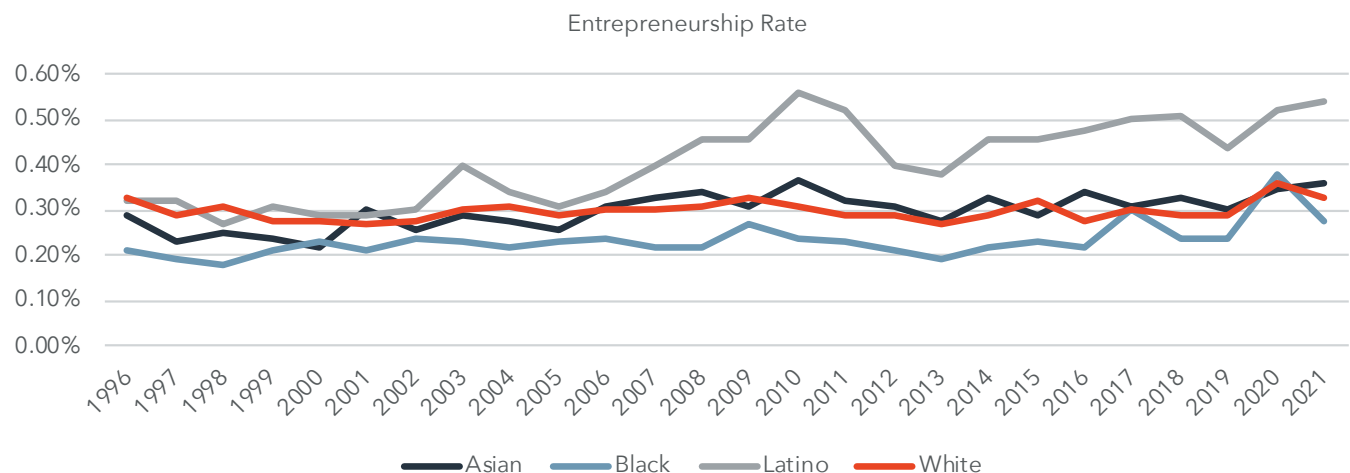


State of Black Business

ACCESS TO CAPITAL



Black people are overwhelmingly under-represented in U.S. entrepreneurship. As of 2021, they have the lowest entrepreneurship rates of any single race and ethnicity in the U.S., averaging just 0.23% since 1996 compared to 0.41% of Hispanic Americans and 0.30% of White and Asian Americans. However, entrepreneurship rates have increased slightly since the pandemic, with Black Americans having entrepreneurship rates of 0.38% in 2020 and 0.28% in 2021. Black entrepreneurs have the lowest opportunity share — meaning they are more likely to start a business out of necessity (i.e., unemployment) rather than opportunity — of any single race or ethnicity.



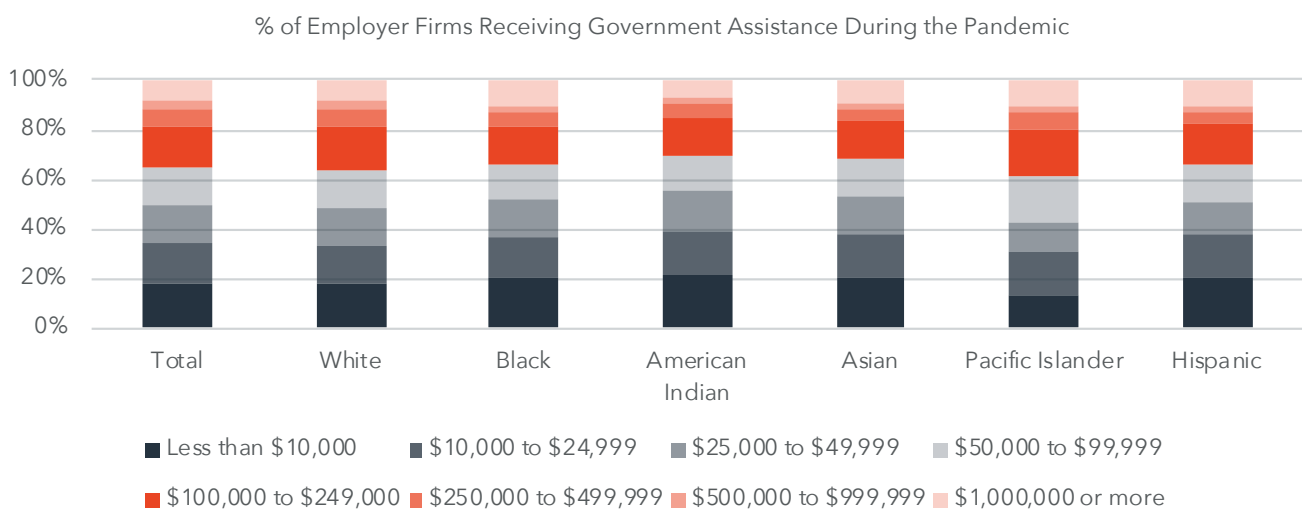
The Brookings Metro report on Black-owned businesses shows that there are currently 1,019 black-owned firms in the Phoenix-Mesa Scottsdale metro area which accounts for 1% of employer firms in the region. If black-owned business reached parity with the population there would be 4,945 more businesses in this metro. Black businesses create an average of 9 jobs per firm, compared to 24 jobs for all businesses. If the average number of employees per black business reach parity, it would create approximately 15,133 new jobs in the metro area.

Access to Capital

Data indicates that Black entrepreneurs also have less access to capital and are more likely to rely on personal savings to fund their entrepreneurial endeavors. Among a sample of 3,304 venture capital backed startups founded between 2018 and 2019, just 1.7% of founders were Black, compared to 71.6% White and 25.2% Asian.

An analysis of Crunchbase data shows 1,464 Black-founded startups receiving funding since 1996, totaling over \$15 billion in equity. Just 50% of companies had reported funding, but the average funding amount of these businesses was \$21.3 million, with the largest valuation surpassing \$1.5 billion. Over 35% of these funded companies are based in California and another 20% are in New York. Just five of these 1,464 companies are based in Arizona and their funding amounts were not reported.

According to the Census Annual Business Survey, 10.9% of Black or African American owned businesses received \$1M or more during the coronavirus pandemic, compared to 8.2% for White owned businesses, 7.0% for Native American businesses, 9.3% for Asian owned businesses, 10.9% for Pacific Islander owned businesses, and 10.2% for Hispanic owned businesses.



However, data for businesses that received forgiveness for government-sponsored financial assistance shows that Black or African American owned businesses received less forgiveness than other racial or ethnic groups. 8.6% of Black owned businesses did not receive loan forgiveness, compared to 5.1% overall.

Given the lack of funding for Black owned businesses and startups, there is an opportunity for Greater Phoenix to grow in this space. The region has a highly connected business community and a culture of inclusion. Business leaders can make a concerted effort to draw venture capital funding in from outside the state, making capital more accessible to Black business owners.



Learn more by accessing the State of Black Business Report at:

<https://stateofblackarizona.org/sb-business-report>