. However, 5% went to more than one bank before succeeding in their PPP application submission.

At the national figure for loans applications submitted that were approved of 11%, we would have expected to see 37 of the survey respondents receiving approval for their PPP receiving loans. However, 25% (70) of our survey respondents who tried to apply ultimately received approval for their PPP loan. (At the time of this survey, 75% of those who successfully applied had still not received confirmation from either their bank or the SBA that their loan had been approved.)
But nearly a quarter of women-owned businesses (23%) never even got their foot in the door to apply for a PPP loan.

Slightly more than 10% of the survey respondents (35) didn’t even try to apply.

- Repeatedly we heard from women business owners that they didn’t feel they should request the PPP loan because they had savings or “wanted the loans to go to smaller businesses that were really suffering.”

- In other cases, the women received mixed or errant information about whether or not they qualified and/or the information they would need to provide to apply. This discouraged them from even throwing their hats in the ring.

Of those who did try to apply for a PPP loan, nearly 15% (43) weren’t able to submit an application to get the PPP process started. They were turned away by banks, only able to submit in the final hours as funds ran out, asked for complex documents before they could get in the game, or just plain gave up.

![Women-Owned Businesses Unable to Apply](image)

**FIGURE 2**
Again, this is sadly consistent with broader market data. Only 24% of the small businesses accessing capital in the last year were women-owned. Though women- and men-owned firms applied for credit at similar rates, women-owned firms were less successful in obtaining financing. And, they are more likely to be discouraged or choose not to apply for financing for fear of being turned down (22% vs. 15% of men-owned firms).

If the percentage of businesses unable to submit applications holds at national levels, the economic impact is enormous. Because that means that approximately 3 million (23% of 13.1M) women-owned businesses that needed funding critical to staying open never even had a shot. Businesses that, data tell us, are likely already stretched too thin by lower revenues and higher likelihood of operating at a loss than men-owned firms (31% vs. 25%).

Those 3 million women-owned businesses represent 23% of the $1.9 trillion that women owned businesses generate into the US economy. If they fail, it’s a potential $439 billion hit to our nation’s economy.

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When women did successfully apply, they asked for and received less money than national averages despite evidence that women-owned companies are better investments for financial backers.

According to the SBA 74% of PPP loans that were approved went to applicants that requested $150,000 or less. 4% went to applicants seeking loans of at least $1 million. Here women fared about the same as the nationwide distribution - 83% of survey respondents who were approved for a loan also requested loans of $150,000 or less, and only 1.6% of survey respondents were approved for loans of at least $1 million.

However, women asked for significantly smaller loans than the average approved PPP loan. Women asked for $127,985 while the national average approved loan was $206,000. That’s 62 cents for every dollar average.
This is partially attributable to the fact that women-owned businesses tend to be smaller, with lower revenues and fewer employees, than men-owned small employer firms.

It’s also in line with studies that show that women entrepreneurs consistently seek significantly less capital than men (an average of $89,000 as compared to $124,500) despite evidence showing that they outperform male-run companies when fully capitalized. Not only are female-led businesses more capital-efficient, achieving 35% higher ROI, than those run by men, studies show they deliver over 2x the revenue per dollar loaned than firms founded by men.

Next Section
Survey Data • Large Bank Applications & Loans
Women relied heavily on large national banks and, when they did, their likelihood of obtaining a PPP loan plummeted.

One hundred and fifty four (45%) women-owned businesses leaned on one of eight of the nation’s largest banks for their loan application. Unfortunately, this propensity to go big dramatically impacted their ability to successfully obtain a PPP loan.

- Just 10% were approved versus 25% of all survey respondents.
- Five of the eight big banks didn’t approve any of the women in our survey.

Sadly, this is wholly consistent with historical financing trends. While women-owned businesses have a general propensity to apply for financing at large banks rather than small ones (49% vs. 40%) they are actually more likely to be approved at small banks compared to large banks (67% vs. 50%) and to have the highest satisfaction levels at small banks (80%).
Big banks struggled and women-owned businesses felt the impact.

