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Finance After Hours
A Case Study on Women's Access to Credit

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Sam Chen closed the report with a thump. When he was first appointed CEO of State Bank of Chengdu, Sam had declared an ambitious goal: to increase the number of women-owned businesses in the bank's portfolio to an equal level with men, thus seizing the opportunity presented by increasing numbers of female entrepreneurs in China. After a year of futile meetings, and now with a major university report on his desk, he really wondered if such an achievement was even possible[1]. Indeed, the very first time he met with the bank's top managers about the initiative, he had sensed an intransigent, if unconscious, resistance. Stony-faced with stubbornness, Sam's executives had insisted repeatedly that the criteria for extending credit were identical for men and women: there was no gender bias in the system. When Sam asked them to explain why women comprised only 10 percent of the bank's loans, they argued strenuously that women did not apply to the bank in sufficient numbers to bring the percentage any higher—at least not without a significant increase in risk. There was only one woman on this executive committee, but she agreed with her colleagues.

Yet national reports showed that the number of women entrepreneurs in China was increasing and the gender mix of the bank's business clients had remained unchanged. The media were suddenly full of glamorous women heading up growing businesses—but none of them banked with State Bank of Chengdu. Sam felt there had to be a different explanation, one that would point to some action that could be taken to change the situation.

A university with a respected business school was a short distance from Sam's office. The school had distinguished itself by creating a huge training program for women entrepreneurs. Three months earlier, after a particularly frustrating meeting on the topic, Sam had picked up the phone and called the Dean. In that first short conversation, the Dean told Sam that the school had trained more than 300 female entrepreneurs in three years' time but had found in follow-up interviews that their business growth had been modest. The primary reason the women gave for slow growth was lack of access to capital. The two men agreed quickly that a study of a bank's view on lending to women might explain a lot about the capital situation for female entrepreneurs.

Sam had to admit the work had been thorough. Researchers had huddled with bank managers for weeks, often whispering intensely or closing the door. They had shown equal diligence in combing through the bank's records. The project leader, Dr. Jason Yang, was an internationally renowned scholar with full command of the global evidence about women's entrepreneurship and hundreds of colleagues scattered around the world to tap for perspective. Sam thought some of the theories in the report were a bit too academic—he chalked that stuff up to Dr. Yang's rock star ego—but he had to admit that the basic findings rang true. And that was the problem: the bank president simply did not know what to do with what the university research had shown.

