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The 2023 Impact of Women-Owned Businesses

A focus on Black/African American women

This backgrounder is the first in a series of demographic backgrounders from the inaugural 2023 *Wells Fargo Impact of Women-Owned Businesses* that are being shared before the report's full release in late November.

The impact of Black/African American women-owned businesses

Despite the financial challenges, Black/African American women have driven business formation during the COVID-19 pandemic. ¹ Black/African American women-owned businesses have grown to 2,079,000, representing 14.8% of all women-owned businesses. They are the only women’s demographic with a greater-than-majority share of businesses owned (52.1%) than their men counterparts.

Sizing the impact of Black/African American women-owned businesses

| | | |
|---|---|---|
| 2.1 Million | Employ 528 Thousand | Generate \$98.3 Billion |
| Black/African American women-owned businesses represent 14.8% of all women-owned and 52.1% of all Black-owned businesses. | people—4.3% of all women-owned business employees | 3.6% of women-owned businesses’ revenue |

Black/African American women’s businesses’ growth rates for employment and revenues outpace the market’s

Black/African American women are driving business creation,² but they also closed businesses at higher rates than other demographic segments.³ Still, the growth rate of Black/African American women-owned businesses increased more than their men counterparts, though not as high as women in general. Importantly, Black/African American women-owned businesses outpaced growth between 2019 and 2023, as well as between 2022 and 2023, in terms of employment and revenue compared to all women- and Black/African American men-owned employers.

A comparison of growth

| | Number of Firms | | | Employment | | | Revenues | | |
|-------------|------------------------------|-------|----------------------------|------------------------------|-------|----------------------------|------------------------------|-------|----------------------------|
| | Black/African American Women | Women | Black/African American Men | Black/African American Women | Women | Black/African American Men | Black/African American Women | Women | Black/African American Men |
| 2019 - 2023 | 12.7% | 13.6% | 11.3% | 17.8% | 12.7% | 14.9% | 49.6% | 26.2% | 23.9% |
| 2022 - 2023 | 4.0% | 5.9% | 2.4% | 7.6% | 4.9% | 3.8% | 13.2% | 5.7% | 7.8% |

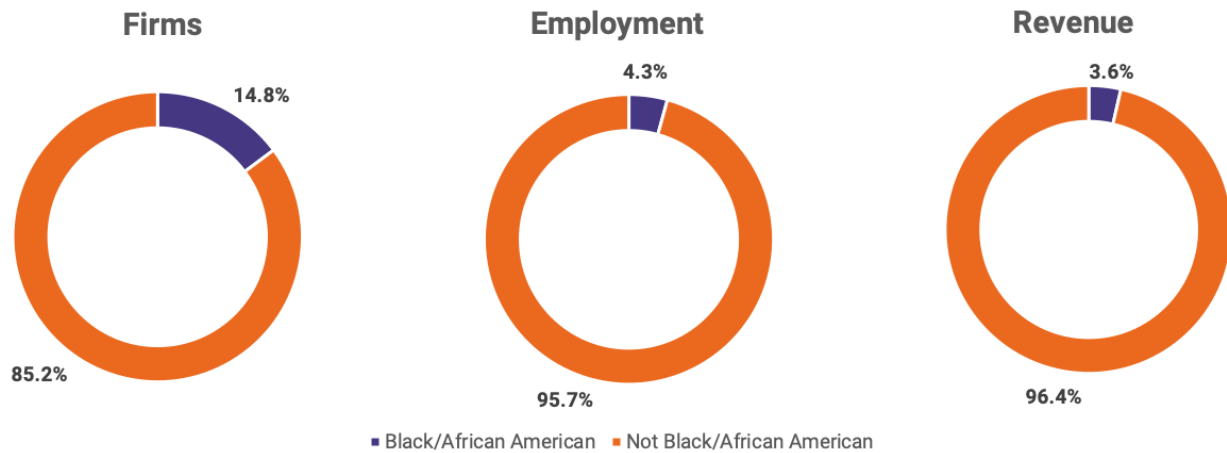
Mind the gaps

Black/African American women represent 13.9% of all women in the U.S. ⁴ and a slightly greater—14.8%—percentage of all women-owned businesses. They are embracing entrepreneurship. However, these businesses tend to be smaller and are less likely to be employer firms. One reason for the smaller size may be that many Black/African American women entrepreneurs are supplementing income from other jobs.⁵ Another may be that the recent surge in entrepreneurship among Black/African

