

Minority-Owned Businesses: Making the Connection

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Minority Capital Access Forum
Minority Business Advocacy Power Panel

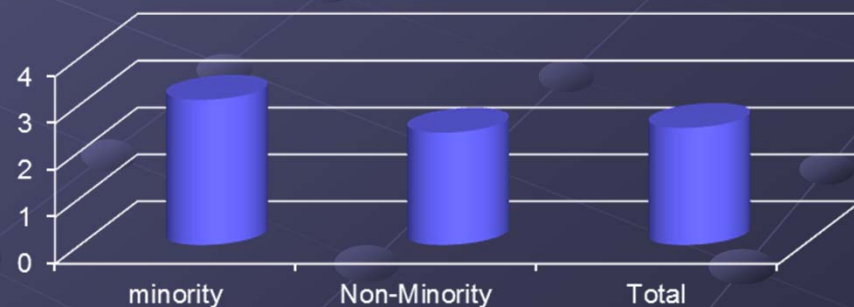
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Why Minority Businesses?

- Minority businesses play an increasingly important role in the US economy
- Fastest growing, an increasing component of small businesses
- Minorities tend to have strong entrepreneurial disposition



Employment creation among young firms



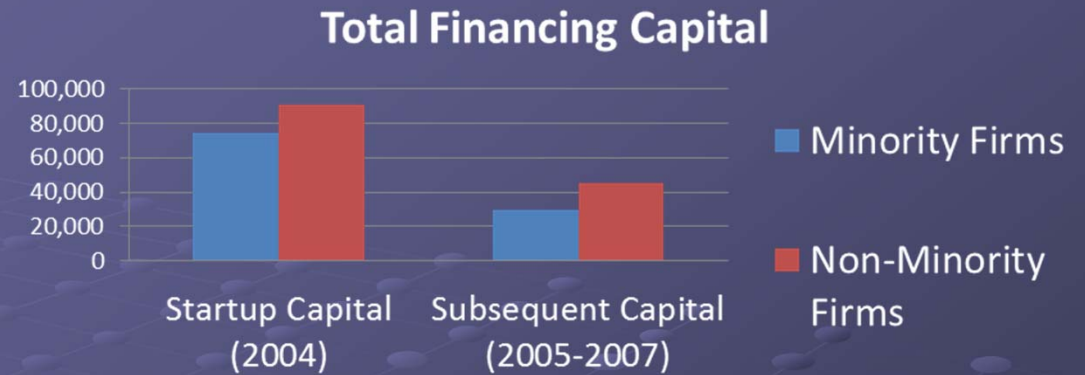
Why a Minority Capital Access Forum?

- Financing per job created is lower for young minority enterprises

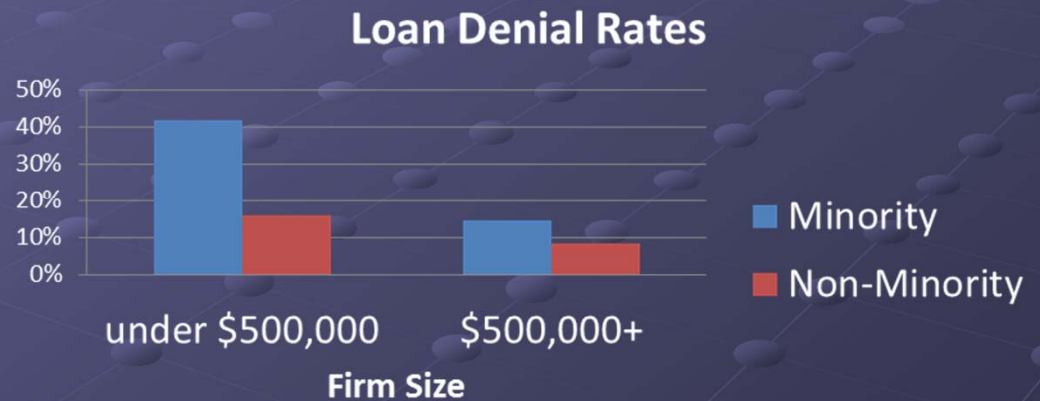
	Total Financing 2004-2007	Financing per Job Created
Minority	\$ 162,358.00	\$ 52,374.00
Non-Minority	\$ 227,272.00	\$ 95,492.00
Total	\$ 214,338.00	\$ 85,055.00

Why a Minority Capital Access Forum?

