Black-Owned/Minority Businesses

Maude Toussaint-Comeau

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Support the economic vision of a diverse business environment in various sectors as well as minority businesses across different neighborhoods.
Focus of Today’s Talk

1. Data review of minority-owned firms

2. Implications of the research

The Importance of Black-Owned Businesses

- Firms owned by African-Americans outpacing others

- Together these firms are an engine of job creation
The Importance of Black-Owned Businesses

Author’s calculations based on 2007 Survey of Business Owners, U.S. Census
# Rising Entrepreneurship among Minority Groups

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>76.40%</td>
<td>60.20%</td>
<td>0.33%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Black</td>
<td>8.40%</td>
<td>9.10%</td>
<td>0.21%</td>
<td>0.23%</td>
</tr>
<tr>
<td>Latino</td>
<td>10.50%</td>
<td>22.9</td>
<td>0.33%</td>
<td>0.52%</td>
</tr>
<tr>
<td>Asian</td>
<td>3.50%</td>
<td>5.30%</td>
<td>0.29%</td>
<td>0.32%</td>
</tr>
<tr>
<td>Other</td>
<td>1.20%</td>
<td>2.50%</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Robert Fairlie, using CPS
MICHIGAN
One of the States with the Highest Proportions of Black-Owned Firms

Black-Owned Firms
Percent of All Firms in Each State: 2007
Percent of All Firms in the United States: 7.1

Note: Some estimates of percent of all firms may be significantly different neither from zero nor from the national estimate. See the accompanying table for details.

* Estimates are suppressed because they do not meet publication standards.

Source: U.S. Census Bureau, 2007 Survey of Business Owners
Released February 8, 2011

More information is available at www.census.gov/econ/sbo or by calling 888-225-4022.
MICHIGAN
One of the States with Highest Growth of Black-Owned Firms

Black-Owned Firms
Percent Change in Number of Firms: 2002 to 2007
Percent Change for the United States: 60.5

More information is available at www.census.gov/econ/sbo or by calling 888-225-4021.

Note: Some estimates of percent change may be significantly different neither from zero nor from the national estimate. See the accompanying table for details.

* Estimates are suppressed because they do not meet publication standards.

Source: U.S. Census Bureau,
2007 Survey of Business Owners
and 2002 Survey of Business Owners
Released February 6, 2013
True Economic Potential is Still Unrealized

- Nationwide, **only 6 percent** of these firms (107,000) had paid employees.

- **Just 14,500** had revenues greater than $1 million.

- Average gross receipts of these firms **decreased** by 3 percent from between 2002 and 2007.

- 2007 figure of **$72,000**, well below that of non-minority-owned firms ($490,000).
True Economic Potential is Unrealized

- Entrepreneurial parity gap

- Parity would mean:
  - 3.3 million firms (vs. of 1.9 million)
  - $1.4 trillion in gross receipts (vs. $138 billion)
  - 7.1 million new jobs (instead of 921,000)
<table>
<thead>
<tr>
<th></th>
<th># of Firms</th>
<th>Gross Receipts ($1000s)</th>
<th>Avg. Gross Receipts</th>
<th># of Employer Firms</th>
<th>Employer Firms’ Receipts ($1,000s)</th>
<th>Avg. Employer Receipts ($1,000s)</th>
<th>Paid Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>72,554</td>
<td>$4,694,384</td>
<td>$64,702</td>
<td>2,789</td>
<td>$3,590,769</td>
<td>$1,287,475</td>
<td>30,874</td>
</tr>
<tr>
<td>American Indian</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and Alaska Native</td>
<td>6,079</td>
<td>$754,576</td>
<td>$124,128</td>
<td>614</td>
<td>$636,838</td>
<td>$1,037,195</td>
<td>5,160</td>
</tr>
<tr>
<td>Asian</td>
<td>21,589</td>
<td>$7,740,865</td>
<td>$358,556</td>
<td>6,363</td>
<td>$7,069,070</td>
<td>$1,110,965</td>
<td>66,293</td>
</tr>
<tr>
<td>Native Hawaiian</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and Other Pacific Islander</td>
<td>487</td>
<td>$281,022</td>
<td>$577,047</td>
<td>47</td>
<td>$265,206</td>
<td>$5,642,681</td>
<td>1,046</td>
</tr>
<tr>
<td>Hispanic</td>
<td>10,770</td>
<td>$3,876,360</td>
<td>$359,922</td>
<td>1,517</td>
<td>$3,636,342</td>
<td>$2,397,061</td>
<td>18,508</td>
</tr>
<tr>
<td>Minority</td>
<td>108,932</td>
<td>$17,485,956</td>
<td>$160,522</td>
<td>11,465</td>
<td>$15,408,986</td>
<td>$1,344,002</td>
<td>122,413</td>
</tr>
</tbody>
</table>

Data is for the state of Michigan

Source: 2007 Survey of Business Owners
## Ypsilanti (charter township), Black-Owned Firms by Sector

<table>
<thead>
<tr>
<th>Category</th>
<th>All sectors</th>
<th>Retail</th>
<th>Health Care</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Firms (total)</strong></td>
<td>987</td>
<td>113</td>
<td>259</td>
<td>206</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td>61461</td>
<td>30569</td>
<td>4337</td>
<td>3347</td>
</tr>
<tr>
<td><strong>Firms with paid employees</strong></td>
<td>28</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Receipts (for firms with paid employees)</strong></td>
<td>45613</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Number of paid employees</strong></td>
<td>107</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Annual payroll ($1,000)</strong></td>
<td>4055</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Number of firms without paid employees</strong></td>
<td>959</td>
<td>112</td>
<td>259</td>
<td>206</td>
</tr>
<tr>
<td><strong>Receipts (for firms with no paid employees)</strong></td>
<td>15848</td>
<td>1334</td>
<td>4337</td>
<td>3347</td>
</tr>
<tr>
<td><strong>Percent of total (with classifiable race/ethnicity)</strong></td>
<td>27%</td>
<td>25%</td>
<td>39%</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Average receipts ($1,000)</strong></td>
<td>62.27052</td>
<td>270.5221</td>
<td>16.7452</td>
<td>16.2476</td>
</tr>
<tr>
<td><strong>Percent with paid employees</strong></td>
<td>3%</td>
<td>16%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on 2007 Survey of Business Owners, U.S., Census
IMPLICATIONS
Data Analysis

- Data helps **identify** opportunities, **inform** programs, and **improve** services

- Data helps us **grow capacity** and **competitiveness** of African-American-owned businesses
Research and Outreach
RESEARCH

- Data Analysis and Community Business Survey
- Produce and disseminate policy studies on key financing issues
Detroit Small Business Project

- Provide forums to share best practices to leverage resources for small businesses.
- Bring together practitioners, financial institutions and other interested parties to collaborate on initiatives that support small businesses.
- Sponsor/support activities to serve small businesses.
Detroit Small Business Project


Detroit Small Business Project

- Research Results
  - The business landscape
  - Banking infrastructure
  - CRA lending
  - Bank access and lending gaps
Bank Access$_i = \ln \left( 1 + \sum_{k=1}^{n} \frac{1}{\max(1, D_{i,k})} \right)$
CRA Loans

CDPS Detroit Small Business Project
Recommendations/Going Forward

- Increase access to funding
- Fill gaps in financing
- Supplement private capital
- Support intermediaries
- Facilitate linkages
- Augment existing linkages
- Support networking opportunities