



MAY 2024

THE STATE OF

BLACK BUSINESS



ALLIANCE FOR
ENTREPRENEURIAL EQUITY



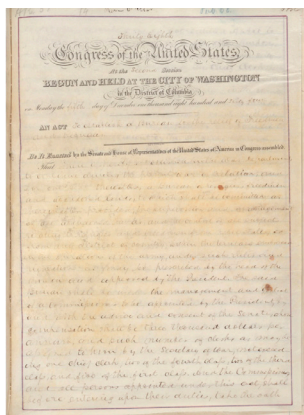
THIRD WAY



National
Urban League

The State of Black Business

by Rachel Evans, Imani Augustus, and Gabe Horwitz



Source: US Senate, [Bureau for the Relief of Freedmen and Refugees](#), 1865.

“Recent legal challenges have targeted programs aimed at alleviating the obstacles faced by marginalized communities, particularly those designed to promote equity in entrepreneurship.”

Starting in 1865, lawmakers sought to bring an end to the pernicious effect of racism that had devastated the country. Congress enacted several constitutional amendments designed to give social, political, and economic power to Black Americans for the first time in United States history. But before the ink had dried on the Civil War Amendments and the law could carry out its remedial purpose, opponents to opportunity began carving away at protections that would have granted economic freedom and fairness to citizens who had historically been deprived.

For many years to come, Black communities and other communities of color would be marginalized and face systemic barriers that cast a long shadow over their economic opportunities and impede their entrepreneurial endeavors. Today, these communities are still subject to discrimination, exclusion, and economic exploitation, perpetuating cycles of inequality. The economic landscape for Black entrepreneurs remains fraught with obstacles. Despite advancements in civil rights and the emergence of affirmative action policies, disparities persist in access to capital, markets, and resources. The consequences of these disparities are far-reaching, contributing to lower rates of business ownership, limited growth opportunities, and higher rates of business closures among Black-owned enterprises.

Recent legal challenges have targeted programs aimed at alleviating the obstacles faced by marginalized communities, particularly those designed to promote equity in entrepreneurship. As these efforts seek to dismantle affirmative action policies, it is even more important to shed light on the realities faced by entrepreneurs of color. It is imperative that the public, experts, advocates, and policymakers are armed with current data on the state of Black businesses in America. With this analysis, we can create and implement strategies that catalyze informed policymaking, advocacy efforts, and targeted interventions aimed at reversing systemic barriers and fostering a more equitable entrepreneurial ecosystem.

In this report, we embark on an analytical journey—drawing upon publicly available data from the Federal Reserve’s Small Business Credit Survey, US Census Bureau, and other various sources. Our focus was on Black-owned employer businesses with at least two employees. And we took an expansive look at their attributes, performance, and challenges. Through a

multidimensional lens, we sought to understand the nuanced dynamics of racial inequality in the business landscape and underscore the urgency of advancing equal opportunities for Black communities and other communities of color.

We found that Black-owned businesses are:

- 1. Growing...Slowly:** Seeing year-over-year growth but are still drastically underrepresented.
- 2. Small Employers:** 97% have less than 20 employees, and three-in-four have fewer than five employees.
- 3. Eastward Bound:** Far more likely to be found in an urban area east of the Mississippi.
- 4. Young:** Likely to have been in existence under two years.
- 5. Slightly Concentrated:** Spread across numerous industry sectors, but still concentrated.
- 6. Flying under \$100k:** Taking in less revenue than other businesses.
- 7. Smaller Debt Holders:** Far more likely to have debt under \$100,000 than over.
- 8. Labeled as Riskier:** Three times more likely to be labeled a higher credit risk than their white counterparts.
- 9. Often Shut Out of Financing:** Far more likely to experience pervasive barriers to accessing capital.
- 10. Hunting for Non-Traditional Capital:** More receptive to alternative sources of financing like fintech and online lenders.
- 11. VC Starved:** Receive less than 1% of all venture capital investment in the United States.
- 12. Infrequent Contract Recipients:** Inadequately represented among government contract awardees.