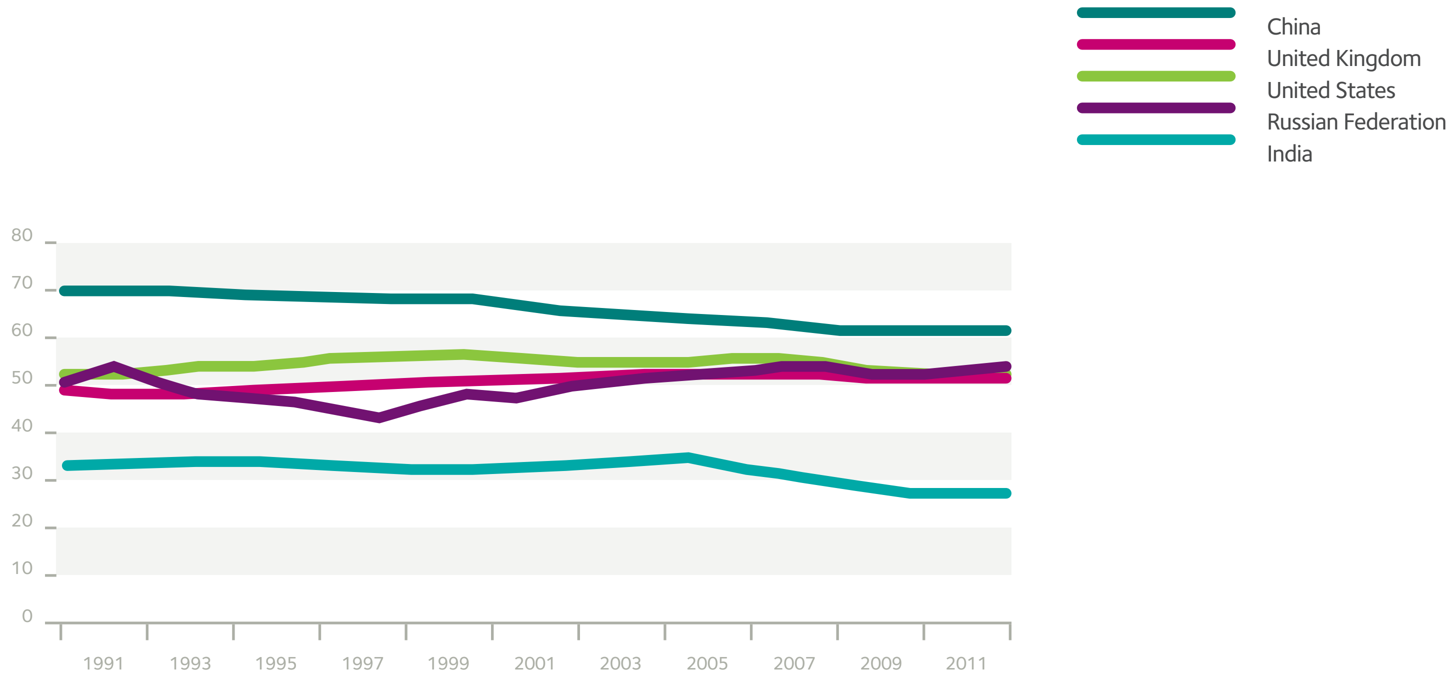
Background

China is a paradox when it comes to gender economics. For 50 years, official policy has promoted equal representation of women and men at work, in politics, and even at home. The result was easily visible in high female labor force participation, as compared to other countries (see Exhibit 1). Between the one-child policy and accessible daycare, Chinese women had been free to focus on work in a way women in other countries could only imagine.

Many experts argue, however, that under market-oriented reforms, Chinese women have lost ground (see Figure 1). There are two schools of thought about the causes. Some argue that the advances made under the old Communist equality legislation were superficial. In this view, the overall high labor force participation for women has always masked their under-representation in leadership positions and their unequal pay at every level. Other experts, however, argue that it is market reform itself that has negatively affected the economic prospects of Chinese women[2]. Once businesses could make their own hiring decisions, these scholars say, they began actively recruiting and hiring men, while shedding females as quickly as possible, on the rationale that the reproductive roles of women make them too expensive—in terms of maternity leave and child care costs—to hire as employees. Both sides agree that local government organizations have always resisted recruiting women—and State Bank of Chengdu is part of that bureaucracy, not part of the private sector.[3]

Figure 1: Employed Women

% of Females, 15 Years +



Source: World Bank Databank, accessed April 21, 2014.

During the 1990s, the Chinese government bureaucracy was dramatically downsized to improve efficiency. Women lost their jobs more often than did men. The private sector was expected to re-hire these employees, but businesses hired more men that women. Thus, by the end of the twentieth century, unemployment among women was higher than for men, rising from 8.2 percent to 14.9 percent between 1996 and 2001, as compared to unemployed men growing from 6.3 percent to 11.4 percent.

Despite Communist efforts to instill egalitarian gender values in the population, traditional attitudes remain characteristic among Chinese people, even the young. A 2001 national study of university students showed that 65 percent thought "men should focus on their career and women on their family." Only 10 percent thought work was an important aspect of life for women, and fully 70 percent thought the most important thing for a woman was to look after husband and child. Interestingly, more than half thought a marriage would not last if the woman had a higher career profile than her husband. A very large majority (83 percent) thought women were unsuitable for leadership, and only 18 percent thought women and men had equal ability to compete in society.[5] A white paper issued in 2011 by the Southwestern University for Finance and Economics remarked that, though it has long since become socially unacceptable in the West to argue that women are biologically inferior to males, such beliefs are not taboo in China.[6] A 2010 survey by the All-China Women's Federation and National Bureau of Statistics showed that negative attitudes toward women working outside the home had actually risen substantially in the last ten years.[7] Conservative cultural attitudes probably were encouraged by two government actions: the central government started a campaign against "leftover women" (that is, single women), encouraging them to marry, and in 2011 the Supreme Court amended the Marriage Law in a way that undermined women's property rights.[8]

Conservative attitudes have also been documented in business, particularly among older, senior managers. One extensive study noted a measurable propensity for older male managers to believe that women simply do not have the human capital required to become senior managers because "being women, they are different from and inferior to men: they are incapable of acquiring the requisite human capital however hard they seek to improve themselves and whatever their personal choices."[9]

