



TESTIMONY

VIRGINIA DEPARTMENT OF SMALL BUSINESS AND SUPPLIER DIVERSITY (SBSD)

BBC RESEARCH & CONSULTING

DISPARITY STUDY

October 15, 2020

Awesta Sarkash

Small Business Majority

Dear Stephanie Ayers and Jennifer Mayton:

My name is Awesta Sarkash and I'm the Government Affairs Manager for Small Business Majority, a national small business organization whose mission is to empower America's diverse entrepreneurs to build a thriving and inclusive economy. I am submitting testimony to express my support for the Agency's disparity study and share why it's critically important to the small business community throughout the Commonwealth of Virginia.

The contributions of women- and minority-owned small businesses to our local and national economies cannot be understated. Between 2007 and 2018, women-owned businesses increased by 58%, employing 9.2 million people.¹ Meanwhile there are nearly 8 million businesses owned by people of color that generate \$1.4 trillion in revenue and employ more than 7 million people.²

Despite these important contributions to our economy, these small business owners encounter obstacles unique to their experiences that white business owners do not, particularly ongoing discrimination in accessing capital, procurement and contracting. According to the Federal Reserve Bank's 2016 report on minority firms, only 40% of firms owned by people of color received the full amount of capital they sought, compared to 68% of non-minority owned firms.³ Similarly, U.S. Small Business Administration (SBA) loans to women-owned business accounted for only 18% of the total number of SBA 7(a) and 504 loans approved, even though they represent 40% of all small companies. Ongoing discrimination and sexism in accessing capital undermines the success and trajectory of women- and minority-owned small businesses.

These inequities for women and people of color have only been exacerbated by the COVID-19 pandemic, making the disparity study that much timelier and necessary. An estimated 90% of women- and minority-owned small businesses have been shut out of federal emergency funding during the pandemic.⁴ Additionally, 95% of Black-owned businesses are sole proprietors, which has limited their access to federal programs, and 41% of Black-owned businesses were closed during stay at home orders, compared to 17% of white-owned businesses.⁵

¹ American Express, "Number of Women-Owned Businesses Increased Nearly 3,000% since 1972, According to New Research." August 2018, <https://about.americanexpress.com/press-release/research-insights/number-women-owned-businesses-increased-nearly-3000-1972-according/>

² Small Business Administration, Office of Advocacy, "Survey of Business Owners Facts: Minority-Owned Businesses in the United States." May 2016. <https://advocacy.sba.gov/2016/05/01/minority-owned-businesses-in-the-united-states/>

³ <https://www.fedsmallbusiness.org/survey/2017/report-on-minority-owned-firms>

⁴ CNBC, "Shut out of PPP loans, struggling with no child care: How Covid-19 is impacting women-owned small businesses." May 2020. <https://www.cnbc.com/2020/05/07/how-covid-19-is-impacting-women-owned-small-businesses.html>

⁵ CNN, "Fewer Black businesses eligible for pandemic aid." 2020. <https://www.cnn.com/videos/business/2020/06/22/black-owned-businesses-economic-recovery-mattngly-pkg-vpx.cnn/video/playlists/business-coronavirus/>

These disparities exist across all sectors, even in the tax code. For example, a 2017 study found that the country's tax code disenfranchises women-owned small businesses because, in part, it's geared towards industries that women typically do not operate in.⁶ There are also little tax incentives for smaller businesses of color, making it harder for them to compete with larger businesses that have resources to take advantage of tax loopholes.

We already know disparities exist for women- and minority-owned businesses, but without more research specific to Virginia's small businesses, we cannot know how significant these barriers are for each group, nor can we properly address them. That is why this disparity study is an essential first step towards passing policy solutions that would allow more women- and minority-owned small businesses to compete on a level playing field with other businesses.

I urge Virginia's lawmakers to use this study as evidence as to why they must pass policy measures that not only address but dismantle the barriers this study will inevitably reveal during the 2021 legislative session. By promoting greater inclusivity and equity for small businesses, we can spur economic and financial growth across the Commonwealth.

Thank you.

Awesta Sarkash,
Government Affairs Manger

⁶ Kogod School of Business, Tax Policy Center, "How the U.S. Tax Code's Small Business Expenditures Impact Women Business Owners." June 2017. https://www.american.edu/kogod/research/upload/blind_spot_accessible.pdf