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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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Paycheck Protection Program: Unequal Loan Distribution and Increasing Racial Disparities

The Covid-19 pandemic has caused a great deal of devastation within the food industry, generating new disparities that make Latinx restaurant owners much more vulnerable to losing their businesses and receive disproportionately less PPP funding than white-owned businesses. In order to understand the various challenges impacting these restaurants, I conducted my own research project composed of interviews with Latinx restaurant owners and a quantitative analysis of PPP loan distribution among sole proprietor restaurants by congressional district throughout the state. I conducted 5 interviews with Latinx restaurant owners in Sacramento. These restaurants included: Tequila Museo Mayahuel, Mezcal Grill, Zócalo, Chando 's Tacos, and Tacoa Tacos y Tequila. The owners of each of these businesses are either Mexican immigrants or Chicanx (children of Mexican immigrants).

Noe Hernandez, co-owner of Zocalo, stated that lack of financial literacy is, “the number one thing that prevents people from accessing PPP funds.” Hernandez stated, many of those in the Latinx community, “didn’t grow up with this financial literacy, so when you’re in this position to apply for these loans, you just don’t know what things mean.” Most of these owners found the Paycheck Protection Program application challenging to navigate. Each restaurant owner that I interviewed believed the application would be very difficult for some Latinx owners to complete without a proper education or financial literacy. They pointed to the fact that the application was very intensive, offered online only, required extensive documentation, and had firm deadlines. Enrikke Valentino, co-owner of Mezcal Grill, told me that he applied for his mother (co-owner) since it would have been very difficult for her to apply on her own due to language barriers and lack of knowledge using technology. Each restaurant that I interviewed reported having lost anywhere between 70%-90% of business sales throughout the first 3 months of the pandemic. In addition, 3 out of the 5 restaurants reported losing employees. Ernesto Delgado, owner of Tequila Museo Mayahuel stated his staff was reduced from 55 to 2 employees during the brunt of the pandemic.

Using data from the Small Business Administration’s Paycheck Protection Program, I analyzed PPP loan allocation through June 2021 among sole-proprietor restaurants by congressional districts throughout the state. The data reveals that majority-white congressional districts have received approximately 80 more PPP loans, 909 compared to 829, and nearly \$1.5 million more in funding compared to majority-Latinx districts, \$14,920,380 compared to \$13,570,233. Using the data tool Social Explorer, I selected and compared funding between 14 majority-Latinx and 14 majority-white congressional districts, each with a majority of over 50%. Mr. Hernandez stated that, “without government funding we would not have been able to survive the pandemic.” The disparities revealed through my research highlights the difficulty for Latinx-owned restaurants to secure adequate funding, thus leading to disproportionate closures. Receiving government aid has been a huge challenge for Latinx businesses. Survey data from

the Stanford Graduate School of Business reports Latinx-owned businesses had PPP loans approved at nearly half the rate of white-owned businesses, 10% compared to 17%.

In order to address disparities in acquiring financial literacy, the state must work in partnership with municipal chambers of commerce and SBDC programs to provide informational workshops in various languages directed towards low-income and minority restaurant owners. The California Office of the Small Business Advocate (CalOSBA) is responsible for overseeing the long-term financial growth of these businesses and must develop strategies to provide minority restaurant owners with access to financial advisors or accountants for those who otherwise would not have access to. Lastly, the Small Business Administration must prioritize the allocation of PPP loans to Latinx and minority-owned restaurants in order to compensate for the lack of funding.