

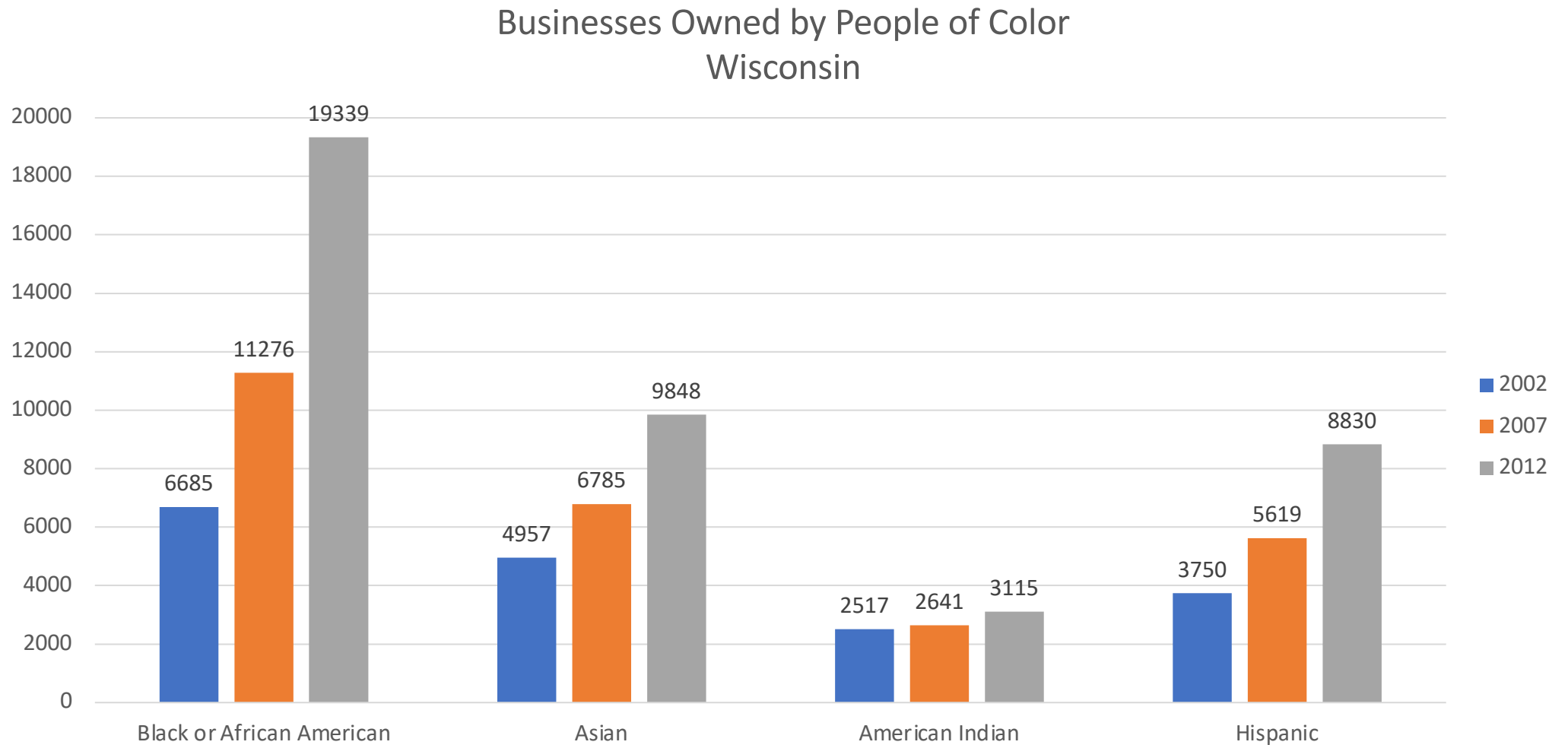
Minority-Owned Businesses in the Face of the COVID-19 Economy

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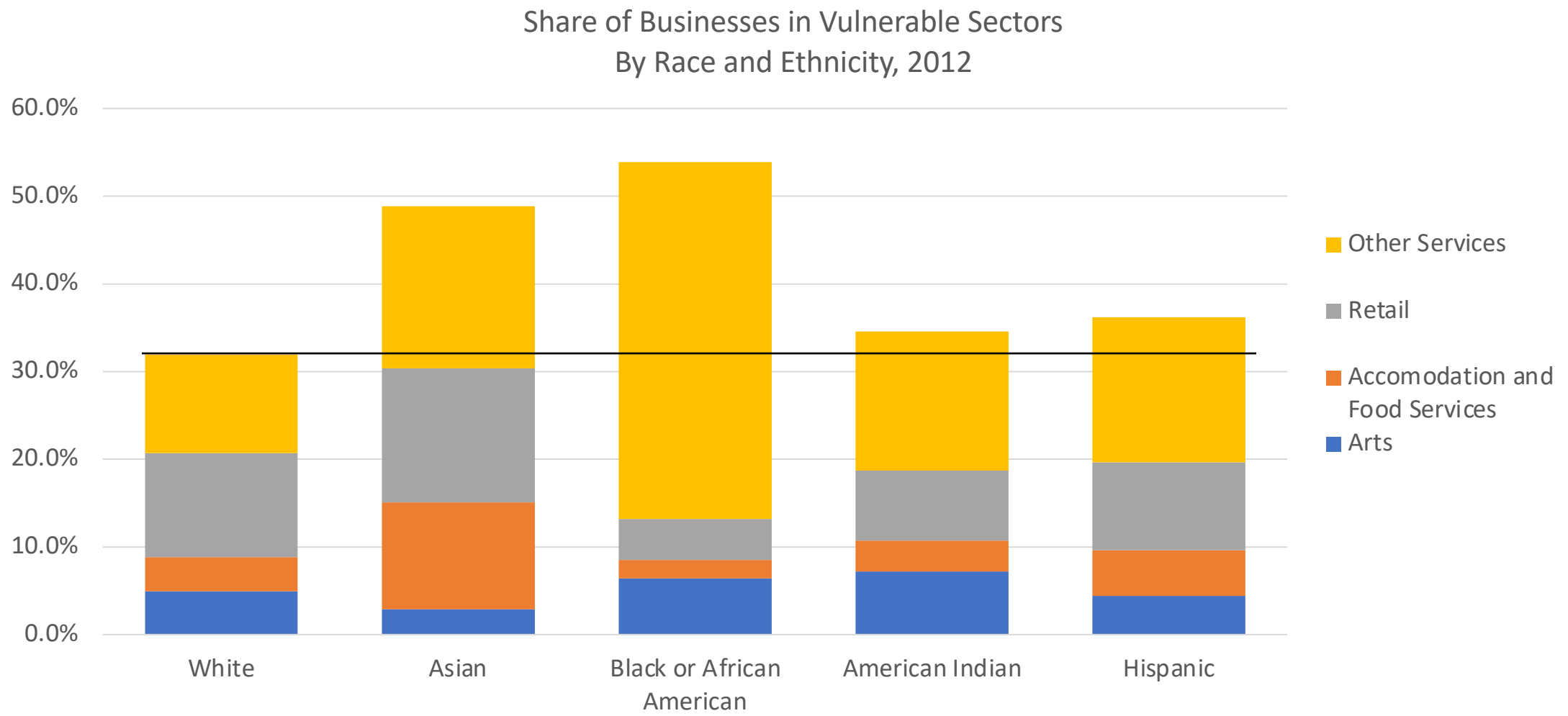


