



Statement for the Record

House Financial Services Subcommittee on Diversity Inclusion

“Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic”

July 24, 2020

We commend Chairwoman Beatty, Ranking Member Wagner, and the House Financial Services Subcommittee on Diversity and Inclusion for holding the July 9th hearing evaluating the challenges women and minority-owned businesses face when accessing capital during the pandemic.

Entrepreneurship plays an important role in building wealth in families, communities, and economies, but the opportunity to start and grow a business is not equal for white and Black Americans. Black Americans are underrepresented among entrepreneurs, representing 12% of the U.S. labor force but only 9.4% of business owners.¹ They also are less likely than white Americans to launch businesses, and when they do, those businesses tend to have lower revenues and fewer employees.²

Black-owned non-employer businesses are less than half as likely to get financing as white-owned firms³; as a result, Black entrepreneurs are nearly three times more likely to have business growth and profitability negatively impacted by a lack of financial capital.⁴ Given that 70.6% of Black entrepreneurs rely on personal and family savings for financing, lower family wealth for Black families overall drives more of a divide⁵ in access to capital. In addition, Black Americans hold higher levels of student

¹ [M’Balou Camara, Khaing Zaw, Darrick Hamilton, and William Darity Jr., “Entering Entrepreneurship: Racial Disparities in the Pathways into Business Ownership.” Duke University, 2019](#)

² [The Kaufman Foundation, Kauffman Compilation: Research on Race and Entrepreneurship, December 2016](#)

³ [Federal Reserve Bank of New York, 2019 Report on Non Employer Firms: Small Business Credit Survey, August 2019](#)

⁴ [Howard, Tiffany, “The State of Black Entrepreneurship in America: Evaluating the Relationship Between Immigration and Minority Business Ownership,” Congressional Black Caucus Foundation Center for Policy Analysis and Research, April 2019](#)

⁵ Ibid

debt—inhibiting entrepreneurship by discouraging risk and constraining access to capital.⁶

Access to credit is more expensive for minority-owned firms. Research shows that diverse-owned firms paid 7.8 percent interest on average for loans compared with 6.4 percent for non-minority firms.⁷ Black-owned firms report more credit availability challenges or difficulties obtaining funds for expansion than nonminority-owned firms—even among firms with revenues of more than \$1M. Further, black-owned firm application rates for new funding are 10 percentage points higher than white-owned firms, but their approval rates are 19 percentage points lower.⁸

The economic fallout from the pandemic has hit Black-owned and Hispanic-owned firms particularly hard, exacerbating these challenges. The number of Black-owned small businesses dropped by a staggering 41% from February to April while the number of Latinx-owned businesses dropped 32%, compared to a 17% drop for white small business owners.⁹ This was due in part to industry concentrations that put Black- and Hispanic-owned businesses at higher risk of disruption and loss caused by the pandemic.

The U.S. Chamber of Commerce recently launched our Equality of Opportunity Initiative to develop and advance data-driven business and policy solutions to bridge opportunity gaps and ensure that Black Americans have greater opportunities to succeed—this includes increasing access to capital for minority-owned businesses.¹⁰ Access to capital is critical for small businesses to start, scale and compete in our global economy, and we know that their success catalyzes job creation and promotes the economic health of entire communities across the country.

The business case for equity and increased access to capital for minority-owned firms is clear. If the number of minority-owned enterprises was proportional to their labor force participation, the U.S. would add more than 1.1 million businesses, supporting an estimated nine million additional jobs and adding nearly \$300 billion in

⁶ [Braga, Breno, “Racial and Ethnic Differences in Family Student Loan Debt,” Urban Institute, July 2016](#)

⁷ Minority Business Development Agency, Executive Summary - Disparities in Capital Access between Minority and Non-Minority Businesses, April, 2017

⁸ [Federal Reserve Banks of Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, St. Louis, San Francisco, “2020 Report on Non Employer Firms: The Small Business Credit Survey,” 2020](#)

⁹ [Fairlie, Robert, “The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey,” National Bureau of Economic Research, June 2020](#)