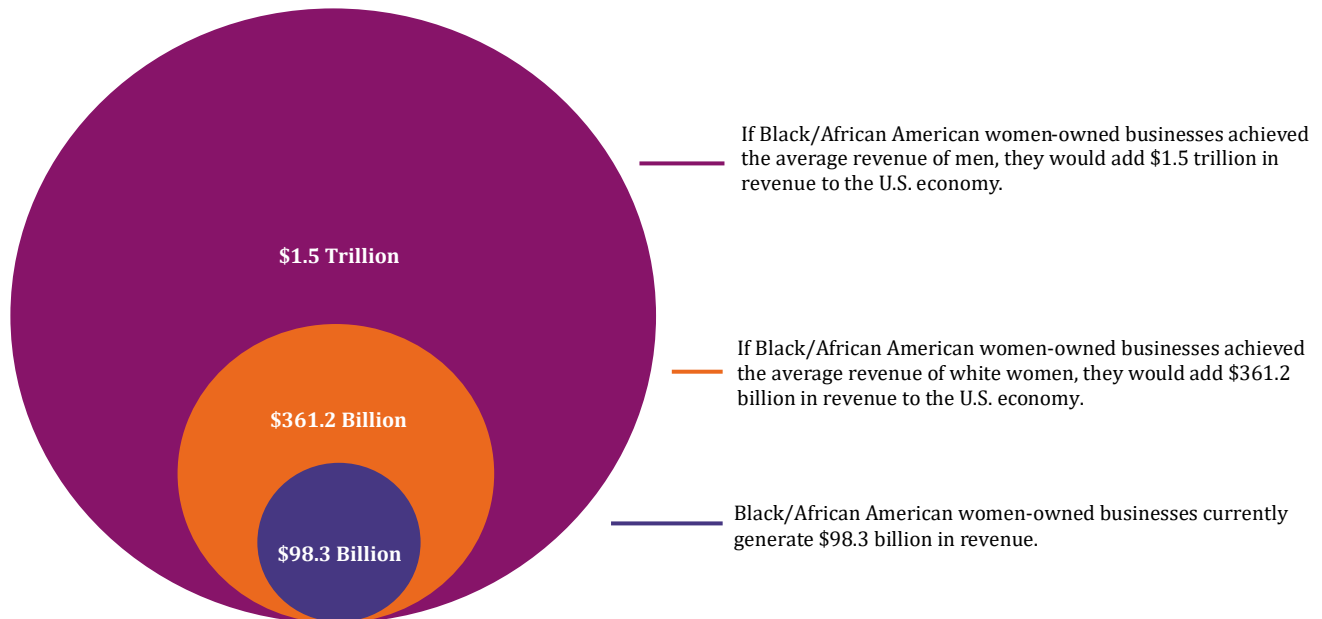
American women means their businesses are younger than all women-owned businesses, and younger enterprises tend to be smaller than established ones.

Black/African American women-owned businesses' shares of employment (4.3%) and revenue (3.6%) are far less than those of all women-owned businesses.

Black/African American women-owned businesses' share of all women-owned businesses by firms, employment, and revenue



Closing the gap in average revenue would make a significant impact on the U.S. economy



Emerging stronger from the pandemic than the financial crisis

By 2019, women-owned businesses, in general, had not only recovered but had surpassed average revenue levels from before the 2008 financial crisis: \$173,200 in 2019 compared to \$151,700 before the crisis. This was not the case for Black/African American women-owned businesses, whose average revenue was \$35,600 in 2019 compared to \$40,400 before the financial crisis.

The pandemic was different. Black/African American women-owned businesses came out stronger after the economic shock of the COVID-19 pandemic. Average revenues for these businesses increased 32.7% to \$47,300 between 2019 and 2023 compared to all women-owned businesses' 11.2% rise to \$192,600.

Black/African American women-owned businesses were more likely to be in industries such as restaurants and retail, which were more likely to be affected by lockdowns.⁶ With smaller, less profitable businesses, Black/African American women had little financial cushion to fall back on.

