

Redefining Risk: Racial Disparities in Entrepreneurship and Financial Wellbeing



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Redefining Risk: Racial Disparities in Entrepreneurship and Financial Wellbeing

By

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Capital Matters: Race, Gender, and Entrepreneurship

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Research Questions

- 1. What is the life cycle of Black businesses compared to white businesses?
- 2. What is known about wealth accumulation/destruction and new businesses?
- 3. Experience of entrepreneurs of color fit into widening racial wealth gap?

Data

- PSID, 1999 and 2015 Waves
- Focus Groups, Black and Latino Entrepreneurs (Oakland and Boston)

Wealth and Business

Figure 2: Change in median wealth for those who owned in 2005: 4 and 8 years later

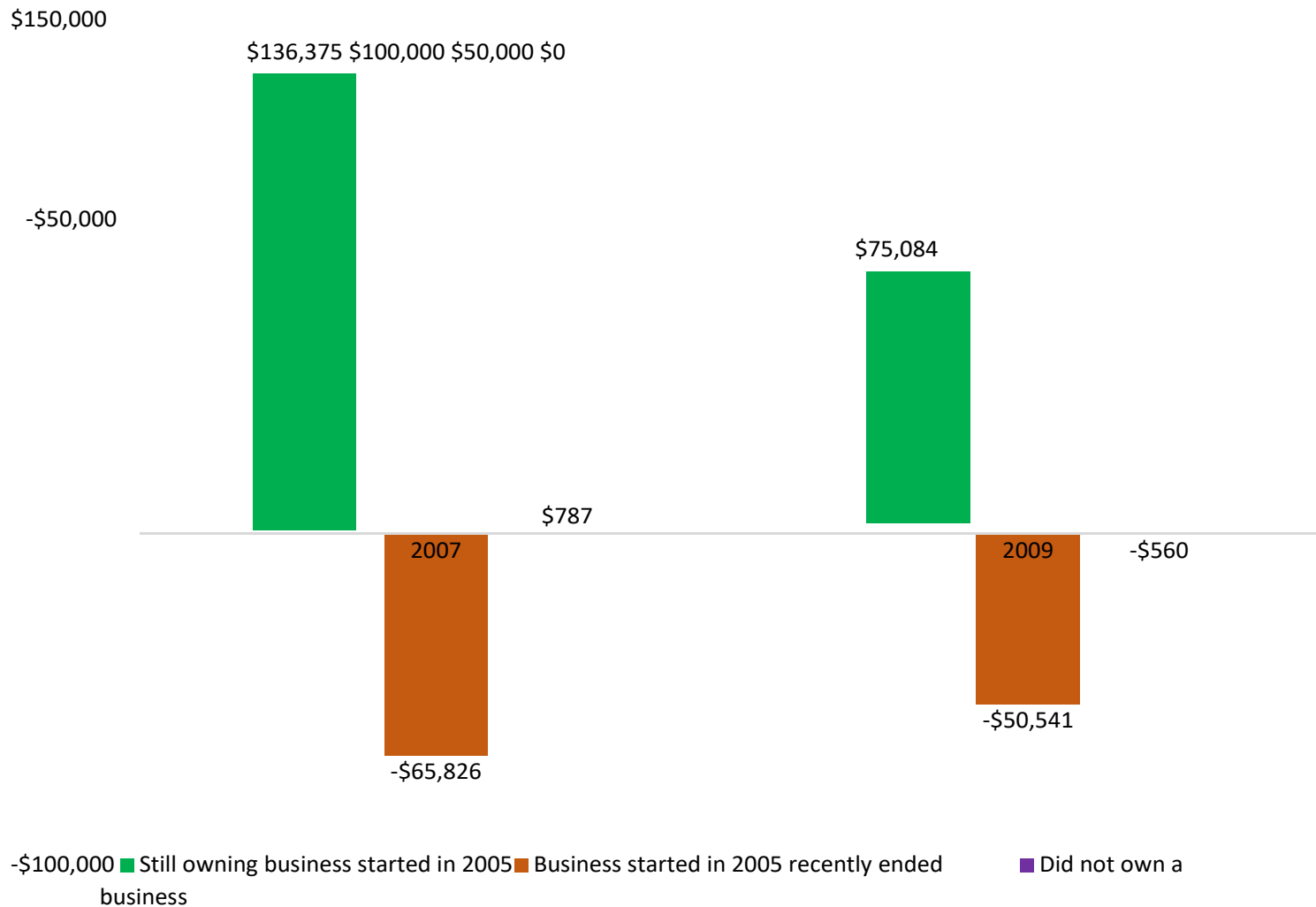
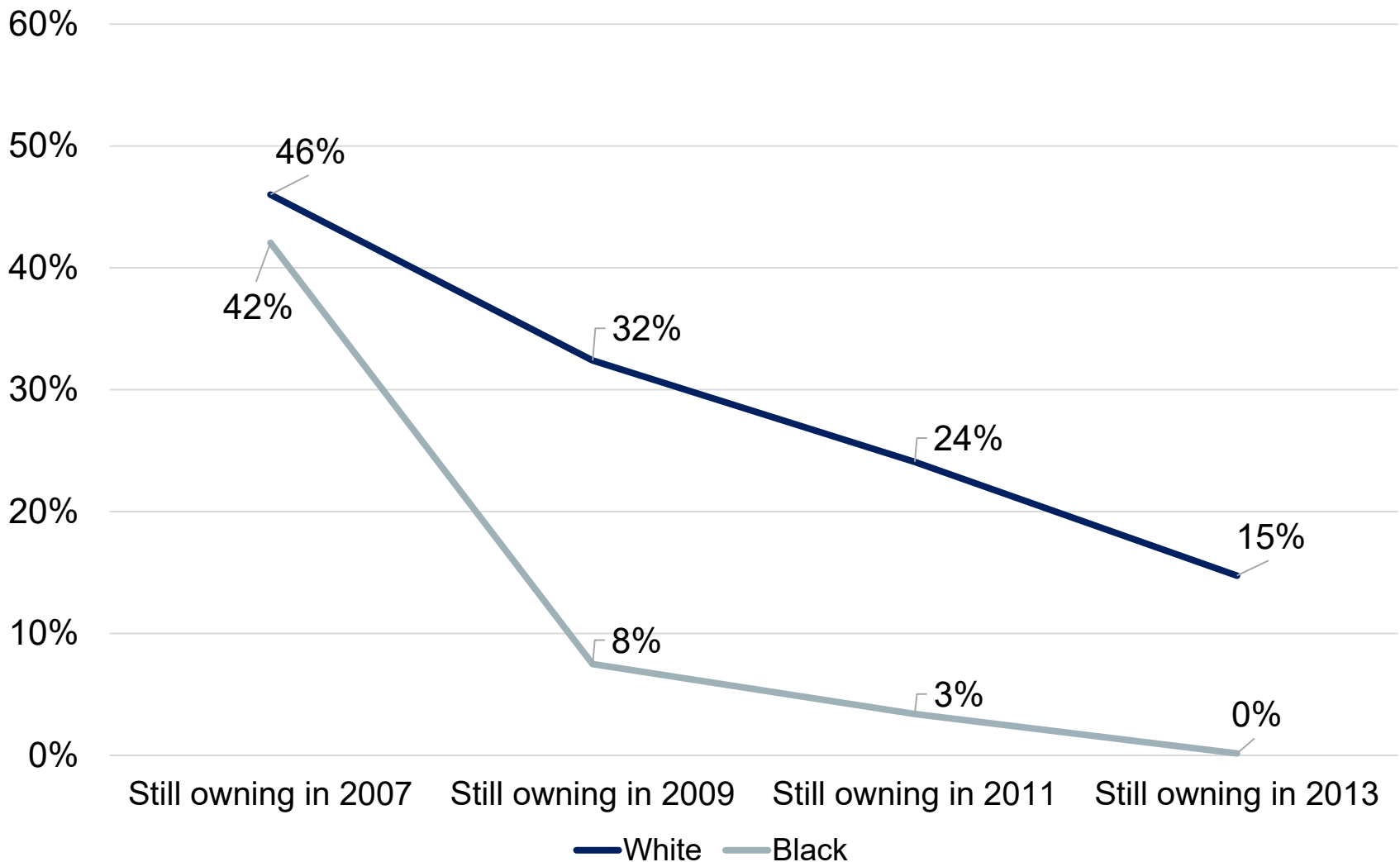