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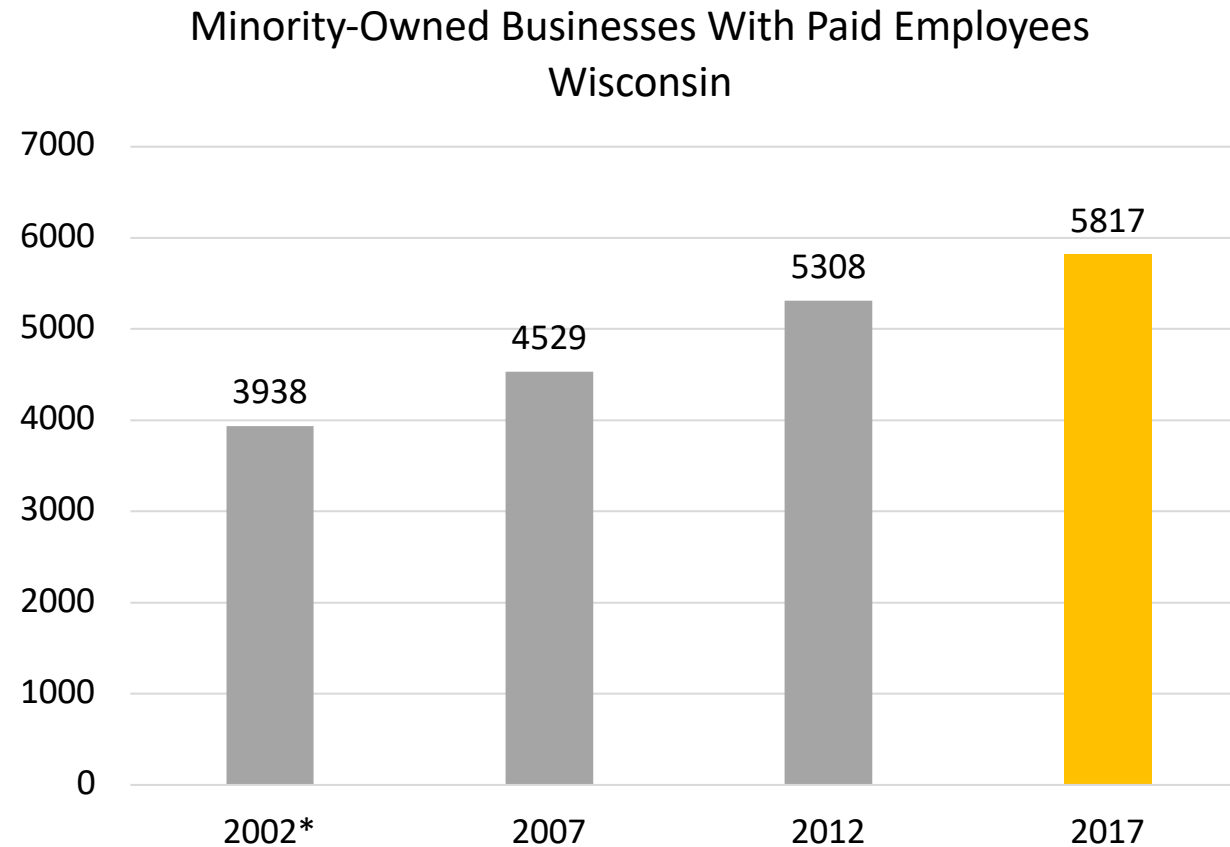
Businesses owned by people of color have grown substantially in number.



Minority-owned businesses are concentrated in the sectors vulnerable to the negative impacts of COVID-19.

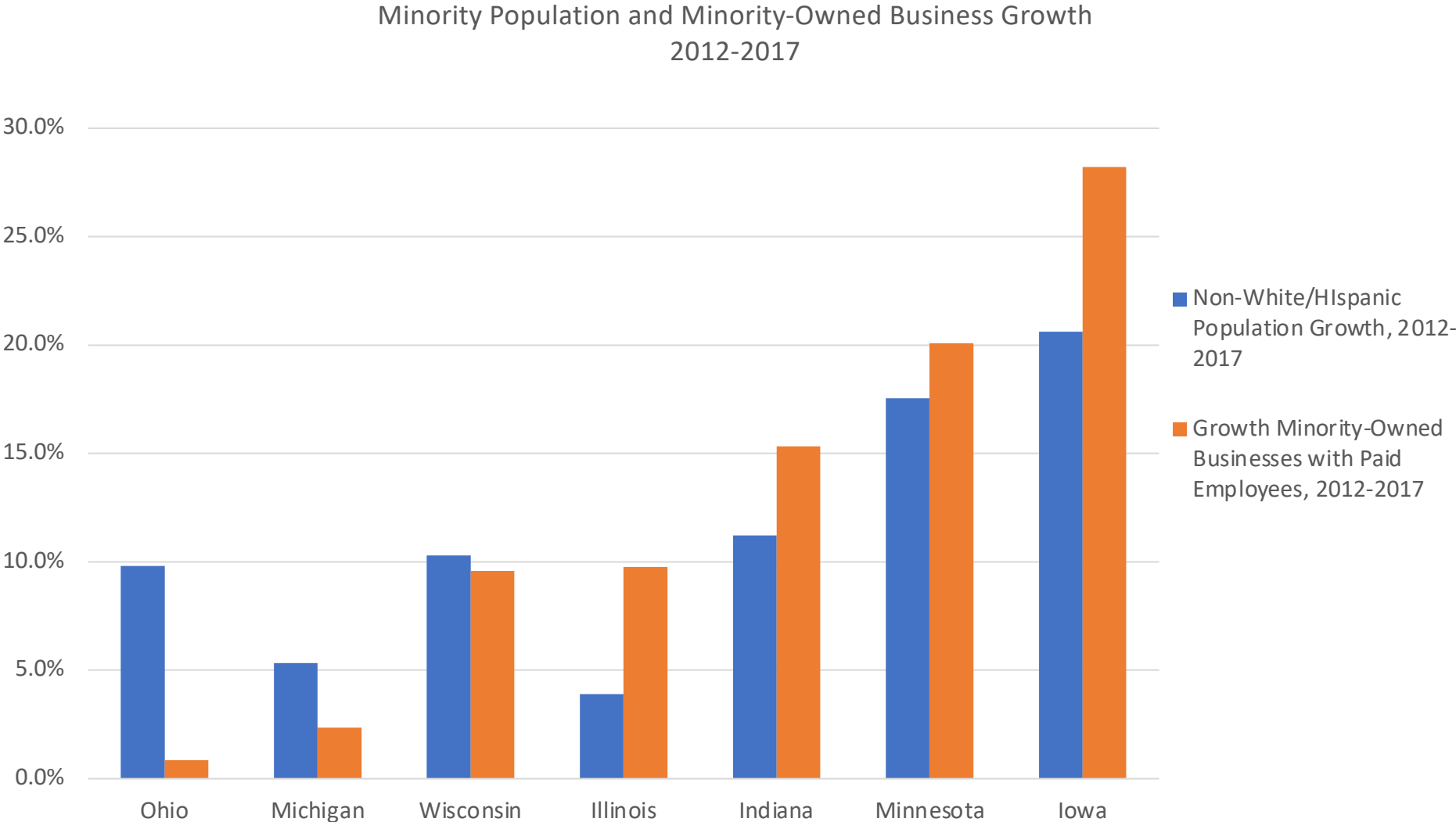


Minority-owned business ownership is still increasing.