Early in the pandemic, Black/African American businesses struggled to get federal stimulus money.⁷ Average revenue for Black/African American women-owned businesses declined in 2020.⁸

The second round of Paycheck Protection Program (PPP) loans introduced improvements to the loan distribution process. The Small Business Administration (SBA) and Treasury Department expanded the types of financial institutions that could distribute PPP loans. Community development financial institutions (CDFIs) and minority depository institutions, with a track record of serving minority and women businesses, received capital to distribute PPP loans.⁹

During COVID-19, CDFIs received unprecedented funding to help support small businesses impacted by the pandemic.¹⁰ CDFIs are economic first responders, and in addition to providing grants and loans, they provide technical assistance. Funding came not only from the government and banks—both traditional funders of CDFIs¹¹—but also from philanthropic organizations, which had turned their attention to new causes. These organizations recommitted to funding CDFIs,¹² and some raised bonds to increase their grantmaking ability dramatically.¹³

During the COVID-19 pandemic, corporations increased or started making philanthropic contributions to CDFIs.^{14, 15, 16} Importantly, funders often made flexible and nonrestrictive grants, enabling CDFIs to decide how they would use the money. CDFIs used the money to provide grants, lower interest rates, cover loan losses, and improve technology to speed up the delivery of capital to business owners.

The Buy Black/African American movement saw a resurgence after the death of George Floyd and the Black/African American Lives Matter protests. Some Black/African American women-owned businesses benefited not just from the support of their communities but consumers everywhere. Celebrities also focused attention on Buying Black,¹⁷ and retailers supported the movement by providing shelf space and visibility.¹⁸

A comparison of average revenues by economic cycle

| | Pre-Financial Crisis | Recovery | | Steady Economy | Onset of COVID-19 | | Pandemic Ends | |
|------------------------|----------------------|----------|-----------|----------------|-------------------|-----------|---------------|-----------|
| | 2007 | 2012 | Growth | 2019 | 2020 | Growth | 2023 | Growth |
| Women-Owned Businesses | (000) | (000) | 2007-2012 | (000) | (000) | 2019-2020 | (000) | 2019-2023 |
| All | \$151.7 | \$142.1 | -6.3% | \$172.0 | \$170.2 | -1.0% | \$192.7 | 12.1% |
| Black | \$40.4 | \$27.8 | -31.3% | \$35.6 | \$32.1 | -9.7% | \$47.3 | 32.7% |

The impact of employer and nonemployer firms

During an economic shock, established businesses face declines in sales and profits. Credit dries up. Whether employer or nonemployer firms, smaller businesses—even established ones—tend to be less profitable and more vulnerable to closure.

When people lose their jobs or need to supplement their income, they often start a business out of necessity. The ranks of necessity entrepreneurs swell during economic crises, and these firms are most likely to be nonemployers. They often return to the job market when the economy improves. Employer firms tend to shrink during a crisis. The pandemic was different. The number of firms and revenues for both women-owned nonemployers and employer firms grew.

Employer Firms: Businesses owned by Black/African American women are less likely to be employer firms than firms owned by women in general: 2.7% compared to 10.2%.

Sizing the impact of Black/African American women employers

| Black/African American Women-Owned Employers | | | | Growth Rate | |
|--|------------------|--|--------------------------|-------------|-----------|
| | Number | Share of Black/African American Women-Owned Businesses | Share of Women Employers | 2019-2023 | 2022-2023 |
| Firms | 56,350 | 2.7% | 4.0% | 18.3% | 5.0% |
| Employment | 528,424 | 100% | 4.3% | 17.8% | 7.6% |
| Revenue | \$58,487,248,000 | 59.5% | 2.9% | 60.0% | 11.2% |
| Avg. Rev. | \$19,700 | -- | -- | 21.3% | 11.7% |

Black/African American women-owned employers average 9.4 workers and generate \$1,037,900 compared to all women-owned employers, which average 8.5 workers and generate \$1,709,300. Black/African American women-owned employers have more workers but generate less revenue. Lenders are more likely to deny loans or charge higher interest rates to Black/African American women when they seek financing for things like marketing, denying them the ability to achieve their full revenue potential.

Black/African American women-owned employers showed adaptability and resilience by growing average revenue during the pandemic. Between 2019 and 2023, average revenues increased 35.3%, and from 2022 to 2023, 5.9%. Though average revenue in 2023 is smaller for these businesses (\$1,037,900) than for women-owned employers generally (\$1,709,300) and Black/African American men-owned employers (\$1,206,500), their revenue grew far faster.

Growth in the average number of employees was weaker, declining by 0.3% between 2019 and 2023 and rising by 2.5% from 2022 to 2023.