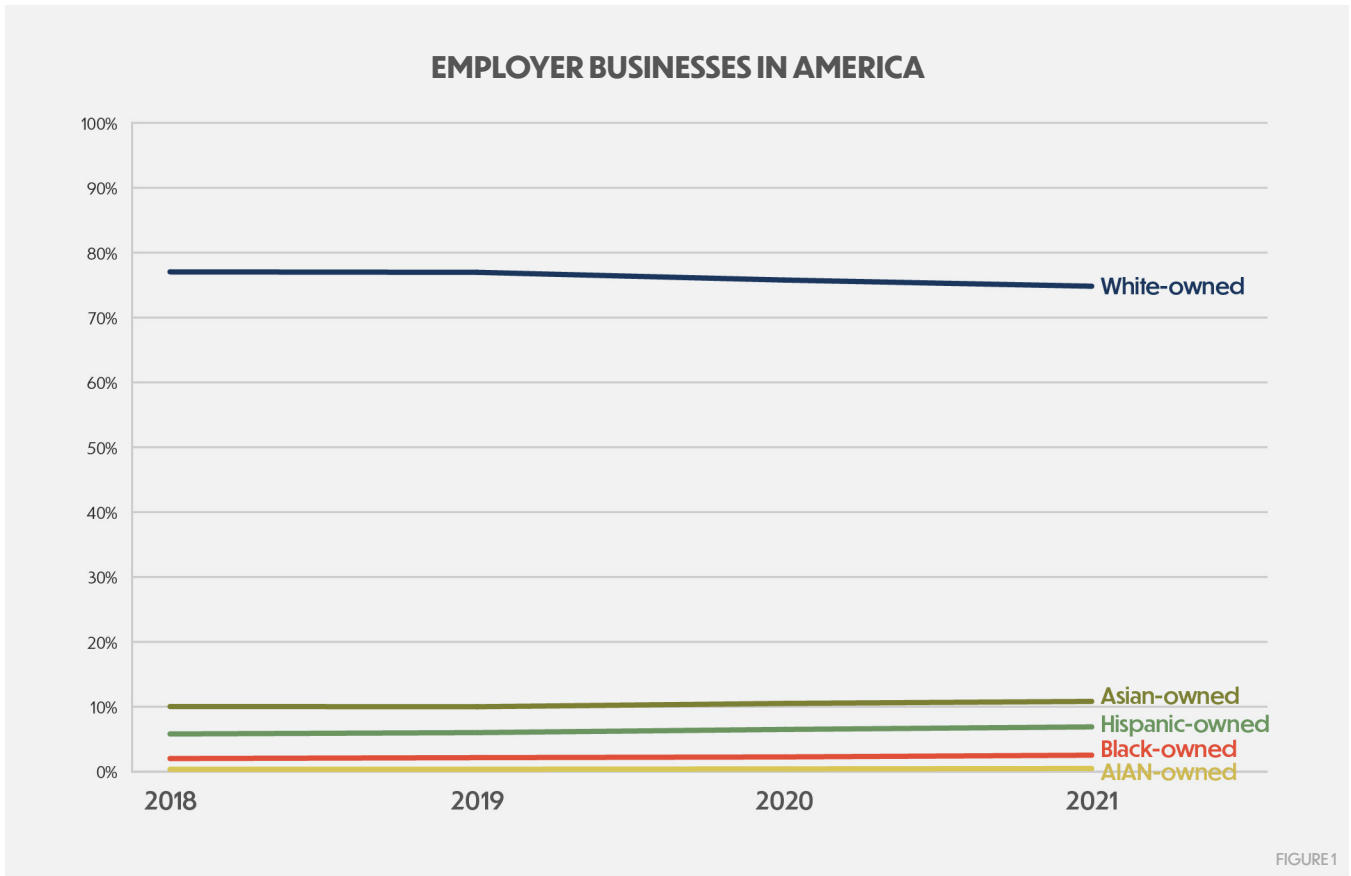


FIGURE 1

1. Growing...Slowly

Recently, Black-owned employer businesses have seen year-over-year growth, but the fact remains that **Black businessowners are still drastically underrepresented compared to their population.** According to the US Census Bureau’s Annual Business Survey, there were 149,326 Black-owned employer businesses in 2021—an increase of 34,515 businesses since 2018.¹ Yet, Black-owned businesses account for only 2.5% of all businesses in America, barely up from 2% in 2018.²

Among Black-owned businesses in 2021, 53% were owned by Black men, 39% by Black women, and 8% jointly owned.³ The share of female-owned businesses saw the greatest change since 2018, an increase of four percentage points.⁴

Notably, the number of Black, Hispanic, Asian, and American Indian and Alaska Native-owned businesses has grown across all US employer businesses. However, all minority groups, outside of Asian owners, continue to be underrepresented as business owners compared to their population in the United States.

“Black-owned businesses in 2021 account for only 2.5% of all businesses in America, barely up from 2% in 2018.”

BLACK-OWN BUSINESSES

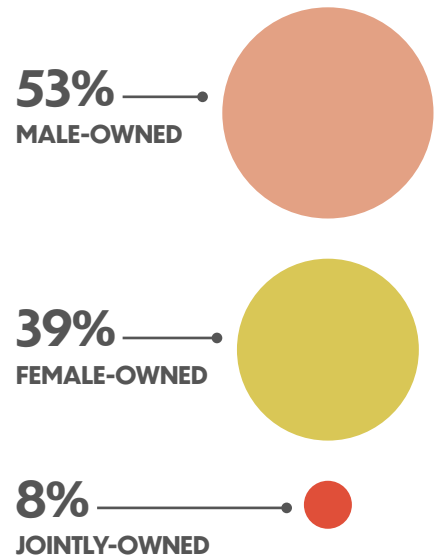


FIGURE 2

2. Small Employers

Black-owned employer businesses are typically very small. A whopping **97% have less than 20 employees, and three-in-four have fewer than five employees.**⁵ Compared to other demographics, Black-owned businesses are more likely to have 1-4 employees and less likely to have 20+.⁶

While the pandemic seemingly disrupted everything, employment levels at Black-owned businesses firms were less volatile. From 2021-2022, over half of Black-owned businesses (57%) didn't see a change in employment levels, while 20% increased and 23% decreased their workforce.⁷ That trend continued from 2022-2023: 47% didn't see a change while 30% increased hiring.⁸ And, looking out at 2024, 58% expect to increase their headcount while only 8% expect fewer numbers of employees.⁹ Perhaps in an effort to compensate for their small full-time staffs, Black business owners were the most likely to use contract workers in 2023. Over 50% of Black business said they hired contract workers last year, compared to 43% of white-owned businesses and 48% of Asian-owned businesses.¹⁰