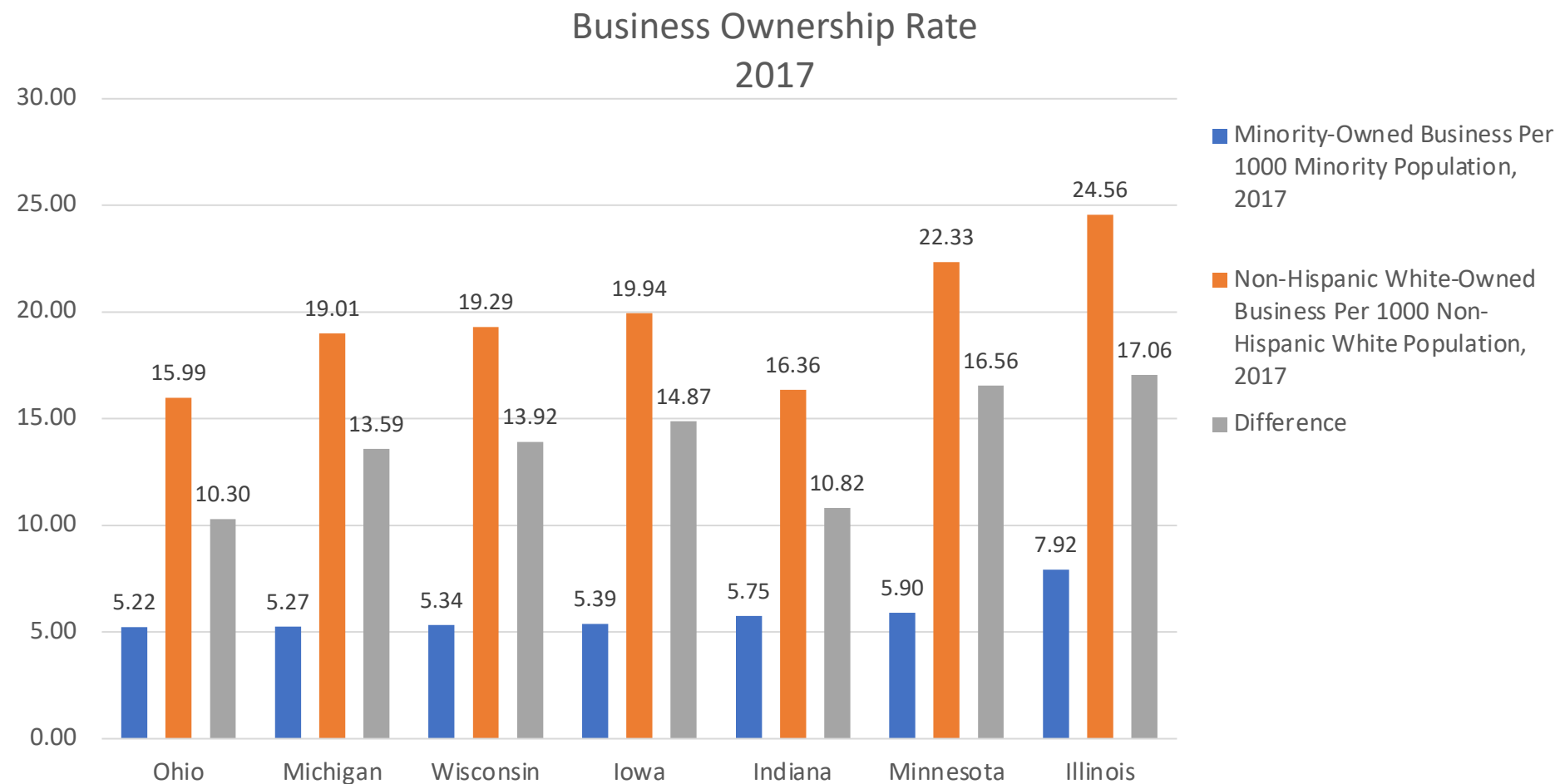


* Author's estimate based on the sum of businesses by Race/Ethnicity.

In WI, growth is on track with population increases.

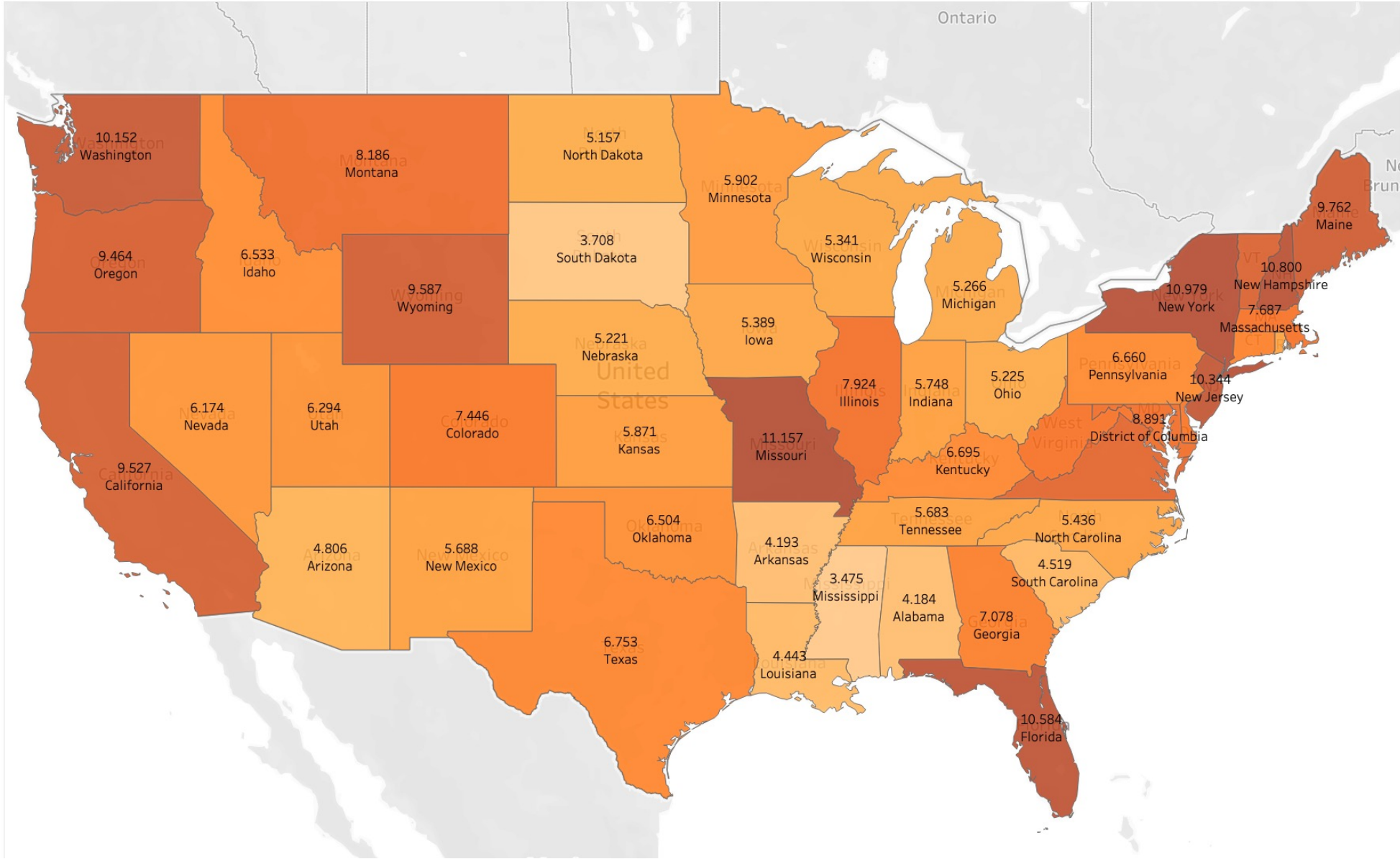


Despite growth, the rate of business ownership is lower for people of color than for the Non-Hispanic White population.



