Financing Minority Entrepreneurship
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Introduction

Net worth

Unemployment

- African Americans: 46%
- Whites: 23%
- Hispanics: 31%
Part I: summarizes the existing evidence on the cause and effects of racial disparities in entrepreneurship

Part II: describes existing programs and initiatives that seek to facilitate minority entrepreneurs’ access to capital and uses the framework in Part I to explain why these have been unsuccessful

Part II: proposes a policy initiative that addresses the key shortfalls of the programs discussed in Part II and discusses the potential challenges raised by implementation
Human Capital Key Determinants

• Formal education
• Prior business experience

Wealth

• Personal assets
• Family assets
• Assets of friends
Business Characteristics

- Minority business are smaller more likely to engage in low-value and non-growth industries which are less profitable and more prone to failure

Access to capital

- Raising capital is harder
- More likely to be denied credit and equity financing from venture capital firms and angel investors
Overcoming information asymmetries

- Untangling soft information
- Lack of verifiable reliable information
- Minority owned businesses as a source of soft information
- Professional Investors as Recipients of Soft Information