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COREWOMAN



The 2024 Impact of Women-Owned Businesses

A focus on Hispanic/Latino women

This is the second in a series of demographic backgrounders from the inaugural *2024 Wells Fargo Impact of Women-Owned Businesses* that are being shared prior to the full release of the report in late November.

The impact of Hispanic/Latino women-owned businesses

Despite the challenges that COVID-19 brought, Hispanic/Latino women experienced robust growth in terms of employment and revenues. They expanded their market reach beyond selling to consumers to selling to government, corporations, and nonprofits.¹ The number of Hispanic/Latino women-owned businesses has grown to 2,009,000, representing 14.3% of all women-owned businesses. They represent 42.3% of all Hispanic/Latino businesses.

Sizing the impact of Hispanic/Latino women-owned businesses

2 Million	Employ 845 Thousand	Generate \$175.2 Billion
Hispanic/Latino women-owned businesses represent 14.3% of all women-owned and 42.3% of all Hispanic/Latino-owned businesses.	people—6.9% of all women-owned business employees	6.5% of women-owned businesses' revenue

Hispanic/Latino women's businesses' growth rates for employment and revenues outpace the market's

Some Hispanic/Latino women saw opportunities during the pandemic and seized the moment by opening businesses.² But, the pandemic disproportionately affected Hispanic/Latino women-owned businesses, causing some to close.³ As a result, overall, they lagged behind all women-owned businesses in the firm growth rate but exceeded the growth of Hispanic/Latino men. Hispanic/Latino women experienced robust growth in employment and revenue.

A comparison of growth

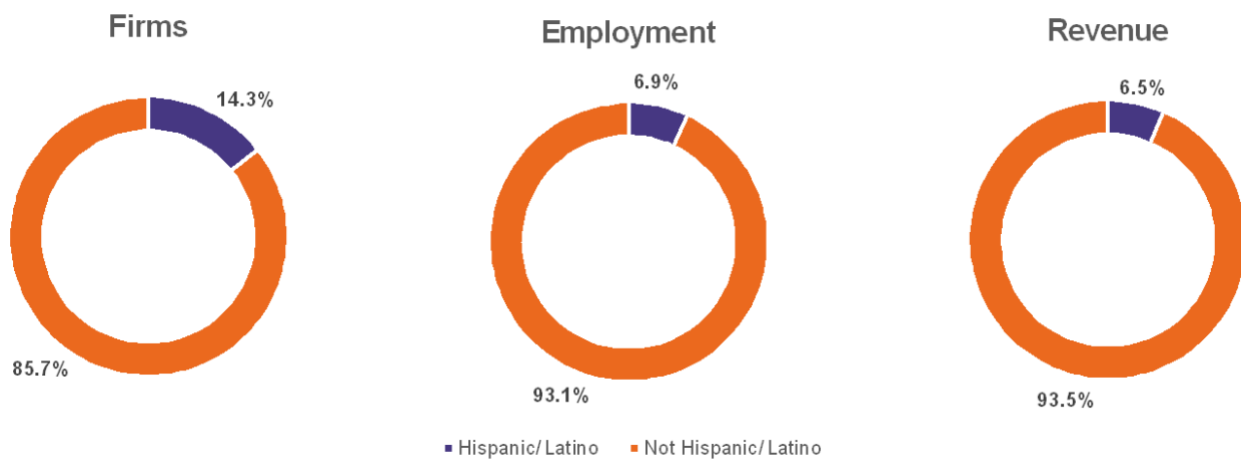
	Number of firms			Employment			Revenues		
	Hispanic/Latino women	Women	Hispanic/Latino men	Hispanic/Latino women	Women	Hispanic/Latino men	Hispanic/Latino women	Women	Hispanic/Latino men
2019 - 2023	7.5%	13.6%	5.7%	15.5%	12.7%	9.3%	25.9%	27.3%	25.6%
2022-2023	-0.1%	5.9%	-4.6%	5.5%	4.9%	2.7%	8.4%	5.7%	6.1%

Mind the gaps

Hispanic/Latino women represent 18.5% of all women in the U.S. and 14.3% of all women-owned businesses.⁴ They are underrepresented as entrepreneurs. Their businesses tend to be smaller and are less likely to be employer firms. One reason for the smaller size may be the lack of access to capital.⁵

Hispanic/Latino women-owned businesses' shares of employment (6.9%) and revenue (6.5%) are disproportionately less than firms (14.3%).

