

ENTERING ENTREPRENEURSHIP: RACIAL DISPARITIES IN THE PATHWAYS INTO BUSINESS OWNERSHIP

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LANDSCAPE OF THE BLACK-WHITE BUSINESS OWNERSHIP GAP

Top 10 American Fortune 500 firms
generate **more in annual sales revenue**
than all 2.58 million black-owned
businesses combined.

Walmart = **\$514 billion** in revenue,
2,200,000 employees

Top 100 black-owned firms =
\$24 billion in revenue,
73,940 employees



LANDSCAPE OF THE BLACK-WHITE BUSINESS OWNERSHIP GAP

- **Nonemployer firms?** 79% of all white-owned businesses and 96% of all black-owned businesses
- **Sales revenue?** 7.7 percent from white-owned are and 31% from black-owned businesses nonemployer-generated

black-owned employer firm:

(average) \$666,169 in annual revenue sales and \$23,544 employee annual salary

white-owned employer firm:

(average) \$2,037,372
in annual revenue sales and \$33,690
employee annual salary





PASSION FOR BLACK BUSINESS OWNERSHIP

- Black Americans are almost **twice as likely** to start a business compared to white Americans (Bates, 1998)
- From 2007 to 2012, black-owned firms (employer + nonemployer) **grew from 1.9 million to 2.6 million** (Survey of Business Owners)
- **Black women** are the only racial or ethnic group with more business ownership than their male peers (Federal Reserve)

FIGURE 3.1. HOW BLACK AND WHITE OWNERS INITIALLY ACQUIRED THEIR EMPLOYER BUSINESSES (2016)

