



ALLIANCE FOR  
ENTREPRENEURIAL EQUITY

# Entrepreneurial Inequity in America

The unrecognized challenge to closing  
the racial wealth gap

By Gabe Horwitz, Curran McSwigan, Don Cravins, Jr.

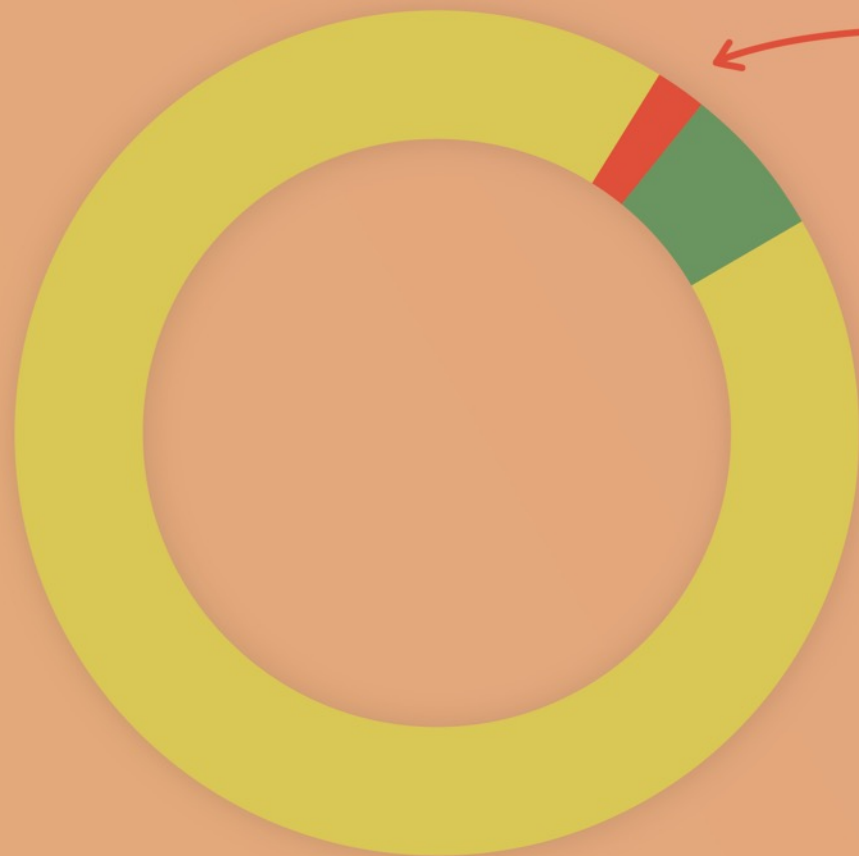


National  
Urban League



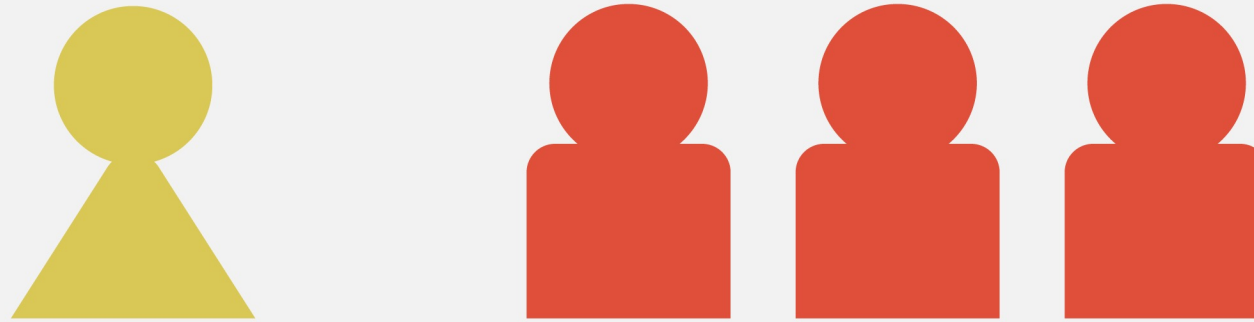
**THIRD WAY**





**Only 2% of businesses  
with employees are  
Black-owned & only  
6% are Hispanic-owned.**





**Men own **3x** the number of small businesses than women.**



# Entrepreneurial inequity is the most unrecognized contributor to the racial wealth gap in the United States.

This deck explores that critical story in three parts:

1. **The Problem:** Barriers are rampant throughout the entire entrepreneurial ecosystem.
2. **The Power:** Entrepreneurship is essential for wealth building.
3. **The Promise:** Entrepreneurial equity could unleash a new era of business growth, hiring, and wealth.





# Entrepreneurship: The Problem

There are barriers throughout the entire entrepreneurial ecosystem holding back women and people of color from starting, scaling, and owning businesses.



**Barriers** hold back **women** and **people** of color throughout the various **stages of building a business.**





# Getting Started: Quarter million-dollar premium

➡ The costs of getting off the ground are far steeper for women and people of color.



“It costs at least a quarter of a million dollars more for a Black or Brown entrepreneur to start the same, exact business as their white peer, because of direct costs, where it is legal to charge us more in a debt instrument where you have to pay a higher interest rate, to indirect costs of being locked out of some of these accelerators where legal costs and accounting costs and access to software is free, because we can’t afford teams, because we have no money and most of our friends can’t afford not to have a job.”