¹⁰ U.S. Chamber of Commerce, America’s Opportunity Gaps: By the Numbers, Systemic barriers to equality of opportunity for Black Americans and people of color, (June 24, 2020); <https://www.uschamber.com/report/america-s-opportunity-gaps-the-numbers>

workers' income.¹¹ A recent study estimated that by 2050, our country stands to realize an \$8 trillion gain in GDP by closing the U.S. racial equity gap.¹²

In partnership with the public and private sector, the U.S. Chamber of Commerce is focused on helping minority-owned businesses survive the pandemic and position themselves on a path to economic recovery. We are specifically focused on the following:

- **Weathering the Economic Impact of the Pandemic:** The pandemic is disproportionately impacting minority-owned businesses. The Chamber continues to support policy efforts to streamline access to capital for minority-owned firms like PPP forgiveness for loans under \$250,000 and S. 3742, the "[Recharge and Empower Local Innovation and Entrepreneurs Fund for Main Street Act \(RELIEF for Main Street Act\)](#)". Additionally, the U.S. Chamber Foundation joined the U.S. Black Chambers, the National Black Chamber of Commerce, the National Business League, Walker's Legacy, and American Express in a new coalition pledging \$10M over the next four years to provide grants to organizations that focus specifically on helping Black-owned businesses.
- **Improving Access to Capital:** Lack of access to capital is a significant problem for most entrepreneurs but is especially acute for Black entrepreneurs. Following the model of the successful 2012 JOBS Act, the Chamber supports efforts by Congress to initiate a formal process through the SEC to develop recommendations for changes in existing law and regulations that would improve access to capital for Black-owned businesses.
- **Improving Access to Credit:** A critical component impacting access to capital is credit. The Chamber supports efforts to increase access to credit for minority-owned businesses.
- **Increasing Entrepreneurship Opportunities:** Through our [Next-Gen program](#), the U.S. Chamber is working with Historically Black Colleges and Universities and Minority Serving Institutions to expose students to new career opportunities, promote entrepreneurship, and advance diversity at all levels of business.
- **Increasing Minority-Business Lending:** The Chamber supports strengthening financial institutions that provide support to underserved and low-income communities like Community Development Financial Institutions (CDFI), Minority Development Institutions, and others. For

¹¹ [Algernon Austin, "The Color of Entrepreneurship: Why the Racial Gap among Firms Costs the U.S. Billions," Center for Global Policy Solutions, April 2016](#)

¹² [Turner, Ani, "The Business Case for Racial Equity," W.K.Kellogg Foundation, 2018](#)

example, we support the inclusion of \$1 billion for the CDFI fund in the HERO's Act.

- **Promoting a Data-Driven Approach:** In partnership with MetLife, the Chamber produces a monthly [small business index](#) to track the impact of the pandemic on firms—including minority-owned small businesses. This contributes to our data-driven approach. We also support efforts by the Consumer Financial Protection Bureau to implement Section 1071 which amends the Equal Credit Opportunity Act to require that financial institutions collect and report information concerning credit applications made by women- or minority owned businesses and by small businesses.
- **Supporting the Efforts of Minority Business Development Agency:** The U.S. Department of Commerce's Minority Business Development Agency (MBDA) is the only agency in the federal government whose sole purpose is to support, expand, and create opportunities for minority-owned enterprises. The Chamber supports Congress providing additional support to the MBDA and incentivizing a private sector partnership with the MBDA to expand programs to assist minority owned businesses.
- **Increasing Supply Chain Diversity:** Larger businesses can help support Black entrepreneurship by focusing on diversity in their supply chains. Utilizing a data-driven approach, the Chamber supports a private sector effort to establish best practices and resources to increase the participation of minority owned enterprises in corporate supply chains.
- **Supporting Black-Owned Businesses:** Many Black-owned businesses are small businesses. Local communities can help support these entrepreneurs by shopping local, and local business communities can help by identifying and promoting local, Black-owned businesses.
- **Advocating for Diversity and Inclusion:** The U.S. Chamber [advocates for policies](#) that advance diversity, equality and inclusion in our economy, including [corporate board diversity](#), prohibiting discrimination based on [sexual orientation or gender identity](#), and more.

All Americans should have equal opportunity to earn their success, rise on their merit, and live their own American Dream. Unfortunately, that is not the case today. The U.S. Chamber of Commerce looks forward to working with the House Financial Services Committee to strengthen and promote the equality of opportunity for minority-owned businesses.