

Detroit Inner-City Economic Summit

**Impacts of Owner Race
and Geographic Context on
Access to Small Business Financing**

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**Table 1: Firms Needing Credit but Not Applying
for Bank Loans, 2008-2011**

	Minority neighborhood firms	White neighborhood firms
• Net profit (\$000)	-\$19.7	-\$6.7
• Wealth under \$50,000	48.1%	36.0%
• Credit score low	43.0%	34.7%
• Black owner	37.9%	9.3%
• Latino owner	14.9%	4.8%
• Neighborhood poverty rate	14.8%	6.3%
• N	301	513

**Table 2: Bank Loan Recipients: Loan Size,
Firm and Owner Traits**

	Minority neighborhood firms	White neighborhood firms
• Net profit (\$000)	\$39.7	\$30.9
• Minority owner	40.3%	11.2%
• College graduate	56.0%	57.8%
• Owner wealth: high	38.5%	47.7%
• Loan size, all (\$000)	\$138.3	\$115.0
• Loan size:		
• Minority owner (\$000)	\$97.2	\$108.6
• White owner (\$000)	\$167.1	\$115.8

Table 3: Delineating Discouraged Borrowers from Others: Regression Analysis

	Regr. Coef.
Minority neighborhood	.204
Black owner	1.271*
Latino owner	.824*
Owner wealth: high	-.929*
Credit rating: high	-.826*
Household poverty rate	-.035*

n

Log likelihood signif. level (.000)

*** Statistically significant 5% level**

Table 4: Audit Study: Racial Differences in Loan Applicant Treatment by Bankers

•	White Owners	Minority Owners
• I. Applicant information		
• requested:		
• Income tax returns	50.0%	82.8%
• Financial statements	52.4%	86.2%
• II. Assistance offered:		
• Offered a business card	81.8%	42.9%
• Help completing loan		
• application	59.1%	18.8%

**Table 5: Bank Loan Recipients:
Explaining Loan Size (Regression Analysis)**

Regr. coef.

Minority neighborhood	.047
Black owner	-.618*
Latino owner	-.510
College graduate	.373*
Owner wealth: high	.716*
Credit rating: high	-.380
Household poverty rate	-.002
n	656
R sq.	.278

*** Statistically significant 5% level**