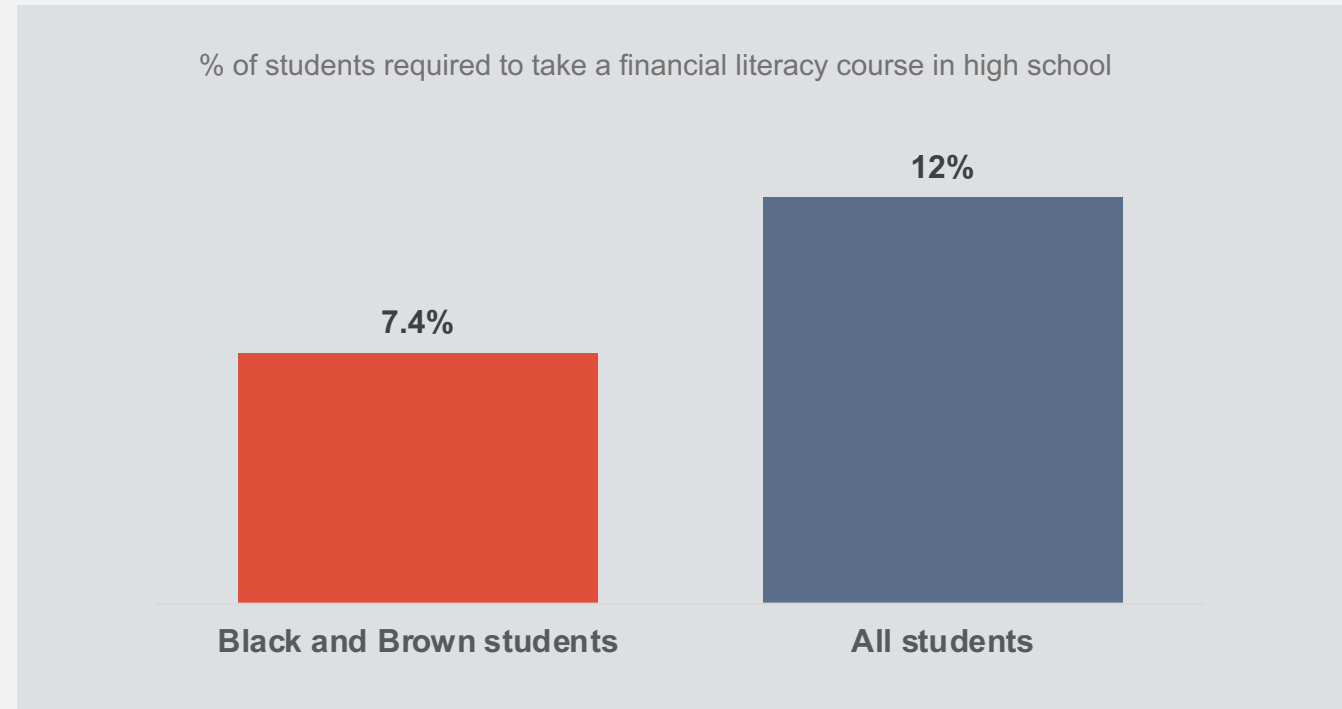
— Melissa Bradley, managing partner at 1863 Ventures



# Getting Started: Early day barriers

➡ Barriers start young, with unequal access to financial education in high school.

For example, only **7.4% of Black and Brown students** are required to take a financial literacy course in high school, compared to **12% of all students**.





# Getting Started: MBA ≠ diversity

- ➔ While formal education is not a prerequisite for entrepreneurship, MBA programs help provide extensive business training. Yet, women and people of color are underrepresented in programs across the country.

Students of **Hispanic** background made up **9.4%** of MBA enrollment, about half the Hispanic share of the US population.

**9.4 % of MBA Students**

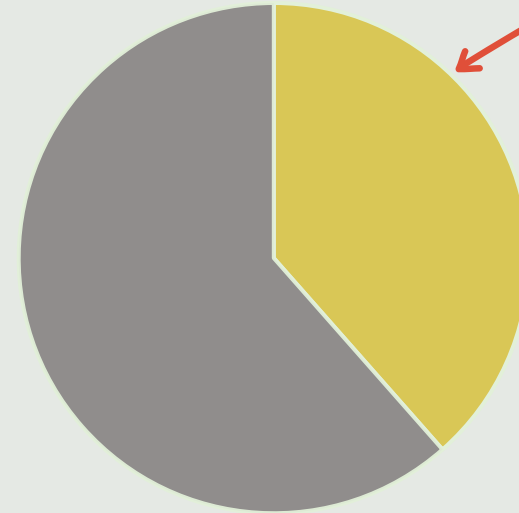
**18.5% of US Population**

**Black** students held **8%** of MBA seats, less than the **13%** Black share of the population.

**8% of MBA Students**

**13.4% of US Population**

And just **38.5%** of full-time MBA students are **women**.





# Getting Started: Mentors wanted

- ➔ And for those seeking a mentor who looks like them in business school, people of color and women have far fewer places to look.



6.7%

of faculty in US business schools are Black and Hispanic adults.

31%

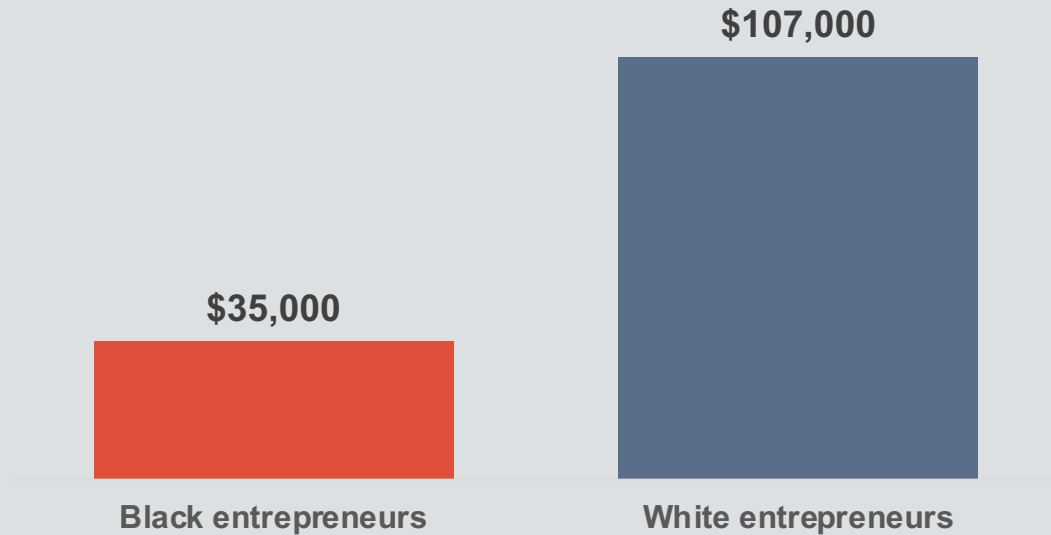
of full-time business faculty members are women.



# Getting Started: Starting with less

➡ Capital is the lifeblood of entrepreneurship, but people of color start with far less.

Starting Capital: White vs. Black Entrepreneurs



**Black entrepreneurs** start their businesses with about **\$35,000** of capital, while **white entrepreneurs** begin with **\$107,000** – over three times as much.



