

FINANCE RESEARCH

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1. Introduction

This study is to examine what finance options are available for women for business start-up or for business growth. It applies the findings against three business models to provide examples of how to best utilise what is currently available. Information about co-operatives will also be reported in this study as another form of business model that may be suitable for clusters of women. It will also reveal the type of education and or training that women will benefit from with regard to finance.

2. Methodology

Face to face consultations and examination of written materials provided by various local sources. Internet searches for additional resource material.

3. Findings

Banks

The most common source of business finance is loans that are available from the three commercial banks: ANZ, Westpac and the Bank of the Cook Islands. All are regulated by the same legislation and supply similar loan products.

These are mainly term loans either personal or business – either secured or unsecured, credit cards, overdrafts and home mortgages all of which can be used for business purposes. Interest rates can be variable or fixed. Credit checks are carried out locally to find out if a potential borrower has any previous history of credit. Off shore assets and borrowings are not usually researched or included in decision making. Each loan application is treated on its own merits, as there are many variables in each borrower's personal and business situation that influence the bank's decision to approve a loan application or not. Business planning and experience in the field of business are very influential factors.

Loan protection insurance is not a requirement at present, although business or other types of insurance may be required depending on the type of loan sought. Securities required for **secured** loans can include property, cash deposits, guarantees or a requirement for a co-borrower.

All banks treat their men and women customers in the same way and there are no special provisions or recognition of gender as a factor to be considered in loan applications. None of the banks gather the type of data that would establish a situation report on the number of women with current business borrowings, the extent of the borrowings or the number of loan applications by either sex that have been declined.

Government Sources

Government assistance for small business is most commonly available for free or low cost advisory services, information, training for business planning and other aspects of managing your business and guidance with marketing. In the Cook Islands, it is the Business Trade and Investment Board's role to assist business development in this way.

Government financial assistance is not usually available for grants or loans to enable individuals to start or buy a business, or to help existing businesses overcome a shortage of funds. However there are some specific funds available either for specific industries or for particular purposes:

a) the Cook Islands Pearl Authority Marketing Revolving Fund assists registered pearl traders to buy pearl stock from the Pearl Exchange, then repay it as the stock is sold. There are strict conditions attached to this Fund, applications are assessed by CIPA's executive officer and new applicants go to the Board for approval.

b) the Business Trade and Investment Board Revolving Fund. The BTIB Board determines the types of loans it will introduce and the duration of each loan product. There are no loan schemes that are available on an ongoing basis, as the Board is able to change its loan schemes to be responsive to emerging business developments. In 2014, four schemes have been available from the revolving fund aimed at export, vanilla growers, agriculture and general business. Conditions apply to all BTIB loan schemes. Applications are assessed by a BTIB officer and then go the Board for approval.

Other finance

Venture Capital is where an investor or group of investors provide funds and become involved in a business either at start up or to assist business growth. Usually a solid business plan and manifesto are required and investors have very specific and detailed requirements. Venture capital is a concept not typically used in the Cook Islands and rarely for micro, cottage and small business.

Borrowing from Family and Personal Savings These are common sources of funds for micro business and small business start up. Arrangements are made either formally or informally. Statistics on the extent of family borrowings and how those borrowings are distributed by gender are not available as there is no mechanism for checking or assessing this strategy. Face to face discussions with small business owners and market stall holders indicate that most have borrowed from family at some stage.

Superannuation funds People who have paid into the national Superannuation fund have access to the funds when they reach 60 years of age except in the case of forced early retirement. A “lump sum” withdrawal can be made on retirement of up to 25% of the total balance of the members account. In some instances, retirees use these funds to invest in business.

The \$\$ value of training There are various options for training and practical skills development that are discussed elsewhere in this project. These options may be at low cost or free of charge in which case they alleviate the burden on business owners of paying for courses.

4. Discussion

The task of gathering information has revealed where gaps in information exist. Apart from statistical data, definitions for what is a micro, cottage or small business also need to be officially resolved by BTIB. The next step in this study is to look at finance options against three models of business, to demonstrate suitability. For the purpose of this study, I will use the following:

a) Micro Business

Profile:

- *Owner operator only*
- *Works from home*
- *Sells roadside, select customers or at markets*
- *Not registered as a company or business*
- *Not VAT registered – annual turnover less than \$40K*
- *Combines business with home and other income*

Business Type:

- *Catering/cooking: Hot and cold ready to eat foods, baked goods, preserves, fresh fish*
- *Craft: Tivaevae, jewellery, house ware, home decor*
- *Produce: fruit, vegetables, flowers, herbs, plants*
- *Art: Paintings, prints, sculpture*
- *Fashion: sewing services, pareus+*

b) Small Business A

Profile:

- *Owner operator plus less than 5 staff*
- *Works from home*
- *Sells to retail customers and/or at markets*
- *Registered as a company or business*
- *Annual turnover less than \$100K*
- *VAT registered*
- *Maintains business separate to household income and expenses*

Business Type:

- *Catering/cooking: Hot and cold ready to eat foods, baked goods, preserves, fresh fish*
- *Craft: Tivaevae, jewellery, house ware, home decor*
- *Produce: fruit, vegetables, flowers, herbs, plants*
- *Art: Paintings, prints, sculpture*
- *Fashion: sewing services, pareus*
- *Consultants*

c) Small Business B

Profile:

- *Owner operator with more than 5 staff*
- *Works from a business location*
- *Sells to a customer base and/or direct to the public*
- *Registered as a company or business*
- *Turnover less than \$250K*
- *VAT registered*
- *Full separation of business from household or other business concerns*

Business Type:

- *Wholesale*
- *Retail*
- *Services*
- *Accommodation*

5. Recommendations

At this stage the research has so far revealed the need for the following:

- Promote the need for gender policy to the financial institutions.
- Government should open discussions with the banks and with BTIB for data collection. At present there is no need or requirement for the banks to collect or disaggregate data on their loans portfolio.
- BTIB should be strengthened with appropriate gender policy and training for the Board and staff. A future loan scheme through the BTIB revolving fund could be aimed at assisting women.
- Assist general consumer awareness and education about loans, loan contracting and borrowing through the Consumer Commission
- Provide consumers with information about family borrowing and sample contracts
- Enabling legislation and policy for the development of co-operatives; the current legislation is inadequate.