- Inadequate capital access, a constraint to growth



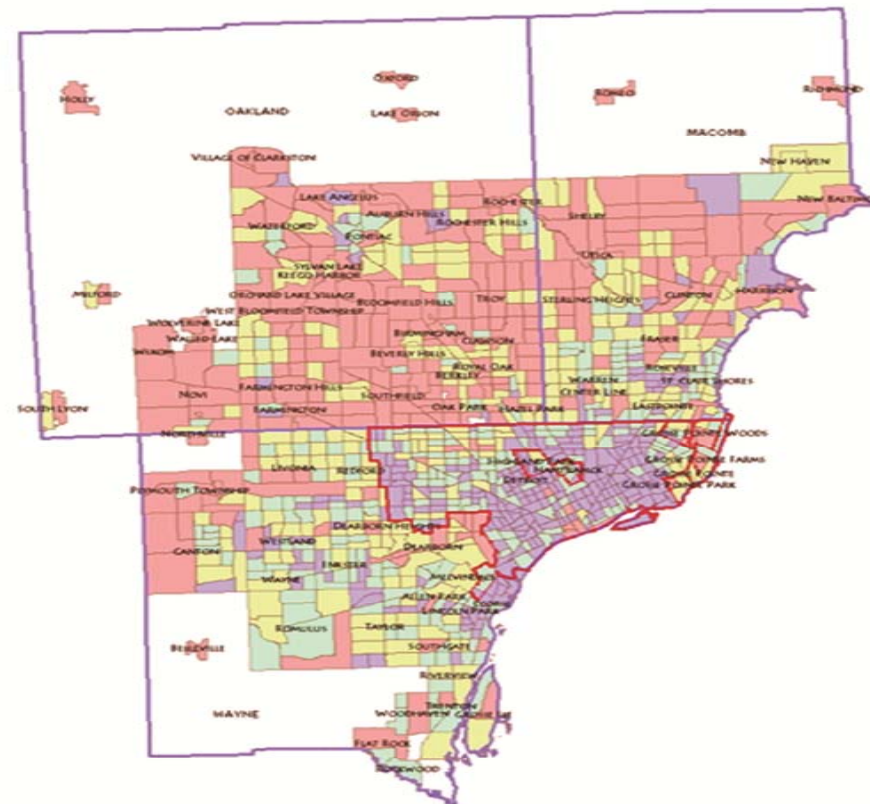
- Differences in capital access, regardless of firm size



- Differences in capital growth with time



The Detroit Business Landscape



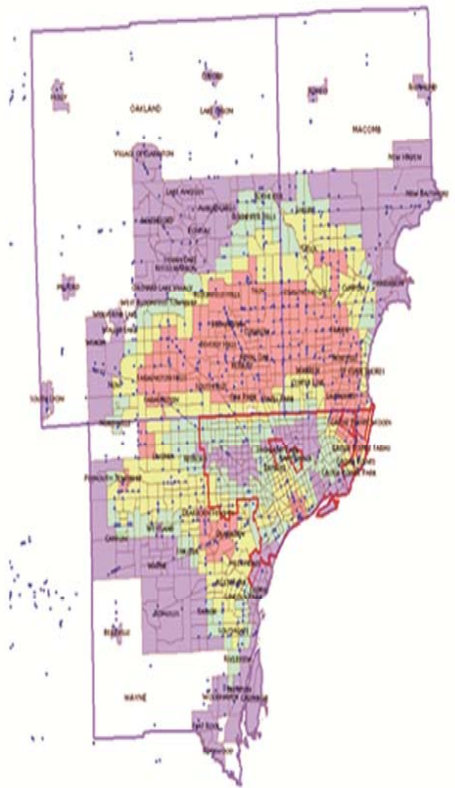
Number of small businesses



Sources: Authors' calculations based on data from Dun & Bradstreet and Maptitude.

Source: Toussaint-Comeau and Newberger, 2014 /Authors' Calculations, *Banking Infrastructure and Small Business Lending*, CDPS White paper, 2014.

