Early-Stage Entrepreneurship and the Role of Black Banks

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Assignment 3A No. 1-4
Startup Funding

- Owner equity
- Debt
- Bank loans

Figure 1. Wealth and Home Ownership Inequality U.S. Census Bureau (2011)

Fairlie, Financing Black Owned Businesses
Black Banks: Long Term Effects of Redlining

- March 2, 1888: The Savings Bank of the Grand Fountain United Order of True Reformers
  - first officially chartered Black-owned bank; founded by Reverend William Washington Browne; Richmond, VA
  - 1900: branches in 24 states
  - 1910: closed
- 1910-1930s black banks thriving
- 1968: Congress outlaws redlining
- 1969: Minority Bank Depository Program
The Kauffman Indicators of Early-Stage Entrepreneurship

Four key early-stage measures of entrepreneurial activity.

- **Rate of new entrepreneurs:** the percentage of adults starting a new business in a given month.
- **Opportunity share of new entrepreneurs:** the percentage of new entrepreneurs who created a business out of *choice* instead of *necessity*.
- **Startup early job creation:** the number of jobs created in the first year of business per capita.
- **Startup early survival rate:** the percentage of startups that are still active after one year of operation.
Demographics

• Sex,
• Race and Ethnicity,
• Nativity,
• Age,
• Education,
• Veteran status
Demographics

- Sex,
- Race and Ethnicity,
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Rate of New Entrepreneurs

• 2017: 0.33 percent of the adult population (330 out of 100,000 adults) created a new business each month.
New Entrepreneur x Race

**Figure 1.2A** Changes in Share of New Entrepreneurs by Race (1996, 2017)

**Figure 1.2** Rate of New Entrepreneurs by Race and Ethnicity (1996–2017)

New Entrepreneur x Nativity

**FIGURE 1.3A**  

<table>
<thead>
<tr>
<th>Nativity</th>
<th>1996</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Native-Born</td>
<td>86.7%</td>
<td>70.7%</td>
</tr>
<tr>
<td>Immigrant</td>
<td>13.3%</td>
<td>29.3%</td>
</tr>
</tbody>
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**FIGURE 1.3**  
Rate of New Entrepreneurs by Nativity (1996–2017)

Opportunity Share of New Entrepreneurs

- 2017: opportunity share of new entrepreneurs was 84.4 percent.
Race

[Graphs showing the opportunity share of new entrepreneurs by race and ethnicity (1998–2017) and the rate of new entrepreneurs by race and ethnicity (1996–2017).]

Nativity

Figure 1.3: Rate of new entrepreneurs by nativity (1996–2017)


Figure 2.3: Opportunity share of new entrepreneurs (3-year moving average) by nativity (1998–2017)

FIGURE 1.5  RATE OF NEW ENTREPRENEURS BY EDUCATION (1996–2017)


FIGURE 2.5  OPPORTUNITY SHARE OF NEW ENTREPRENEURS (3-YEAR MOVING AVERAGE) BY EDUCATION (1998–2017)

The number of jobs created by startups in their first year increased from 5.23 per 1,000 people in 2016 to 5.27 per 1,000 people in 2017.
The startup early survival rate has increased from 75.2 percent in 2009 when it hit a low point due to the Great Recession to 79.78 percent in 2017.
FIGURE 5  KAUFFMAN EARLY-STAGE ENTREPRENEURSHIP (KESE) INDEX (1996–2017)

Source: Calculated from CPS and BED data.