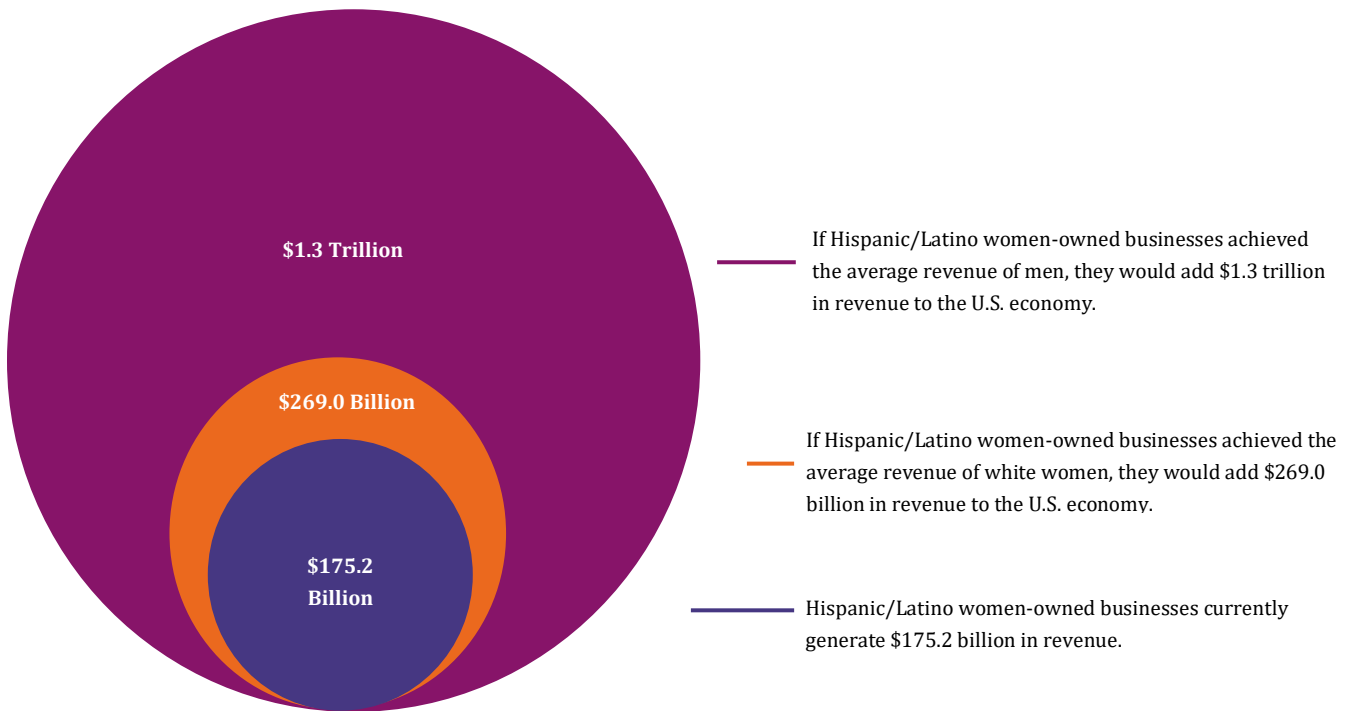
Hispanic/Latino women-owned businesses' share of all women-owned businesses by firms, employment, and revenue



Hispanic/Latino women-owned businesses could contribute significantly more to the economy:

- If they achieved the average revenue of white women, they would add \$269.0 billion in revenue to the U.S. economy.
- If they achieved the average revenue of men, they would add \$1.3 trillion in revenue to the U.S. economy.

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

All women-owned businesses were still hurting after the 2008 financial crisis. Average revenue was down 6.3% in 2012. But, the pain was far greater for Hispanic/Latino women-owned businesses, down 24.2%.

The pandemic was different. Hispanic/Latino women-owned businesses came out stronger after the economic shock of the COVID-19 pandemic. Average revenues for these businesses increased 17.1% between 2019 and 2023 compared to all women-owned businesses' 12.1% rise.

Early in the pandemic, Hispanic/Latino businesses struggled to get federal stimulus money.⁶ Between 2019 to 2020, average revenue for Hispanic/Latino women-owned businesses (8.5%) declined more than for all women (1.0%).

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.⁷

During COVID-19, CDFIs received unprecedented funding to help support small businesses impacted by the pandemic.⁸ 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 from banks—both traditional funders of CDFIs⁹—but also from philanthropic organizations, which had turned their attention to new causes. These organizations recommitted to funding CDFIs,¹⁰ and some raised bonds to increase their grantmaking ability dramatically.¹¹

During the COVID-19 pandemic, corporations increased or started making philanthropic contributions to CDFIs.^{12, 13, 14} 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.

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%
Hispanic/Latino	\$70.6	\$53.5	-24.2%	\$74.5	\$70.7	-5.0%	\$87.2	17.1%

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. Both the number of firms and revenues for both women-owned nonemployers and employers firms grew.

Employer Firms: Businesses owned by Hispanic/Latino women are less likely to be employer firms than firms owned by women in general: 6.3% compared to 10.2%. Hispanic/Latino women-owned employers' rate of growth for firms, employment, and revenue has been robust over the past year and the pandemic era.

Hispanic/Latino women-owned employers expanded their market reach beyond selling to consumers to selling to government, corporations, and nonprofits.¹⁵ Aggregate revenues grew substantially. Employer firms represent two thirds of Hispanic/Latino women-owned businesses' revenue.