Figure 1: Percentage of business started in 2005 who still owned a business in 2007, 2009, 2011, and 2013, by race



What Drives Survivability?

- Most **Negative** for Survivability:
 - Having to Work Another Job
 - Less Wealth at Start

- Most **Positive** :
 - Larger Businesses at start
 - More Education at Start?

Voices of Entrepreneurs:

- Theme 1: Barriers to Affordable Financial Products
- *This whole [lending] eco system is not really supportive of growth and expansion. It can stimulate the startup piece because cost for startup in the service sector is small...*

Theme 2

- Interpersonal, Institutional, Systemic Racial Discrimination
- *We're getting charged extra for exactly the same thing...Everyplace else they're giving it away for free.*

Theme 3

- Mismatch in Community Resources:
Need to visit 3 or 4 different places, getting services 1 to 2 hours at a time...[like] economic emergency room , but small business' needs are not treatable in the ER. They are longterm needs over the economic life.

Theme 4

Promise of Entrepreneurship:

“I do feel like being in my own business gives me more opportunities than when I was in corporate America. I’m glad I decided to leave from corporate America, because even with all the challenges of running your own business, you just feel like, I feel a little bit more in charge of my own destiny.”

Thank you!

If you have any questions about today's presentation, please email Tom Shapiro at tshapiro@brandeis.edu.

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