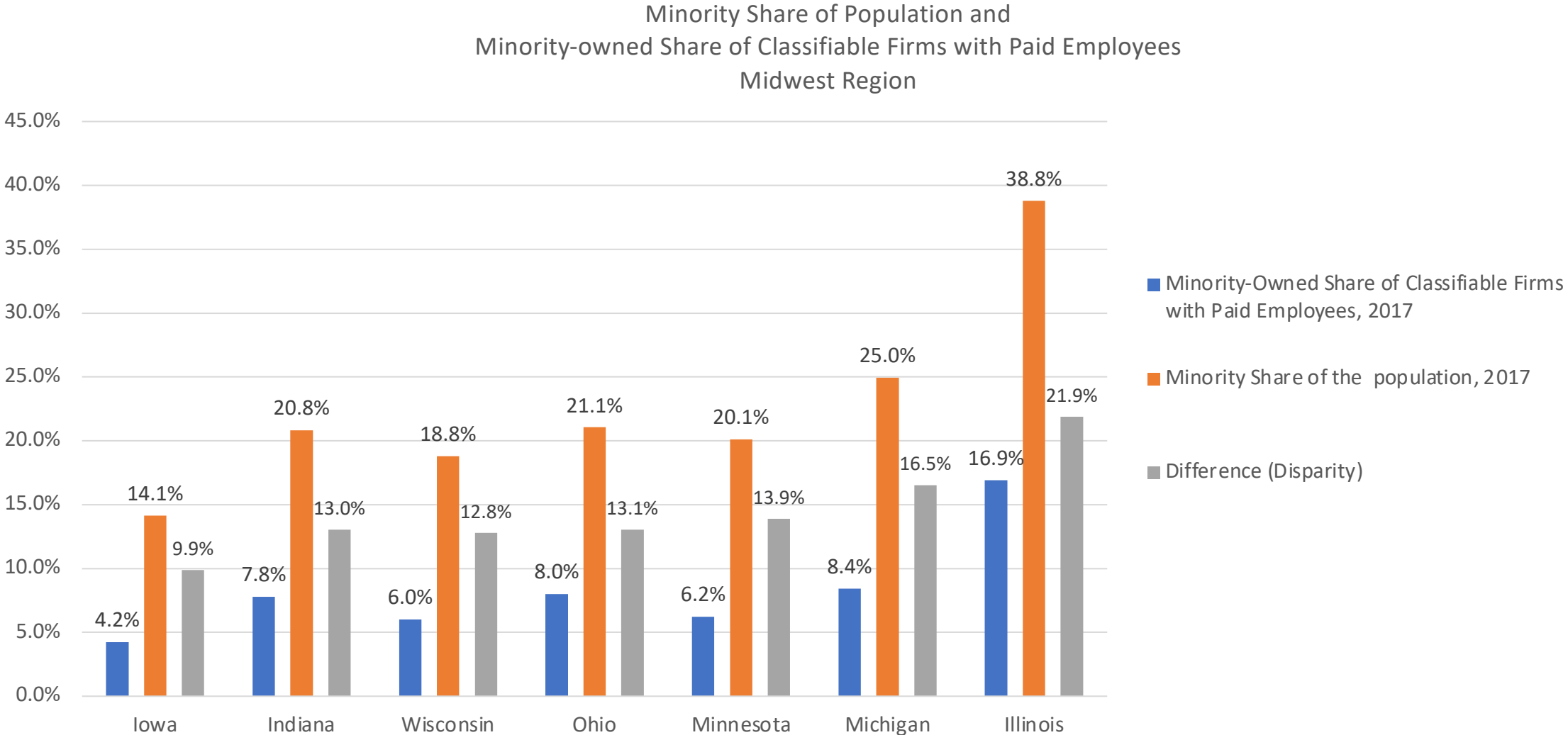
The rate of minority-owned business in WI is also below average across states.

