



**STATEMENT FOR THE RECORD BEFORE THE
SELECT COMMITTEE ON ECONOMIC DISPARITY AND FAIRNESS IN
GROWTH ON FOSTERING AMERICAN ENTREPRENEURSHIP THROUGH
STARTING, SUSTAINING AND GROWING SMALL BUSINESSES**

**MARCH 16, 2022
LAJUANNA RUSSELL
FOUNDER & PRESIDENT, BUSINESS MANAGEMENT ASSOCIATES, INC.**

Thank you, Chairman Himes, and members of the committee.

My name is LaJuanna Russell. I'm the founder and president of Business Management Associates, Inc. (BMA), a business process and human capital management firm with approximately 60 employees. I'm also the Chair of the Board of Directors and a member of the Small Business Council for Small Business Majority, a national small business organization that empowers America's entrepreneurs to build a thriving and equitable economy.

I am pleased to join you today to comment on the critical role of entrepreneurship as a pathway to long-term financial stability and growth for Americans, as well as to discuss barriers to starting and sustaining small businesses that are stifling entrepreneurs like me.

The United States is home to 32.5 million small businesses. These small businesses employ 61.2 million people, which accounts for nearly half of all American employees.¹ Our impact on the economy is vital to the success of our country, with data showing that business ownership is the second-largest wealth generator behind home ownership, which can help close racial and gender-based wealth gaps in low- and moderate-income households.² And yet, great wealth disparities continue to threaten our economic prosperity.

As a small business owner and a woman of color with more than 20 years of experience, I can tell you that not a day goes by without remembering the struggles and barriers I faced when launching my business. Growing up, I was often told that I wasn't smart enough or good enough, which propelled me to aspire for more, to work for more. I had to take it upon myself to prove people wrong, to be better than the rest so I could prosper in life. And entrepreneurship allowed me to do just that. I enlisted myself in what I call "gig-preneurship," the sense of working harder than everybody else, gaining skills that were out of my comfort zone and leading by example. These are all key to starting a business, just as it is to have basic knowledge around financial literacy from an early age, something our nation is sorely lacking. Financial literacy, whether you aspire to be an entrepreneur or not, is vital to the success of any American, and I believe that high schools should implement programs that can highlight the importance of knowing how to file for taxes, how to open a savings account, and other key basics on financial literacy.

I am here because entrepreneurship allowed me to succeed as a person and as a woman of color. I started my small business from scratch and was able to create my own economic opportunities largely

¹ <https://advocacy.sba.gov/2021/08/30/2021-small-business-profiles-for-the-states-the-district-of-columbia-and-the-u-s/>

² <https://socialequity.duke.edu/wp-content/uploads/2020/02/AFN-Unlocking-Assets-July-2019.pdf>

due to the mentors I met and engaged with throughout my life, and the technical assistance providers that gave me a better understanding of what I didn't know, and how I needed to approach small business financing. Filling this education gap is a challenge for many entrepreneurs because we aren't taught in school about how to build credit, file taxes, or how to even save for the future, which is a complete disservice to the future of our nation. I was told not to venture out of the box, that I didn't belong in other areas, but here I am. And I pass that mentality onto other budding entrepreneurs. I personally sponsor a prize as part of a local university innovation competition that offers an annual grant of \$5,000 and a year of mentorship to a minority-owned business. This is important because I know first-hand how difficult it is to ask the right questions and get the right direction.

However, I would be remiss if I didn't acknowledge the systemic barriers in place for people like me, a woman and a minority, who have a much harder time starting and growing small businesses. But that hasn't stopped our drive. Evidence shows that women of color were launching businesses at 4.5 times the overall rate of new businesses prior to the COVID-19 pandemic.³ Moreover, women-owned businesses and those owned by entrepreneurs of color are statistically more likely to hire diverse, local employees, thus increasing targeted economic opportunities and financial stability for entire communities across the country.⁴

Accessing capital as a woman of color isn't a small task, but I benefited from a community bank in the early stages of my business, which helped set our trajectory. Community banks are essential to the small business ecosystem, as they are able to provide critical funding to entrepreneurs with better terms and/or lower fees and interest rates compared to more established financial institutions. They also offer more guidance and support in ways larger banks do not. Building and establishing my relationship with a community bank not only opened the doors for me to build a network, but it also afforded me the financial understanding and long-term support necessary to capitalize on programs quickly.

