

# The Black business story: tales of woe or signs of hope?

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There are nearly three million U.S. Black-owned businesses, according to the latest U.S. Census data, generating an estimated \$150 billion in annual revenues and providing 3.5 million jobs. These businesses continue to lag behind the average U.S. non-Black-owned business, but there are promising efforts underway to redress that lag, at least here in Minnesota.

A new report by the Association for Enterprise Opportunity (AEO), a national small business advocacy group, aims to present a new light on Black businesses: “So much of the Black business story is told [as] ‘woe is the Black business story’,” stressed AEO President and CEO Connie Evans.

“*The Tapestry of Black Business Ownership in America*,” which uses recent American Community Survey data along with responses from 200 Black small business owners, showed that the top Black businesses are: beauty and barber shops, childcare services and home health care (35 percent), janitorial and landscaping services (15 percent), tax preparation, insurance and accounting agencies, and retail and food establishments (both 10 percent), bus and taxi services (seven percent), and arts and entertainment (five percent).

Nearly 60 percent of all Black businesses are owned by women: 35 percent of them have employees. Males own almost 40 percent of all Black businesses; 94 percent are sole proprietors, and 55 percent have employees, according to the AEO report.

But the report also noted that although the rate of Black business start-ups is higher than their White counterparts, Black business failure rates are higher as well. Also, many Black businesses are found in “low revenue sectors.”

Metropolitan Economic Development Association (MEDA) President/CEO Gary Cunningham called Evans “a visionary leader and an astute strategist” when he introduced her as keynote speaker at the nonprofit business and finance counseling organization’s annual meeting last spring at the Minnesota Vikings stadium.

“We are [helping to close] the racial wealth gap in this country through more Black business ownership,” she stated.

Evans advised that if 15 percent of Black-owned “nonemployer firms” hire at least one more employee, and employer firms add two business owners, employment equity in the U.S. might be achieved. “We know that Black-owned firms are more likely to hire Black employees, creating 600,000 new jobs. [It] will bring the Black unemployment rate across our country down to five percent. Economists would call that full employment in our country.”

But Evans also points out the historical problems many Black businesses often face in starting and maintaining operations. She calls them “three particular gaps” that persist — wealth, credit and trust.

“Each of these are challenging on their own. It is the interlinkage of all three that keeps many Black businesses [from] reaching their potential.”

Black business owners on average have fewer assets, lower wealth, and less disposable income to invest in their businesses than White business owners. Less access to “formal credit... drives a credit gap” for these owners. Credit application denials, bias, discrimination and other factors help create “a trust gap,” according to the report.

Evans suggested that small business loans of \$250,000 or less might be awarded through organizations such as MEDA. “I am working both nationally and locally on these issues,” reported Cunningham in a recent *MSR* phone interview.

“I am working with the Expanding Black Business Credit Initiative [EBBC]. This is an effort to bring together the Community Development Financial Institutions that are led by African Americans who have the best outcomes for lending to Black-owned businesses.

“MEDA has been selected as one of these groups. Our plan is to expand Black business credit by 250 percent over the next three to five years,” said Cunningham. “MEDA and a number of business-support organizations led by people of color have been working to build the ecosystem of minority entrepreneurship to directly address the racial and ethnic inequalities in Minnesota.”

Cunningham, a Metropolitan Council commissioner, also noted that the Council found a 54 percent increase in firms owned by entrepreneurs of color in the Twin Cities seven-county area over a five-year period from 25,628 in 2007 to 39,572 in 2012. Carver County had the largest growth percentage-wise from 203 firms to 596 firms (194 percent), and Hennepin County saw the largest growth in total number of such firms: 12,884 in 2007 to 19,399 in 2012.

Firms classified as “accommodation and food services” (1,198) and “health care and social assistance” (1,135) account for most businesses owned by people of color in the Twin Cities metro area. “Data also show that the Twin Cities have the lowest ratio of

entrepreneurs [of color] in comparison to Greater Minneapolis-St. Paul peer cities,” Cunningham pointed out.

“If we really are going to grow inclusion for Black-owned businesses, it will take this kind of vision working together,” Evans told the *MSR* after her remarks. “There is no shortage of genius in the Black community. I think by providing support across the spectrum of communities and neighborhoods, we will be able to give people the capital and resources that they need to succeed.”