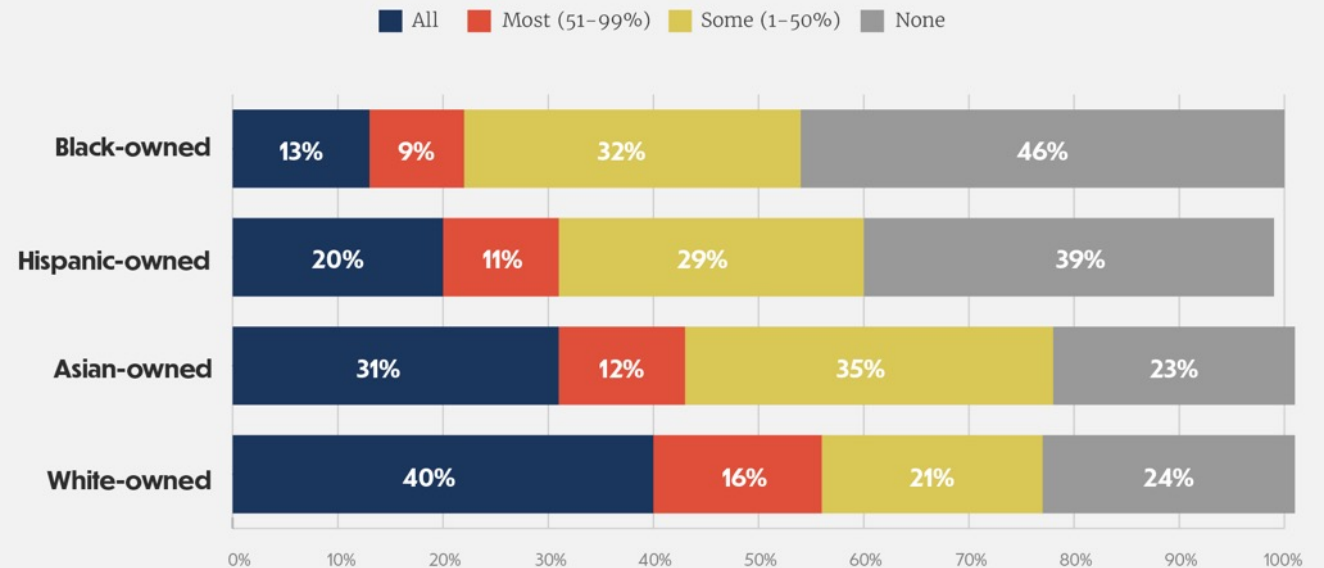
# Getting Capital: Financing hurdles

➡ Minority-owned businesses face more barriers to get financing.

**Four-in-ten white-owned businesses received all of their requested non-emergency financing**, while only 31% of Asian-owned, 20% of Hispanic-owned, and 13% of Black-owned businesses got the same.

Black- and Hispanic-owned businesses are also far more likely to get shut out of financing completely.

Total Non-Emergency Financing Received Among Employer Firms





# Getting Capital: Equity gap in VC

➡ And venture capital all too often bypasses women and people of color.

In 2020, **female entrepreneurs** received a mere **2.3%** of venture capital funding, and in the first half of the 2021, funding to **black entrepreneurs** was just **1.2%** of total US venture dollars.

The funding gap is even worse for women of color. During 2020, **Black & Hispanic female founders** accounted for less than **half a percent** of total venture capital investment.

## Share of total VC Investment in Black and Hispanic Female Entrepreneurs

Despite a record year of deal-making, Black and Hispanic women received just 0.43% of total venture capital investment in 2020.



\$166 billion Total VC Investment in 2020



\$715 million Share of VC Invested in Black & Hispanic female founders

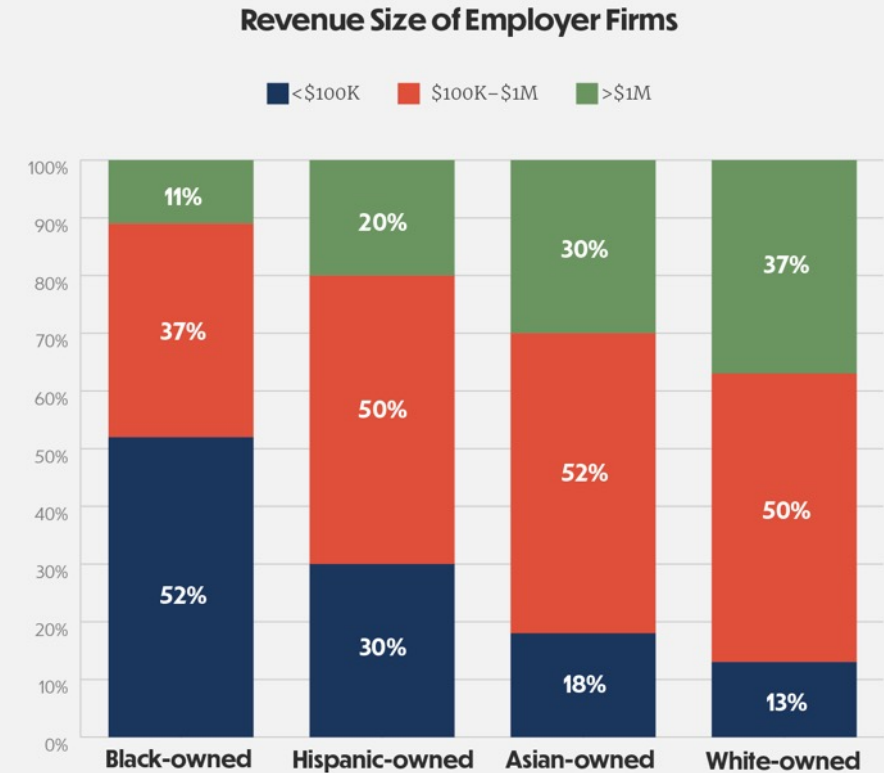


# Getting Customers: Revenue struggles

➔ As new ventures grow, minority-owned businesses struggle more with revenue than their counterparts.

**Black-owned businesses** are four times more likely to have revenue under **\$100,000** than white-owned businesses.

Put another way, virtually the same percentage of Black-owned businesses have revenues over \$1 million (11%) as white-owned businesses have under \$100,000 (13%).





# Getting Customers: Shut out of contracts

- ➔ Government contracts represent a massive market opportunity for businesses, but women and people of color are often shut out.

