

Does Gender Matter in Debt Financing? Evidence from the Manufacturing SMEs in Bangladesh

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Fostering the appropriate Small and Medium Enterprises (SME) financing is one of the most crucial ways of facilitating their success as well as of ensuring economic growth of a developing country. Therefore, it is necessary to understand the financing behavior of decision makers in the SMEs in their relevant context. Despite the indication of the importance of owner-manager gender in making debt financing decision, the literature is scant and inconclusive. This paper intends to investigate whether the gender of manager or owner is associated more with debt-financing for fixed asset financing or with debt-financing for working capital requirements. The study analyses the World Bank Enterprise Survey data of 756 small and medium manufacturing firms in a developing country's context. The findings suggest that female ownership, but not the management, is associated more with debt financing for working capital needs rather than debt-financing for fixed-asset requirements. The results confirm the interplay between gender and small firm capital and could be explained as a result of female owners' better access to short-term finance due to female-friendly screening policy of the lenders. The findings imply that the policy makers may optimize the financial system so that female owners' debt-financing demand is met not only for working capital requirement, but also for fixed-asset financing. This paper is among a few pioneering studies in the developing country's context to provide evidence on the association between gender of owners and the nature of debt financing of manufacturing SMEs. Future research directions are also suggested.

Keywords: SME Finance, Debt Finance, Gender, Working Capital, Owner-Manager.

Field of Research: Finance

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