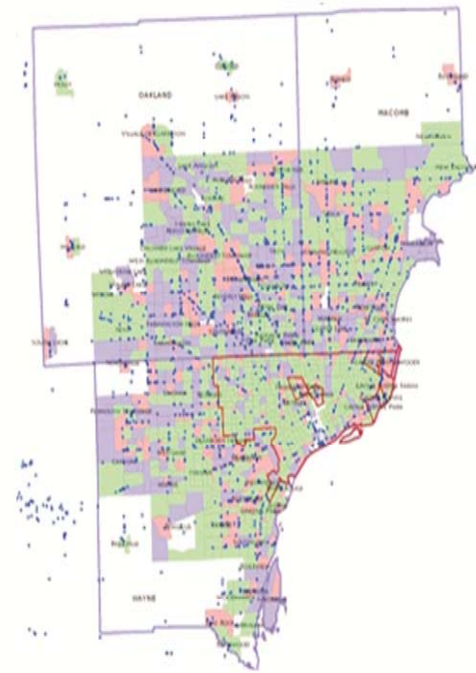
Financial Access across Neighborhoods some room for improvement



Bank presence within five-mile distance (2010)

1.3687 to 2.9697 (266 tracts)	2.9698 to 3.1878 (266 tracts)	3.1879 to 3.3772 (266 tracts)	3.3772 to 3.9980 (266 tracts)
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Sources: For figures 3.1-3.3, authors' calculations based on data from FDIC Summary of Deposits (<http://www2.fdic.gov/sod/>) and U.S. Census Bureau boundary data, as obtained through Maptitude, Version 5. Each dot represents a bank branch.

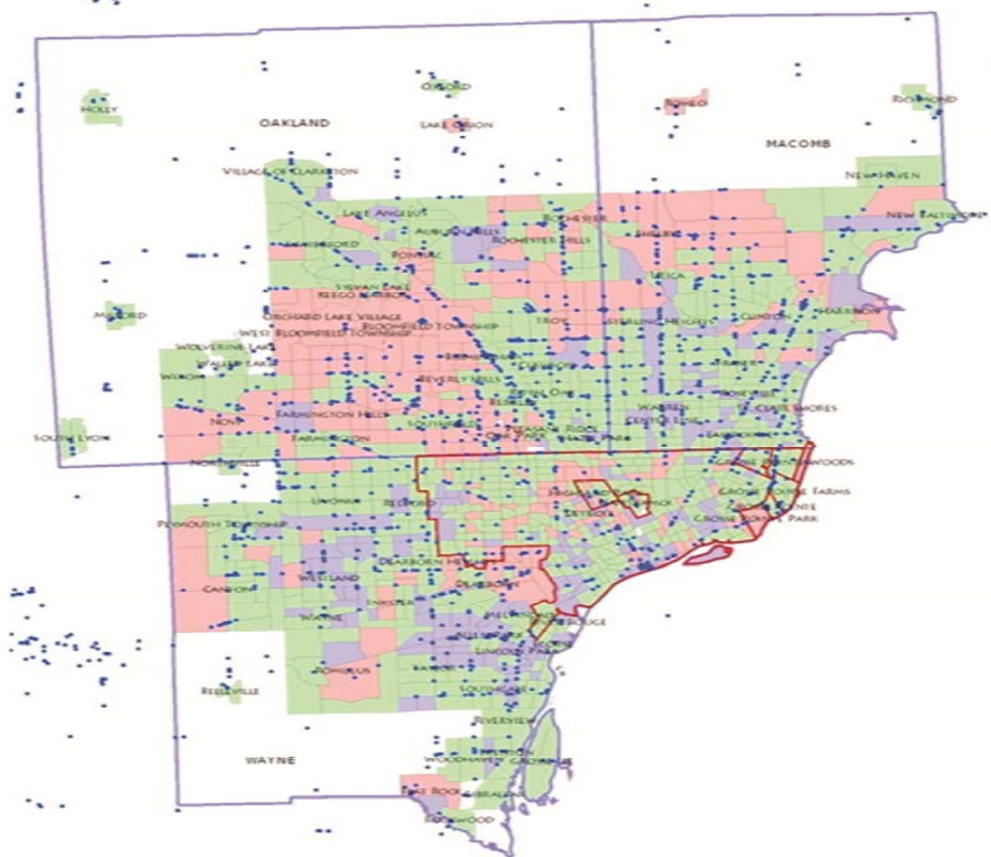


Difference between actual and predicted level of bank branch access

Positive gaps (235 tracts)	Predicted close to actual (577 tracts)	Actual greater than predicted (153 tracts)
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Note: This figure illustrates the result of a gap analysis for census tracts. The gap refers to the difference between the level of bank branch access and the predicted level of access, derived from OLS estimations of bank access (numbers of branches per 1,000 people in a census tract), controlling for location characteristics, including business density, home value, and vacancy rate, and deposits. The census tracts are coded according to their standard deviations from the predicted means. Each dot represents an actual branch.