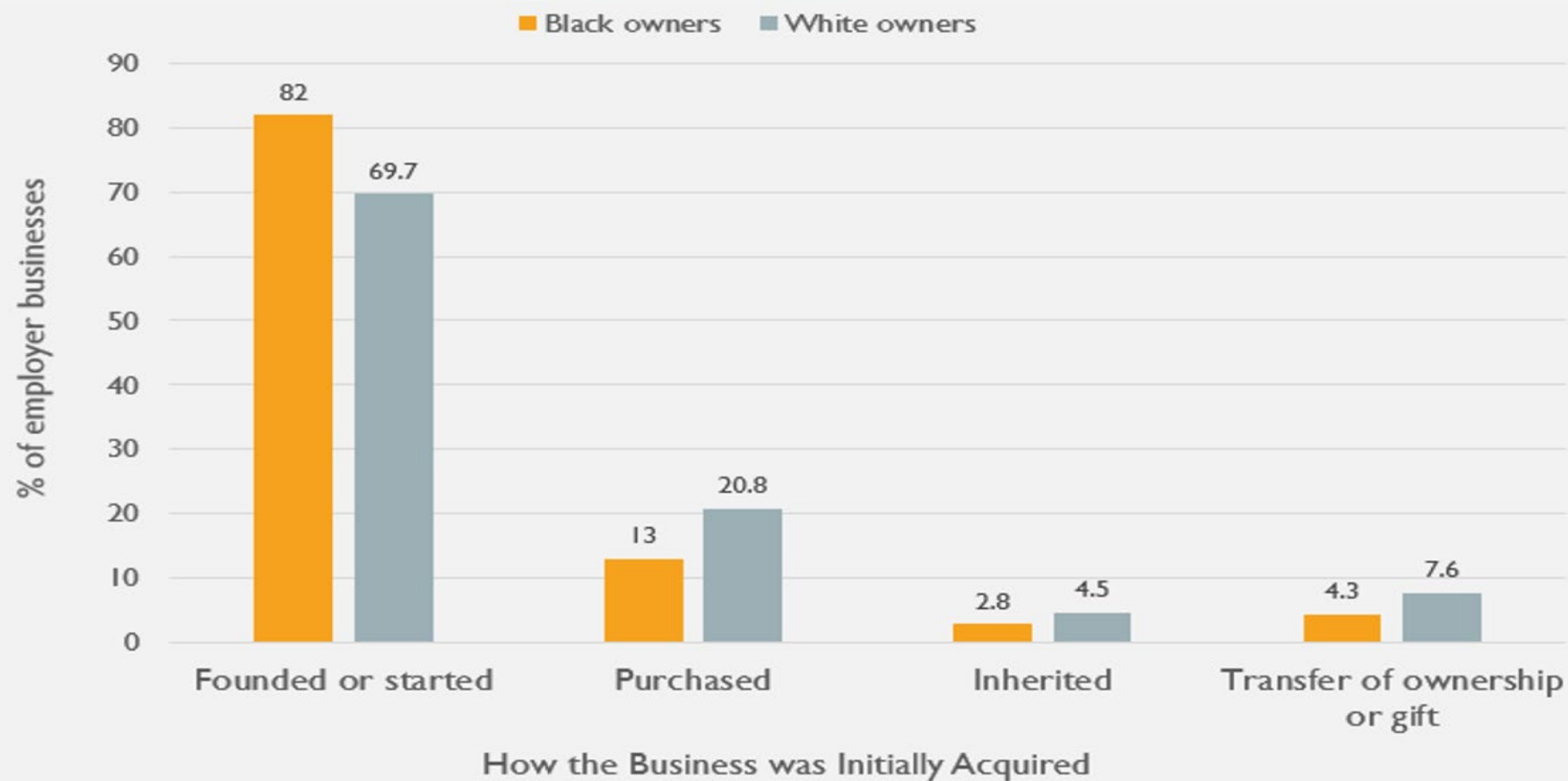


FIGURE 3.2. HOW BLACK AND WHITE OWNERS INITIALLY ACQUIRED THEIR NONEMPLOYER BUSINESSES (2012)