An important counterpoint to all this bad news, however, was that the number of female entrepreneurs was indeed rising at an increasing rate. Overall numbers were still low, but the percentage of employed women who owned their business approached that of men (2.5 percent versus 3.6 percent in rural areas, 5.5 percent versus 6.8 percent in cities)[10]. Indeed, women accounted for 73 percent of new start-ups in 2013. A key reason given by women for starting their own businesses was the desire to escape the prejudices they experienced working for others—they usually were not propelled by a desire to execute an idea or a flair for enterprise. And though women dominated at the start-up stage, a study by the Women's Federation showed their representation dwindled as the size of businesses increased.[11]

Other studies confirmed that access to capital was a major problem for these new female entrepreneurs. A 2002 study by the China Women Entrepreneurs Association showed females used their own savings to start businesses (30 percent+) or relied on family and friends (another third). More than half felt their biggest obstacle was lack of capital. Yet 70 percent were happy with what they had built, and only 13 percent thought there was gender discrimination in the Chinese system.[12]

These women worked very hard. More than three-quarters reported spending 10+ hours a day on their business, and even more said they slept fewer than eight hours a night. More than a third had to do all the housework at home, and nearly 60 percent had elderly parents to care for (but only half of those had spouses or other relatives who helped them). Yet almost all said their husbands strongly supported them in their entrepreneurial ambitions—and about 25 percent comanaged with their husbands.

Female entrepreneurs also reported having no particular desire to be market leaders but were satisfied with steady profits. According to other, qualitative data, some women entrepreneurs did believe that Chinese government officials, in particular, discriminated against them and felt those officials looked down on women, trusted them less, and were more lenient toward men. Evidence suggested that women, more than men, had to rely on personal and family networks to build careers or businesses in part because they could not participate in business networks. One report noted:

> Like many third world societies [sic], informal social relationships provide the much-needed lubricant for the Chinese to achieve what otherwise may be difficult to secure. . . . The vast majority of women do not drink or smoke (drinking and smoking are often considered unacceptable social behavior for women in China); these "deficiencies" making it even more difficult for women to network with their male colleagues.[13]

This same report noted a similar phenomenon plaguing both women entrepreneurs and female managers wanting to advance in large organizations: "Chinese culture has a low tolerance for close relationships between men and women outside of marriage, thus presenting a barrier to the mentoring and trust building required for career advancement."[14]

Planning the Study

The university maintained regular contact with its base of 300 female entrepreneurs, following their progress and polling them about their experiences. These females had been selected for the training course on the basis of: (1) their educational background, and (2) their potential for growth. Yet, despite the training, most had not yet gained bank financing, saying they preferred to get funding from other sources. All approached banks only reluctantly. The reasons given by this talented pool for their hesitance about bank financing were:

- The women felt bankers treated them dismissively, overlooking their actual credit-readiness and giving more weight to cultural stereotypes about females being less competent, more family-oriented, and the like;
- A cultural convention that clients would socialize with their bankers at long dinners, accompanied by much drinking and followed by late-night partying, made the women fearful for their safety and created problems with husbands and in-laws; and
- The women were worried that banks would try to exert too much control over their businesses, causing loss of their entrepreneurial vision.

Asked what banks could do to make it easier for them to apply, women answered consistently: hire more females with the authority to make loans.

An interview protocol for the bankers was developed in light of these reports. The interviewers used an unstructured method that began with one simple question: Why do you think the bank's loan portfolio includes so few women? From the respondent's answer, the interviewer probed for elaboration. If the respondent did not mention the social practices of dinners and drink, the interviewer did ask the question directly whether the expectation of that kind of socializing was a factor. The interviewer also asked whether having more female bankers would help the situation. Otherwise, respondents' explanations for the disparity in the portfolio were allowed to flow from neutral prompts.

The researchers also looked at the bank's lending criteria and the composition of the loan portfolio.

The Report

Dr. Yang's report for State Bank of Chengdu opened with an elaborate discussion of Chinese culture and gender stereotypes. After wading through the text, Sam felt he could infer that the ideas China held about men and women in fact were not terribly different from the ideas held by the rest of the world. What might be different was the pace of change in these attitudes, as well as the degree to which the population resisted new ways of thinking about women in leadership.

Cultural Difference and Gender Stereotypes in Business

"Cultural tightness," according to the report, was a phenomenon that could be measured and used to differentiate among nations (see Exhibit 1). Countries with a past that demanded extreme cohesion—a history of repeated foreign invasions, for instance—evolved with a low tolerance for deviation from established social norms, as well as exhibiting swift, strong sanctions. Such nations are more likely to have autocratic governments prone to suppressing dissent and media with strict government controls. These societies tend to be slow to change, to be generally hierarchical and conservative, and to have "old-fashioned" gender norms. In these cultures, men are less likely to tolerate female leaders, including women entrepreneurs and managers. However, in addition, women in such societies put themselves into leadership positions much less often. Both men and women in tight cultures tend to believe that only men can be effective leaders.