Only **9.4%** of federal contracts awarded in FY2020 went to **minority-owned small businesses**.

Native American owned	2.7%
Hispanic owned	1.8%
Black owned	1.7%
Subcontinent Asian-American owned	1.6%
Asian-Pacific American owned	1.2%
Other minority owned	0.5%
<b>Total</b>	<b>9.4%</b>

and just ➔

**5%**

**went to women-owned  
small businesses**

In some states, government agencies do less than 1% of business with minority-owned companies.



# Getting to Scale: Hard times hit harder

- ➔ For the minority-owned businesses that do survive, they are often less able to weather economic downturns.

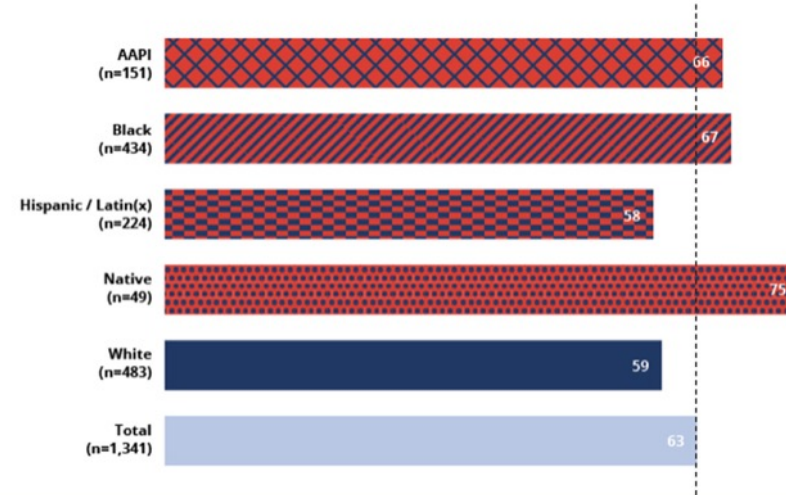
During the pandemic, minority-owned businesses were more likely to see decreased revenue and experience a greater drop in employment than white-owned businesses.

Black-owned businesses closed at twice the rate as their non-minority counterparts.

AAPI business owners are least likely to have experienced signs of recovery and expect a longer road to recovery than white or Hispanic peers.

## AAPI Business Owners Expect Slower Recovery vs White or Hispanic Peers

Expect at least 6 months before reaching pre-pandemic revenue  
% of Respondents



REIMAGINE MAIN STREET

Source: RMS/PPS/USBC/USHCC/National ACE survey, "Looking Ahead: Is Your Business Rebounding from COVID-19?" (April-May 2021)  
Q5. When do you expect your business revenue to return to its pre-pandemic level?

17

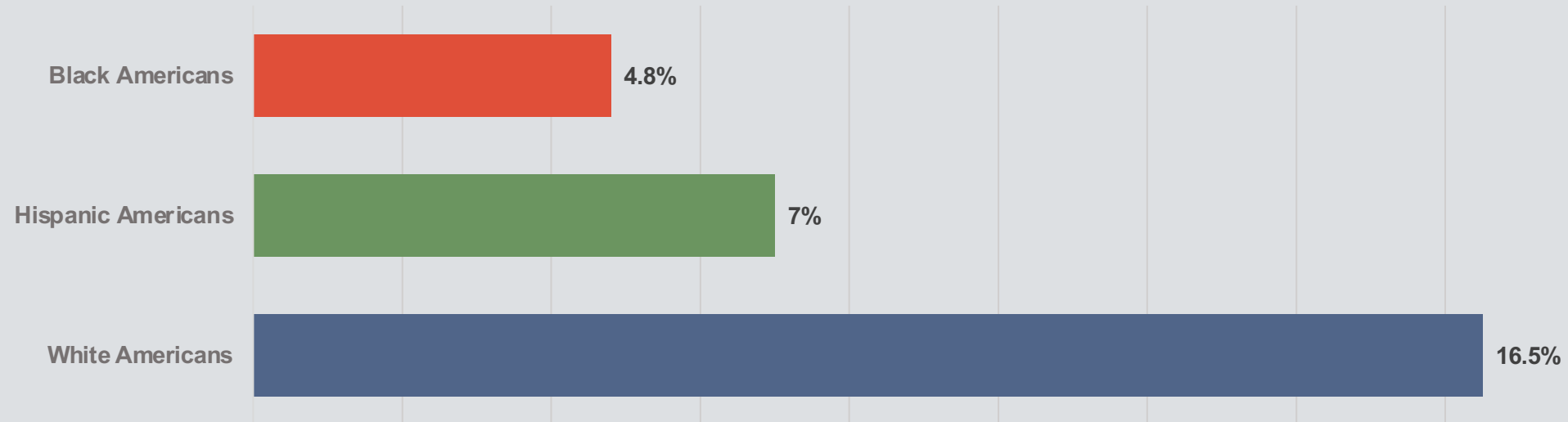


# Getting to Scale: Evasive equity

➡ It's no wonder then that people of color have far less business equity than their white counterparts.

While 16.5% of white Americans have business equity, only 7% of Hispanic Americans and 4.8% of Black Americans do. And those who are white have almost four times the amount of equity in terms of dollars.

Americans with Business Equity by Race or Ethnicity



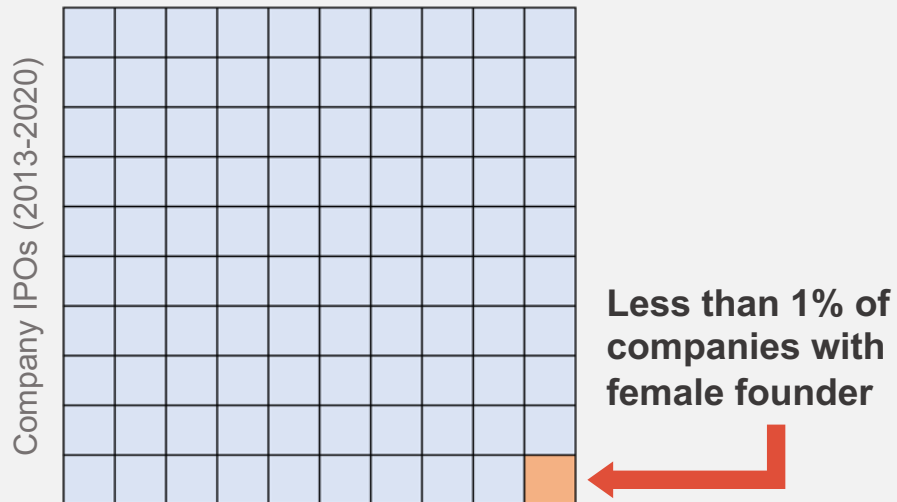


# Getting to Scale: Gender gap

➡ And far less female-founded companies get to scale.