A comparison of average employees and revenues for employers

| | Average Number of Employees | | | Average Revenue | | |
|--------------|------------------------------|-------|----------------------------|------------------------------|-------------|----------------------------|
| | Black/African American Women | Women | Black/African American Men | Black/African American Women | Women | Black/African American Men |
| 2023 | 9.4 | 8.5 | 9.4 | \$1,037,900 | \$1,709,300 | \$1,206,500 |
| Growth Rates | | | | | | |
| 2019-2023 | -0.3% | -4.4% | 1.9% | 35.3% | 7.3% | 4.1% |
| 2022-2023 | 2.5% | -1.0% | -0.6% | 5.9% | -1.8% | 0.0% |

Nonemployer Firms: Black/African American women are more likely to be nonemployers: 97.3% compared to all women's 89.8%. Nonemployer firms are less likely to be profitable than employer firms, and nonemployers face more substantial challenges accessing credit.¹⁹ The average revenue for Black/African American women-owned nonemployers is \$19,700, while women-owned nonemployers generally generate \$33,300. Black/African American women entrepreneurs are more likely to be supplementing income from other jobs.²⁰

Sizing the impact of Black/African American nonemployer firms

| | Black/African American Women-Owned Nonemployers | | | Growth Rate | |
|---------|---|--|----------------------------------|-------------|-----------|
| | Number | Share of Black/African American Women-Owned Businesses | Share of Women-Owned Nonemployer | 2019-2023 | 2022-2023 |
| Firms | 2,022,893 | 97.3% | 16.1% | 12.6% | 4.0% |
| Revenue | \$39,784,932,000 | 40.5% | 9.5% | 36.6% | 16.2% |

Clearly, investments and programs by government, banks, corporations, and philanthropists aimed at Black/African American women-owned businesses made a difference to the owners, their families and communities, and the overall economy.

Overcoming systemic disparities

Entrepreneurship is an avenue to wealth creation.²¹ Yet the opportunity to launch and grow a business is not equally accessible to all in the United States. Black/African American women face distinct challenges in becoming entrepreneurs:

- They earn 70% as much as white men. White women's earnings are 83% of white men's.²² Lower earnings mean smaller amounts in savings.
- Their average household net worth is one-quarter that of a white household.²³
- They have a harder time accessing outside financing. Black-owned businesses are more likely to apply for outside financing, more likely to seek financing to cover operational expenses, and less likely to receive full or partial financing.²⁴
- They have less substantial business experience because they are less likely to be hired and promoted.²⁵
- Their businesses are in low-revenue and low-margin industries such as retail/wholesale or the health, education, government, or social services sectors, where there is a lot of competition.²⁶
- They lack the networks or social capital to connect them to financial capital, expertise, and services.²⁷

Capital is the fuel to start and grow businesses. Having less of their own and less family money makes it harder for Black/African American women to bootstrap their businesses. Programs that offer targeted grants and low-interest loans combined with technical assistance, training, and mentorship CANclose the gap for Black/African American women-owned businesses, increasing the likelihood that they will become employer firms and that average revenue will increase.

Certification as women-owned businesses opens doors to business development opportunities and is a growth strategy for Black/African American women. Many local, state, and federal government agencies and corporations have supplier diversity programs. These organizations may do outreach alerting entrepreneurs when requests for proposals (RFPs) are available. The certifying organizations often provide matchmaking services, mentorship, training, and networking opportunities, which help increase the visibility of women-owned businesses.

Methodology

The report is based on data from the United States Census Bureau, with projections built on data from 2002 to 2020.

Projections include number of firms, number of employees, and revenue from 2020 to 2023 for nonemployer firms and from 2021 to 2023 for employer firms. These projections are done for gender, race, ethnicity, firm size, industry, and geography.

Employer firms' estimations used 2017 to 2020 data from the Annual Business Survey (ABS) and 2014 to 2016 data from the Annual Survey of Entrepreneurs (ASE); nonemployer firms' estimations used data from 2017 to 2019 from the Nonemployer Statistics by Demographics Series (NES-D) and the Survey of Business Owners (SBO) from 2002, 2007, and 2012. Additional macroeconomic data from the Bureau of Economic Analysis, the Bureau of Labor Statistics, and the Federal Reserve System were used.²⁸

Several econometric models were used to calculate projections. For employer firms, these models incorporated real data trends and variables such as nominal GDP and national consumer spending.

For nonemployer firms' revenue, the level of national consumer spending was also used to project revenue. For the number of firms, the yearly nominal GDP and the female labor force rate were used to project the number of women-owned firms, and the annual real GDP and the male unemployment rate were used to project the number of men-owned firms. When there were gaps in historical data, data imputation was applied.²⁹

Endnotes

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²⁹ Data imputation was made on the following projections: revenues and number of firms for employer firms by race and gender; employment, revenues and number of firms by gender and industry; number of firms and employment by gender and state; number of firms and employment by gender and MSA.



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