Impact of the Economic Crisis on Minority-Owned Firms

- Minority-Owned Business Growth Trends
- Minority-Owned Business Challenges
- Economic Impact on Minority-Owned Firms
- Growth Opportunities for Minority-Owned Firms
- MBDA Programs and Results
Minority firms outpace the growth of non-minority firms between 2002 and 2007.

### Minority Firms Are Still Smaller

<table>
<thead>
<tr>
<th>Group</th>
<th>All Firms</th>
<th>Gross Receipts</th>
<th>Ave. Receipts</th>
<th>Paid Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>1,921,907</td>
<td>$137.4 billion</td>
<td>$72,000</td>
<td>920,198</td>
</tr>
<tr>
<td>American Indian &amp; Alaska Native</td>
<td>237,386</td>
<td>$34.5 billion</td>
<td>$145,000</td>
<td>191,472</td>
</tr>
<tr>
<td>Asian</td>
<td>1,552,505</td>
<td>$513.9 billion</td>
<td>$331,000</td>
<td>2,869,153</td>
</tr>
<tr>
<td>Hispanic</td>
<td>2,260,309</td>
<td>$345.2 billion</td>
<td>$153,000</td>
<td>1,932,243</td>
</tr>
<tr>
<td>Native Hawaiian &amp; Other Pacific Islander</td>
<td>38,881</td>
<td>$7.0 billion</td>
<td>$179,000</td>
<td>43,187</td>
</tr>
<tr>
<td><strong>All Minority</strong></td>
<td>5,762,940</td>
<td>$1.0 trillion</td>
<td><strong>$178,000</strong></td>
<td>5,916,651</td>
</tr>
<tr>
<td><strong>Non-Minority</strong></td>
<td>20,107,057</td>
<td>$9.8 trillion</td>
<td><strong>$490,000</strong></td>
<td>50,707,027</td>
</tr>
<tr>
<td>Classifiable Firms</td>
<td>26,306,316</td>
<td>$11.0 trillion</td>
<td>$418,000</td>
<td>57,356,178</td>
</tr>
<tr>
<td>Total Firms in the U.S.</td>
<td>27,110,353</td>
<td>$30.2 trillion</td>
<td>$1.1 million</td>
<td>118,665,692</td>
</tr>
</tbody>
</table>

Higher Loan Denial Rates and Rejection Fears

**Loan Denial Rates**

![Bar graph showing loan denial rates for minority and non-minority firms.](image)

**Fear of Rejection**

![Bar graph showing fear of rejection for minority and non-minority firms.](image)

Disparities in Capital Access between Minority and Non-Minority-Owned Businesses

Higher Loan Interest Rates

Disparities in Capital Access between Minority and Non-Minority-Owned Businesses
Disparities in Capital Access between Minority and Non-Minority-Owned Businesses

Disparities in Capital Grow Over Time

Disparities in Capital Access between Minority and Non-Minority-Owned Businesses
Entrepreneurial parity for minority business has yet to be reached. Parity is defined as reaching proportionality between the adult minority population and business development measures such as numbers of firms, gross receipts and employees of Classifiable firms (excludes publicly held).

**Is the Gap Narrowing?**

<table>
<thead>
<tr>
<th>Minority-Owned Firms</th>
<th>1997</th>
<th>2002</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Number of Firms as a Percentage of Parity Figures</td>
<td>57%</td>
<td>61%</td>
<td>71%</td>
</tr>
<tr>
<td>Share of Gross Receipts as a Percentage of Parity Figures</td>
<td>27%</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>Share of Paid Employment as a Percentage of Parity Figures</td>
<td>30%</td>
<td>29%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Business Bankruptcies Filings

MBDA Network

MBDA network is comprised of 46 centers which are organized as public/private partnerships.
MBDA Services

- Business Consulting
- Procurement Matching
- Bonding Assistance and Loan Packaging
- Private Equity and Venture Capital Sourcing
- Strategic Partnering (e.g., Business-to Business, Teaming, Joint Ventures, etc.)
- Market Promotion of Clients to Prime Contractors and Other Buyers
Impact of Economic Crisis

Anecdotal Stories from MBDA’s Regional Offices and Network of Business Centers
MBDA’s Capital Access Strategies

- Use of Alternative Lending Sources
  - Alternative Lenders
  - Community Development Banks/CDFIs
  - Micro lenders
  - Dept. of Energy Guaranty for alternative energy products to obtain Credit Lines
  - Private Equity Firms
  - Domestic and International Asset Manager Funds
MBDA’s Market Access Strategies

- Teaming Arrangements/Joint Venturing
- Mergers and Acquisitions
- Strategic Partnering
- Green projects
- Diversifying client base
- Technology Commercialization
- Globalization of MBEs
MBEs Twice as Likely to Export

Minority firms operating in 2002 were twice as likely to generate sales through exports compared to non-minority firms operating in the same year.

MBE Global Reach

Minority-Owned Business Global Reach Spans Six Continents

MBE Export Activity Measured by Ex-Im Bank Authorized Financial Transaction, 1992-2009

Minority business export activity spanned 41 countries between 1992 and 2009. Mexico, Brazil, and Dominican Republic are the top markets, accounting for 52% of all financing transactions authorized for these firms when foreign markets were identified.

# MBDA’s Performance

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Contracts</th>
<th>Financial Transactions</th>
<th>New Jobs Created to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010*</td>
<td>$1.55 B*</td>
<td>$1.69 B*</td>
<td>4,950*</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$2.14 B</td>
<td>$0.91 B</td>
<td>4,134</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$1.03 B</td>
<td>$1.09 B</td>
<td>5,316</td>
</tr>
<tr>
<td>FY 2007</td>
<td>$1.2 B</td>
<td>$0.55 B</td>
<td>3,506</td>
</tr>
</tbody>
</table>

*Note: FY 2010 Performance data is preliminary and may be revised.
MBDA’s New Strategic Focus

Increase Size, Scale and Capacity of Minority Business Enterprises

 Strategic Priorities:

- Create a new generation of minority-owned firms generating $100 million in annual revenues

- Maximize job creation and global competitiveness for minority business enterprises
  - Global Construction Program
  - Global Export Initiative

- Develop global financing solutions for minority business enterprises (MBEs)
MBDA’s New Strategic Focus (Cont’d)

Increase Size, Scale and Capacity of Minority Business Enterprises

- Develop unique public-private partnerships to create funding vehicles for MBEs
  - Expanding the number of financing options
  - Increasing surety bonding opportunities

- Foster innovation and entrepreneurship within minority communities in high-growth industries, Clean and Renewable Energy
  - Green Technology
  - Health Care
  - Information Technology

- Create openness and transparency in minority business government contract reporting
Larger MBEs vs. Smaller MBEs

- **Number of Firms**
  - Minority firms ($1 million and above): 2%
  - Minority firms (under $1 million): 98%

- **Gross Receipts**
  - Minority firms ($1 million and above): 64%
  - Minority firms (under $1 million): 36%

- **Paid employees**
  - Minority firms ($1 million and above): 58%
  - Minority firms (under $1 million): 42%
MBDA Capacity Building

- American Recovery and Reinvestment Act
- Global Construction Program
- Gulf Coast Recovery Efforts
- OPIC Loan Originators
- Portfolio Companies Initiative
- National Urban League Partnership
- Surety Bonding Program
- Minority Investment Fund
- Haiti Reconstruction
Minority Business Growth

Minority firms outpace the growth of non-minority firms between 2002 and 2007.

MBDA’s Research

For more information on MBDA’s Research on Minority-Owned Businesses please access:

http://www.mbda.gov/pressroom/research-library

For questions, please contact
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