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Female entrepreneurs, the crisis and access to credit: the Italian case

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Abstract

The term crisis had never been so used, both in the common language and in the media, until the crisis of 2009 has not exploded, affecting most of the world economies. The objective of this paper is to verify whether this crisis has determined different dynamics in women's companies compared to male companies. Italy was among the countries most affected by the crisis and this resulted in a considerable contraction in the number of companies operating in the country (-43.5% of bankruptcies between 2009 and 2016). Female companies, however, have increased in the same period, representing 65% of the total increase in the companies. Nonetheless, as is also evident from the research we are conducting and which we present in this article (albeit in its embryonic stage) that access to credit, which has been made more difficult for all companies as a result of the credit crunch caused by the crisis, was particularly difficult for female-run businesses: based on their experience, over a third of the Italian entrepreneurs we interviewed believe that access to credit is more difficult for female-run businesses and about one in three has encountered obstacles in accessing forms of financing.

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1. Introduction: brief notes on the crisis

The term crisis had never been so used, both in the common language and in the media, until the financial crisis that exploded in the first decade of this century did not hit most of the world economies, to varying degrees also based on the commercial and financial integration of each country. Without any doubt, the most used indicator for measuring the severity of the global crisis and its impact on the various national economies has been, as it has been in use for decades, the Gross Domestic Product (GDP). According to this indicator, the countries in which GDP decreased most after the crisis were Japan, Germany and Italy. This trend may be explained by the temporary decline of the world trade and the great contribution of exports to GDP in these countries. It is well known that in Italy exports play an important role: in the years 2006-2007, shortly before the crisis began, Italy had reached pre-eminent positions in international trade. Italian exports, in 2007, had exceeded the record of 500 billion dollars and for 1,022 products, Italy was one of the first three countries in the world among the exporting countries. The Fortis-Corradini index, which is used to measure with a great level of detail the number of products in which each country is the first, second or third world exporter, identified in those years some niches in which Italy excelled, despite the lack of big companies in the country. Since Italy's national wealth is strongly linked to exports, it was thought that the recovery was simpler than in countries like Spain (an economy that was more dependent on sectors such as construction, for which it was thought there would be greater difficulties of recovery). In fact, using other indicators that can provide useful information on the impact of the crisis, such as the rise in unemployment, it is possible to observe that, between June 2008 and June 2009, the unemployment rate in Germany has increased by 5.5%, in Italy 10.4%, while in the United States, Spain and England, the increase in the unemployment rate was respectively 71%, 66% and 45%.

Nonetheless, in the latest "Entrepreneurship at a Glance" Report, the OECD highlighted that bankruptcies in Italy grew by 43.5%, from 9,384 in 2009 to 13,467 in 2016. This figure has no comparison with other large economies monitored by the OECD. The 2009 crisis, among other things, did not affect all the various production areas and the different territories in the same way. In fact, the exporting companies were less affected than those operating only at national or local level, as well as companies operating in high-tech activities were affected less than those operating in traditional sectors. And finally, the crisis has been felt less in some regions of the North than in the South. But is it possible to analyze even if the crisis has had a different impact on female-run businesses than male-run ones?

2. Female entrepreneurship in Italy

As highlighted in the OECD report "The Pursue of Gender Equality 2017", gender equality is not only a fundamental human right, but it is also the cornerstone of a

prosperous and modern economy, which aims at sustainable and inclusive growth, in which men and women can make their full contribution at home, at work and in public life. According to the Global Gender Gap Index 2017 released by the World Economic Forum, Italy is in 82nd position out of 144 countries in terms of gender equality. The unemployment rate in Italy has not yet returned to pre-crisis levels and Italian women still have one of the lowest rates of participation among OECD countries. The low number of women in the labor force helps to explain why Italy has one of the lowest gender pay gaps in the OECD: the (few) women active in the labor market are on average more educated and have higher pay potential than inactive women.