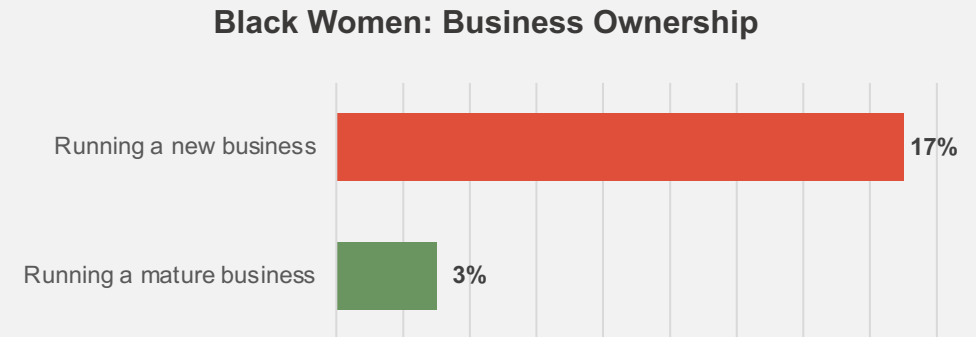
From 2013 through 2020, over **2,000 companies** went public in the United States.

Yet only **18 of those had a female founder**—that's **less than 1%** of all companies that went public.



And for **women of color**, getting to scale is an even bigger challenge.

In the United States, **17% of Black women** are in the process of starting or running a new business, more than the 10% of white women and 15% of white men. Yet at the same time, only **3% of the Black women surveyed were running a “mature” business** that was more than three and a half years old.







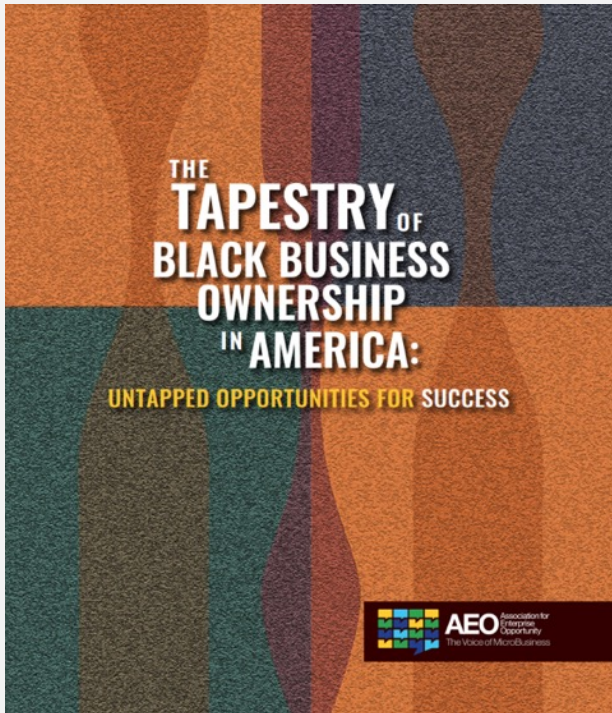
# Entrepreneurship: The Power

Entrepreneurship is essential for wealth building—for families and communities.



# For families, entrepreneurship leads to higher incomes & more wealth.

**Black entrepreneurs have 12 times more net worth** than their peers who work for an employer. And one study found that, even while facing worse labor market conditions, self-employed individuals in low-income areas earned as much or more than those working for an employer did.



“Our research has shown that the **median net worth for Black business owners is 12 times higher than Black nonbusiness owners**. Further, it is not because they started out wealthier. The analysis also considered people who had never been self-employed and compared wealth levels in the future between those who started a business and those who did not. The business owners grew their wealth more and grew it faster. Starting a sustainable and healthy business is a viable and critical pathway to breaking the cycle of low wealth.”

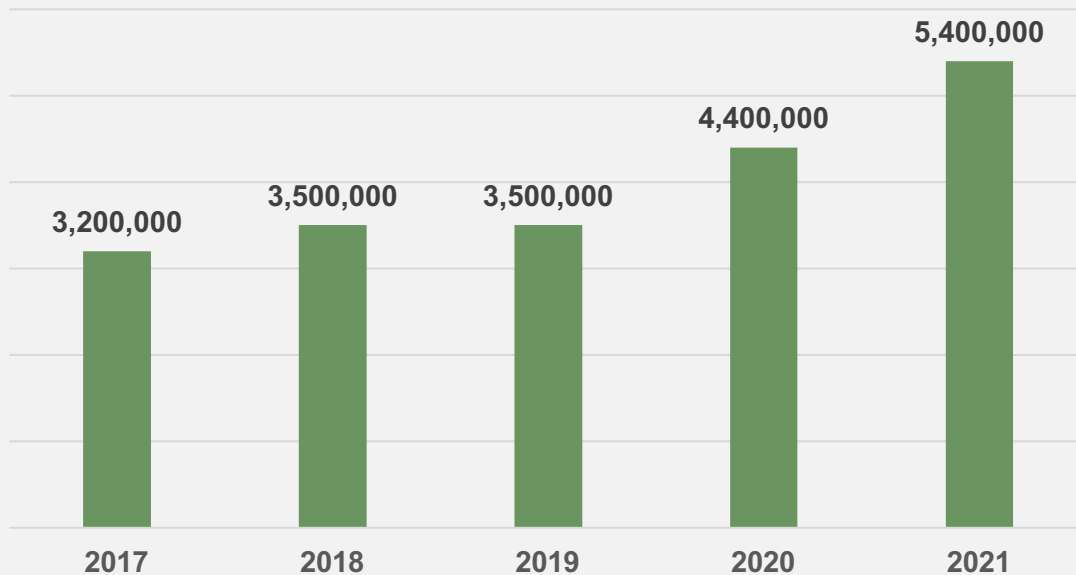
— *Association for Enterprise Opportunity*