Beyond the disparity in PPP loan approval rates between big banks and the rest of the pack, some of the nation’s biggest banks presented other extraordinary challenges for women. For instance:

**FIGURE 5**

**Applicants & Approvals from Top 8 Largest Banks**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Number Approved</th>
<th>Number Applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>6</td>
<td>42</td>
</tr>
<tr>
<td>CIT Group</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>JPMorgan Chase</td>
<td>6</td>
<td>54</td>
</tr>
<tr>
<td>PNC Financial Services</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>TD Bank, N.A.</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Truist Financial</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>U.S. Bancorp</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>0</td>
<td>20</td>
</tr>
</tbody>
</table>

**Wells Fargo** funded zero of the 20 companies that selected to apply through them.

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**PNC Bank** funded zero of 15 women-owned companies.

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**Truist Financial** funded zero of 14 applying companies.

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**JPMorgan** was the most often cited bank, and they did an outstanding job of getting women into the front-end of the loan process. All but two of 54 women who tried to work with JP Morgan were able to apply. BUT, of the 52 women that were able to apply, 30 of them (57%) were never even asked for documentation after they submitted their application! Those businesses never really got past the front door and never had a fighting chance at a PPP loan.

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BANK OF AMERICA also did a better than average job of getting women into the process. 37 out of 41 respondents were able to submit an application, and 31 were asked for the necessary documentation to proceed. But abysmal communication was a consistent theme among survey respondents. 32 women were never notified of approval or denial and never got a communication from the bank about the PPP loan funds being exhausted. 27 received no communication at all. The rest describe endless loops of automated, nonsensical and contradictory emails with no possibility of human contact to resolve it. Ironic, given Bank of America’s often touted $10 billion IT spending budget and “tech leadership.”

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On a positive note, M&T BANK funded 9 out of 10 applicants. (The one that didn’t get funded wasn’t able to produce the documents required to get approved.)

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And ... Nearly all the smaller banks funded all their applicant(s)!
Recommendations

SBA • Revise the Rules for Round Two

The PPP loan process injected $349 billion into our nation’s small businesses, but an additional $3 trillion may be needed to fully cover the demand. A second PPP bill is expected to bring another $310 billion to the table and it will likely go fast once the SBA puts this second program in place and re-opens application processing. To ensure a more streamlined and equitable program for business owners in the United States, including those owned by women:

Truly for Small Businesses
Let’s ensure that the PPP loans are truly going to those they were intended to serve: businesses with 500 or fewer employees.

1. Restore size caps, eliminate accommodations and require loan recipients to have 500 or fewer employees regardless of their industry.
2. Require all banks to publicly share their lists of PPP funded companies.
3. Track and share performance data by bank, including demographic breakdowns of applications and loan approvals.
4. Revise the loan origination fee structure so that it does not incentivize banks to put large PPP applications first.
5. Consider alternative incentives that encourage equitable loan distribution. For instance, encouraging banks to take on applicants regardless of prior banking relationships or escalating incentives for prioritizing small dollar loans -- both of which increase the odds of PPP lending to minority- and women-owned businesses.

Take care of those who have been waiting.
Let’s give the businesses that did everything “right” and got in line in early April a chance to get their PPP loans. Continue to make the program first come / first serve. Take care of those already in the queue first before newer applications.

Eliminate the flaws that hindered women and minorities.
Women-owned (and minority-owned) businesses have unique characteristics that make programs like PPP more difficult for them to surmount. There is no shortage of studies documenting common drivers of the funding gap. Business size (revenue, number of employees), capital structure, assets and liabilities, the industries they choose, their (lack of) existing banking or borrowing relationships, their propensity for
risk and more all shape their PPP experience and the odds of getting a PPP loan. Don’t expect those demonstrated trends to somehow not apply here. Assume they will, and craft structures, rules and incentives to increase the odds that the companies that get funded represent the diverse array of businesses that make up our nation.