In contrast, "loose" cultures allow more deviation in social behavior and, as a result, can adapt more quickly, change more easily. Loose cultures, such as the culture in the United States, could document a consistent increase in the acceptance of "feminine styles of leadership"—that is, more inclusive and communal styles—over recent decades, if not a parallel increase in the number of females in top positions. Importantly, however, though loose cultures are more open to new attitudes and practices, tight cultures respond more quickly and completely to mandates from the top and thus have the potential to enact change more thoroughly and quickly. The report seemed to imply China was a tight culture, though the conclusion was not stated outright.

In a cautionary paragraph at the end of his discussion, however, Dr. Yang alluded to several organizational studies showing that, despite cultural differences among member nations, other regions (specifically Western Europe and North America) had remarkable similarities in gender stereotypes—with the beliefs shared equally by men and women. A few researchers claimed to show that managers applied these stereotypes when evaluating performance, even when the person evaluated did not exhibit the predicted behavior, and often penalized women for behaving "like a man," but rewarded male leadership that was more "feminine" (e.g., more inclusive, collaborative, and so on).[16]

Women, Credit, and Growth

The report cautioned that most research on women's entrepreneurial performance had been done using samples drawn from Western country data, especially US populations. Furthermore, scholars had not yet arrived at a consensus on the performance of women-owned businesses—the findings seemed a battle of contradictions (Exhibit 2).

Early studies had concluded that females "underperformed," as compared to males, in self-employment, primarily due to their greater emphasis on family obligations. These studies had small sample sizes and used simple analytics. Subsequent studies using large samples and more nuanced statistical analysis found that business performance did show a gender difference in performance, but argued for controls that, when applied, showed women performed the same as men.[17]

The proposed controls often included industry sector. Studies generally showed that women are more likely than men to be in certain industries. For instance, women tended to be disproportionately represented in consumer-facing industries, while men were more likely to be engaged in business-to-business activities. Women tend to be found in industries that require less capital: thus, women were more often in retail, men more often in construction. One study showed a particular concentration of women in gift-giving stores and services, while men were in automotive stores and services.

A 2012 study tracked 4,928 American startups over five years.[18] The performance outcomes were the closure rate, the return on assets (ROA), and a risk-adjustment measure (Sharpe ratio). This study was the first to compare firms that were the same age. Therefore, when the whole sample was analyzed only for gender effects, two differences emerged: female-owned firms were smaller in terms of assets and had less profit variability (a risk factor). Otherwise, closure rates, ROA, and the overall return-to-risk were the same. The controls then applied to this data were:

- Industry, on the basis that, as outlined above, women choose different sectors
- Firm size, because evidence shows that women build smaller companies
- Hours worked per week, on the rationale that women want to spend more time attending to the home
- Owner preparation, as women were equally educated, but had less work experience
- Incorporation, as females often don't take this formal step.

Once all these controls were in place, no gender differences appeared in the performance measures. The authors concluded that differences in female enterprise performance were a function of women's preferences and, therefore, not evidence of discrimination or incompetence.

The university's report also alluded to related studies with implications for the decision environment. Goldman Sachs and the International Finance Corporation had issued a report estimating the global gender gap in credit at $285 billion.[19] This report claimed that increasing female entrepreneurs' access to credit would stimulate national growth dramatically, in turn doing much to improve the well being of families. Similarly, studies of microlending showed women had better repayment rates, though the jury was still out on whether such loans reduced poverty, as was originally thought.[20]

The Bank's Portfolio

The university researchers confirmed that only 10 percent of the bank's business loan portfolio went to women-owned businesses. On further investigation, they also found that nearly all those were owned by the daughters of men who had built their enterprises into big business. Under the one-child policy, these men had no other children to whom they could leave their wealth, so females had inherited. However, the university research team also noted that many daughters were not now managing the businesses themselves but instead had hired professional teams, mostly male, who made the decisions.