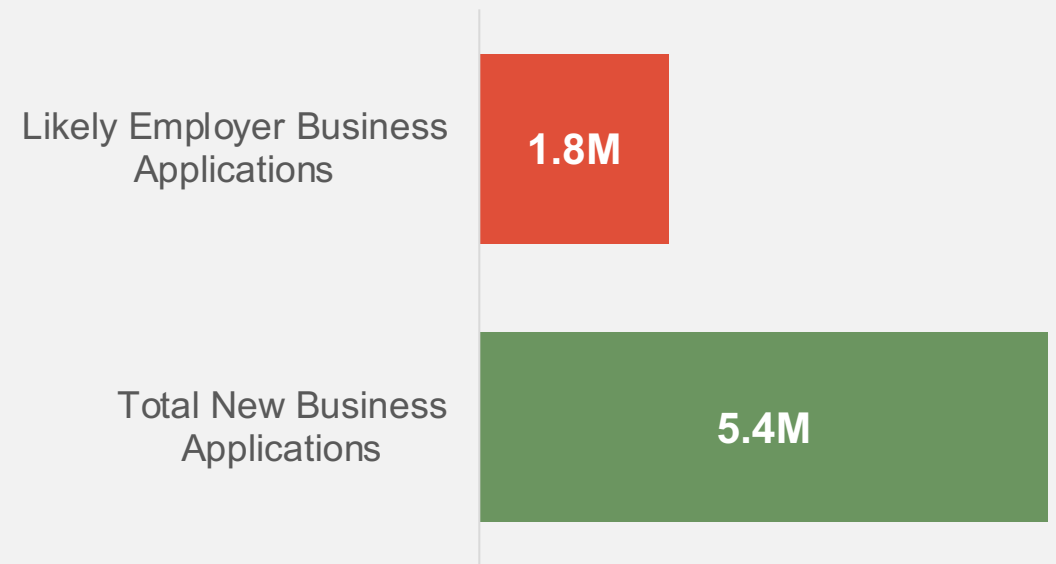
# It also provides opportunities for individuals to earn during & after economic downturns.

In the midst of the pandemic, American entrepreneurship was an engine of economic recovery. In 2021, a record-breaking **5.4 million new** business applications were filed, a **53% increase** from 2019. And nearly a third of those were for businesses who were likely to hire employees.