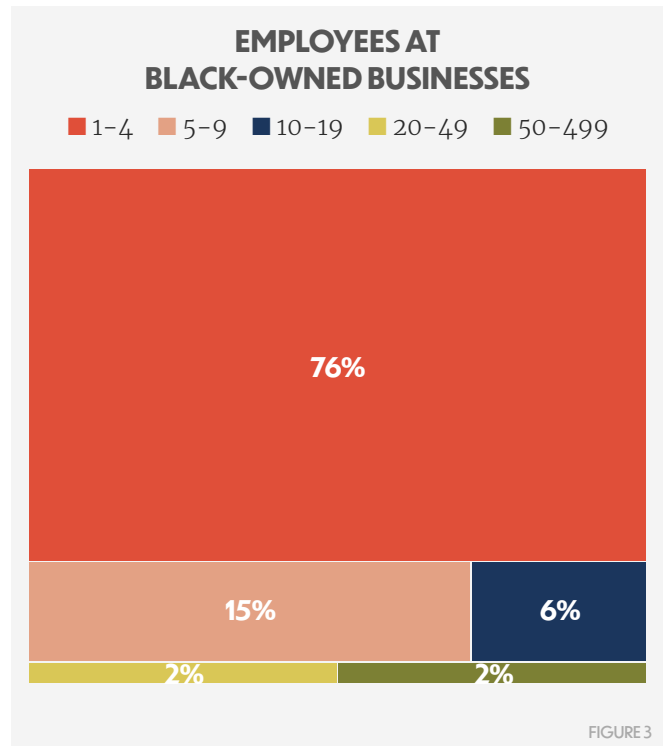


FIGURE 3

3. Eastward Bound

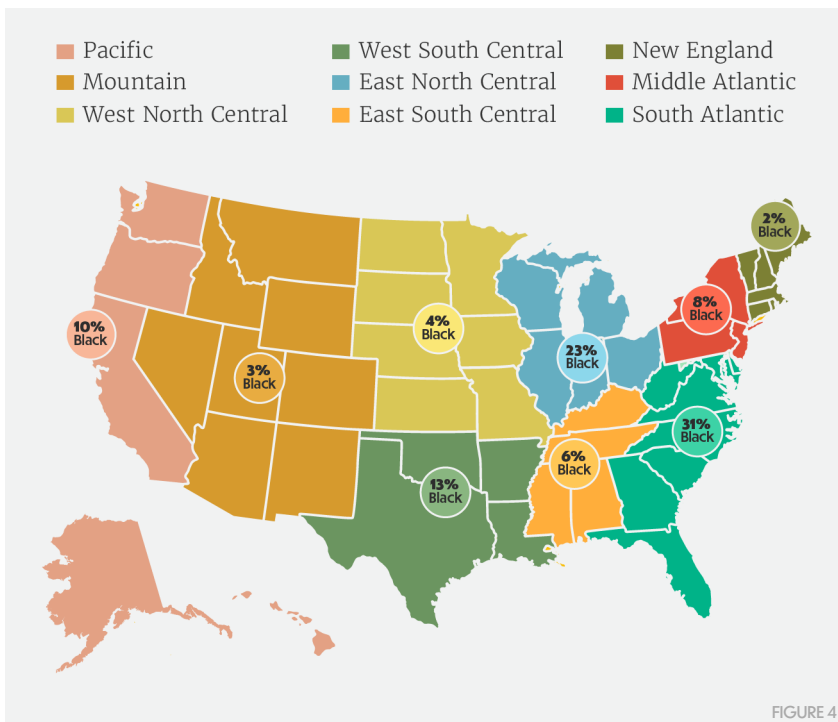


FIGURE 4

Black-owned businesses are far more likely to be found in an urban area east of the Mississippi.

Overall, 94% of Black businesses are located in an urban area, similar to the percentages of other minority-owned enterprises.¹¹ But far more Black-owned businesses reside in urban areas in the eastern half of the United States. Seventy percent of Black businesses are located east of the Mississippi River with especially large concentrations in the southeast.¹² Notably, 20% of the businesses in Georgia and 16% of the businesses in Virginia are Black-owned.¹³

4. Young

“2-in-3 black-owned business are less than five years old.”

PERCENTAGE SHARE OF BLACK-OWNED BUSINESSES BY FIRM AGE	
# of Years	percentage share
0-2	48%
3-5	19%
6-10	12%
11-15	7%
16-20	6%
21+	8%

FIGURE 5

Black-owned businesses are far more likely to be young. The Small Business Credit Survey of the Federal Reserve Banks compares the race and ethnicity of business owners with how long their businesses have been in existence. For Black-owned businesses, 48% are less than two years old, and 2-in-3 are less than five years old.¹⁴ In comparison, 19% of white-owned and 38% of Hispanic-owned businesses are under two years old.¹⁵

Black owners also have a diverse range of reasons why they own a business. The US Census asks individuals the reason why they chose to own a business. For Black businessowners, the top five reasons include:¹⁶

- Having greater income (71% say this is “very important”)
- Wanting to be their own boss (69%)
- Having the ability to balance work and family (67%)
- Best avenue for ideas (65%)
- Flexible hours (63%)

REASONS FOR OWNING A BUSINESS

% of Black Businessowners Saying Issue is “Very Important”

