

THE OPPORTUNITY PROJECT

2021 PROBLEM STATEMENT

MINORITY BUSINESS DEVELOPMENT AGENCY (MBDA)

Improving Minority Businesses' Access to Capital

THE CHALLENGE – Develop digital products to help improve minority businesses' access to capital

EXECUTIVE CHAMPION – Edith McCloud, Acting National Director, MBDA

THE PROBLEM – Minority owned businesses are critical to the national and local economies. They are a critical part of job creation and preservation with more than [2.2 million jobs](#) held by persons who find themselves either directly or indirectly employed by NMSDC-certified MBEs.

Yet these businesses face obstacles to surviving and thriving, particularly because of difficulty accessing capital. Minority businesses often face obstacles in securing business loans from their local financial institutions. A [study by Bates & Robb \(2016\)](#) found that higher rates of rejection and lower loan amounts typified lending to black and Hispanic-owned Minority Business Enterprises (MBE). The [2021 Small Business Credit Survey](#) found that Black-owned firms that applied for traditional forms of financing were least likely to receive all of the financing they sought -- 40% of white-owned firms received all of the financing they sought, compared to 31% of asian-owned firms, 20% of Hispanic-owned, and only 13% of black-owned firms. This trend persists even among firms with good credit scores.

One key reason for the lack of bank financing for MBEs is [lower credit, lower net worth, and lack of assets](#). Without the ability to access needed capital, minority businesses often find themselves struggling to grow and gain any traction in their selected industry. Even having to seek bank loans, compared to other business financing options, has disadvantages. Without alternative capital options, businesses either reduce operational capacity or go out of business. Both options can stunt job creation, slow down local economies, and further increase the earnings gap in the United States. This has been exacerbated with the inequities of the COVID-19 economy. African Americans [experienced the largest losses as a result of the COVID-19 pandemic](#), eliminating 41 percent of business owners. Similarly, the number of Latinx business owners declined by 32% between February and April 2020, while immigrant business owners suffered a drop of 36 percent.

THE OPPORTUNITY – With the increasing growth in fintech and awareness of the need to support minority businesses, there is an opportunity to create digital tools that help minority businesses access the capital that can help their businesses survive, thrive, and contribute to economic growth and their local communities. This sprint challenges teams to create user-friendly digital tools that help Minority Business Enterprises and Minority Entrepreneurs:

- Gain understanding of, and access to, alternative business capital options
- Gain access to business loans by helping MBEs and MEs meet underwriter requirements to secure loans and understand the loan application process

- Additionally, tools could also help investors and sources of capital find opportunities to finance MBEs and MEs

VISION FOR SPRINT OUTCOMES – With user-friendly digital tools, MBEs and MEs are better able to access capital to grow their enterprises, and financial institutions and investors are better connected to MBEs and MEs.

TARGET END USERS – Engaged Minority Business Owners and Minority Entrepreneurs seeking access to capital; advocacy organizations supporting these individuals; lending, financing and investment institutions

RELATED DATA SETS

- ↳ [Payroll Protection Program Data](#), Small Business Administration
- ↳ [Third Party Lending Data](#), Small Business Administration
- ↳ [Small Business Investment Company \(SBIC\) Program Financing to Businesses By State FY 2013 through FY 2018](#), Small Business Administration
- ↳ [Small Business Credit Survey](#), Federal Reserve
- ↳ [COVID-19 Small Business Pulse Survey](#), U.S. Census Bureau
- ↳ [National Survey Access to Capital Among Minority Business Enterprises](#), National Minority Supplier Development Council

LEAD POINT OF CONTACTS

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