Self-employment is very common in Italy, especially among young women and men, but the pay gap, in this case, is very high: Italian self-employed workers earn 54% less than male workers. One of the reasons for the low rate of female participation is the lack of affordable and good quality childcare services: only one child in four between zero and two years in Italy is enrolled in a nursery school. The situation for women's employment in Italy, that already was quite critical, has been aggravated by the financial and economic crisis that started in 2009 and that accentuated the country's structural weaknesses. First of all, a persistent lack of services for children and for the elderly; the difficulties that Italian women face in reconciling work and family life, due to rigid work arrangements; the unemployment rates, that are constantly higher for women than for men; the difficulties in career progress, just to mention some. In this context, many Italian women, in the past decades, opted for a public job: indeed, the public sector offers women higher flexibility of work arrangements and medium salaries and it has been considered as a surrogate measure for work-family reconciliation policies (Solera, Bettio 2013). But after 2009, the decrease in employment opportunities in the public sector due to austerity measures has become a serious threat for the investment in human capital of educated women. Furthermore, Italy has never elaborated an effective strategy to favor the access of women to the labour market, even if the country would really need a policy approach based on the integration of different areas: first of all, education, but also, taxation and services (Rinaldi, Sciarelli, Capuano, 2018). As a result, part-time working women, which used to be below the EU average, are now 31%, very close to the average. Besides that, 54.4% of them didn't choose their part-time (in the EU27, the average is 24.4%): for women, full time jobs have decreased and part-time jobs increased (Villa, 2013). For all these reasons, women's employment in Italy continues to decline compared to all European countries (except Greece), also showing deep differences between the North and the South part of the country. The growing decision to do business for Italian women can therefore be seen as a response to these structural conditions which tend to de-motivate women from seeking employment as a result of a lack of labor force demand.

In our country, the phenomenon of female entrepreneurship has recently developed. In Italy, women's businesses began to spread at the end of the Eighties, thanks to the entry into force of Law 44/1986 aimed at providing aid to facilitate economic and employment development in the most depressed areas of our country and the birth of new companies, mainly run by young people. This law was the first in Italy to provide specific support for women, granting more favorable conditions for companies whose corporate structure was predominantly female. In Italy it is a recent phenomenon

probably due to the fact that one of the fundamental aspects to be addressed in relation to the phenomenon of female entrepreneurship is the theme of reconciliation between work life and private and family life, or work-life balance. Reconciling one's career with personal and family needs should be a requirement indiscriminately perceived by everyone (both men and women) who have a paid job that takes time and energy away from other aspects of their lives. Despite that, according to the "Mediterranean model of welfare state" (Trifiletti 1999, Bettio and Plantenga, 2008) women's work inside the family has traditionally been the main provider of social protection and care services for the Italians. This is one of the structural causes of the low participation of women in the labour market and also one of the main reasons why private and public services for the care of fragile people (like children, disabled and elderly people) in Italy never really developed (impeding this way the creation of new jobs for women in particular). As a consequence, Italy has both a low total fertility rate (1.35 in 2015 with the EU-28 average at 1.58) and a low activity rate (52.6 per cent for the 3rd quarter of 2013 with the corresponding EU-28 average at 66.1 per cent). A survey published in 2010 has shown that 46% of women who are inactive left work because of reconciliation problems (ISFOL 2010). INPS data show that 25% of women who gave birth in 2009, 4 years later were not back to work. It is not by chance that the decision to start a business activity arises, for many women, from the need to reconcile, on the one hand, the desire to do a job that meets their own need for self-realization and independence and, on the other, the will and the need to take care of the family (Cesaroni & Sentunti, 1994).

This is not a simple choice, in any case. In today's society, the main constraints that women encounter in their career as entrepreneurs are numerous: from the lack of available care services to the discriminatory attitudes that women face in the workplace, such as the distrust of the credit world that slows down their activity, as we will discuss in a moment.

3. Women, businesses and access to credit after the crisis

The economic and financial crisis had a significant impact on Italian companies, which were forced to deal with a very difficult economic environment, characterized by a strong and persistent decline in internal demand for goods and services, an important reduction in investments by both businesses and households, a significant tightening of credit access conditions. These factors have caused corporate failures to increase dramatically, as we have noted. Nevertheless, we can observe data in contrast: between 2010 and 2015, 35 thousand new women-led companies entered the market, representing 65% of the total increase in the country (in absolute terms, 53 thousand units). The dynamism of women's businesses, which represented three times that of men (3.1 per cent of growth rate against 0.5% of male entrepreneurs), brought businesses driven by women to 1 million and 312 thousand, with almost three million people employees. In other words, female entrepreneurship contributed two-thirds to the overall growth of the entire Italian entrepreneurial base. This greater expansion of women's businesses compared to men's ones can be found in all the macro-divisions of Italy: in particular in the two northern divisions of the North-West and North-East, but

also in the Center and in Southern Italy. This also confirms the important role played by female entrepreneurs in the productive development of the most disadvantaged areas of the country. Therefore, the data show that, despite the crisis worsened in 2012, the slow increase in women's businesses did not stop and their contribution to the Italian business system was quite significant. As we have seen, the women's business sector, at the aggregate level, has managed to resist much better the difficulties deriving from the economic crisis and has shown a greater capacity to hold than its male counterpart. However, we should remember that, although the crisis has revealed a certain tendency towards female entrepreneurship, the Italian labor market has continued to penalize women. If we do not consider women entrepreneurs, between 2010 and 2015, female unemployment increased by 522 thousand (Unioncamere "Companies in general").