Bank CRA-Reported Lending Gap Analysis



Predicted lending
greater than actual
(172 tracts)

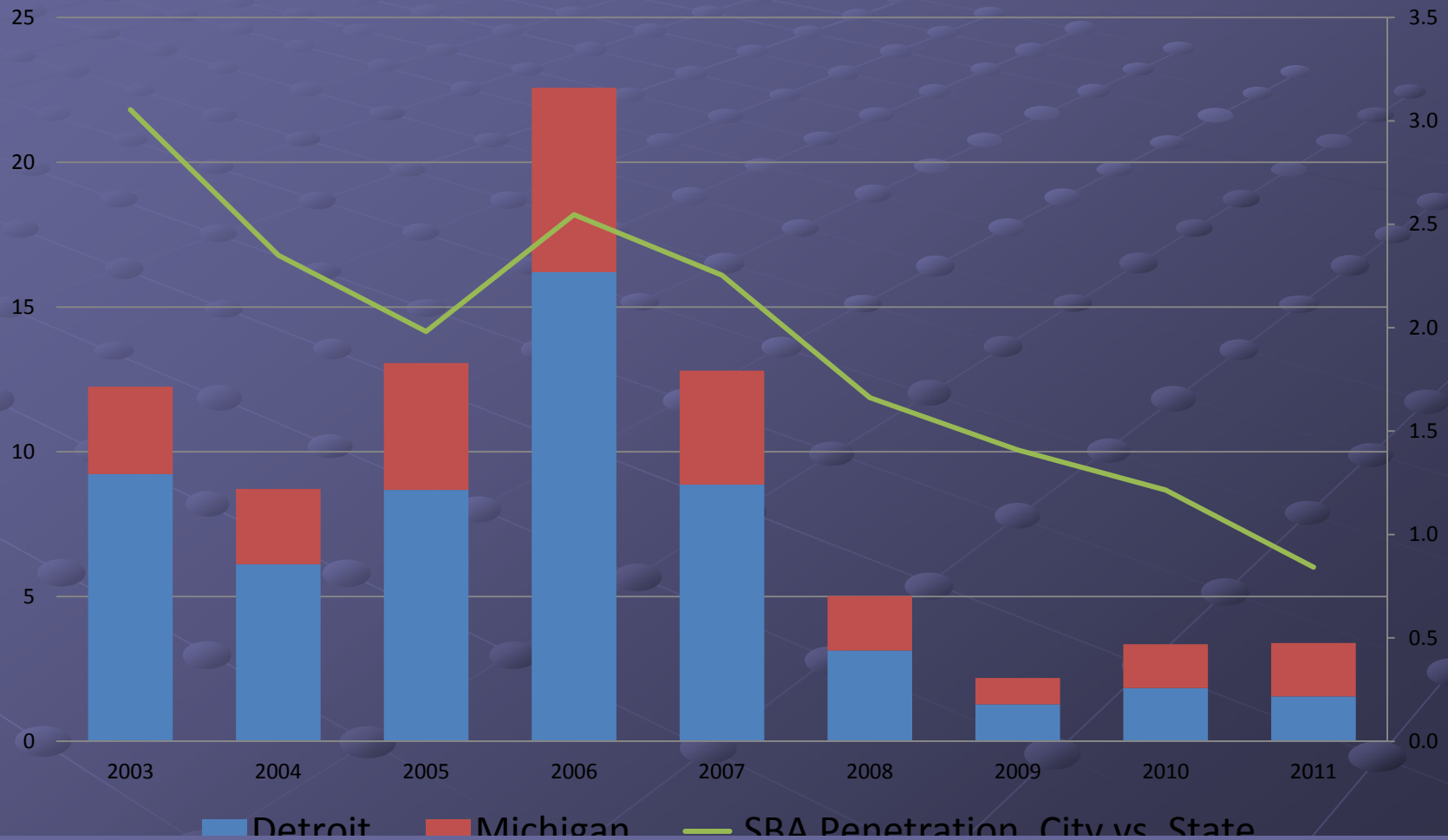
Predicted close
to actual
(632 tracts)

Actual lending greater
than predicted
(224 tracts)

Source: Toussaint-Comeau and Newberger, 2014 /Authors' Calculations, *Banking Infrastructure and Small Business Lending*, CDPS White paper, 2014.