Sizing the impact of Hispanic/Latino women employers

Hispanic/Latino women-owned employers				Growth rate	
	Number	Share of Hispanic/Latino women-owned businesses	Share of women employers	2019-2023	2022-2023
Firms	126,819	6.3%	8.9%	41.2%	9.7%
Employment	845,229	100%	6.9%	15.5%	5.5%
Revenue	\$115,363,258,000	65.8%	5.1%	18.5%	4.1%

Hispanic/Latino women-owned employers average 6.7 workers and generate an average revenue of \$909,700 compared to all women-owned employers, which average 8.5 workers and generate \$1,602,500.

There was a significant rise in the number of Hispanic/Latino women-owned businesses over the past year and the pandemic era. As younger businesses, they are smaller than established businesses bringing average employee and revenue numbers down.

A comparison of average employees and revenues for employers

	Average number of employees		Average revenue			
	Hispanic/Latino women	Women	Hispanic/Latino men	Hispanic/Latino women	Women	Hispanic/Latino men
2023	6.7	8.5	8.5	\$909,700	\$1,602,500	\$1,609,00
Growth rates						
2019-2023	-18.2%	-4.4%	-1.5%	-16.1%	7.1%	8.6%
2022-2023	-3.8%	-1.0%	2.2%	-5.1%	-1.4%	1.6%

Nonemployer Firms: Hispanic/Latino women are more likely to be nonemployers: 93.7% compared to all women's 89.8%. The average revenue for Hispanic/Latino women-owned nonemployers is \$31,800, while women-owned nonemployers generally generate \$33,300.

Nonemployer firms are less likely to be profitable than employer firms, and nonemployers face more substantial challenges accessing credit.¹⁶

Sizing the impact of Hispanic/Latino nonemployer firms

	Hispanic/latino women-owned nonemployers			Growth rate	
	Number	Share of Hispanic/Latino women-owned businesses	Share of women-owned nonemployers	2019-2023	2022-2023
Firms	1,882,597	93.7%	14.9%	5.8%	-0.7%
Revenue	\$59,830,844,000	34.2%	14.3%	43.2%	17.7%

Clearly, investment and programs by government, banks, corporations, and philanthropists aimed at Hispanic/Latino 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. Yet the opportunity to launch and grow a business is not equally accessible to all in the United States. Hispanic/Latino women face distinct challenges in becoming entrepreneurs:

- They earn 65% as much as white men. White women's earnings are 83% of white men's. Lower earnings mean smaller amounts in savings.¹⁷
- Their average household's net worth is less than one-quarter that of a white household.¹⁸
- They have a harder time accessing outside financing. Hispanic/Latino-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.¹⁹
- They have less substantial business experience because they are less likely to be hired and promoted.²⁰
- Historically, minority-owned businesses, including those owned by Hispanic/Latino women, have often faced challenges accessing capital, resources, and opportunities, which has led to a concentration in industries that have lower barriers to entry and are associated with lower revenue potential.²¹
- They lack the networks or social capital that can connect them to financial capital, expertise, and services.²²

Capital is the fuel to start and grow businesses. Having less of their own and less family money makes it harder for Hispanic/Latino women to bootstrap their businesses. Programs that offer targeted grants and low-interest loans in combination with technical assistance, training, and mentorship CAN²³ close the gap for Hispanic/Latino women-owned businesses, increasing both 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 Hispanic/Latino 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, and ethnicity, firm size, industry, and geography.

Employer firms' estimations used data 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 Survey (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.²⁴

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.²⁵

Endnotes

¹ Barbara Gomez-Aguinaga, Jonathan Furszyfer, Paul Oyer, Jerry I. Porras. "2022 State of Latino Entrepreneurship," Stanford Latino Entrepreneurship Initiative, February 2023. <https://www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2022>.

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- ¹³ "PayPal Announces \$530 Million Commitment to Support Black Businesses, Strengthen Minority Communities and Fight Economic Inequality." *PayPal Newsroom*, June 11, 2020. <https://newsroom.paypal-corp.com/2020-06-11-PayPal-Announces-530-Million-Commitment-to-Support-Black-Businesses-Strengthen-Minority-Communities-and-Fight-Economic-Inequality>.
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- ²² Barr, Michael S. *Minority and Women Entrepreneurs: Building Capital, Networks, and Skills*, The Hamilton Project, March 2015. https://www.brookings.edu/wp-content/uploads/2016/07/minority_women_entrepreneurs_building_skills_barr.pdf.
- ²³ Capitalizing CAN is a nod to Candace Ayles Waterman, the CEO of Women Impacting Public Policy, who recently passed away unexpectedly. She exemplified the "can do" attitude of women-owned businesses. With the right support, women CAN make even greater contributions to the economy.
- ²⁴ The data was used from February 15, 2023 for employer firms and size of business projections. For nonemployer firms' projections we used the latest data available as of May 18, 2023 (national and state information) and June 6, 2023 (metropolitan statistical areas (MSA) information).
- ²⁵ 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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