

Minority Business Development and Entrepreneurship

The Congressional Black Caucus Foundation, Incorporated's (CBCF) *New Horizons Initiatives*, launched in 2015, includes a focus on minority business development and entrepreneurship. In this analysis, we outline and analyze key factors preventing minority access to capital with the goal of promoting comprehensive policy and community-based solutions to help black businesses achieve economic parity.

The Great Recession, fueled by the crises in the housing and financial markets, was universally hard on

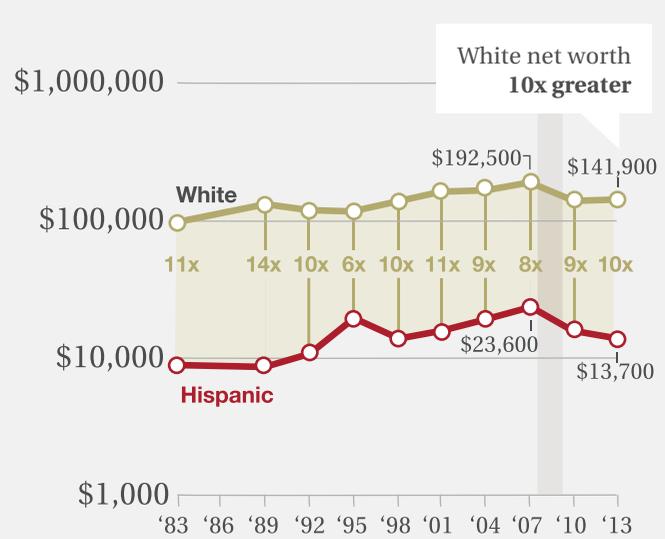
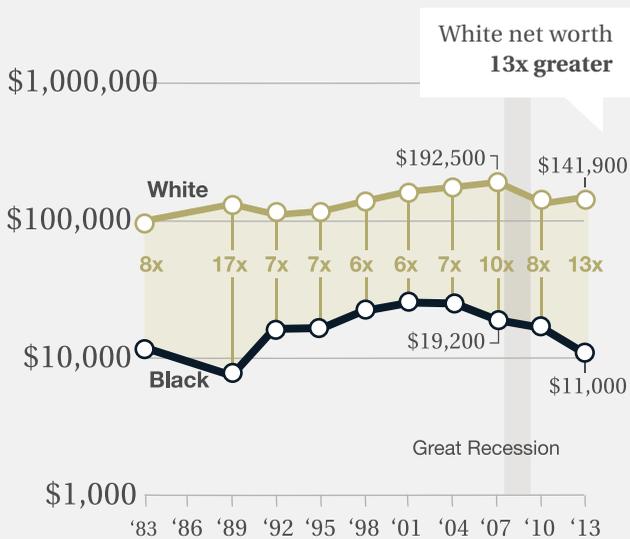
the net worth of American families. However, even as the economic recovery has begun to mend asset prices, not all households have benefited alike, and wealth inequality has widened along racial and ethnic lines.

The wealth of white households was 13 times the median wealth of black households in 2013, compared to eight times the wealth in 2010, according to a Pew Research Center analysis of data from the Federal Reserve Survey of Consumer Finances.

Likewise, the wealth of white households is now more than 10 times the wealth of Hispanic households, compared to nine times the wealth in 2010.

- From 2007 to 2010, the median net worth of American families decreased by 39.4 percent, from \$135,700 to \$82,300.
- From 2010 to 2013, the median wealth of non-Hispanic white households increased from \$138,600 to \$141,900, or by 2.4 percent.

Racial, Ethnic Wealth Gaps Have Grown Since The Great Recession



Notes: Blacks and Whites include only non-Hispanics. Hispanics are of any race. Chart scale is logarithmic; each gridline is ten times greater than the gridline below it. The Great Recession began Dec. '07 and ended June '09.

Source: Pew Research Center tabulations of Survey of Consumer Finances public-use data.

- Meanwhile, the median wealth of non-Hispanic black households fell 33.7 percent, from \$16,600 in 2010 to \$11,000 in 2013.
- Among Hispanics, median wealth decreased by 14.3 percent, from \$16,000 to \$13,700.
- According to the Federal Reserve, the median income of minority households (Blacks, Hispanics and other non-whites combined) fell 9 percent from its 2010 to 2013 surveys, compared with a decrease of 1 percent for non-Hispanic white households. Thus, minority households may not have replenished their savings as much as white households or they may have had to draw down their savings even more during the recovery.