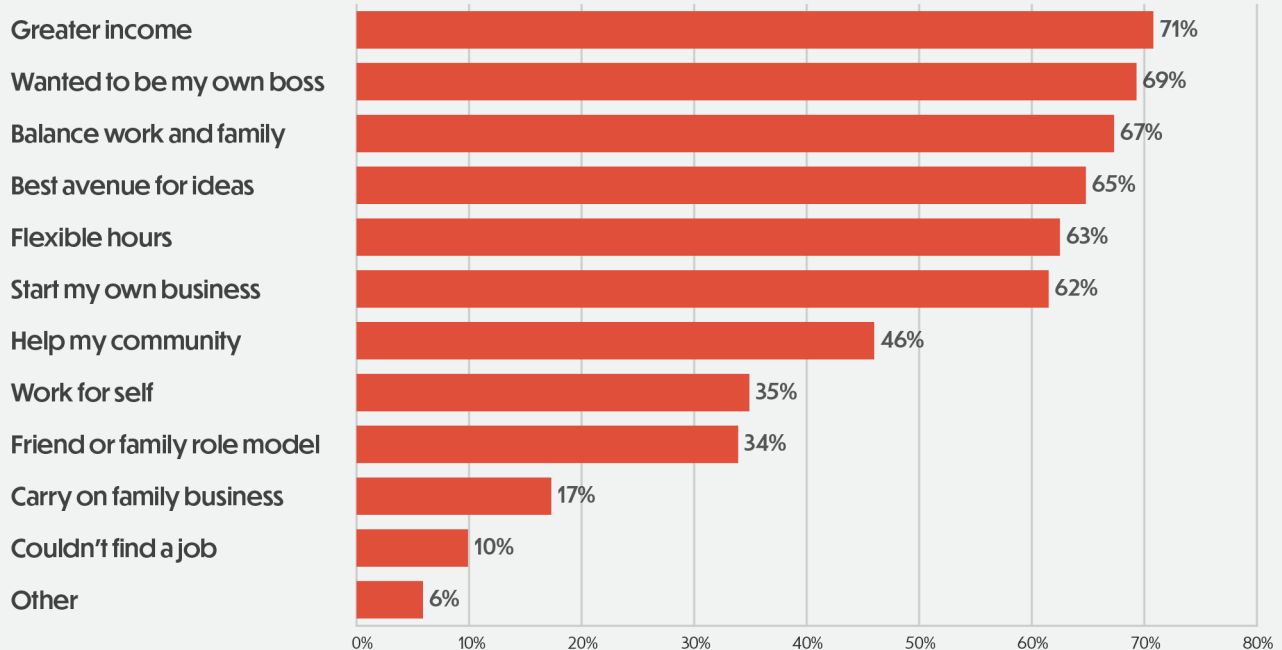


FIGURE 6

5. Slightly Concentrated in Specific Sectors

INDUSTRY BREAKDOWN OF BLACK BUSINESSES

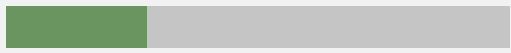
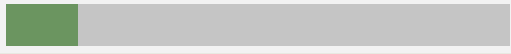
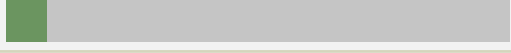
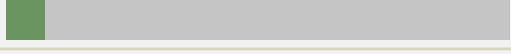
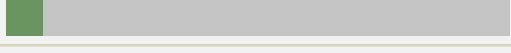
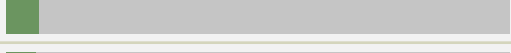
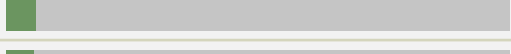
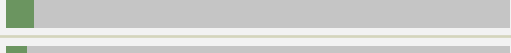
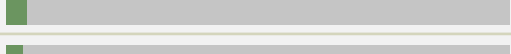

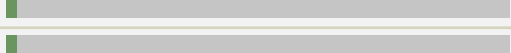
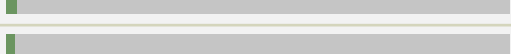
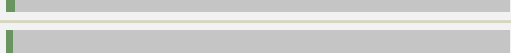
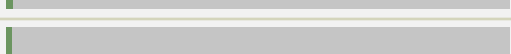
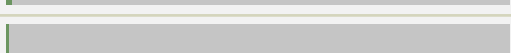
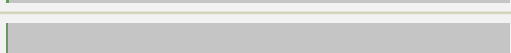
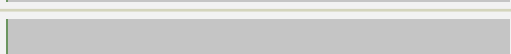


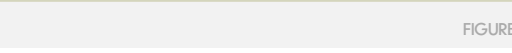
		% of Black Businesses
Health care and social assistance	28%	
Professional, scientific, and technical services	14%	
Administrative support and waste management	8%	
Transportation and warehousing	8%	
Other services (except public administration)	7%	
Retail trade	6%	
Construction	6%	
Accommodation and food services	5%	
Real estate and rental and leasing	4%	
Arts, entertainment, and recreation	3%	
Finance and insurance	3%	
Educational services	2%	
Wholesale trade	2%	
Manufacturing	1%	
Information	1%	
Industries not classified	.42%	
Management of companies and enterprises	.10%	
Utilities	.05%	
Agriculture, forestry, fishing and hunting	.02%	
Mining, quarrying, and oil and gas extraction	.02%	

FIGURE 7

Black-owned businesses are spread across numerous industry sectors, but there is still notable concentration. Both the Federal Reserve and the US Census examine employer firms by industry. An analysis of the slightly more descriptive Census data shows that 42% of Black firms are concentrated in health care and social

assistance as well as professional and technical services.¹⁷ Specifically, 28% of Black-owned firms are in fields such as medical offices, assisted living facilities, and child care.¹⁸ And 14% are in fields such as legal support, tax prep, design services, consulting, and other technical support.¹⁹

6. Flying Under \$100K

In addition to having fewer employees, **Black-owned businesses take in less revenue than other businesses.** Fifty-eight percent of Black-owned employer businesses make under \$100,000 in annual revenue, and another third make between \$100,000 and \$1 million.²⁰ Compared to other demographics, Black-owned businesses are 19–43 percentage points more likely to make under \$100,000.