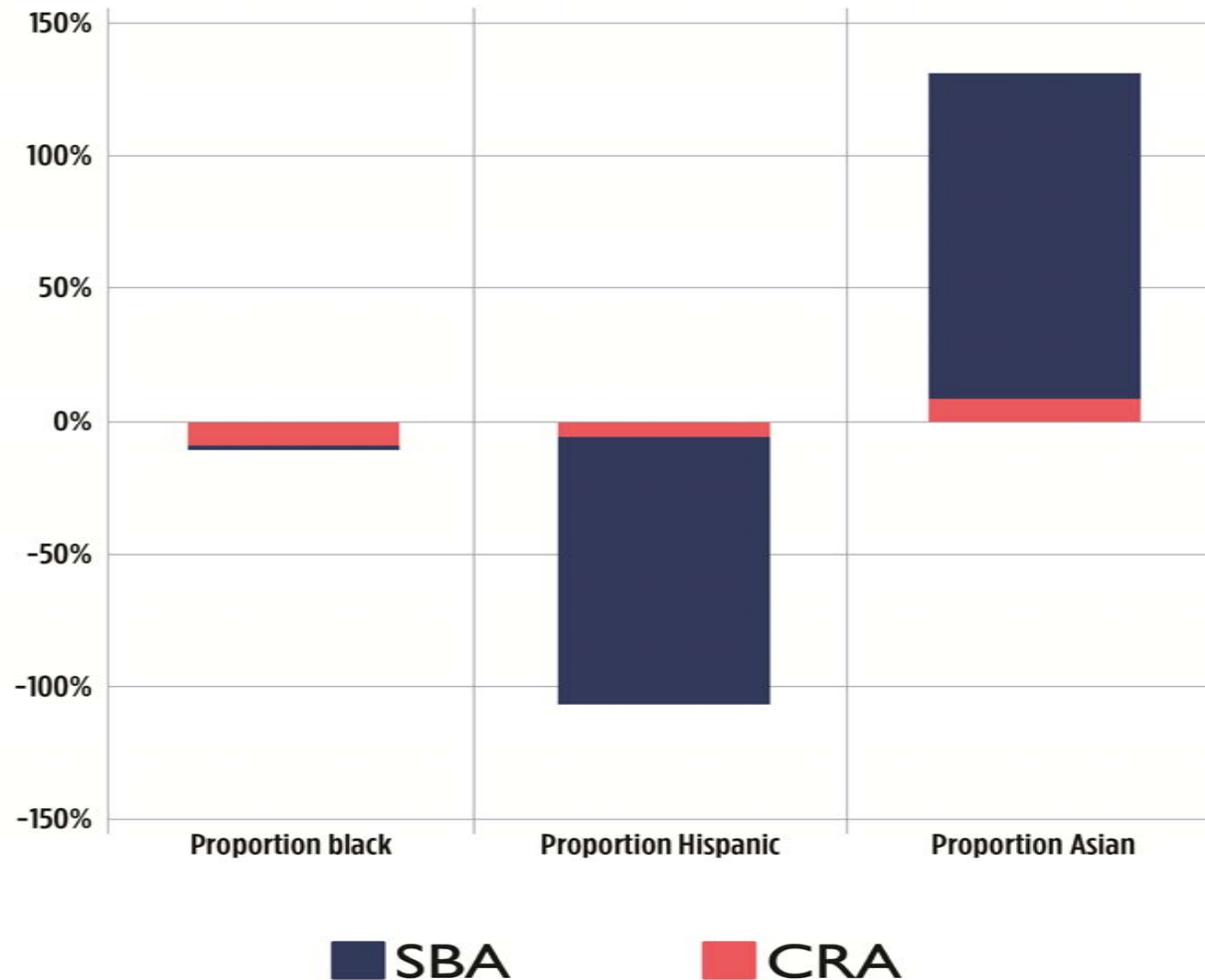
SBA Loans

Number of SBA 7(a) Loans per 1,000 Businesses,



Source: Toussaint-Comeau and Newberger, 2014 /Authors' Calculations, Michigan SBA District Office, HUD, U.S. Census, FFIEC