Interviews with bank employees who had been making business loans over a long career, even at other banks, suggested that State Bank of Chengdu was not very different from other Chinese banks. Virtually all of these employees said that the percentage of female business owners in the loan portfolio of any bank they knew was 10 percent. The State Bank of Chengdu's loans to women-owned businesses did not produce better or worse returns compared to those owned by men. Several employees, however, also remarked that banks were not particularly friendly to start-ups in any case, preferring to lend only to established businesses. Loans to any small or medium-size business were collateralized with real property. The researchers noted that, in China, family real estate assets were very seldom held by women, even when they inherited property from their families: once the women married, property was normally transferred to the husband's name. Failing to transfer assets to the husband was thought to give the marriage a bad start by causing the groom to lose face.

The portfolio also reflected the strategic priorities the bank had recognized in the years since market reform. There were longstanding relationships with property developers, for instance, that dated since the beginning of the real estate boom. More recently, a solid record of lending to technology companies—a sector for which Chengdu is known—had emerged. Both these industries were more male dominated than most others. The bank had few assets in garment and textile production or agriculture/food service, despite the importance of garment making in the growth of the Chinese economy since liberalization and despite the prominence of agriculture in the Chengdu economy. There were no loans at all in fashion or beauty, though these too are growth industries in China. The textile and food industries have more females than the real estate or technology industries, and the fashion/beauty industry is thoroughly dominated by women. Nevertheless, the portfolio overall accurately reflected strategic plans constructed by bank management at regular intervals over 25 years and so were felt to be objective business judgments, rather than instances of gender exclusion.

There were no records to document how many female versus male clients approached the bank for funding. However, the number of formal applications processed showed that, indeed, very few women applied. In addition, the formal criteria for client selection were clear and seemed to be fairly used.

Interviews with Bank Employees

In interviews, bank officers reiterated that few women applied and insisted that the selection criteria for financing were gender neutral.

> "I think we have fair play here. If an enterprise meets our requirements and passes bank investigation, it will be qualified to finance. We don't have many women coming to the bank. Few have consulted and taken the first step." (Female respondent.)

> "My colleagues and I agree that few enterprises led by female entrepreneurs come to seek financing. Personally speaking, on the initial stage of starting up a business, there are a lot of bumps along the way. Women tend to care about more, including family and children. Companies led by female entrepreneurs often fail before coming to the stage of financing. But for banks, what matters are statements and reports of a company rather than the gender of the leader." (Female respondent.)

None could deny that the outcome was a very skewed portfolio. When asked to explain how this occurred, the explanations fell into several themes. By far the most prominent refrain was that traditional Chinese culture, which held that women are more family oriented than men, kept females from succeeding as entrepreneurs and made them bad risks for banks.

> "I think it lies in the differences between men and women, such as innate differences in ways of thinking and the functional orientation that women spend more time on kids. I think men and women are equal in the society." (Female respondent.)

> "I think it is relatively difficult for women to start their own business in China. With the traditional ideas and culture in their minds, women, unlike men, always give priority to their families and children, in particular while building up their careers. In addition, women tend to attach more importance to the development of their family than that of their company. A man, however, can do in the opposite way and make himself an industrious boss." (Female respondent.)

> "Most of female entrepreneurs wouldn't expose themselves to high-risk business especially after they get married. They become more cautious and consider more about their family." (Female respondent.)

The second most frequent theme was that women were too focused on the details of the finance package (e.g., interest rate, effect on profitability, etc.), causing them to take too much bank time to be profitable customers. Men, on the other hand, were said to be less focused on the details, indicating a broader vision, as well as taking less of the bank's processing time.

> "I think women are more dedicated to work. They are very meticulous in details and calculating. I seldom do business with female entrepreneurs. Take one of my women customers for example; she cared more about profits and returns. So female entrepreneurs always pay close attention to any fluctuation of the interest rate. In addition, their business philosophy wasn't based on a broad vision. Although they own big companies, they focus more on details. During communication with banks, they would not like to grant professionals the full right to handle the deal. They also don't know how to use human resources properly. Compared with women, men are more generous and broad-hearted. Therefore, female entrepreneurs always obstruct the development of talented people." (Male respondent.)

> "It's because of their different personalities. For instance, females are more sensitive so that they will ask many details from the very beginning of negotiation. So when the cost is high for one party, the negotiation will end." (Female respondent.)

Ironically, while the bankers often characterized female entrepreneurs as difficult, controlling, "calculating" characters, they often (sometimes within the same interview) claimed that women were less successful business leaders because they were too "soft."

> "Speaking of style of management, men tend to be vigorous, resolute, and strict, while females are kind. Thus, staff may complete their task quickly under the pressure from strictness of male leaders while they may fail to try their best due to the kindness of female leaders." (Male respondent.)

