

# What's holding black entrepreneurs back?

March 31 2016

---

It's not laziness or lack of initiative that's keeping African-Americans from starting their own businesses, but instead a centuries-old racial disadvantage that's not experienced by other minority groups, a Michigan State University scholar argues in a new paper.

Only 5 percent of blacks are self-employed, compared with 11 percent of whites, and black-owned companies tend to be smaller, have fewer employees and make less money than white-owned businesses.

Some researchers and politicians have blamed blacks' low levels of entrepreneurship on a poor work ethic and a lack of interest in and ability for business. But what these theories fail to recognize is that the creation of small business requires resources that blacks, unlike immigrant [minority groups](#), generally lack, said MSU sociologist Steven Gold.

"Immigrants - who benefit from skills, investment capital, family labor, imported goods and wage differentials brought from the country of origin—have higher rates of self-employment than native-born minorities," Gold said. "To a large extent, the most entrepreneurially successful immigrants from countries such as Korea, Vietnam, Cuba, China and Iran came from property-owning upper classes and entered the United States with human capital and money to invest. So it's no surprise they've been successful in [small business](#)."

"Black Americans' entrepreneurial experiences contrast dramatically with these groups," Gold added. "Brought over as slaves, they continue

to suffer from a wide array of disadvantages wrought by systematic racial oppression. As such, blacks generally lack the resources that the most entrepreneurially accomplished groups have used to achieve business success."

Modern disadvantages experienced by blacks include [racial segregation](#), low levels of earnings, lack of wealth, poor education, lack of experience in a family business, employer discrimination and difficulty in getting a loan, Gold said.

In April 2000, a congressional study found that "Most banks largely ignored African-American neighborhoods, even those with above-average incomes," forcing many blacks to depend on expensive and abusive lenders, he said.

In addition, while the average white family's wealth in 2009 was \$113,000, the average black family's wealth was a fraction of that, \$5,700.

"These liabilities make it harder for blacks than other groups to obtain loans, lines of credits and other financial services which are crucial to running a business," Gold said.

His paper appears online in the academic journal *Ethnic and Racial Studies*.

Provided by Michigan State University

Citation: What's holding black entrepreneurs back? (2016, March 31) retrieved 27 April 2024 from <https://phys.org/news/2016-03-black-entrepreneurs.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private

study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.