Minority-Owned Business Per 1000 Minority Population, 2017

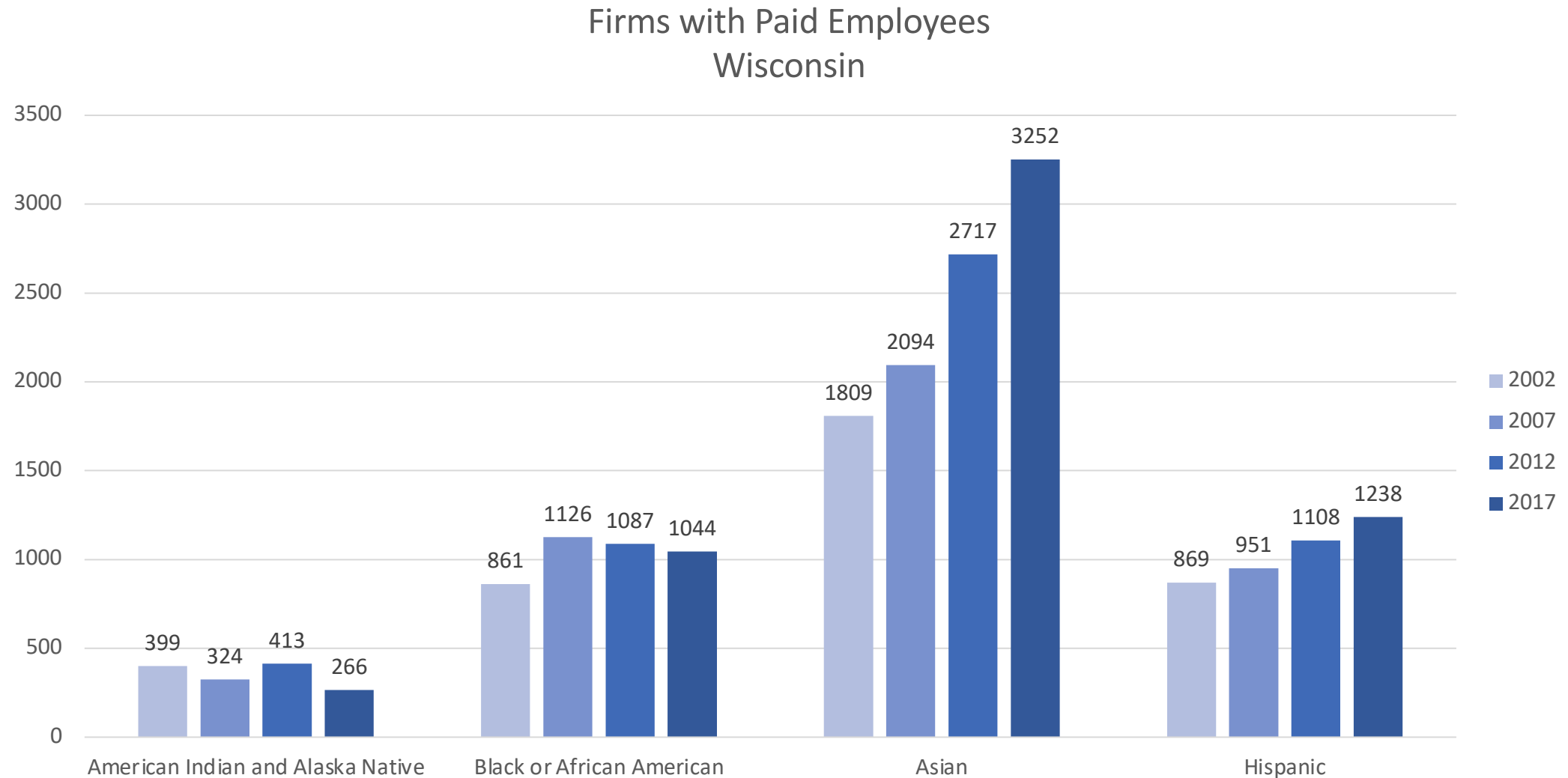


Average= 7.09 minority-owned business per 1000 minority population

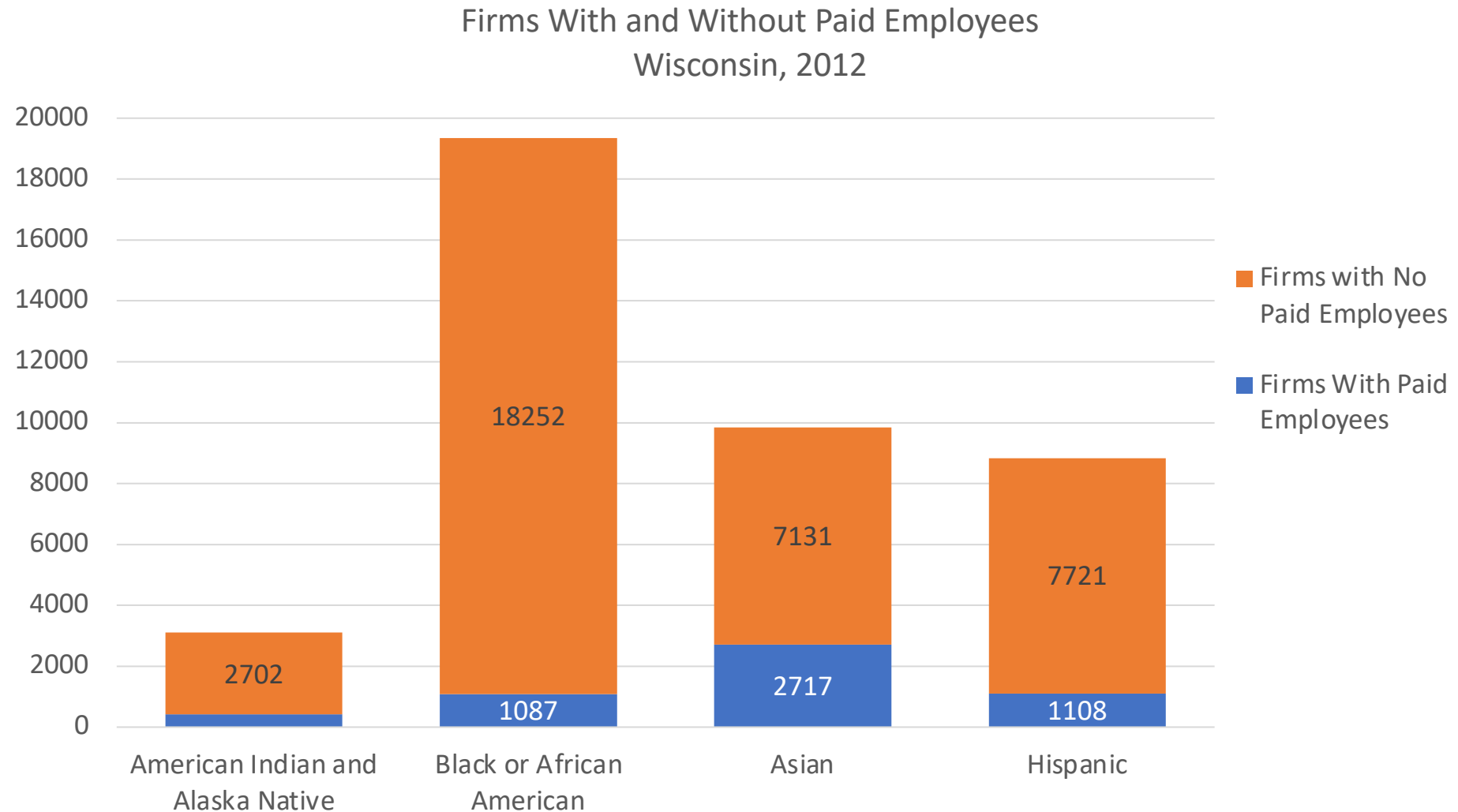
Wisconsin is still far from parity.



Growth varies by race and ethnicity.

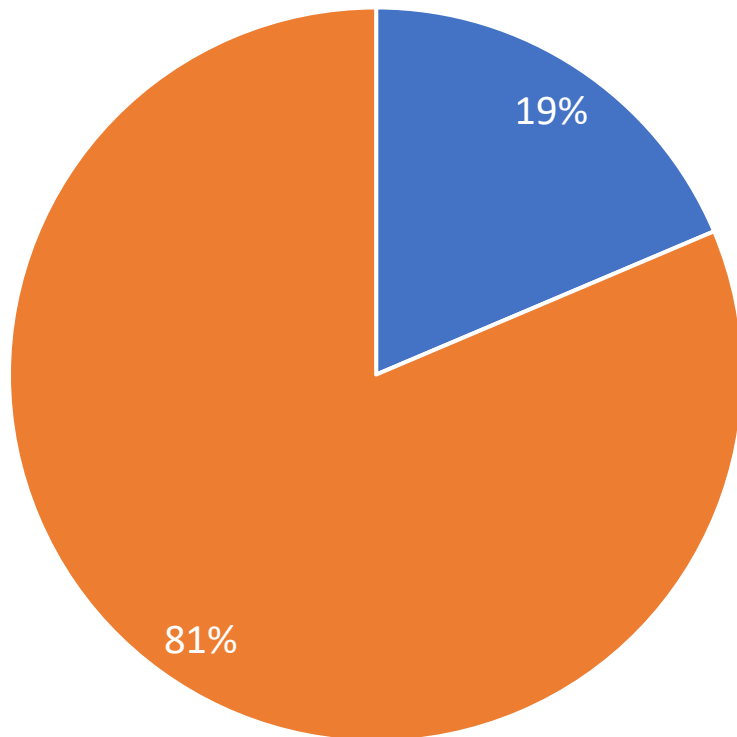


Most minority-owned businesses have no paid employees.

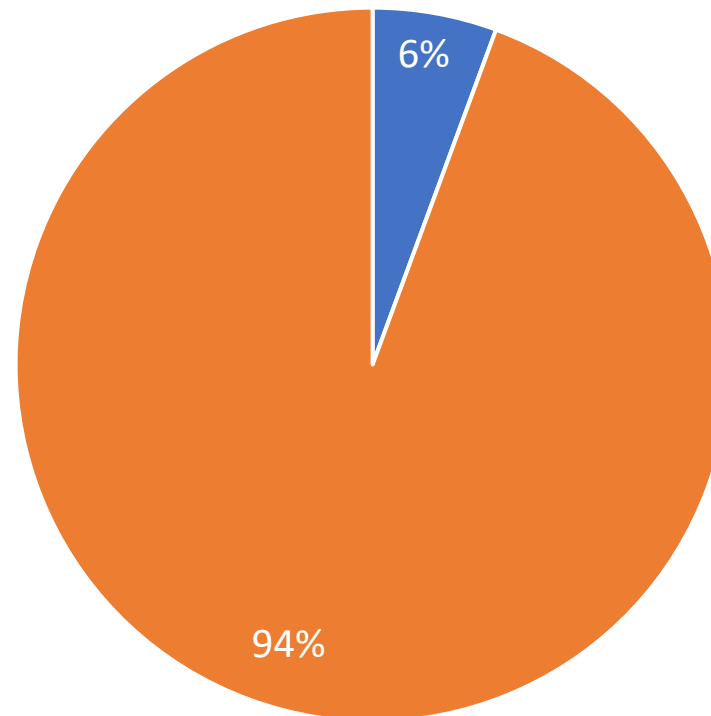


White-owned businesses are 3x more likely to have employees compared to Black or African-American Owned businesses.