When the COVID-19 pandemic began in 2020, 52% of Black-owned businesses had revenue under \$100,000. That jumped to 63% in 2021 as the pandemic negatively affected the economy.²¹

And yet, Black-owned businesses are more optimistic about their revenue in the future. Almost 8-in-10 Black businessowners expected revenue to increase in 2024, well above other demographics.²²

7. Smaller Debt Holders

Black-owned businesses are far more likely to have debt under \$100,000 than over, with a third having no debt at all. Specifically, 52% of Black-owned businesses have \$100,000 or less in outstanding debt, which is a higher percentage than most other demographic groups.²³ In contrast, only 15% have debt above that threshold, and 34% have no outstanding debt at all.

\$0-\$25,000	32%
\$25,001-\$50,000	9%
\$50,001-\$100,000	17%
\$100,001-\$250,000	17%
\$250,001-\$500,000	11%
\$500,001-\$1 million	7%
\$1 million-\$5 million	5%
\$5 million-\$10 million	1%
More than \$10 million	1%

FIGURE 8

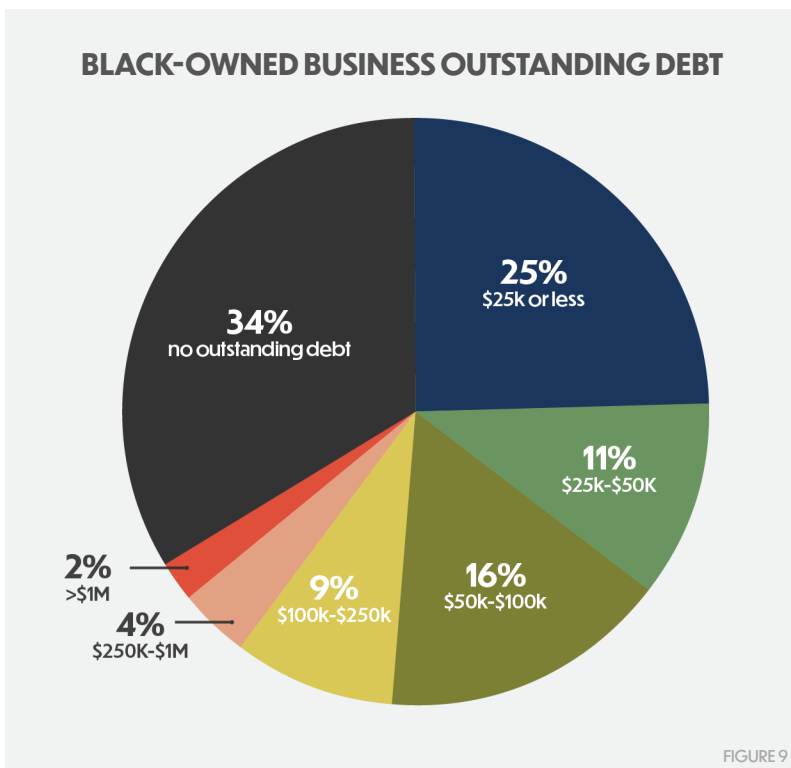


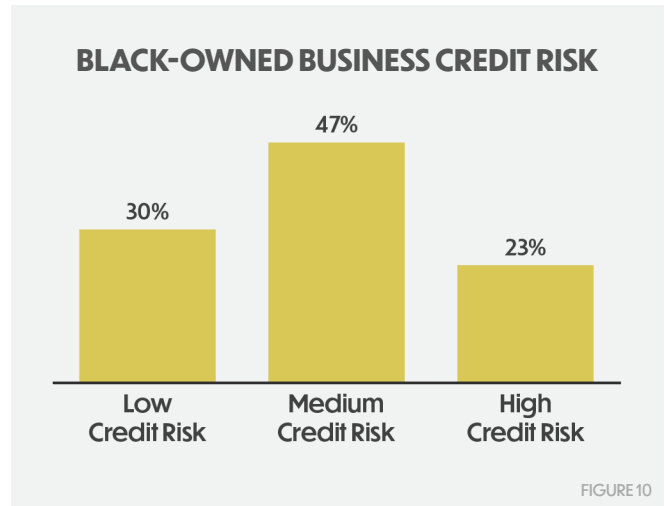
FIGURE 9

As we explore below, Black-owned businesses have more systemic issues accessing lending capital than others, which likely impacts the amount of outstanding debt they can amass. It’s also notable that Black businesses are more likely than any other demographic to pull from their personal savings for business expenses. Seventy-four percent of Black-owned businesses report using personal savings, 4–24 percentage points higher than other demographics.²⁴