MBEs rely more heavily on financial institutions for loans than all other borrowing sources combined. However, when compared to white-owned firms, MBEs typically encounter higher borrowing costs, receive smaller loans and see their loan applications rejected more often. Black and Latino-owned MBEs are the most likely to experience such negative results. Although lower owner net worth, credit ratings, firm age, size and other risk factors account for some of the differences in access to credit, studies consistently show that Black and Latino-owned firms with identical firm and owner traits (other than race) and credit histories gain less access to bank credit than similar white-owned firms.

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“In America, the land of opportunity, it’s increasingly clear that opportunities to acquire capital come more readily to some subsets of entrepreneurs than others.”

–Forbes Magazine

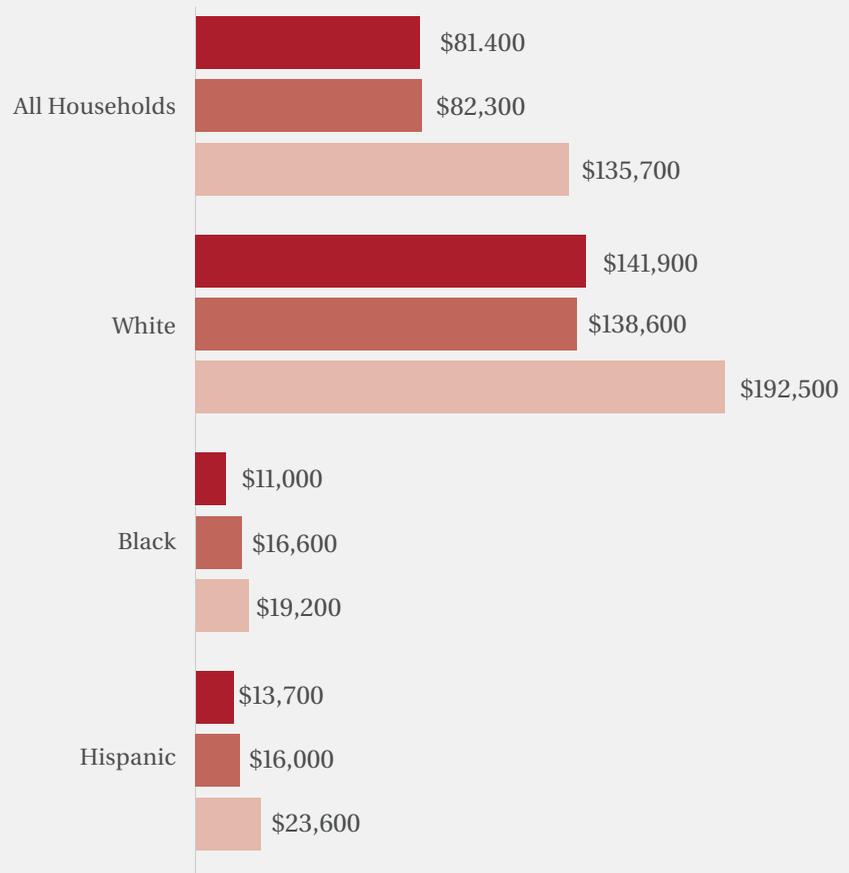
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RATE OF PROCUREMENT OF GOVERNMENT CONTRACTS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA):

- White business owners received 81.3 percent of the contracts worth 82.5 percent of government dollars.
- Black, Latino, and Asian owned businesses typically won proportionally far fewer ARRA government contracts. While African Americans owned 7.1 percent of businesses in the country (about half of their representation in the population), black-owned businesses received only 3.5 percent of recovery act contracts available. Latino-owned businesses (8.3 percent of all U.S. businesses) received only 5.1 percent of the contracts. Asian American-owned businesses (5.7 percent of the total) received a mere 3.3 percent.

Limited access to financing restricts the ability of minority business enterprises (MBEs) to achieve viability, generate new jobs, and fulfill their potential to contribute to the development of communities in which they operate.

Wealth by Race and Ethnicity, 2007-13
Median net worth of households, in 2013 dollars



Notes: Blacks and Whites include only non-Hispanics. Hispanics are of any race.

Source: Pew Research Center tabulations of Survey of Consumer Finances public-use data.