Non-Hispanic White-Owned Businesses
2012

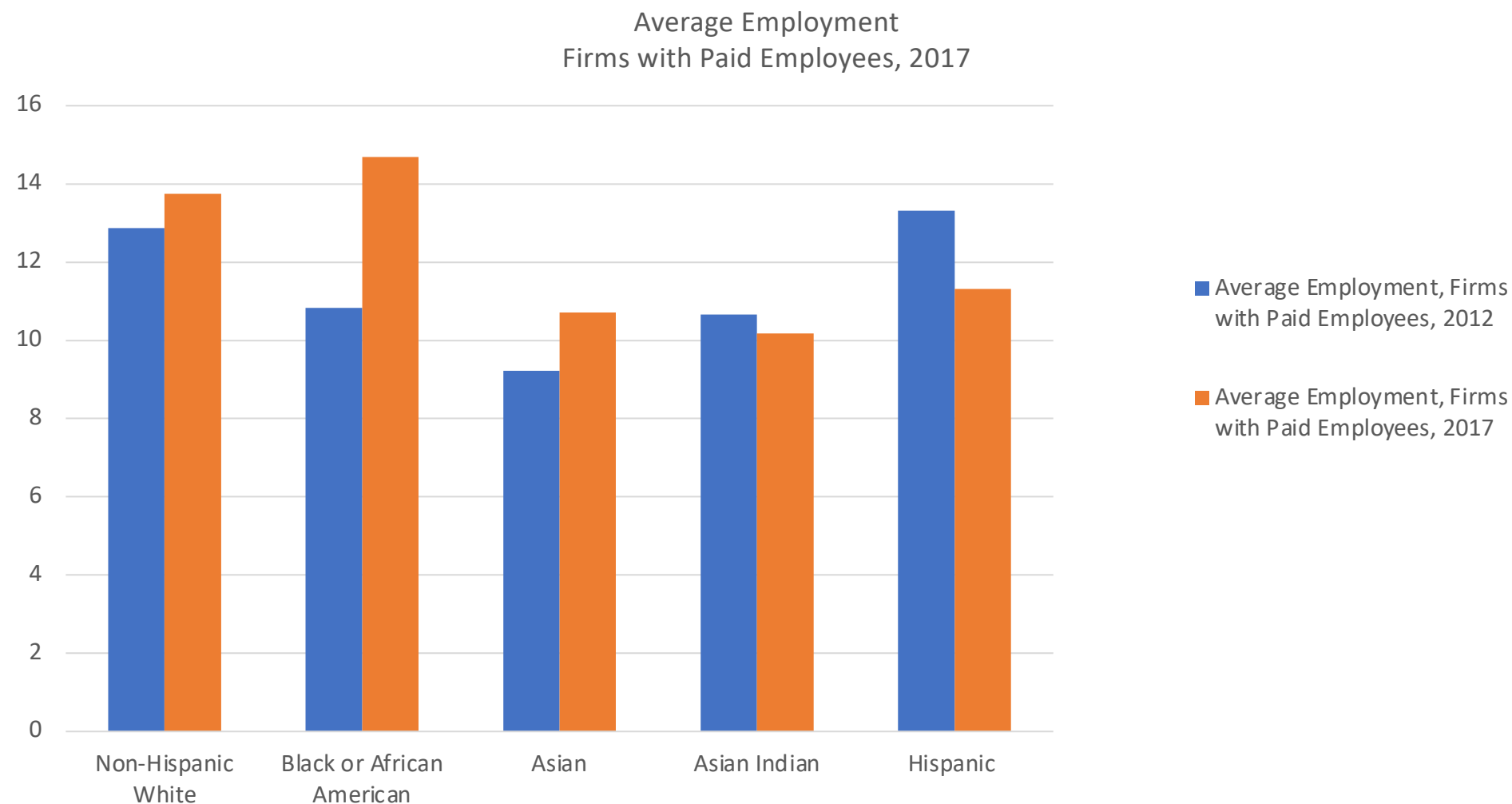


Black or African-American Owned Businesses
2012



- Firms with paid employees
- Firms without paid employees

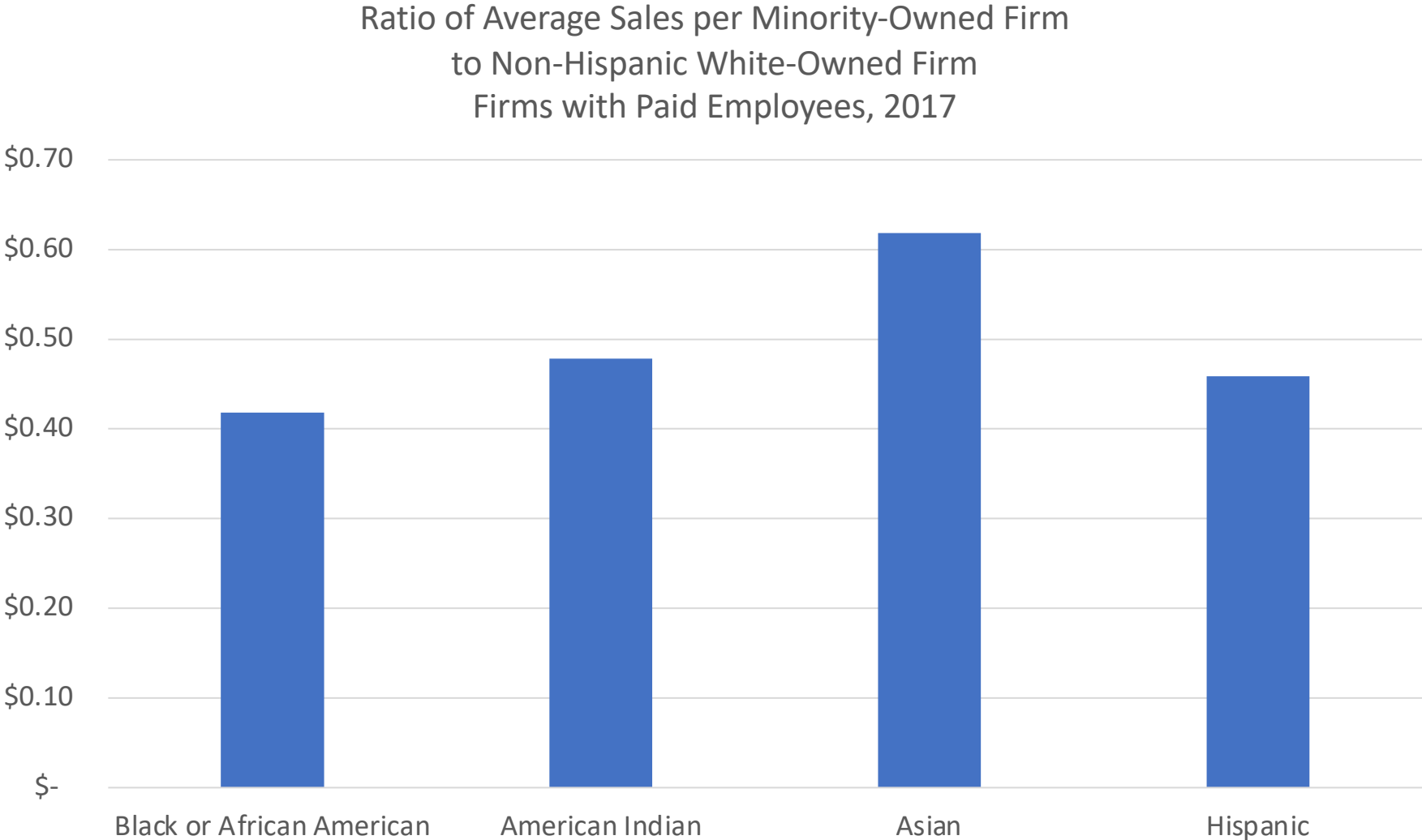
Those businesses that do have employees are comparable in size to White-owned businesses.