8. Labeled as Riskier

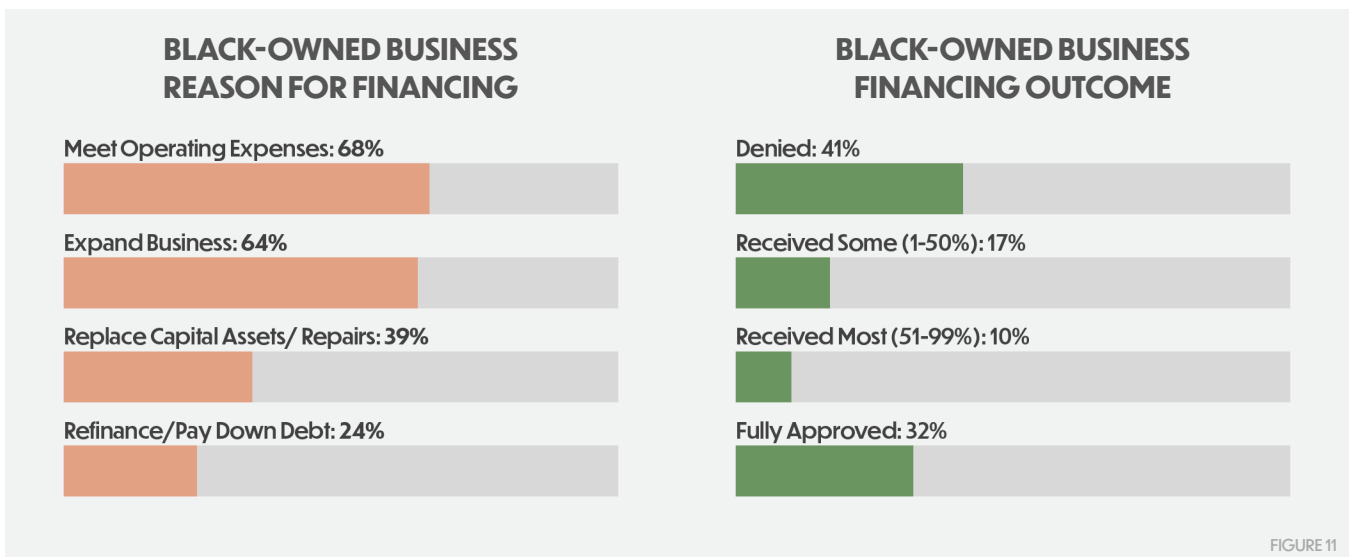
Credit scores can make or break financing, and **Black-owned employer businesses are almost six times more likely to be labeled a higher credit risk than their white counterparts.**²⁵ An inverse dynamic plays out at the other end of the spectrum—30% of Black businesses are deemed to have a low credit risk, compared to 75% of white businesses.

When lenders assess a business as a greater credit risk, they are less likely to approve it for a loan and more likely to charge the business a higher interest rate if it does get approved. Among Black business owners who have experienced challenges applying for financing at credit unions, banks, and online lenders, being offered a high interest rate was the number one difficulty businesses faced.²⁶ As a result of these higher rates, 53% of Black business owners have higher debt payments, 38% are forced to delay plans to expand their business, and 28% have a hard time refinancing their existing debt.²⁷



9. Often Shut Out of Financing

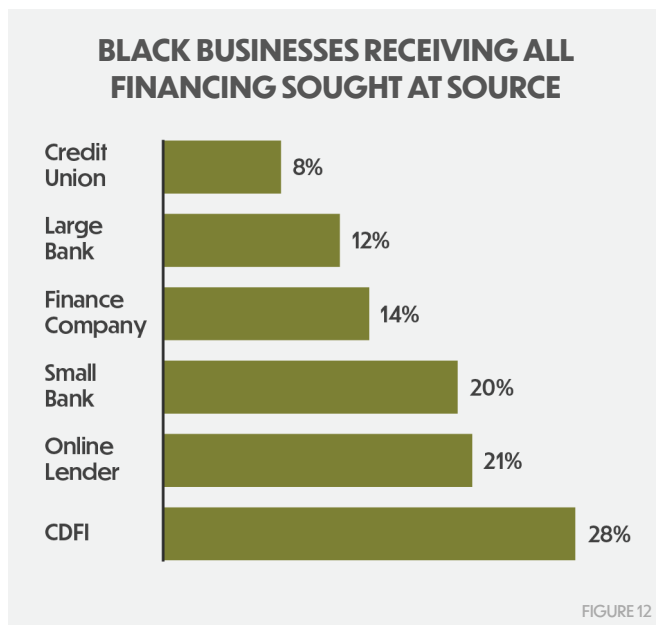
Black business owners, more than any other demographic, experience pervasive barriers to accessing capital—impacting their ability to start and grow businesses. Half of Black-owned businesses applied for a loan, and the most common reason for applying was to meet operating expenses (68%) and to expand business operations (64%).²⁸



And yet, Black-owned businesses are denied financing far more than anyone else. Four-in-ten Black-owned businesses are completely denied loans, lines of credit, and cash advances.²⁹ Only 32% are fully approved. Compare that to white-owned businesses: only 18% are denied while 56% are fully approved.³⁰

10. Hunting for Non-Traditional Capital

Due to limited credit access, notable shares of Black employer businesses turn to alternative forms of financing. **A quarter of Black firms applied for new credit at fintech companies and online lenders in 2023.**³¹ According to the Federal Reserve Banks, 51% of Black businessowners who pursue financing at an online lender do so because they were denied by other financial institutions.³² This was tied for the most common reason Black businesses turn to online financing, along with the likelihood of being funded.