Estimated CRA and SBA Lending Differences Associated with Racial/Ethnic Characteristics of the Business Location



Source: Toussaint-Comeau and Newberger, 2014 /Authors' Calculations, Michigan SBA District Office, HUD, U.S. Census, FFIEC

A Survey to Assess Resource Networks and Financing Needs of Minority Businesses across life cycles

Birth Stage

- ✓ Establishing the firm
- ✓ Finding customers
- ✓ Start-up funding

Adolescent Stage

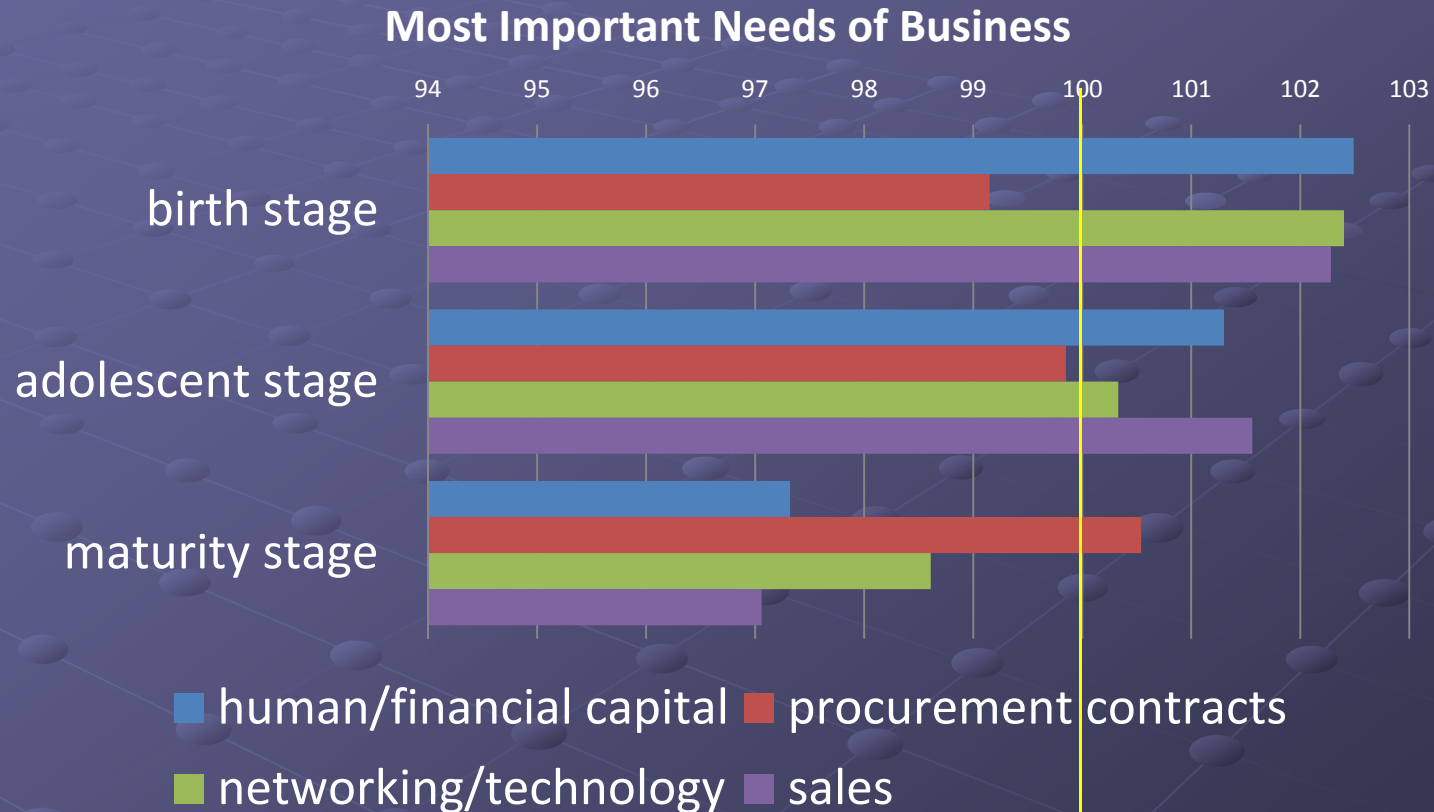
- ✓ Financing
- ✓ Profitability
- ✓ Growth