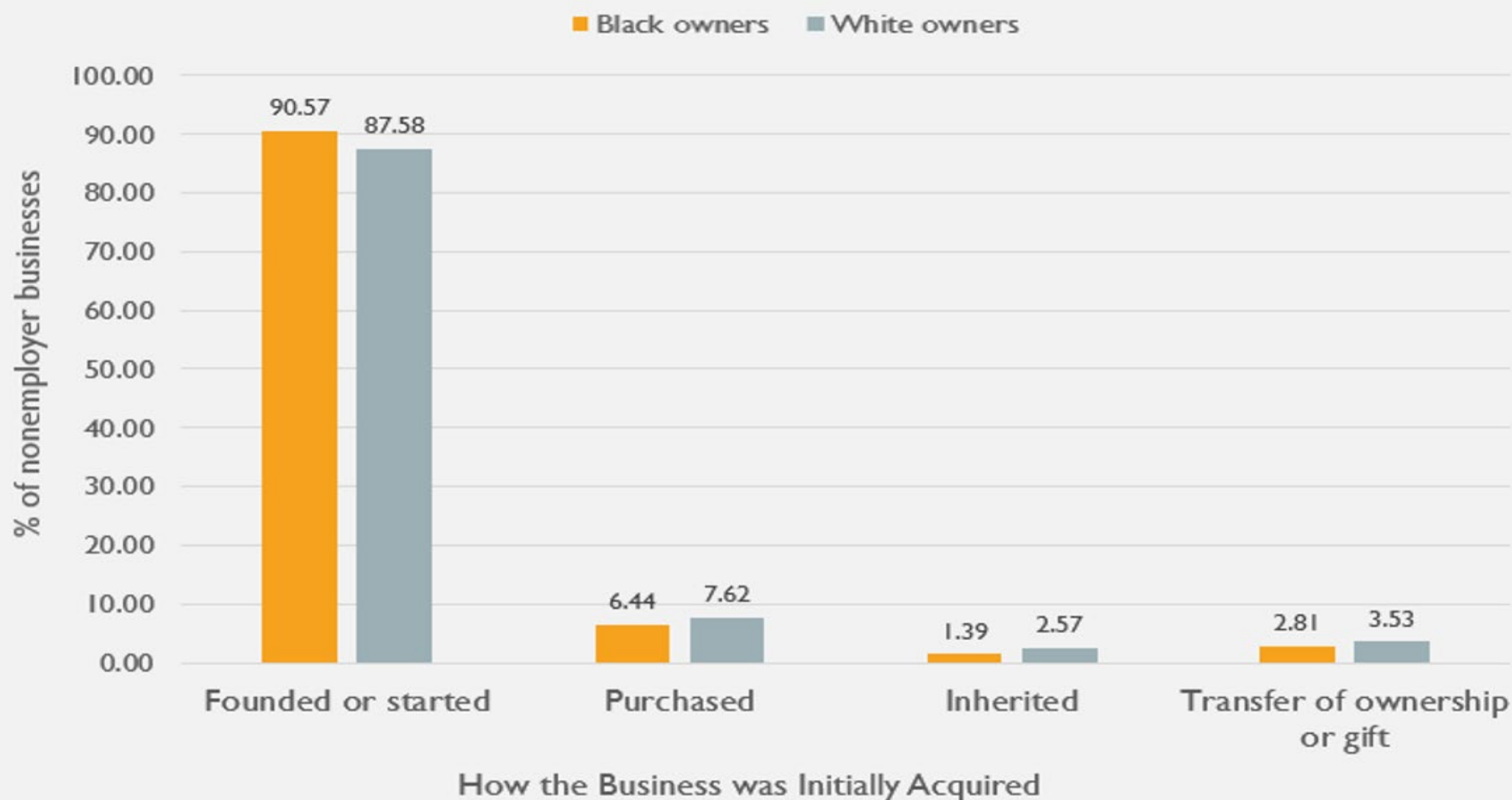


TABLE 4.1. THE AMOUNT OF START-UP CAPITAL USED (2016)

Amount of Capital to Start or Acquire the Employer Firm (2016)	Percent of Black-Owned Employer Businesses	Percent of White-Owned Employer Businesses
\$3,000,000 or more	0.2	0.5
\$1,000,000 to \$2,999,999	0.7	1.5
\$250,000 to \$999,999	4.5	6.5
\$100,000 to \$249,999	7.6	9.6
\$50,000 to \$99,999	10.8	9.4
\$25,000 to \$49,999	9.6	9.0
\$10,000 to \$24,999	15.5	11.8
\$5,000 to \$9,999	10.8	8.8
Less than \$5,000	19.0	16.3
Don't know	12.8	17.2
Not applicable	8.4	9.3
Total reporting (number)	62,670	2,966,595

TABLE 4.2. THE SOURCE OF CAPITAL USED TO START BUSINESS (2016)

Sources of Capital Used to Start or Acquire the Business	Percent of Black-Owned Employer Firms (%)	Percent of White-Owned Employer Firms (%)
Personal/family savings of owner(s)	69.6	64.8
Personal/family assets other than savings of owner(s)	9.0	8.7
Personal/family home equity loan	5.2	6.3
Personal credit card(s) carrying balances	14.7	9.2
Business credit card(s) carrying balances	6.3	5.0
Business loan from federal, state, or local government	0.5	0.4
Government-guaranteed business loan from a bank or financial institution	1.9	1.8
Business loan from a bank or financial institution	12.6	17.2
Business loan/investment from family/friends	2.9	4.6
Investment by venture capitalist(s)	0.5	0.5
Grants	0.5	0.2
Other source(s) of capital	4.4	2.9
Don't know	8.1	10.0
None needed	8.4	9.3
Total Reporting (number)	62,657	2,966,829

THE VENTURE CAPITAL GAP

On average, Black women receive \$36K in venture capital vs. \$1.3M by White males' start-up enterprises that ultimately fail (Asset Funders Network, 2019)

