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Title

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In the spring of 2021, IGS launched a two-year Diversity and Entrepreneurship Fellowship Program. Cal-in-Sac Fellows conducted original research focused on the challenges and opportunities facing women- and POC-owned small businesses and diverse entrepreneurs in California. This series includes Op-Eds, blogs, policy briefs and other research products that capture key findings of the students' research. Learn more at <https://igs.berkeley.edu/matsui-center/fellowships/cal-in-sacramento>.

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Black Businesses Face the Brunt of the Coronavirus, but Where is the Aid?

By Nyanga Nyandemoh

What the coronavirus has brought to the attention of the American public is that public safety is closely tied to economic health. Over the year windows were boarded, hours were modified, and unemployment grew more than ever before. The most impacted have been Black business owners due to previous barriers that have led them to undertake more than others.

The [National Bureau of Economic Research](#) found that in February 2020 active businesses fell by 22%; however, [data](#) has shown that Black businesses saw the most acute decline at 41%.

The Paycheck Protection Program (PPP) has benefited many small businesses, however, there have been racial disparities in regards to who has received the aid. Through pre-existing funding gaps, Black businesses have been left unsupported.

Data has also highlighted Black businesses and the location of high Covid-19 cases are very similar. This correlation affects Black business owners who not only have to worry about their finances but as well the community they receive support from.

The impact of Covid-19 on Black businesses should lead many to the conclusion that there should be more aid financially and structurally. Yet why has the support still not equaled? And with that knowledge, what can be done to address this disparity or is it too late?

How do we know Black businesses are in covid hotspots?

Black business activity over the years has heavily correlated to areas with a dense Black population. As well, Black populations over the years have clustered in metropolitan areas. The [New York Fed](#) found 40% of all Black businesses' receipts resided within just 30 counties, 19 of which have been found to have [high levels of covid cases](#). Los Angeles County has been identified as one of the top 10 locations of Black businesses and has been deemed a [hotspot of Covid-19](#). The correlation of Black businesses being in Covid-19 hotspots means that they are more likely to face [foreclosures](#), staff layoffs, and the virus itself.

How do we know they were not given the same aid?

On a national level, the [Brookings Institute](#) found that within metropolitan regions PPP loans were not equally accessed. These region's businesses expressed a large loss of revenue, however, they were less likely to receive aid. These same regions as stated prior have large quantities of Black businesses.

Within Los Angeles County the racial disparities in accessing aid were exasperated. Research by [Reveal](#) found that majority-White areas of LA received loans at one and a half times the rate of businesses in majority-Black areas.

Reveal also found that the top five lenders in the LA metro area – Bank of America, JPMorgan Chase, Cross River Bank, Wells Fargo, and Customers Bank – made enough loans to cover nearly a quarter of businesses in the majority White populated areas. Those same lenders, however, extended loans only covering 16% of businesses in Black populated areas.

What are the barriers that Black businesses face?

The [New York Fed](#) found that the first round of PPP loans were not given “in correlation to Covid-19 cases but rather relied on prior banking relationships.” The relationships that business owners had with banks are important when assessing who was capable of receiving aid.

Data from the [2019 Small Business Credit Survey](#) found that Black businesses pre-pandemic were 58% at risk/financially distressed compared to White businesses which were only 27%. Black businesses were also less likely to rely on bank financing and relied on personal savings or financial support from family and friends. Data by the New York Fed also found that 54% of healthy or stable White business owners had existing banking relationships in comparison to 33% of healthy or stable Black business owners

What makes the relationship between banks and Black business owners so weak is a long history of discrimination. A [recent survey](#) even indicated that Black-owned firms apply for financial support at the same or higher rate than White firms yet they are rejected at higher rates.

However, the financial record of Black businesses was not the only factor in the unequal access to aid. Under the Community Reinvestment Act, financing banks must meet the credit needs of the community they serve. Many banks did this by working with community development financial institutions (CDFIs). However, many CDFIs were not included in the first round of PPP funding. This negatively impacted Black business owners reliant on CDFIs rather than brick and mortar banks.

With no strong relationship with banks and community resources lacking aid, Black businesses were left with the daunting reality of cutting staff, cutting hours, and then eventually closing the business altogether.

How can we recover?

The road to recovery has been perceived as bleak by many due to the end of the pandemic not being clear. However, what must be done to support these businesses has to be implemented not only at a policy level but a community and individual level.

Policy Changes:

- Allocate more funding for CDFIs to support communities
- Assess eligibility biases that can be impacting communities of color
- Continue aid for minority businesses
- Keep track of demographics in regards to aid so that the problem is noticed earlier if there is inequity

Community/ Individual:

- Support Black-owned businesses and other POC business owners since buying power is impactful
- Offer resources and knowledge in regards to financial aid and support
- Charitable donations
- Continue to educate and keep the momentum