Minority-owned businesses generate lower sales on average.

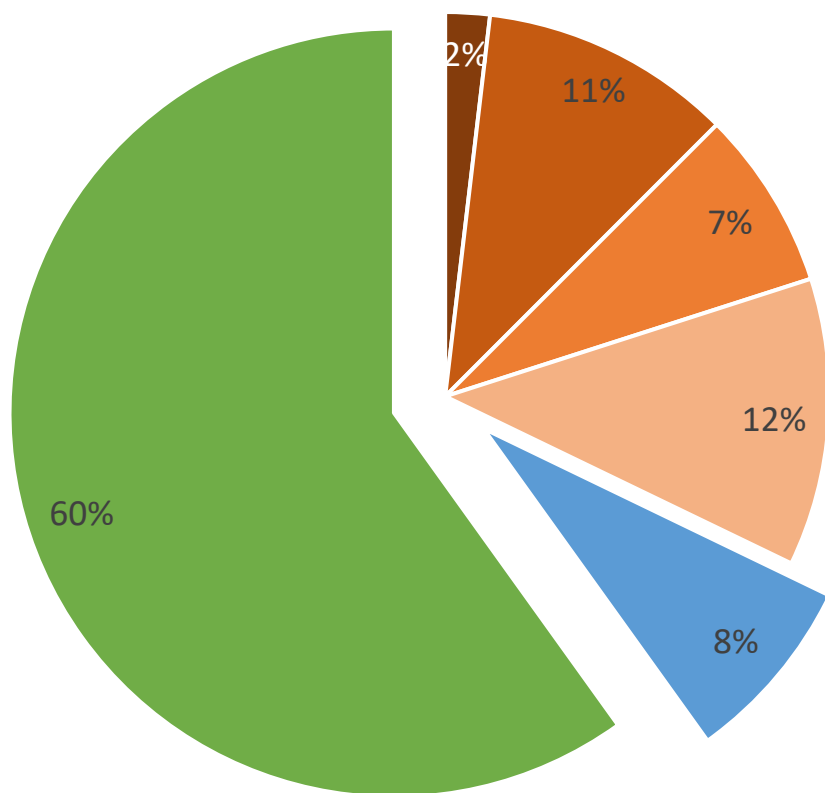


The average minority-owned businesses earns less than \$.65 for every dollar earned in the average Non-Hispanic White-Owned business.

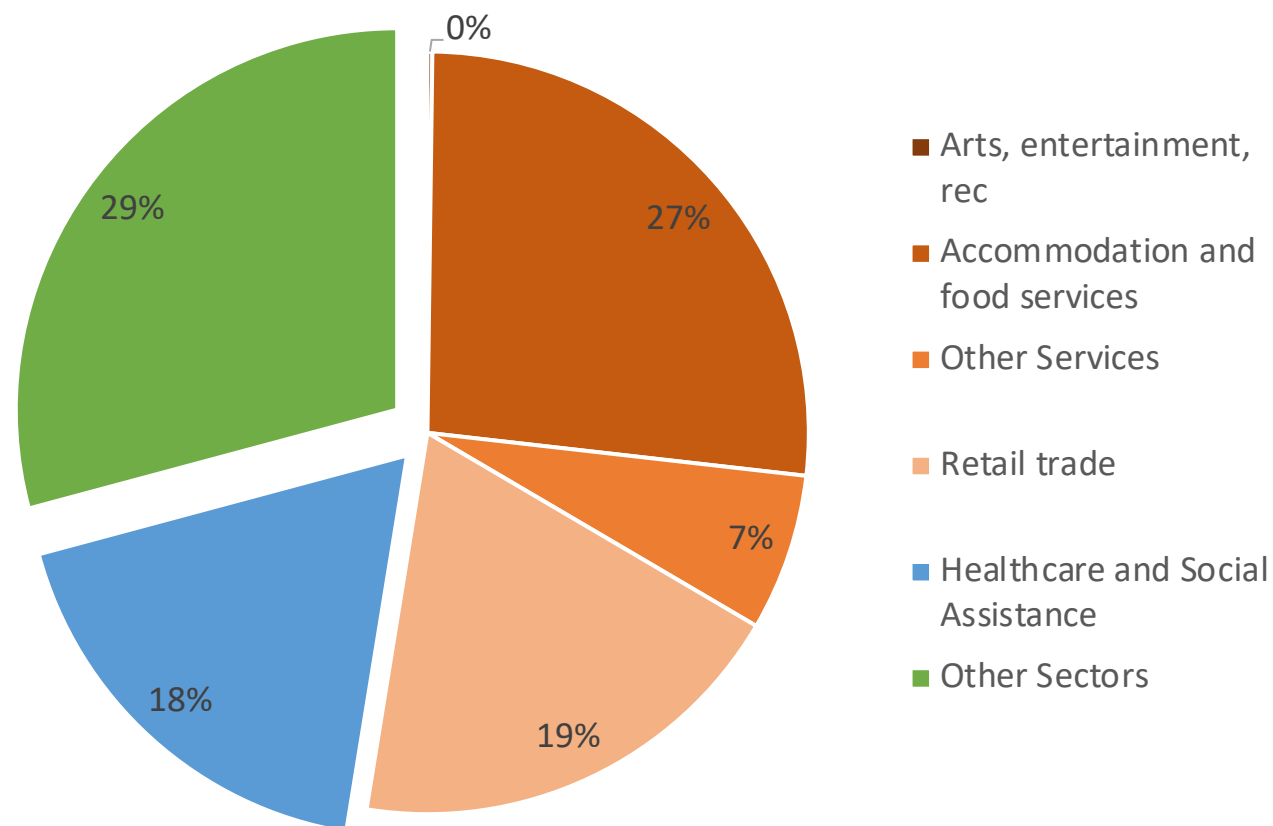


Minority-owned businesses are *still* concentrated in the sectors vulnerable to the negative impacts of COVID-19.