Let Fintechs step up.
Until now, the SBA had never authorized anyone but traditional banks to offer its government-guaranteed loans. In the first round of PPP loans, fintech companies like Square, PayPal, and Intuit were approved a full week after the banks were and had only a few days to submit loans. Now, they are on track to be excluded from the second. Yet, these firms are ideally suited to help ensure the PPP loans deliver on their intended purpose -- help small businesses. Not only are they particularly nimble, they already work with many of the smallest businesses and populations most overlooked or excluded from the financial system. They are ideal partners for women-owned businesses, whose businesses and loans skew smaller than average. Now is not the time for the entrenched interests of big banks to prevail. The SBA should prioritize approving fintech lenders for this second round of PPP lending.

Clarify and simplify.
One of the largest points of frustration of the PPP process was the lack of transparency and communication from the banks. Let’s encourage banks to fix this. Share best practices from the first round of PPP loans -- from excellent examples of user interfaces or user experiences to insights into processes that seemed to enable some banks to serve their customers better than others -- let’s harness the chaos of round one and let it be a guide for improving round two.

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Big Banks • Step Up

Banks made $6 billion in just 14 days processing PPP loans and they stand to double that in just a few more days. PPP loans are lucrative, but evidence (ours and others’) shows that banks, and particularly the biggest ones, are not serving their customers well. The anecdotes and stories women business owners shared with us screamed one theme -- they are fed up, not because they didn’t get a loan, but with how poorly banks treated them in the process.

Get a whole lot more transparent.
This is a stressful and uncertain time. The last thing any business owner needs is more stress and uncertainty. Transparency and clarity are crucial in moments like this. So is acting with kindness.
1. Cut the rhetoric. Stop with the platitudes. This is a moment for concise and accurate information.

2. Clear is kind. Be upfront, honest and crisp about what you are (or aren’t) doing.

3. Don’t stall endlessly. A quick “no” is far more kind than a long “maybe” or “no.” A “no” lets the business owner know she needs to move on.

4. Don’t stonewall. Millions of businesses are in your hands. They’re trusting you to do a job. Don’t let the loan volume or short time frames become an excuse not to strive to do your job excellently.

Fix your communications.
No, you can’t fund every business. You can’t even fund most of them. But you can treat your customers with respect. And that means actually communicating with them. It means being honest and clear in how you do it. And it means understanding that, while each woman-owned company may look like small potatoes to you, for that woman and her family, her business is her world. She may not remember the details of whether she got funded or not. But she will remember how you treated her.

Remember the scale.
Women-owned companies might be smaller than average. But there are 13.1 million of them employing 9.4 million workers and generating $1.9 trillion in revenue. Until recently, they favored big banks. The data from PPP round one doesn’t bode well for that trend to continue. In this next round of stimulus, banks have a chance to make it right.

Women • Change your Strategy

Stop waiting on the big banks to take care of you!
For businesses that have not yet applied for the PPP or whose banks have continued to give them the runaround, look for a new solution while also staying in touch with your bank. If your bank still cannot take your application, consider applying through local banks like First Republic Bank or Boston Private Bank.

Get scrappy.
Our survey respondents shared story after story of how they resiliently leaned into a chaotic process in pursuit of their PPP loans. They were proactive, rather than passively waiting. They called, they emailed, they worked their connections. 5% of them worked the process with multiple banks simultaneously to
suss out their best strategy for beating the odds. These are unprecedented times and your business may be on the line. Roll up your sleeves and find your path(s) forward.

**Go small.**
The new stimulus measure will allot around $60 billion to smaller financial institutions. Banks with $10 billion or fewer in assets will get half of that set aside. Smaller banks tend to make smaller loans, serve smaller businesses and act more nimbly than behemoth banks. Women-owned companies should refocus their PPP efforts on small and community-owned banks.

