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# Supporting Small Business Panel

*Sources Document for Presented Statistics*

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## Small Businesses are Vitally Important to the US Economy

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- 99.9% of all businesses in the United States are small businesses; defined as having less than 500 employees<sup>1</sup>
- Small businesses employ 47.3 % of the U.S. private workforce; not including gov't employees.<sup>1</sup>
- 89% of employer businesses have less than 20 employees<sup>1</sup>
- The average number of employees in a small employer business is about 10.<sup>1</sup>
- Small businesses also account for about 65% of net new jobs in the United States and for over 40% of GDP<sup>1,2</sup>

1) <https://smallbiztrends.com/small-business-statistics>; 2) <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>

## An Uneven Playing Field Exists for Businesses Led by People of Color

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- 58 percent of Black-owned businesses were at risk of financial distress before the pandemic, compared with about 27 percent of white-owned businesses.<sup>1</sup>
- 95% of small businesses in majority Black communities and 89% in Hispanic communities operated with a cash buffer of 14 days or less.<sup>2</sup>
- According to AEO, ~\$50-\$100Bn in unmet credit needs exist for Black/Latinx businesses<sup>3</sup>
- The small business credit survey showed 29% of Black business owners receive loan approvals from large banks in comparison to 60% for White owners<sup>4</sup>
- The SBA has \$120B loans outstanding – more than all CDFIs combined – but only 3% of SBA loans go to Black-owned businesses<sup>5</sup>
- Additionally, Over the course of five years, Crunchbase found that just 2.4% of total VC funding went to Black and Latinx founders.<sup>6</sup>

1) <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19s-effect-on-minority-owned-small-businesses-in-the-united-states>; 2) <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-place-matters.pdf>; 3) [https://docs.google.com/viewerng/viewer?url=https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/AEO\\_Black\\_Owned\\_Business\\_Report\\_02\\_16\\_17\\_FOR\\_WEB.pdf](https://docs.google.com/viewerng/viewer?url=https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/AEO_Black_Owned_Business_Report_02_16_17_FOR_WEB.pdf); 4) <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2020/2020-sbcs-employer-firms-report> and McKinsey Article – COVID-19's effect on minority-owned small businesses in the United States; AEO, Federal Reserve; Kauffman; JPMC; Small Business Credit Survey 2016; 5) SBA; 6) <https://www.cnbc.com/2020/10/07/black-and-latinx-founders-have-received-just-2point6percent-of-vc-funding-in-2020-so-far.html#:~:text=31%2C%202020%2C%20Crunchbase%20found%20that,founders%20so%20far%20in%202020.>

## COVID exacerbated the challenges experienced by SBs owned by people of color.

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- The number of active business owners in the United States plummeted by 22% from February to April 2020.<sup>1</sup>
- It was the largest drop in business owners on record, and losses were felt across nearly all industries and all types of businesses.<sup>1</sup>
- According to the National Bureau of Economic Research African-American businesses were hit especially hard experiencing a 41 percent drop. Latinx business owners fell by 32 percent, and Asian business owners dropped by 26 percent. In contrast, the number of white business owners fell by 17 percent.<sup>1</sup>
- Black-owned firms are more likely to be located in COVID-19 hot spots and white-owned firms are less likely to be in the most heavily affected areas.<sup>2</sup>
- Conversely, Business located in counties with the most black businesses receipts received significantly less in PPP loans
  - Nationally 17.7% of business received relief while only 7% of firms in Bronx, NY; 11.3% of firms in Queens, NY; 11.6% of firms in Wayne County, MI; and 12.2% of firms in Prince George's County, MD received PPP loans.<sup>2</sup>

1) <https://www.nber.org/papers/w27309> ; 2)[https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy\\_COVID19andBlackOwnedBusinesses](https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses);

## Why?

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- Black-owned firms are more likely to be located in COVID-19 hot spots and white-owned firms are less likely to be in the most heavily affected areas.<sup>1</sup>
- The result is that the typical White family holds 10 times more wealth than the typical Black family and 8 times more wealth than a Hispanic family.<sup>2</sup>

1) [https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy\\_COVID19andBlackOwnedBusinesses](https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses); 2) <https://www.pewresearch.org/fact-tank/2017/11/01/how-wealth-inequality-has-changed-in-the-u-s-since-the-great-recession-by-race-ethnicity-and-income/>