Maturity Stage

- ✓ Refining strategy
- ✓ Managing success
- ✓ Continuing growth

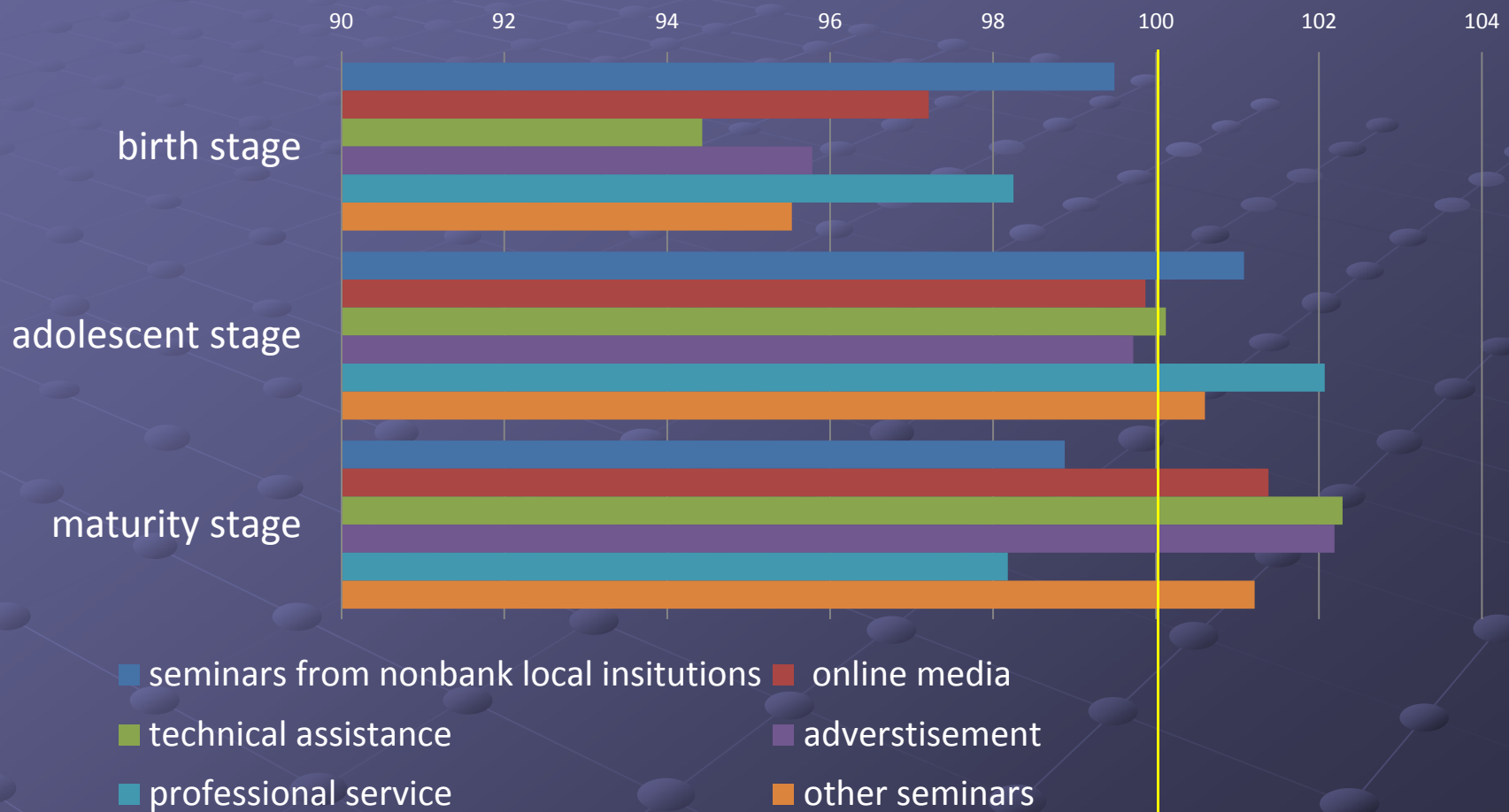
CDPS Minority Business Owners Resource Networks Survey

Most Important Needs of businesses (factor analysis)