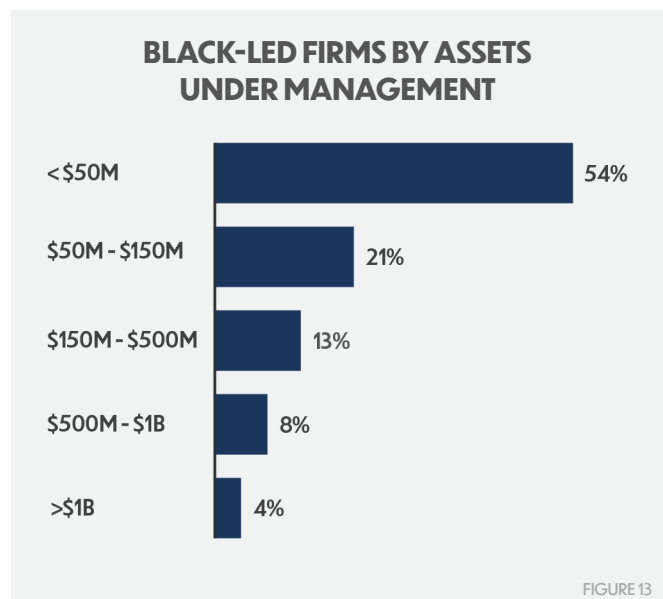
Black firms also use Community Development Financial Institutions, or CDFIs, at higher rates than white, Asian, and Hispanic businesses.³³

These lenders are certified by the Department of Treasury to provide credit and financial services to underserved markets and populations, so it is to be expected that clients skew toward minority populations. Black employers report better outcomes when seeking financing from alternative lenders. Specifically, they are twice as likely to receive all the financing they apply for at a CDFI compared to applying at a large bank.³⁴

11. VC Starved

In 2020, Black startup founders experienced a slight increase in venture capital funding as companies made greater commitments to investing in Black-owned businesses. Three years later, Black firms have seen a steady decline in equity investments. In 2023, venture capital investors funneled \$138 billion to US-based startups.³⁵ **But less than 0.5%, or \$662 million, of those funds went to Black founders.**

Efforts to diversify the venture capital industry have been improving, albeit slowly. Black investors made up 5% of the total number of venture capitalists in the United States in 2022, an increase from 4% a year prior.³⁷ However, this number is even lower for Black women, who constitute just 2% of investment professionals.³⁸ Despite research showing that diverse teams have been shown to make better investment decisions and achieve higher returns, only 4% of Black investors hold key decision-making roles within venture firms.³⁹ When Black investors do lead their own VC funds, they struggle to raise enough money to reach their target fund size, with more than half of Black-led funds holding less than \$50 million assets under management.⁴⁰



12. Infrequent Contract Recipients

In 2022, more than \$614 billion in federal contracting dollars were eligible to be awarded to small businesses. According to the Small Business Administration, roughly a quarter of that—the federal government’s statutory benchmark—actually went to small employers. The SBA disaggregated its award data by race and ethnicity and found that **Black small businesses received about 1.6% of all eligible federal contracting dollars in 2022.**⁴² Notably, when only looking at the awards that went to small businesses, Black firms received a more significant share, accounting for nearly 6% of all awards dedicated to small businesses in 2022.

Minority-owned firms have lower odds of securing a contract in two-thirds of all industries, those of which represent over 50% of federal contracts.⁴³ In 2022, Administrative Management and General Consulting became one of the leading industries for Black small businesses, accounting for approximately \$1 billion in awarded contracts. The remaining top industries for Black firms in federal contracting include computer systems design, commercial building construction, engineering services, and facilities support.⁴⁴