> "Females are often quite emotional while males are strong minded." (Male respondent.)

> "Females are more vulnerable psychologically compared with males, as men can bear much more pressure." (Male respondent.)

Though female bankers sometimes denied that socializing was a barrier, all the males acknowledged that the alcohol-based socializing was a problem for women. Refusing to participate labeled the woman as "uncommunicative," took her out of the loop for important informal information, and hindered her ability to build a strong, long-term relationship with the bank, especially the top management. They also agreed, however, that it would be inappropriate for women to participate in these evenings. Suggestions were that women should go only to dinner, they should arrange to meet for tea instead, or they should send their husbands to the boozy dinners in their place.

> "We often go out to dinner with our clients, and we do not persuade female entrepreneurs to have dinner with us. If clients are all male, we will have more activities; but if not, we will avoid some. According to Chinese tradition, doing business by the dining table is quite normal. Social settings can affect the information provided by participants and also influence the relationship between them." (Male respondent.)

> "I think those activities are more concerned with relation building rather than business. Such activities do have an influence on the final results, for it may show a strong will of cooperation if either party attends such activities." (Female respondent.)

> "Yes, they will [miss a lot by not going to the social activities]. Much important information is acquired from personal contacts rather than business occasions.... There is usually a limitation for females to participate in those activities. Generally speaking, men can participate in all kinds of activities so that it's easier for men to establish close social relations and get more information. That's why female entrepreneurs often suffer from difficulties." (Male respondent.)

> "When communicating begins, the male managers and male entrepreneurs may have a lot of common interests while the female often fail to participate in those activities. Therefore the barrier in communication will be erected when the manager and the client have no common interest. Besides, some women are good at establishing social relations; but their family, especially their husband, fail to support them in this respect." (Male respondent.)

> "Communication is the basis for mutual trust, and females have more to be improved in this respect.... If an entrepreneur is reluctant to show his/her image, banks will become suspicious of the condition of his/her enterprise." (Male respondent.)

None of the respondents thought having female bankers made a difference.

> "Actually, female account managers have no distinct advantages in this situation. But they do have an advantage in managing details; for instance, they have a good sense in time management. Some big enterprises that we have contact with have a strong sense of time. When preparing paper work, women pay more attention to details compared with men. In China, most family and private business will not be handed to a female inheritor unless she is the only child of the family. The main reason is that males and females

> have their own distinct advantages, and males are often expected to do better in running business. In the area of financing, one should get familiar with many people in the circle; however, females feel reluctant to do so. When it comes to financing, banks will work out a list of average standards to decide which client they will offer loans to. Actually, every enterprise will go through prosperity as well as depression. Female entrepreneurs are reluctant to make compliment to banks, such as adjusting some line of businesses according to banks' will." (Male respondent.)

Banks in general were said to be predisposed toward larger businesses, which have a smaller percentage of female ownership. Also, females were generally seen as being involved with the wrong industries, as well as being generally less interested in growth.

> "We may refuse to loan due to features of certain industries. We have cooperated with businesses from the beauty industry, but financing is seldom mentioned during our cooperation." (Female respondent.)

> "Financing is rather difficult for both state-owned enterprises and microenterprises because banks always prefer rich companies to those with limited assets. They are more willing to provide loans to enterprises with potential and a competitive edge. In most cases, banks won't loan money to a small-scale and high-risk business even though it operates well in the eyes of its female owner. Banks tend to pay great attention to whether the whole sector is promising instead of how well a single business is operating, which is quite different from how entrepreneurs think of their own businesses." (Female respondent.)

> "Industries with female CEOs are different from those with male CEOs, who usually work in manufacturing and heavy industry. Besides, women have different experience and awareness of financing. Because of their way of thinking, they're not as ambitious as men. Male leaders would like to expand their business while female leaders are not open-minded enough to do so." (Female respondent.)

Dr. Yang singled out one quotation as an epigraph for the first page of the report. The words seemed to summarize the picture.

> "During my two years working in credit industry, female clients accounts for less than 10 percent. Actually I have only one female client, and most CFO are males. I think one reason is our tradition that constrains females from working. Another is that an entrepreneur should pay much attention to the holistic strategies; however, females tend to be good at managing details. Many excellent females I know are excellent at finance. The third reason is the overall social environment. Although we advocate equality between men and women in China, women are still not active in various fields of social activities; thus their thoughts are quite conservative and restrained. The fourth reason is the special practice in banking, where eating and drinking are needed when seeking financing. In Sichuan Province with quite developed wine culture, female entrepreneurs often refuse to attend relevant social activities with drinking involved, which is deemed unsuitable for women. . . . Another reason is that males and females are born to be different

from each other. Women are bound to take care of their babies, thus they are very often distracted from work." (Female respondent.)