U.S. total business applications



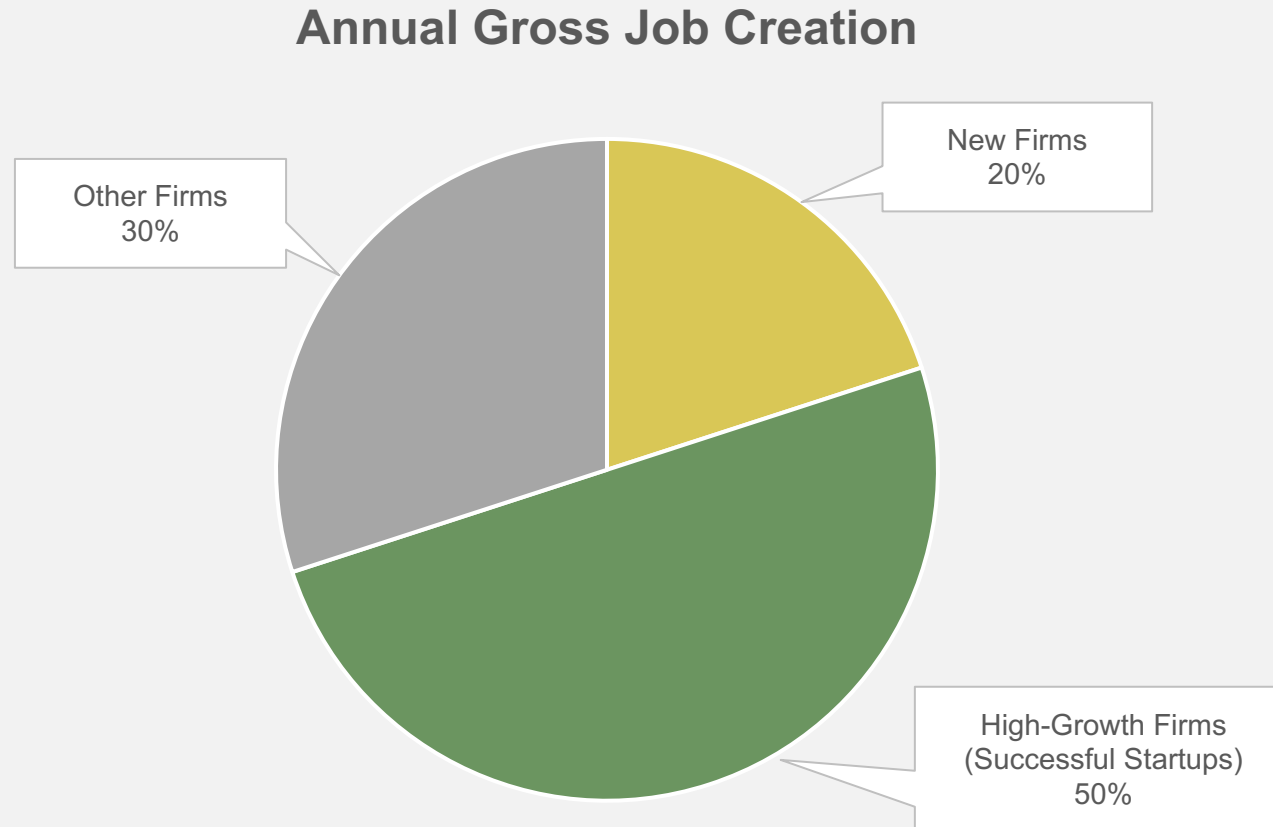
2021 New Business Applications





# For communities, entrepreneurship creates jobs.

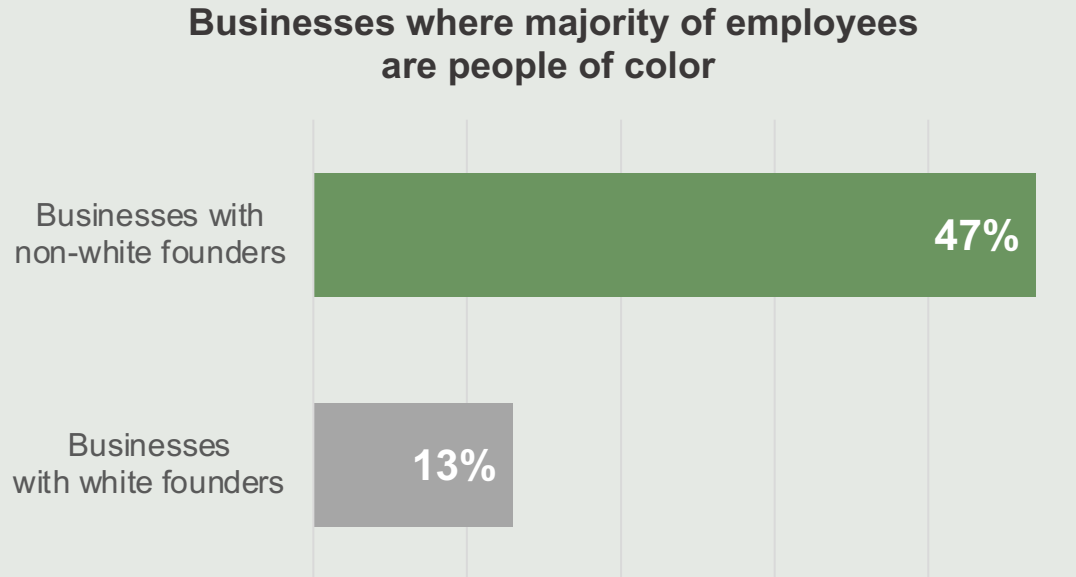
Younger firms tend to create more jobs than older ones—and the most successful of these businesses disproportionately drive job growth. New businesses account for **20% of gross job creation** in the US and high-growth firms, which are disproportionately **successful startups**, account for a staggering **50% of gross job creation**.





# For communities, entrepreneurship creates jobs.

Non-white business owners also hire significantly more people of color. In a survey, **47% of businesses with non-white founders reported that a majority of their employees were people of color**, while only 13% of white founders said the same.



In 2017, **55%** of entrepreneurs worldwide expected to create at least one job in the following five years.



# And entrepreneurship brings opportunities to neighborhoods.



In a study of 2,953 US counties, those areas with a larger density of small, locally-owned businesses experienced greater per capita income growth.  
(Goetz & Fleming)

“Many small businesses employ local workers, fueling job creation in disadvantaged communities.” (Newville & Chopra)



“Entrepreneurs...act collectively to shape local environments by building institutions that further the interests of their emerging industry. In this way, entrepreneurs help form innovative industrial clusters.”  
(Feldman, Francis & Bercovitz)





# Entrepreneurship: The Promise

Achieving equity in entrepreneurship means more than just fairness—it has the potential to unleash a new era of businesses, hiring, and generational wealth.



**“True wealth is economic agency and financial security for a family. It’s owning a business that provides jobs and revenue to your community. It’s buying a home and passing it down to your children. As Covid has shown in all too stark terms, it’s also the ability to withstand the economic shock of lost earnings or of unexpected, new healthcare costs.”**

– Samantha Tweedy, Black Economic Alliance Foundation

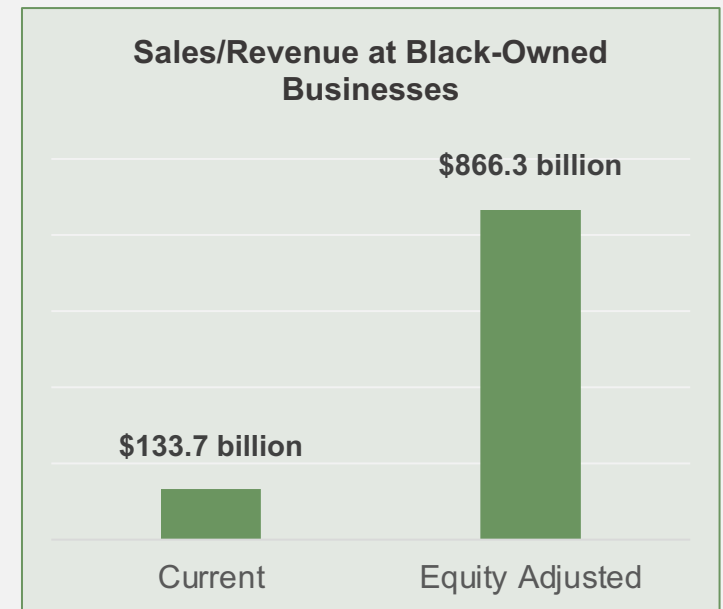
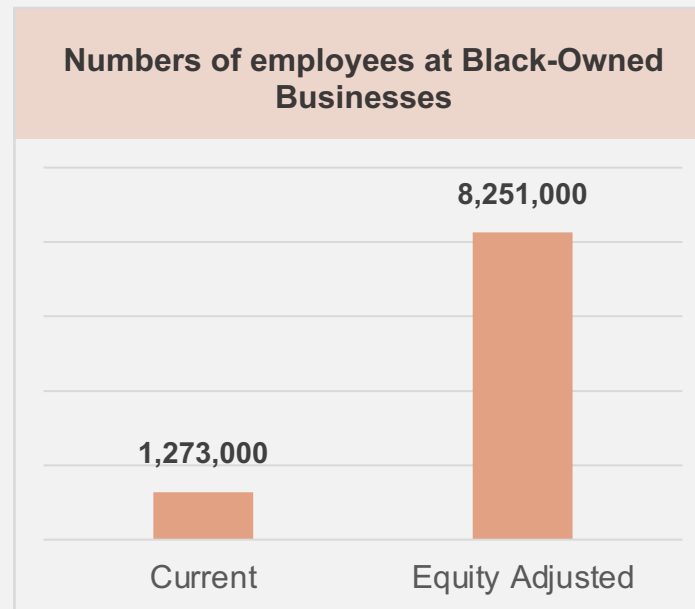
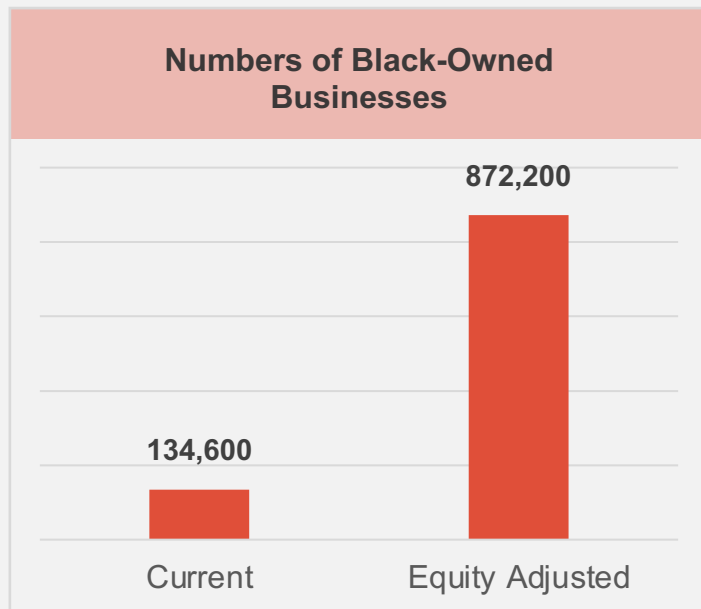