FIGURE 5.1. AGE OF EMPLOYER BUSINESS, BY RACE (2016)⁴

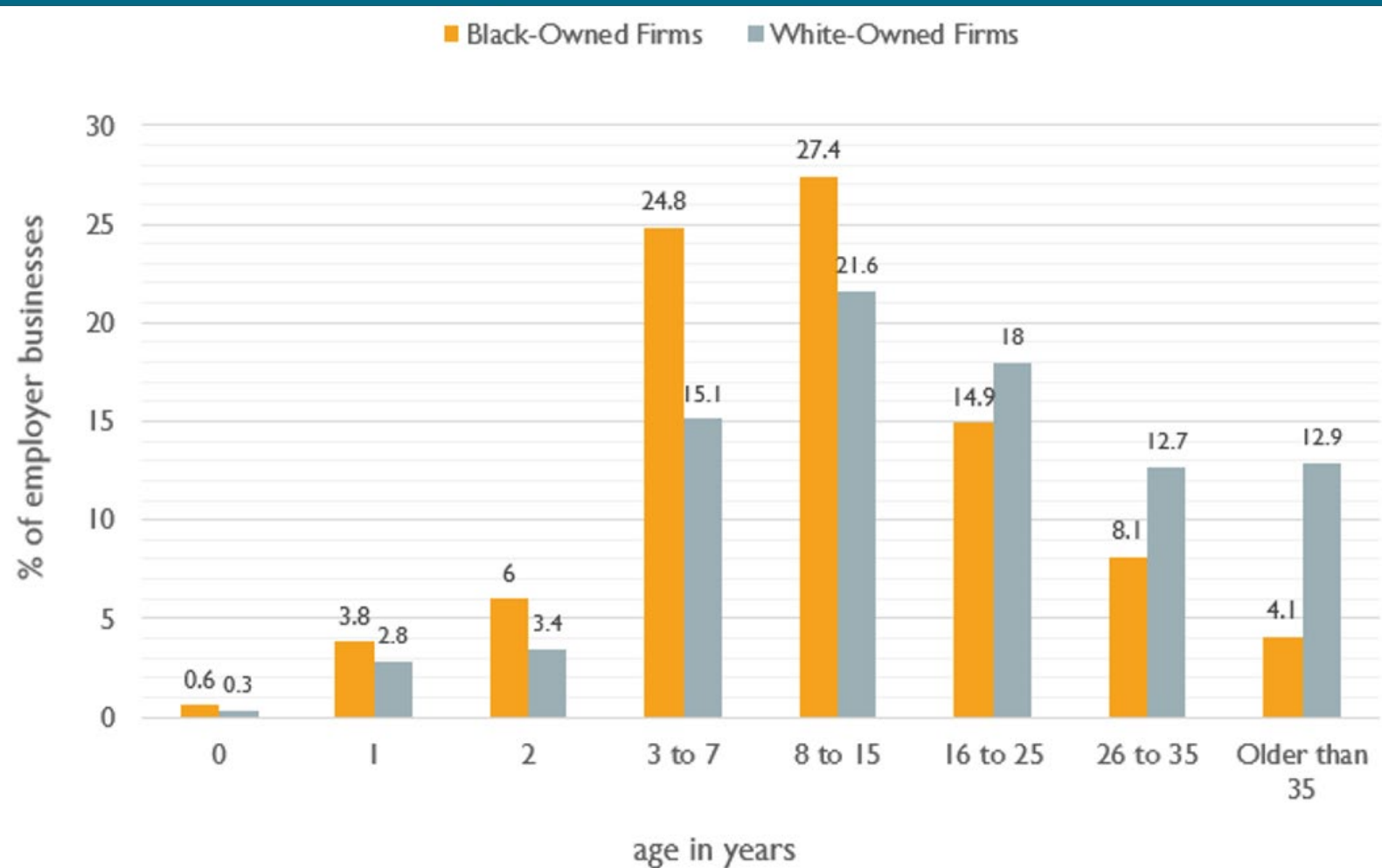
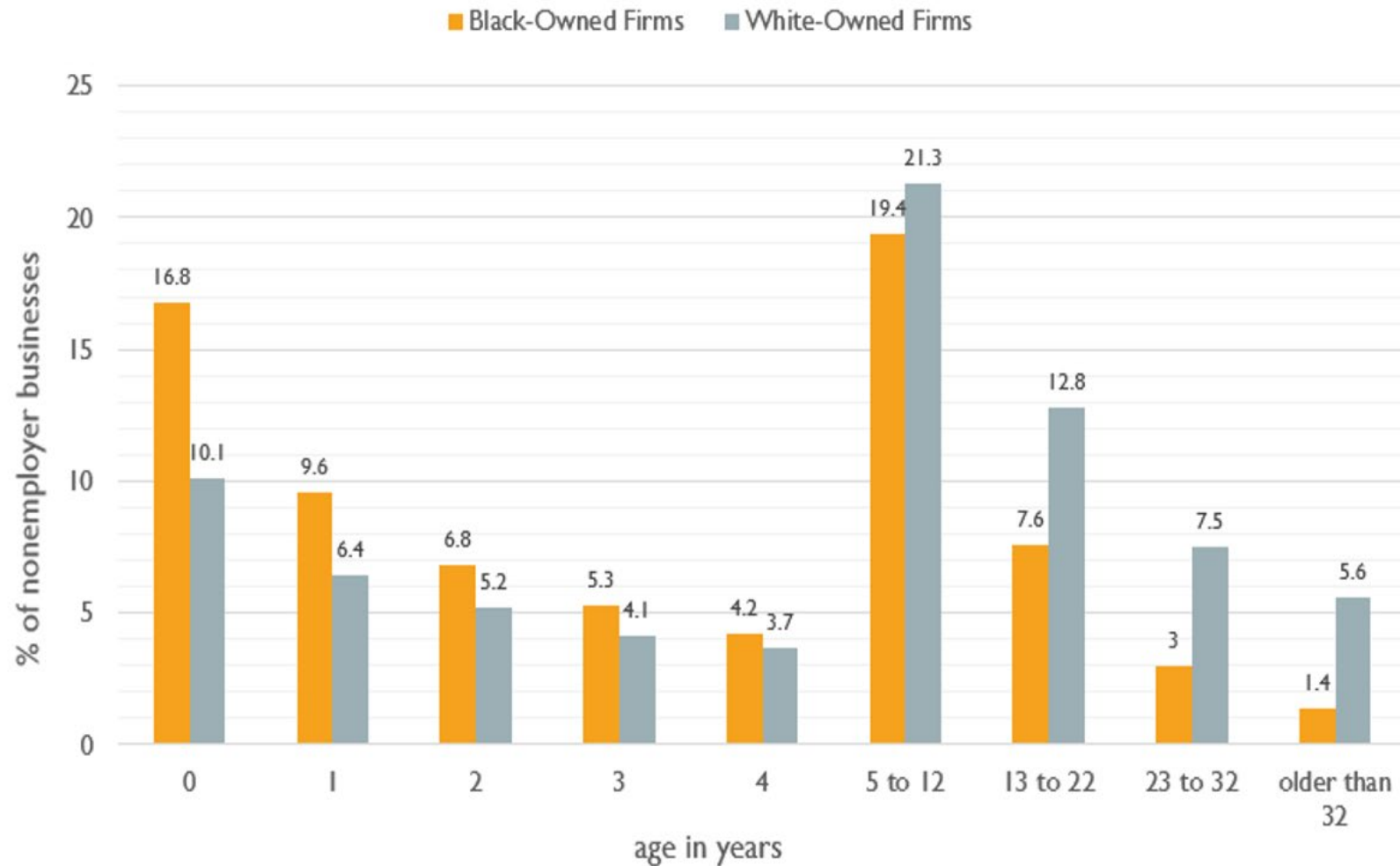


FIGURE 5-2. AGE OF NONEMPLOYER BUSINESSES, BY RACE (2012)⁵



KEY OBSTACLES TO BLACK OWNED ENTREPRENEURIAL PATHWAYS

**Historical
Racial Bias**

**Credit and
Loan
Discrimination**

**Lack of
Intergenerational
Transfers**

**Lack of
Mentorship
Networks**

WEALTH AS AN INPUT FOR THE PATHWAY INTO BUSINESS OWNERSHIP

- white American adults have 13 times the wealth of black American adults (SCF, 2016)
- median black household has three cents per dollar held by the median white household (SCF, 2016)

Policy Recommendations

- seed capital for black entrepreneurs
- baby bonds (young adult trust accounts)
- program of reparations



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