Conclusions

The report concluded that the social backdrop of Chinese attitudes about gender was influencing employees' beliefs about women entrepreneurs. However, since women did not seem to apply to the bank for loans and there was no monitoring of initial inquiries, there were no obvious action steps to be taken with regard to loan decisions. The employees' contention that the bank was not discriminating on the basis of gender seemed to hold true, at least in a formal sense.

The researchers recommended two interim actions, followed by another report to be done in one year. One was gender-sensitivity training for the employees, especially those who were most likely to meet with women when they first came in to inquire about financing. The second was to institute some kind of monitoring system to see whether women were dropping out even before applying.

What now?

Sam looked again at the report cover and shook his head. He knew Westerners loved this "gender-sensitivity training" idea, but he personally thought it was bogus. People's ideas about gender were fully formed by the time they were working in a bank, at least in Sam's opinion. He thought monitoring for females dropping out of the process might be a good idea, but was unsure how it would be done. Finally, the one-year follow-up report just looked like another attempt by the university to get money. But Sam was deeply sympathetic to the findings of the report and felt saddened by what he read. Female clients might complain about the socializing, but at least they didn't have to do it every night. Sam could remember that, early in his career—indeed as soon as he married and his daughter was born—he had come to resent the constant pressure to go out for late nights with clients. Now, in his position as bank president, there was so much pressure to party until the wee hours that he ran out of convincing excuses to decline. His wife had long since learned that there was no point in complaining. She knew his career and, therefore, their quality of life, depended on this roller coaster of dinner parties. But he still felt badly about the number of evenings she spent alone. And, for that reason, he absolutely refused to go out for the "other activities" that invariably followed the Karaoke. Such behavior betrayed her and, he felt, offended his own dignity.

Sam felt certain some of his executives would be happier staying at home, too. But the collective expectation was hard to break. Sam hoped the pressure now would ease because of new government restrictions on business entertainment, part of an anti-corruption campaign. Luxury hotels and restaurants were experiencing steep revenue declines because of the rules. Nearly 200,000 officials had been punished for violations in the past year.[21] Secretly, Sam welcomed the change: it meant more nights at home for him, and he could already see the improvement in the bank's operating expenses. One older employee, however, had been hit hard by this change. The man used to submit gargantuan expense claims, especially receipts from early morning drivers when he couldn't make it home on his own. The clients loved him, but the man was not a particularly good employee beyond his never-ending ability to party. Now, his real weaknesses were harder to cover with bon vivant behavior. Sam also thought about his daughter. She was about to finish her MBA at one of the most prestigious business schools in the world. Instead of accepting one of the many offers she had from big consulting firms, she was coming home with plans to start her own business. She had a great idea, and he intended to loan her the money to get started. But eventually she would need bank financing. The very thought of his daughter out with a bunch of drunk bankers, just to get credit, made Sam sick.
So, there was no question that Sam sympathized with the women's concerns in this report, but the problem seemed so

immense, the reasoning so entangled, and the cultural norms so insurmountable, he simply did not know what to do. After all, the bank's criteria for lending were clear and even the university said they were fairly applied.

Questions for discussion

1. What are the problems faced by female entrepreneurs looking for financing from this bank?
2. Are the bankers correct in thinking that women may not be a good credit risk for business loans? On what experience is this judgment based?
3. What is the government's role in all this?
4. What reasonable and effective steps can Sam take to change the gender mix in his bank's portfolio?

Exhibit 1

Country	Female Labor Force Participation	Equal Pay for Similar Work	Enrollment in Tertiary Education	Leadership Positions	Entrepreneurial Support	Cultural Tightness
	(% of Females)	Female/Male Ratio	Female/Male Ratio	Female/Male Ratio	National Rank	
Brazil	65	54	129	56	42	3.5
China	75	66	113	20	71	7.9
India	30	62	73	–	89	11.0
Japan	63	62	89	10	12	8.6
Kenya	62	67	70	–	94	
Norway	75	77	163	46	11	9.5
Pakistan	23	55	91	3	106	12.3
UK	69	68	138	53	17	6.9
US	67	65	141	74	5	5.1