# Envisioning Equity

**What if Black-owned businesses were proportionate to population, holding all other firms equal?**

The United States would see **738,000** more **Black-owned businesses**, **7 million** more jobs at Black-owned businesses, and **\$733 billion** more in sales and revenue from Black-owned businesses.

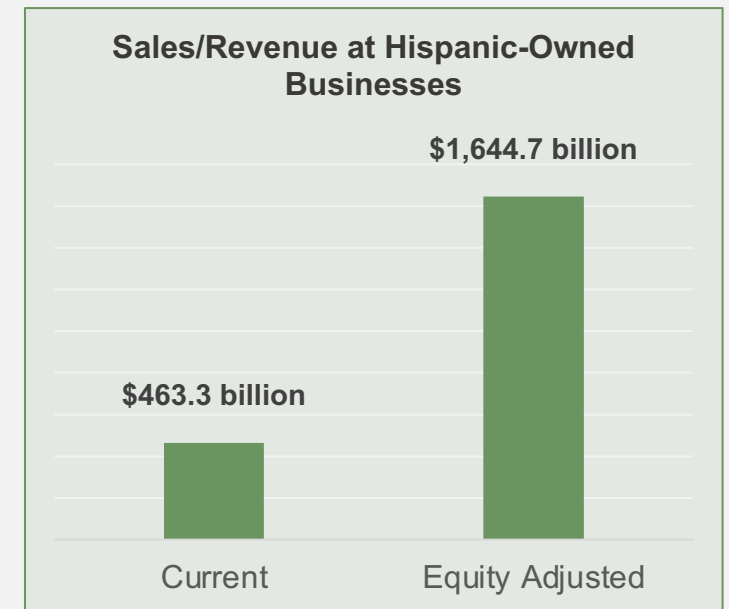
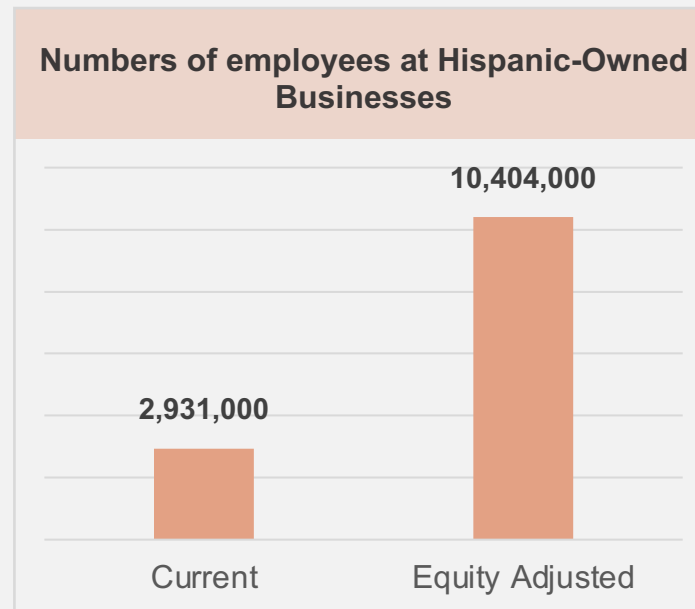
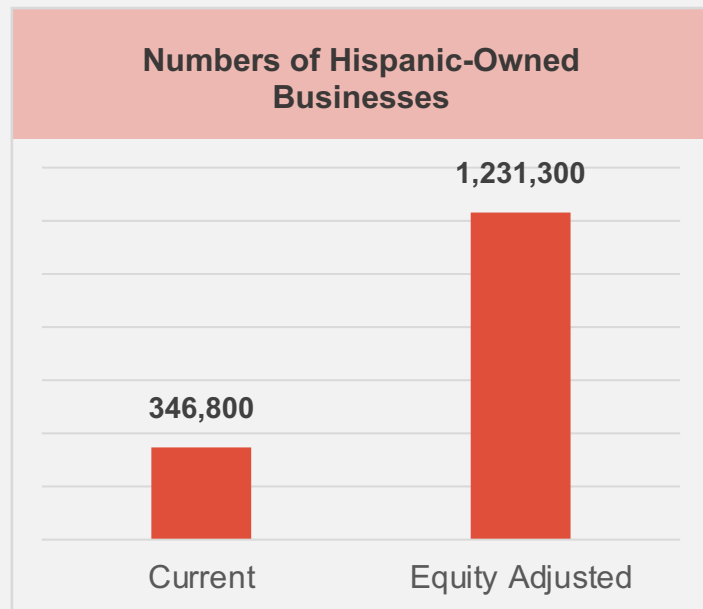




# Envisioning Equity

**What if Hispanic-owned businesses were proportionate to population, holding all other firms equal?**

The United States would see **884,500** more **Hispanic-owned businesses**, **7.5 million** more jobs at Hispanic-owned businesses, and **\$1.2 trillion** more in sales and revenue from Hispanic-owned businesses.







ALLIANCE FOR  
ENTREPRENEURIAL EQUITY

There are barriers throughout the entire entrepreneurial ecosystem holding back women and people of color from starting, scaling, and owning businesses. That reality is the most unrecognized contributor to the racial wealth gap in the United States.

Changing this means more than just fairness—it has the potential to unleash a new era of businesses, hiring, and generational wealth.

Now is the time to go big and be bold. The Alliance for Entrepreneurial Equity exists to help ensure that change happens.

To learn more, visit: [www.aeequity.org](http://www.aeequity.org)



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