Per comprendere approfonditamente quale impatto la crisi abbia avuto sulle imprese dei due generi, non basta soffermarsi a ragionare sull'aspetto quantitativo. E' infatti, importante comprendere in che modo le imprese abbiano affrontato la crisi, quali siano stati gli effetti provocati sull'andamento delle imprese e sulle loro performances, quali iniziative siano state intraprese per contrastare gli effetti della recessione economica, come siano cambiati i rapporti con i principali stakeholders, in primis con il sistema del credito, e come la crisi abbia modificato le criticità connesse all'esercizio dell'attività imprenditoriale. Il tema delle strategie con cui le imprese affrontano i periodi di crisi economica è relativamente poco sviluppato nell'ambito della letteratura, nonostante sia ampiamente condivisa l'idea che la crisi rappresenti una delle sfide più difficili che le imprese possano affrontare nel corso del loro ciclo di vita. (Latham) To understand in depth what impact the crisis has had on the companies (both female-led and male-led), it is not enough to consider the quantitative aspect. It is in fact important to understand how companies have dealt with the crisis, what have been the effects it caused on the performance of companies, what initiatives have been taken to counteract the effects of the economic recession, how relations have changed with the main stakeholders, first and foremost with the credit system, and how the crisis has changed the critical issues related to the exercise of entrepreneurial activity. The theme of the strategies with which companies deal during periods of economic crisis is relatively poorly developed in the literature, although the idea that the crisis is one of the most difficult challenges that companies can face during their lifecycle is widely shared (Latham, 2009). In general, it is believed that the strategies that companies can adopt when dealing with a crisis are attributable to two main approaches: the first involves the adoption of measures aimed at maintaining efficiency through cost cutting, the cut of non-strategic assets and the staff reduction; the second is expressed through the decision to launch programs of technological organizational renewal, to introduce new products and processes, to search for new markets and new customers, and to make investments for the entry of new businesses. The first corresponds to a strategic choice of a defensive nature, aimed at protecting the company and protecting its survival capacity in the short term. The second one is an offensive choice, carried out with a long-term perspective projected in the post-recession phase and aimed at strengthening the company's long-term competitive position. Several researches show that women have, on average, a higher risk aversion than men (Croson & Gneezy, 2009). Studies show that women are more concerned than men with the risks associated with a process of rapid growth of the

company: for this reason, they would deliberately choose objectives of low and constant dimensional expansion, avoiding to be involved into situations with uncertain results, even if the possibility of obtaining economic and financial advantages is not remote. But, returning to the taxonomy that we have just introduced, an offensive strategy can be more easily pursued, with the same risk propensity, if the company has easy access to credit. For Italian female entrepreneurs, in line with the trends that can be observed worldwide, the problem to be overcome remains access to credit. From the analyzes carried out on this topic, there emerged the existence of significant differences between the composition of the funding resources of male and female companies, where the latter start their business with a lower initial capital and also in the later stages of business life tend to use smaller loans than male companies (Alsos, Iseksen. & Ljngggren, 2006). According to ISTAT data, Italian women entrepreneurs rely mainly on personal resources, their family and friends to finance their activities, making less use of bank loans than their male counterparts. As we have said, access to financial resources is recognized as one of the main problems that women entrepreneurs encounter in the course of their business experience. The international data presented in the European Central Bank's Survey on Access to Finance of SMEs show that female businesses encounter restrictions on access to credit. This statement is further confirmed by the Women's report 2012, with reference to a large number of countries, also outside Europe. This difficulty could explain why businesswomen perform worse over the long term than males: lower business size, lower growth rates, lower profits. In fact, especially in the early stages of an entrepreneurial activity, the possibility of realizing an adequate funding plays a fundamental role for the possibility of survival and growth of the business. So, it could be the funding gap that hinders the growth of women's businesses. In this regard, it gradually begins to appear the hypothesis that the gender of the applicant may be an element that conditions the choices of the banks regarding the acceptance or refusal of the requests for financing, the applied interest rates, the required equity or personal guarantees. For this purpose, in 1988, Buttner and Rosen analyzed the perceptions of 106 bank employees, comparing the assessments assigned to individual clients regarding the possession of a series of characteristics which should have been representative of the typical profile of the successful entrepreneur. Research has shown that the distinctive characteristics of successful entrepreneurs have been predominantly found in men rather than in women. Such perceptions could result in gender discrimination in the decision to grant credit. For this purpose, in 1988, Buttner and Rosen analyzed the perceptions of 106 bank employees, comparing the assessments assigned to individual clients regarding the possession of a series of characteristics representative of the typical profile of the successful entrepreneur. Research has shown that the distinctive characteristics of successful entrepreneurs have been predominantly found in men rather than in women. Such perceptions could result in gender discrimination in the decision to grant credit. During the economic crisis, the situation has worsened. It is well known that access to credit is a fundamental element in the functioning of a capitalist economic system and can represent a crucial point for the recovery of a national and regional economy. Credit can be an important element both for the day-to-day running of the company and for critical junctions and significant moments of corporate life, such as the establishment, renewal, enlargement and crisis phases. It is therefore important for a healthy business sector to be able to facilitate