**Get going.**
Don’t wait for Congress to approve the bill or the SBA to announce the opening of applications. Banks are filling their queues now, fully expecting the second round of PPP funds may be depleted in as little as two days. If you’ve already applied, make sure your documentation is in. Reach out to your bank or credit union to ensure your application will be processed as soon as the PPP is open again.

**Get help.**
If you aren’t sure if you qualify, are uncertain about which documents you’ll need to submit, or have questions about the process, don’t just opt out of the program. Get help. The good news is there are now over 1.6 million small business owners who have successfully navigated the PPP process you can learn from. And several organizations have turned round one of PPP inside out to see what worked for those that were successfully funded.

**Share what you learn.**
If every woman whose small business was approved for a PPP loan shared her tips for success with just four other women, every woman-owned business in the United States could have access to the insights that might help them succeed. We’re in this together so let’s help one another!
About the Authors

This study and report were prepared by Builders + Backers and Her Corner with support from Springboard Enterprises and HelloAlice. Together, we reviewed dozens of news sources & reports, analyzed data from over 300+ survey respondents, and read testimonial anecdotes of business owner’s experiences. Through this, we hoped to shed light on what is happening to small businesses owned by women across the U.S. while also bringing recommendations, strategies and approaches that can help everyone involved in shoring up our nation’s small businesses do so effectively and equitably.

Builders + Backers exists to unleash a wave of ideation and experimentation to solve our country’s greatest challenges and create a future where everyone, in every community, thrives. Created from three years of research into why some communities are faring better than others in the transition to the digital economy, we share proven frameworks and tools with local entrepreneurial thinkers and doers to equip them to accelerate their communities’ economic engines and stimulate flourishing. We scour the landscape looking for stories to inspire the nation to build. And we back the most promising ideas that emerge so they can be replicated and have an impact at national scale. From the smallest of projects to the biggest, boldest ideas we can all become people of action. And, in sharing our challenges and our ideas for solving them, we will see the common threads that connect us more than divide us. We can come together by building together. To learn more, visit buildersandbackers.com.

Her Corner is a Washington, DC-based education-company committed to helping women grow their businesses. The company operates in six states, and has a network of nearly 1,000 businesses, including brick-and-mortar shops like bakeries and fitness studios, to service providers like bookkeepers and website marketers, to nonprofit organizations, and everything in between. Members typically have revenue from $250,000/year to $3 million/year, employ a handful or more people, and are a main source of income for their families. The flagship Accelerator program has helped hundreds of women by offering proprietary business frameworks, collaboration with fellow business owners, in-person peer groups, and business coaching and strategy from prominent experts to help scale women’s businesses. We believe women can grow their businesses through the power of collective intelligence — and our mission is to be part of that growth story. To learn more, visit hercorner.org.
Springboard’s mission is to accelerate the growth of entrepreneurial companies led by women through access to essential resources and a global community of experts. We are a leading network of influencers, investors and innovators dedicated to building high-growth companies led by women who are transforming industries in technology and life science. The measure of our success is in the results. Since 2000, nearly 800 Springboard portfolio companies seeking financial and human capital for product development and expansion have created over $20B in value, are revenue generators and job creators. With 200 exits to strategic acquirers and 20 IPOs, Springboard Entrepreneurs are Transforming Industries. To learn more, visit sb.c.

Hello Alice is a free, multichannel platform that helps businesses launch and grow. With a community of more than 100,000 companies in all 50 states and across the globe, Hello Alice is building the largest network of owners in the country while tracking data and trends to increase the success rate for entrepreneurs. Our partners include enterprise business services, government agencies, and institutions looking to serve small- and medium-business owners to ensure increased revenues and promote scale. Co-headquartered in Houston and San Francisco, and founded by Carolyn Rodz and Elizabeth Gore, we believe in business for all by providing access to all owners including women, people of color, veterans, and everyone with an entrepreneurial spirit. To learn more, visit helloalice.com.
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