FEDERAL CONTRACTING BY RACE AND BUSINESS SIZE
FY2022

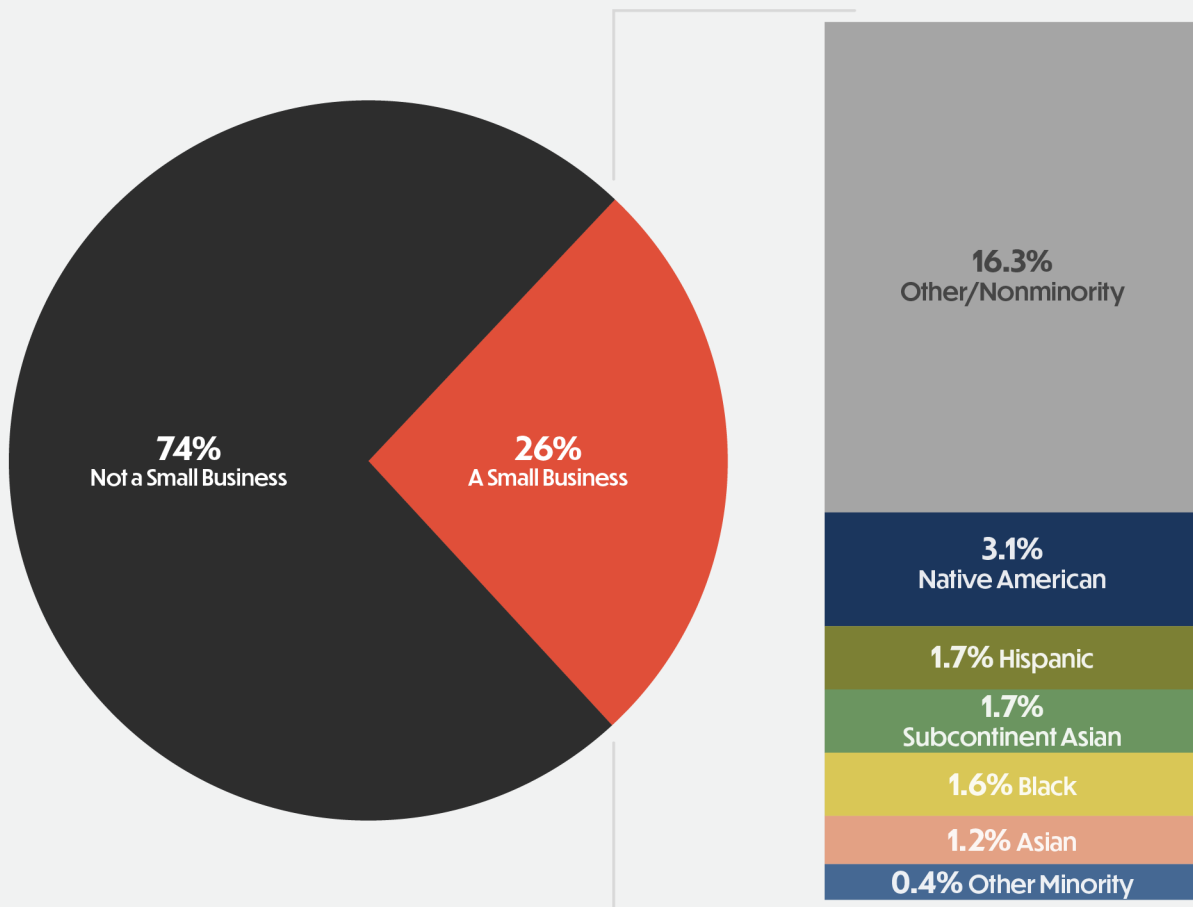


FIGURE 14

CLIENT STORIES:

LaDarby Landry-Williams

Owner of Germ Slayers Cleaning & Maintenance Solutions, LLC



LaDarby Landry-Williams is the owner of Germ Slayers Cleaning & Maintenance Solutions, LLC, a Louisiana-based firm providing surgery-level sanitation for workplaces across the Gulf Coast. Landry-Williams is a former healthcare worker and during the COVID-19 pandemic was inspired to launch a commercial janitorial company with a unique focus on UV-C disinfecting technology, recognizing its potential to revolutionize cleanliness and safety. Since 2021, the company provided cleaning services including residue-free disinfecting, janitorial services and facility support maintenance to public and private-sector organizations across diverse industries and markets.

Landry-Williams became a client of the Urban League of Louisiana (ULLA) in 2023 and in just one

“Since becoming a client of ULLA, Landry-Williams has increased her revenue by over 1000% and hired more than 26 contract workers to support new projects.”

year has taken advantage of a number of the Center for Entrepreneurship & Innovation’s training classes and business advising services. She has attended the Center’s “Financial Empowerment Series for Entrepreneurs”, “Export Dat! Grow Your Small Business by Competing in the Global Marketplace”, “2023 Women in Construction Convening”, and “Opportunities Outlook Quarterly Convening for DBE Contractors”, just to name a few. She has also obtained over 40 hours of mentoring, counseling, and technical assistance in project costing, estimating, and bid preparation through the Contractor’s Resource Center. Since becoming a client of ULLA, Landry-Williams has increased her revenue by over 1000% and hired more than 26 contract workers to support new projects.

In November of 2023, Landry-Williams was selected to participate in ULLA’s 2023 Women in Business Challenge: Scale Up!. This annual pitch competition features four finalists who pitch their plans to grow and scale for a chance to win \$10,000. During the event, an esteemed panel of judges is tasked with determining the winner based on effectiveness of the pitch presentation, scalability of the business model, and proposed use of award funds. In 2023, LaDarby Landry-Williams emerged as the winner of the competition securing \$10,000 to grow her business.

CLIENT STORIES:

Ivy Scott

Owner of IVLeague Marketing and co-owner of Foster Scott Enterprises DBA UPS Store #0328



Ivy Scott is the owner of IVLeague Marketing and co-owner of Foster Scott Enterprises DBA UPS Store #0328.

In 2020, Ms. Scott understood quickly that this was a perfect opportunity to become a UPS Store Franchise Owner because shipping companies had become essential to consumer needs. With consumers forced to make the shift of making online orders and returns for practical everyday needs, she began the process of purchasing a store of her own.

As she waited on her UPS Store acquisition, Ivy launched her marketing agency in 2021. She could see the surge of new businesses that erupted in Georgia during the Covid-19 era. The large number of business owners created opportunities to use her

“Ivy has used one business to grow the other and now she is actively seeking contract opportunities so that she can continue to build her team.”

corporate marketing experience to help grow her client base, which has been doing great since.

Fast forward, Ivy officially acquired her UPS Store in October 2023 and leverages the support of her marketing agency. She has used one business to grow the other and now she is actively seeking contract opportunities so that she can continue to build her team. She currently has one IVLeague Marketing full-time employee and five part-time employees. She has a goal to bring on a full-time marketing expert and a part-time assistant.



ENDNOTES

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