access to credit, as liquidity, if difficult to find, can become one of the causes of economic stagnation, forcing companies to slow down their business or wait long time for the provision of the necessary resources before being able to make an investment. The Italian credit market has been hit hard by the economic crisis of 2008 and this has led to a gradual shrinking of credit available to businesses, to the point of representing, in its current state, an important limit for the economic growth of our country. The data of the Doing Business 2017 Report released by the World Bank, in fact, place our country in 101th place out of 190 in terms of access to credit, with a retreat of 4 positions compared to the result of 2016. This criticality is attributable to several factors, some closely linked to the characteristics of the Italian legal system, others deriving from the characteristics of the Italian business and credit system. The same study by the World Bank assigns an extremely low score to Italy in terms of the efficiency of bankruptcy rules and the collateral norms to the credit theme. Moreover, the difficulties in accessing credit also concern the typical characteristics of the Italian business system, made up especially of small and medium-sized enterprises, and the fragility of Italian credit institutions, which has emerged with particular clarity in recent years. In the National Report on Business Credit Access published by Unioncamere, the main reasons for the dissatisfaction of companies with respect to credit institutions are essentially linked to the burden of banking services, the extent of the guarantees required and the lack of clarity in the communication of costs and of the conditions. It must be said that, due to the crisis, the banks had to face a liquidity crisis and a reduction in the allocation of capital resources. Due to these shocks, credit granted to companies of all kinds has slowed down, especially in those sectors considered by the banking system to be less significant. As a result, during the economic crisis, as well as in subsequent years, the reduction in credit was more substantial for female businesses. They have held up better than their male counterparts to the crisis, yet female enterprises are still few and are facing difficulties in the access to credit. As data from the National Observatory on Credit for SMEs also point out, access to credit is still one of the fundamental gender gaps that characterize Italy. The 2nd National Report on Female Entrepreneurship published by Unioncamere shows that during the most difficult years of the recession, women have asked for less loans than their male counterparts: women's businesses continue to have a much more severe attitude towards banks, with a lower orientation towards bank debt.

4. Research in progress

In order to estimate the perception of the difficulty of access to credit by Italian female entrepreneurs, we are conducting a research that is still ongoing and of which we are spreading the first results. The research is conducted through the administration of a mainly structured multiple choice questionnaire, with some in-depth analysis for which the use of open questions has been necessary. At the moment, the questionnaire has reached 95 entrepreneurs, whose activity is for more than 69% of the total located in

Northern Italy, about 20% in the Center and only 10.6% of the total in southern Italy (South and Islands).

In the past 5 years, 69.5% of the interviewed female entrepreneurs perceived the need to expand their sources of funding. Among the criteria used to identify the financial intermediary to whom the request for financing has been made, 34.4% of the total indicates previous relationships for previous purchases of financial products, also for personal or family reasons, and 25.6% for proximity. To broaden the sources of financing, personal guarantees (39.6%) were provided to a much greater extent than real guarantees (11%).

Among the interviewed female entrepreneurs, 58.9% of the total has already received at least one funding. The experience of requesting funding was positively evaluated by 28.9% of women entrepreneurs. In fact, 63% of Italian businesswomen who responded to the interview say they do not consider that access to funding sources is more difficult for female-run businesses. However, for 37% who consider it more difficult, the causes are to be found in various factors: in the gender of the interlocutor, generally male; in the lack of trust in the fact that (also because of possible future maternity) female companies can guarantee the same continuity of male companies; in a widespread prejudice on women's entrepreneurial skills.

5. Conclusions

The economic and financial crisis that began in 2009 hit companies not only because of the contraction in world demand, but also because of the credit crunch that followed. Having faced a liquidity crisis and a reduction in the allocation of capital resources, banks have reduced the credit granted to consumers and businesses, while reinforcing a negative multiplication mechanism already started by the crisis. In this context, women's businesses have been the most penalized in Italy. In a framework in which the female labor force is reduced due to a lack of demand and the rate of unemployment of women increases, women's businesses have shown, in our country, a growth trend in countertendency compared to the male counterpart. Therefore, the persistent gender gap in access to credit appears to be more debilitating, in a country such as ours, which is struggling to emerge from the recessionary phase in which it has existed since 2009. As repeatedly supported by the OECD, a greater support for women in the areas of entrepreneurial skills and access to financial resources could help companies launched by women to succeed and, as a result, the country to set off again along a path of economic growth.

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