Think about the stories you've heard surrounding the Paycheck Protection Program (PPP) during the first rounds of funding— very few small businesses who did not have established community bank relationships were able to capitalize on that program.

This was a structural challenge, as the government's disbursement of PPP funds relied heavily on these established connections, which further put smaller businesses at a disadvantage and increased disparities in access to capital. A Small Business Majority survey found that relatively few small business owners secured funding through federal small business relief programs, with only 30% of them having applied for PPP funds.⁵ And of those who received a PPP loan, only one-third received the full amount requested, and the number was even lower for entrepreneurs of color—only 23% of Black entrepreneurs, 23% of AAPI entrepreneurs and 27% of Latino entrepreneurs received the full amount they requested or qualified for.

Access to traditional financing is also critical because too many small businesses, especially those owned by women, people of color and immigrants, are being targeted by predatory lenders. The lack of regulations in small business lending at the national level has allowed some lenders to target and take advantage of business owners who may be in desperate need of quick financing to keep their businesses afloat. These lenders, in turn, disburse quick loans under the false pretenses of expanding

³ https://s1.q4cdn.com/692158879/files/doc_library/file/2019-state-of-women-owned-businesses-report.pdf

⁴ <https://smallbusinessmajority.org/our-research/workforce/opinion-poll-small-businesses-hire-diverse-entry-level-workforce>.

⁵ <https://smallbusinessmajority.org/our-research/access-capital/small-businesses-struggling-access-capital-harming-their-financial-recovery>

capital for entrepreneurs, only to strap them with more debt when they fail to disclose all the terms and conditions of the loan.

As we forge ahead with lessons learned and a clear view on what continues to be the main barriers to entrepreneurship, I encourage you to consider the following solutions to level the playing field for entrepreneurs who have consistently faced inequities in the space.

First, elected officials should increase funding for technical assistance providers that support small business ecosystems. Entrepreneurs across America can benefit from free and low-cost business assistance support to help them manage and pivot their businesses in times of crises. The COVID-19 pandemic has shown that the Small Business Administration (SBA) and its different mentoring and technical assistance providers require more funding and resources in order to better assist the growing influx of new and current entrepreneurs. It's important to note that while the SBA provides assistance and resources to American businesses, these resources often serve more established businesses, which leaves new and startup firms to fend for themselves.

Community-based organizations such as Small Business Development Centers, Women's Business Centers, the Minority Business Development Agency, Procurement Technical Assistance Centers, and local economic development corporations have a focus on supporting minority-owned businesses. Although their capacity can be limited due to a lack of robust funding, these providers offer essential resources like financial literacy, wellness, assistance in expanding procurement opportunities, all of which are key in supporting small business growth. Increasing funding for community-based organizations will increase their ability to reach these populations and more effectively address the unique needs and barriers to entrepreneurship at the local level.

Second, elected officials should consider supporting and funding more community banks across the country. These banks are at the center of smaller communities and have a better understanding of the unique challenges of underserved and rural areas. As I've discussed, access to capital is critical for starting and growing small businesses, and community banks can offer better interest rates for small businesses, which will spur economic growth and lead to a thriving small business ecosystem with higher lending totals.

Third, elected officials can further assist growing families and entrepreneurs by implementing policies at the national and state level to increase child care affordability, with the understanding that child care is essential to retaining a skilled workforce and supporting entrepreneurship. This could include the expansion and improvement of federal income tax credits for child care expenses, which would allow working parents to receive a percentage of child care expenses back as a tax refund. A recent Small Business Majority survey found that 63% of small businesses surveyed support policies that would increase child care affordability for low-income families.⁶

Last but not least, elected officials should revisit licensing standards and requirements for small businesses. Although licensing standards may be a more nuanced issue and may vary state by state, requiring overly complicated business licenses can be burdensome and costly for job creators. My business operates in 11 different states, which means I need to become familiar with each state's regulations and processes. This takes up a lot of time away from maintaining and expanding my operations. It would be meaningful to implement universal licensing procedures where it makes sense, which would support small business expansion and growth.

I appreciate the opportunity to comment on these critical issues for the small business community and thank you for your time.

⁶ <https://smallbusinessmajority.org/our-research/small-businesses-support-bold-investments-child-care>