



## INFORMAL WORKING GROUP ON MSMEs

### SUPPORTING WOMEN-OWNED MSMEs

#### *Communication from the United Kingdom*

The following communication, dated 9 June 2023, is being circulated at the request of the delegation of the United Kingdom for consideration at the next meeting of the Group.

## 1 ISSUE

1.1. The WTO estimates that up to a third of MSMEs face challenges accessing financial services.<sup>1</sup> This barrier is greater when a MSME is women-owned and led. For example, in the UK, start-up funding is the biggest barrier mentioned by women looking to start a business: women launch businesses with 53% less capital on average than men. This lack of access to capital can seriously hold back women-owned MSMEs: only 13% of women-owned MSMEs ever reach a turnover of £1 million, compared to 29% of male-owned businesses,<sup>2</sup> and this data reflects global trends where there is a \$300 billion credit gap for women-owned MSMEs.<sup>3</sup>

1.2. This paper outlines one UK project as an example of how to tackle this issue and help women-owned MSMEs grow. It also highlights an international initiative which builds upon work in the UK and makes recommendations for Members to consider. The UK encourages Members to bring forward other domestic and international initiatives to the Group which they believe would benefit women-owned MSMEs.

## 2 BACKGROUND

2.1. Recognising that female entrepreneurs face additional barriers in establishing and growing their business, the UK government commissioned Alison Rose, The Chief Executive of the NatWest Group, to lead an [independent review of female entrepreneurship](#). Published in March 2019, the review shed renewed light on the barriers faced by women in starting and growing businesses and identified ways of unlocking untapped potential. The report estimated that up to £250 billion of new value could be added to the UK economy if women started and scaled businesses at the same Gross Value-Added rate as men, over a four-year period. The potential for growth in the UK also exists in markets globally. For example, in Canada, the 2018 Women Entrepreneurship Strategy has the aim of adding CA\$250 billion in economic value to the country. The Rose report produced eight recommendations, which could bring about positive change. The first of these recommendations was the Investing in Women Code.

<sup>1</sup> World Trade Organisation, Trade finance and SMEs Report 2016, [tradefinsme\\_e.pdf \(wto.org\)](#).

<sup>2</sup> UK Statistics - Investing in Women Code Annual Report 2022, British Business Bank, <https://www.british-business-bank.co.uk/wp-content/uploads/2022/10/investing-in-women-code-annual-report-2022-v2.pdf>.

<sup>3</sup> Women-Owned SMEs: A Business Opportunity for Financial Institutions, International Finance Corporation, World Bank Group, <https://www.ifc.org/wps/wcm/connect/44b004b2-ed46-48fc-8ade-aa0f485069a1/WomenOwnedSMes+Report-Final.pdf?MOD=AJPERES&CVID=kiiZDZ>.

### 3 THE INVESTING IN WOMEN CODE

3.1. The Investing in Women Code is a commitment to improving female entrepreneurs' access to tools, resources, and finance in the UK. The Code commits signatory financial services organisations (currently 215) to promoting female entrepreneurship by:

- Having a nominated member of the senior leadership team who will be responsible for supporting gender-equality;
- Increasing the transparency of financial services firms' data concerning support for female entrepreneurs; and
- Adopting internal practices to improve female entrepreneurs' access to finance.

3.2. Signatory organisations must include these commitments on their website. This provides a positive public signal to female entrepreneurs looking for funding, who can be confident that the signatory is committed to financial equality.

3.3. A key issue when attempting to support MSMEs to trade is a lack of data pinpointing core barriers. The Code attempts to address this by committing signatories to report gender-disaggregated financial data. This data may include the number of finance applications, split by loans, overdrafts, and approvals, disaggregated by all-female-led, mixed gender, and all-male-led businesses. The purpose of this data collection is three-fold:

- To have self-reported data that spans all institutions. Data is currently not collected and published on this scale; this data collection will provide a cohesive picture of the state of funding for female entrepreneurs.
- To enable individual organisations to benchmark themselves against their cohort, and track their progress.
- To encourage organisations to add 'gender' as a metric in their internal reporting, leading to organisations capturing wider diversity metrics.

