

Opinion Piece

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Is Now The Best Time In History For Black Women Entrepreneurs?

Earlier this year, rapper and entrepreneur, Sean Combs aka Diddy, announced his intention to launch an app that would help users find black businesses. With several other similar websites and apps struggling to grow, the introduction of yet another app, supported by Diddy's deep pockets, may all but guarantee the obliteration of the rest. But Diddy sees opportunity. Indeed, in the past decade there has been a huge uptick in the number of black-owned businesses, with black women leading the charge. According to a recent study commissioned by American Express, between 2007 and 2018, the number of black-women owned businesses grew by an astounding 164%, versus a 58% growth rate for all women-owned businesses. In June, Black Enterprise published an article, written by Charlene Rinehart, titled *Why Now Is The Best Time In History For Black Women Entrepreneurs*. But, is now really the best time in history for black women entrepreneurs?

While there has been a dramatic increase in the number of new black-women owned businesses, they also have the lowest revenues, and revenues have been trending downwards. According to the American Express study, whereas women-owned businesses have average annual revenues of \$143,100, black women-owned businesses average only \$24,700. The gap between the average revenue for businesses owned by black and white women is even greater. In her article, Charlene Rinehart conflates the success of black women entrepreneurs with that of women entrepreneurs in general; she pens "the outlook for women entrepreneurs will only get brighter as more women gain access to inheritances" – a statement that is quite misleading. It is mostly white women, not black women, who benefit from inheritances. In *Women, Race & Wealth*, Zaw et al. find that black women have less wealth than white women, regardless of level of education, attributable to lack of intergenerational transfers.

Entrepreneurship scholars like Robert Fairlie postulate that financial capital is perhaps ¹ the most important predictor of success as an entrepreneur. Financial capital is wealth – it allows the entrepreneur to pay for start-up expenses; it provides collateral to secure business loans. In *What We Get Wrong About Closing The Racial Wealth Gap*, Darity et al., argue that the belief that entrepreneurship will close the racial wealth gap is a myth. Indeed, assuming that entrepreneurship creates wealth, misinterprets the direction of causality. Wealth is what creates sustained entrepreneurship which creates even more wealth – not the other way around. The

entrepreneurs with the most successful outcomes, white men, also have the greatest wealth. Similarly, the lowest performing entrepreneurs, black women, are the demographic with the

¹ E.g. in Fairlie, Robert W., and Alicia M. Robb. "Race and entrepreneurial success." *Cambridge, MA: The* (2008).

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lowest levels of wealth. Given their poor financial outcomes is “now” really the best time in history for black women entrepreneurs?

While I answer in the negative, some scholars, including feminist theorists, may argue that wealth accumulation is an androcentric aspiration. That a record number of women feel empowered enough to pursue self-employment may be the real victory, regardless of financial outcome. Unlike men, who pursue self-employment primarily for financial success, women tend to be drawn to self-employment for non-pecuniary reasons like autonomy, greater work life balance, and the flexibility to be better care givers. But, arguably, wealth acquisition cannot be separated from care giving, especially as more black women become single parents, and are the primary breadwinners in the family. Better performing businesses can afford to hire employees, giving the business owner even more flexibility, and the time and opportunity to be better caregivers. Wealth also provides children with a better future.

As Zaw et al. note, one of the primary reasons black women are unable to accumulate wealth is because of student loan debt. Student loan repayment inhibit savings – savings that could be used to sufficiently capitalize a business. Student loans may also prevent black women from qualifying for, and even attempting to apply for, business loans. The government currently offers student loan forgiveness for those who enter public service. Expanding this program to include small business owners who hire workers from disadvantaged, vulnerable populations, could be a win-win for the unemployed, as well as small business owners, like black women, struggling with trying to grow a business while having to repay student loans. Creating jobs, for example, for young black workers (who have the highest unemployment rates), should certainly be considered public service.

Entrepreneurship cannot close the racial wealth gap but wealth can close the racial, and gender, entrepreneurial performance gap. When black women have sufficient wealth and financial capital to create and sustain their businesses; when we cease to be the most discriminated group in credit markets; when our businesses’ financial outcomes are equal to or greater than that of other entrepreneurs; when we are not saddled with inordinate levels of educational loans and other forms of debt- that will be the best time in history for us. That time

has not come. And it certainly is not “now”.