Source: World Economic Forum, Global Gender Gap Report, 2013, except for entrepreneurial support rank and cultural tightness score. "Equal Pay for Similar Work" is a standard measure reported annually by WEF, but is the aggregated response to a survey question asked of managers about how much women are paid for similar work in their company. "Leadership positions" in this table is the same as "Legislators, senior officials, and managers" in the WEF report. Entrepreneurial Support rank is the rank of the country, after receiving a composite score assessing the degree to which the company has policies that enable women to be entrepreneurs. This composite score is calculated and reported in the Booz & Company Empowering the Third Billion report (2012). Cultural tightness scores were taken from Gelfand et al (2011). The scores range from a high of 12.3 (Pakistan), representing tightness, to a low of 1.1 (Ukraine), representing looseness. Nations near China, such as Japan (8.6), South Korea (10.0), and Singapore (10.4) all scored higher.

Exhibit 2: Summary of Studies Comparing Gender Performance in Enterprise Success

Source: Robb, Alicia M., and John Watson (2012) "Gender Differences in Firm Performance: Evidence From New Ventures in The United States." Journal of Business Venturing, 27(5): 544-558.

Author/Sample	Dependent Variable(s)	Independent/Control Variables	Major Findings/Conclusions
Loscocco et. al. (1991)			
540 small businesses in the New England area.	Income and sales.	Gender, age of owner, education, industry experience, bank loans; industry; business size and age; personal orientation; family isuation; and previous occupation.	Female owned businesses had significantly lower sales and income. Only income difference remained significant after controlling for size (number of employees).
Cooper et al (1994)			
A representative longitudinal study (1985-87) of 1053 new ventures in the US.	Failure, marginal survival and growth.	Gender, education, race, industry, parents owned a business, capital, numbe rof full-time partners, use of porfessional advisors, and various experience variables.	Women owned ventures were less likely to grow but just as likely to survive.
Chaganti and Parasuraman (1996)			
104 male owned and 178 female owned businesses located in northeastern U.	Sales, 3-year growth in employment and 3-year average return on assets (ROA)	Gender, experience, number of employees, and industry.	Women owned businesses had significantly smaller sales. However, employment growth and ROA were not significantly different.
Rosa et al (1996)			
300 female and 300 male Scottish and English owner managers.	Employee numbers and growth, sales turnover and value of capital assets.	Gender, industry sector, and business age.	Female businesses under-performed in terms of number of employees, sales, turnover and capital assets.
Fasci and Valdez (1998)			
328 female and 276 male owners of a small accounting practice in the US.	Ratio of annual net profit to gross revenue.	Various business, personal and attitudinal characteristics, such as: owner experience, age, hours worked, education, marital status and gender; age of business; number of emloyees; home or office-based.	Multivariate results indicate that male-owned firms are more profitable than female-owned firms.
Honig (1998)			
215 informal microenterprises in Jamaica.	Log of average monthly profits.	Gender, experience, starting capital, recevied a loan, education, church attendance, marital status, parent's marital status, mother and father's occupation, occupational status.	Females, overall, earned less money than men.
Du Rietz and Henrekson (2000)			
4200 Swedish entrepreneurs (405 females),	Sales, profitability, employment, and orders.	Gender, size, industry, market, exporter, growth prospects/propensity, credit application, and full capacity.	In multivariate tests, female underperformance is found for sales only.
Robb (2002)			
Almost 45,000 US firms commencing in 1992 and covering the period to 1996.	Survival rates.	Age, gender, race, legal form, industry, lcoations, and size (no. of employees).	Multivariate results suggest that women-owned businesses are more likely to close than male-owned buisnesses.
Bosma et al 2004			
Almost 1000 new businesses founded in the Netherlands in 1994-1997.	Survival, profits, and employment growth.	Gender, human capital (e.g. age and experience), social captial (e.g., netowrks), financial cpaital andvarious other controls (but not size or industyr).	Male business founders performed better on all performance measures.
Fairlie and Robb (2009)			
Over 30,000 US businesses over the period 1992-1996 taken from the characteristics of business owners (COB) survey.	Closure rates, profits, employment and sales.	Gender, race, educaton, location, experience, start-up capital, and industry.	Female-owned businesses have worse average outcomes than male-owned businesses.

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[1]The names of the institutions have been changed to protect identities. Both Sam Chen and Jason Yang are fictional characters. However, the data in the report are real, as are the words quoted from interviews with employees of "State Bank of Chengdu."

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