### 4 IMPACT OF THE CODE

4.1. The Code's signatories (e.g. Banks, Angel Investors and Venture Capital Funds) represent over £1 trillion in assets managed. Central to measuring the impact of the Code is the publication of an Annual Report which outlines the statistical trends in data provided by signatories. The 2022 Annual Report highlighted many notable positive trends within the industry, with signatories making progress towards a more equitable financial services sector.

- There was no significant difference in the number of debt finance approvals between businesses led by women (90%) and men (92%). This is consistent with previous figures and represents a consistent area equity in the sector. Of those approved loans, the average value for women-owned businesses was £51,300, up from £25,000 in 2020. Furthermore, 18% of all financial applications were by women-owned MSMEs, up from 15% the previous year.
- Angel investor signatories made 21% of their investments in all-female teams in 2021, up from 13% in 2020. Furthermore, all-female teams requested similar amounts from Angel investors as all-male teams: £791,000 vs £823,000. This is a meaningful change, as in 2020 all-female teams had requested less than 50% of their male counterparts.
- Venture and growth capital data was similarly positive. The proportion of deals concluded by signatories with all-female founder teams was 9%, up from 6% in 2020.

4.2. However, despite positive progress the Code cannot level the financial playing field for women-owned MSMEs on its own. Women-owned MSMEs remain significantly less likely to receive funding when compared to male-owned MSMEs. Furthermore, female entrepreneurs remain less

likely to make lending requests. More work needs to be done to understand why this is the case and how it can be addressed.

## 5 NEXT STEPS

5.1. The Investing in Women Code continues to grow. As more signatories join, the gender desegregated data set increases and more of the market is covered. Thanks to the Code, more organisations are committed to supporting women-owned MSMEs to access finance and reduce the gap between men and women. However, to have the greatest impact on MSMEs globally, the successes of the Code need to be internationalised.

5.2. To achieve this, the UK supports The Women Entrepreneurs Finance Initiative (We-Fi). This is a World Bank hosted partnership among 14 governments,<sup>4</sup> eight multilateral development banks, and others. Modelled closely on the UK Code, We-Fi is developing the Women Entrepreneurs Finance Code. This initiative aims to get financial institutions globally to consistently track levels of women-owned MSME financing and to take measures to expand financing.

5.3. This initiative has the potential to internationalise the successes of the Investing in Women Code, tackling the lack of gender-disaggregated data and helping more women-owned MSME gain equitable access to finance.

## 6 RECOMMENDATIONS

6.1. The UK asks all Members to consider the following recommendations:

- a. Share with the MSME IWG their best practices of supporting women-owned MSMEs.
- b. Consider conducting an independent review of female entrepreneurship to identify initiatives to support their women-owned MSMEs.
- c. Explore establishing similar initiatives to the Investing in Women Code to support women-owned MSMEs' access to tools, resources, and finance.
- d. Support We-Fi in their development of The Women Entrepreneurs Finance Code.

## 7 GROUP DISCUSSION POINTS

7.1. The UK would like to pose the following discussion points to the Group for consideration to start a constructive conversation and identify ways in which the Group could collectively tackle barriers facing women-owned MSMEs:

- a. What have Members' women-owned MSMEs identified as the largest barriers to trade?
- b. What steps have Members taken to address and tackle these barriers?
- c. Based on these discussions by Members in the MSME IWG, would the Secretariat and Chair be open to producing a compendium of ideas shared on support for women-owned MSMEs?

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<sup>4</sup> The founding financial contributors are Australia; Canada; China; Denmark; Germany; Japan; Korea, Republic of; Netherlands; Norway; Russian Federation; Saudi Arabia, Kingdom of; United Arab Emirates; United Kingdom and the United States of America.