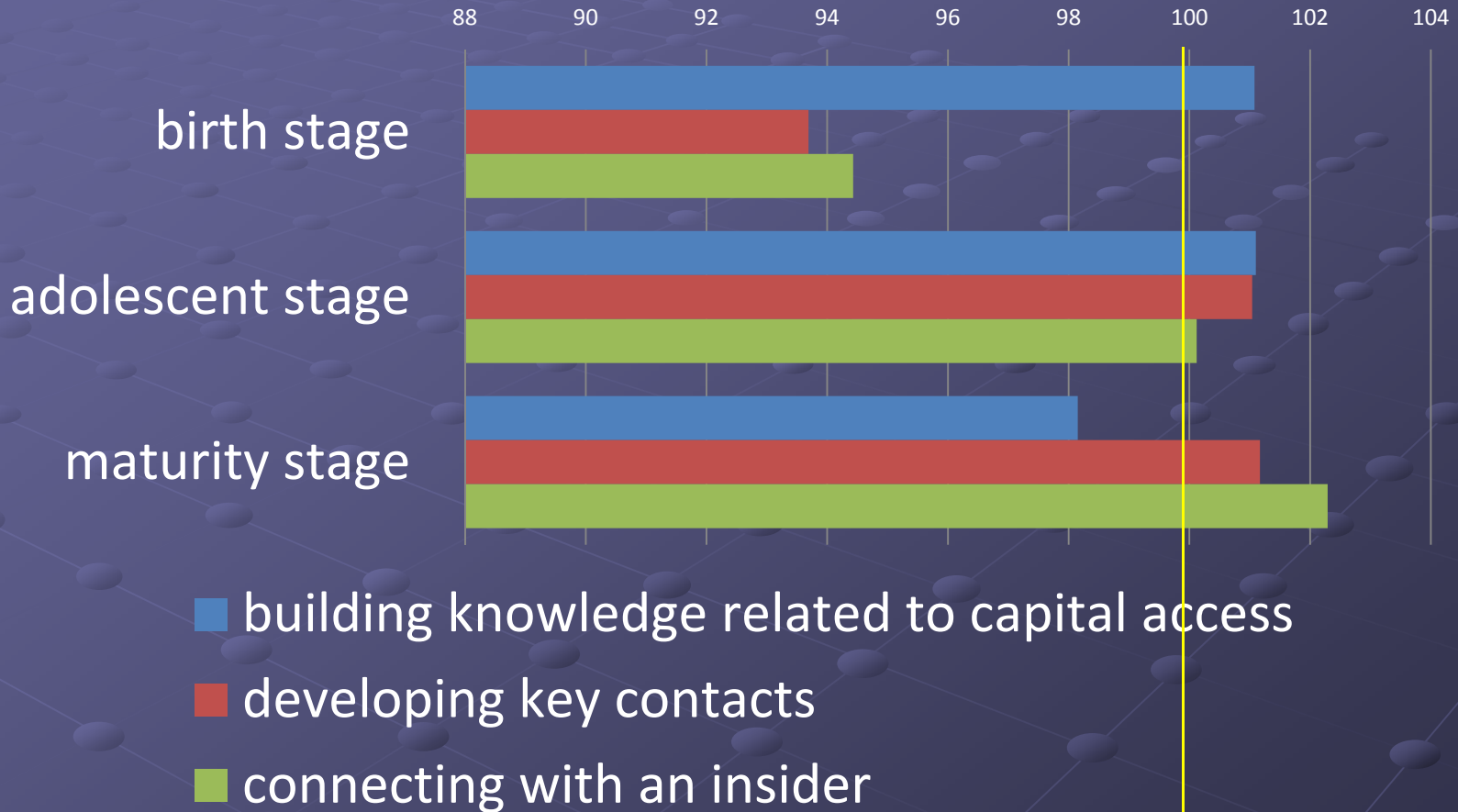
CDPS Minority Business Owners Resource Networks Survey

Resource utilization (factor analysis)



CDPS Minority Business Owners Resource Networks Survey

Benefits for using local resources (factor analysis)



CDPS Minority Business Owners Resource Networks Survey

Barriers to using resources (factor analysis)



Multi-prong strategies is needed to connect minority business owners with resources, which address several resource needs at a time

- Increase lending and funding opportunities
- Supplement private capital with public funds
- Continue efforts to open targeted lending programs channels
- Support intermediaries, facilitate/augment linkages
- Support meaningful business networking opportunities

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www.chicagofed.org/CDPSDetroitProject