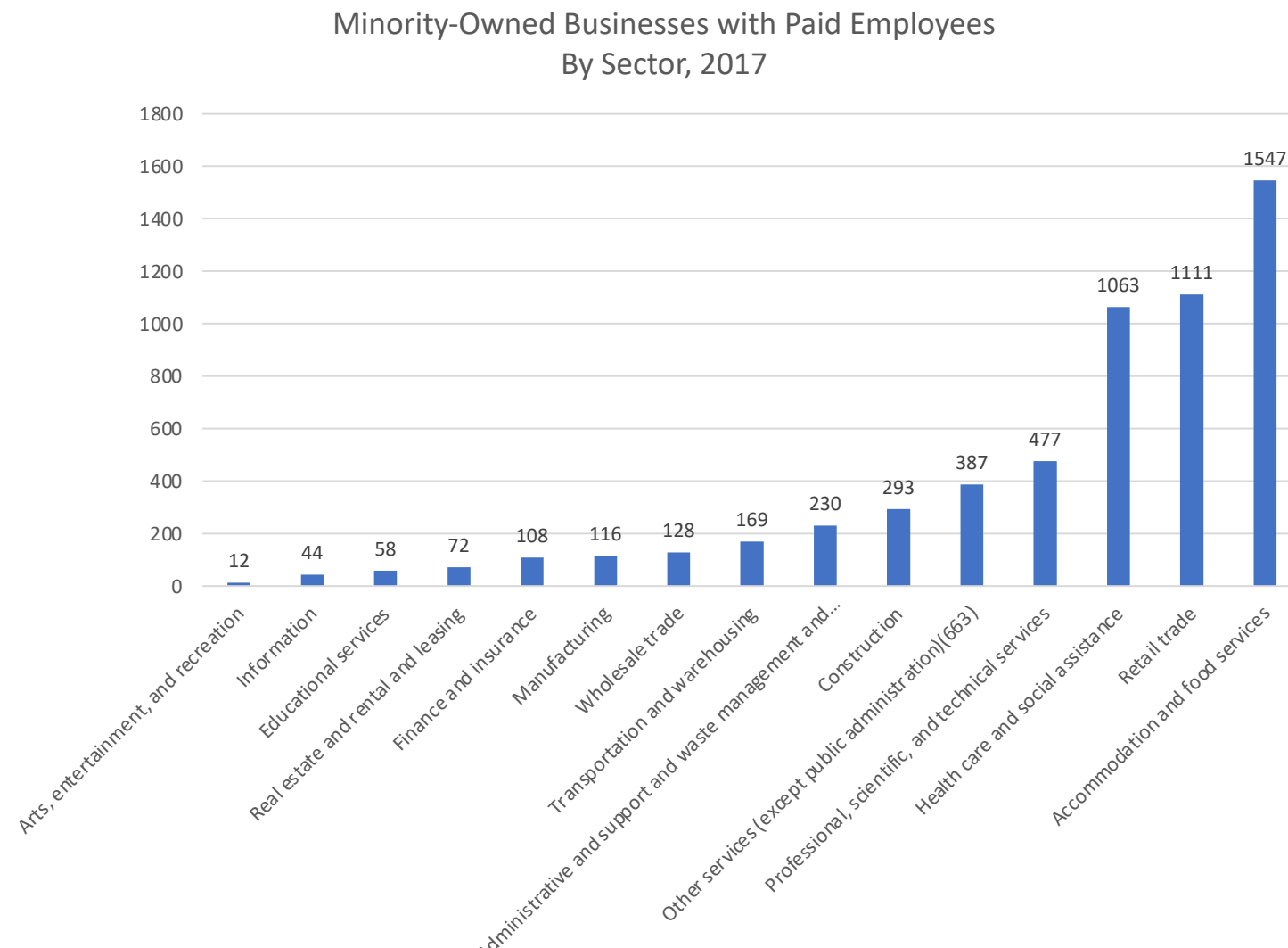
Non-Hispanic White-Owned Businesses With Paid Employees, 2017



Minority-owned Businesses with Paid Employees 2017



Minority-owned businesses are *still* concentrated in the sectors vulnerable to the negative impacts of COVID-19.



COVID-19 likely most challenging for Black or African-American-owned businesses.

- Largest share in vulnerable sectors.
- Least likely to have employees.
- Smallest average sales.
- Most likely to be financially distressed (Federal Reserve of Cleveland 2019).
- Least likely to be profitable (Federal Reserve of Atlanta, 2019).
- Lowest credit scores (Federal Reserve of Atlanta, 2019).
- Black business owners declined by 41% Feb-April 2020 compared to 22% overall (Fairlie, 2020).

They face significant barriers.

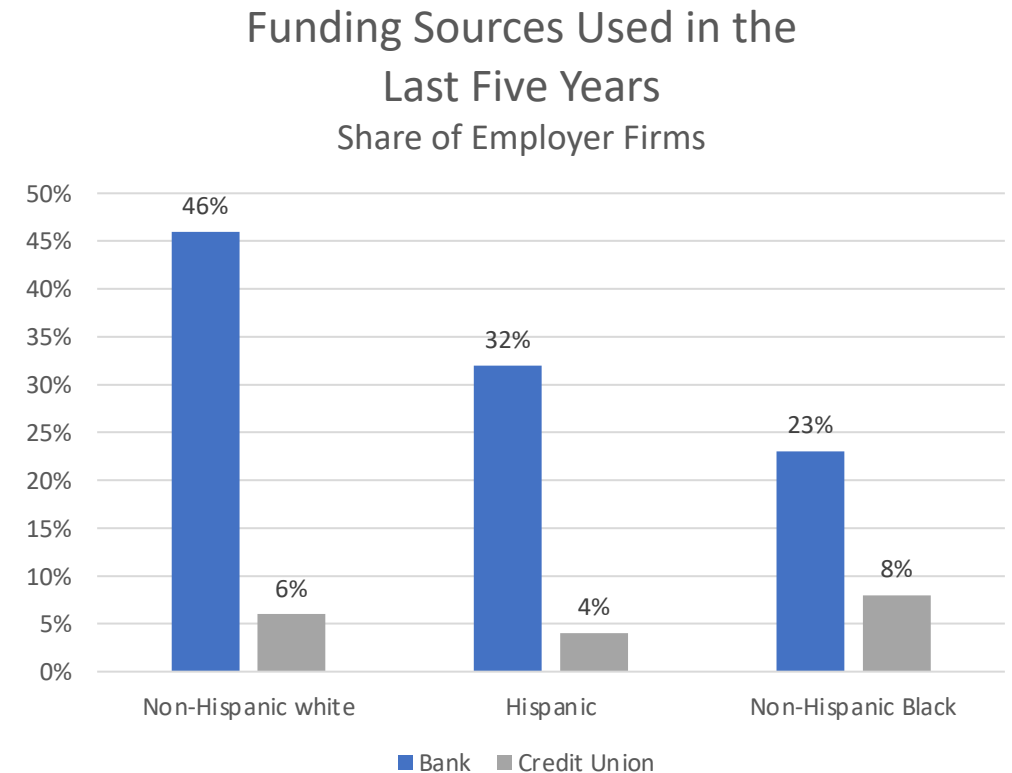
- Business owners of color are disproportionately concentrated in the sectors most negatively impacted by COVID-19.
- In addition, their small size or “nonemployer” status can make it more difficult...
 - To secure a loan.
 - To weather a financial downturn.
 - To incur the costs of doing business during COVID-19.
 - Touchless technology, extra sanitation, online platforms, social media training

Example

- For the PPP program, lenders earn an origination fee equal to:
 - 5% of the loan balance for loans under \$350,000,
 - 3% for loans between \$350,000 and \$2,000,000, and
 - 1% for loans above \$2,000,000.
- For a loan of \$40,000, a lender would make just \$2,000.
- Ruth's Chris Steakhouse rec'd \$20 million, yielding \$200,000 in fees.

Example (cont): Additional Barriers to PPP

- Business owners of color are less likely to have existing relationships with banks.
- Business owners who have been involved with the criminal legal system, including people who have been charged but not tried or convicted of a crime, are excluded or face barriers.
- No SBA guidelines for awarding loans to under-served, rural, and women-owned businesses.



Options for more equitable outcomes.

- Financing
 - Direct applications and partnerships.
 - Apply directly to WEDC.
 - Partnering with CDFIs, MDIs, Credit Unions.
 - Technical assistance, simplified applications, and eligibility.
 - Guidelines and incentives.
- Wrap-around services
- Broadband
 - Evidence that BB enhances entrepreneurship—especially for the smallest types of businesses.

Additional Resources

- Federal Reserve of Cleveland: [An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms](#)
- Federal Reserve of Atlanta: [Report on Minority-Owned Firms-Small Business Credit Survey](#)
- Federal Reserve of New York: [Double Jeopardy: COVID-19's Concentrated Health and Wealth Effects in Black Communities](#)
- National Bureau of Economic Research: [The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey](#)
- Brookings Institute: [Five-star reviews, one-star profits: The devaluation of businesses in Black communities](#)
- Center for Responsible Lending: [The Paycheck Protection Program Continues to be Disadvantageous to Smaller Businesses, Especially Businesses Owned by People of Color and the Self-Employed](#)