Minority-owned businesses are being left behind — again

The Paycheck Protection Program is leaving behind those businesses that most desperately need funding to get through the coronavirus crisis.

By Betty Francisco, Steve Grossman, Segun Idowu, and Bob Rivers  Updated April 21, 2020, 3:30 p.m.

Final Touch With Class Boutique co-owner Haris Hardaway took down a big blowout sale sign from the window of his Nubian Square store. The sale ended the day before non-essential businesses were shutdown because of the coronavirus pandemic. PAT GREENHOUSE/GLOBE STAFF/THE BOSTON GLOBE
The COVID-19 crisis has once again revealed the dire consequences of leaving systemic injustices unaddressed. Much attention has rightly been focused on how the virus has ravaged communities of color in outsized proportions. The minority business community, already in a precarious position before the crisis, has been equally devastated, both by the necessary shutdown to limit the spread of the virus and by fundamental flaws that limited access to new federal programs.

The Paycheck Protection Program, a provision of the CARES Act that provided potentially forgivable financing to help small businesses maintain their workforce during the COVID-19 crisis, failed the very businesses most in need of assistance. Early reports indicate that the program only funded 1.6 million loan applications, or 5 percent of US small businesses, before the $349 billion appropriated for this program was exhausted. Further, more than 25 percent of the funding went to fewer than 2 percent of those who received the aid. Clearly, PPP did not help all those in need.

Despite the fact that, unlike every past program, the US Small Business Administration did not ask for race or gender on PPP applications, minority-owned business enterprises were disproportionately left out of this crucial opportunity. How do we know this is true? The answer lies in the structure of the PPP itself. Since the availability of these limited monies was “first come, first served,” it set up a “gold rush” dynamic in which better resourced businesses that quickly submitted completed applications had the best chances of securing the funding. Add the cultural biases against these businesses, their mistrust of government and banks, and, often, language barriers, and one does not need data to confirm that MBEs are at the very back of the PPP bus.

Small businesses located in low-income and minority communities, particularly those in food service, hair care, retail, construction, and manufacturing, have been hardest hit by the widespread shutdown. There are already at least another 1.6 million PPP loan applications “in the queue” to be submitted by banks to the SBA. It’s clear that the next congressional appropriation will be exhausted in a matter of days, again leaving behind those businesses that most desperately need funding to get through this crisis.
So how can this be addressed? The most effective means of ensuring the smallest of businesses generally, and MBEs specifically, receive their fair share is to allocate a significant portion of these monies to fund only applications from these companies. Doing this would prevent larger, better equipped (and predominantly white-owned) businesses from completely depleting the entire appropriation, while giving MBEs the time to successfully complete applications and have them processed. In addition, these monies should be distributed in the form of grants, not loans. After all, many of the loans provided to larger businesses will be forgiven because they have greater resources to maintain and sustain employment. Giving loans to small companies, which are less able to do the same, will only saddle them with debt they’ll be unable to repay.

Add to this a dramatically enhanced investment, by the business community and all levels of government, in providing robust technical assistance to these business owners, which will help them navigate a complex and often daunting program. Now we have a formula for finally delivering on foundational principles of fairness, equity, and inclusion.

To provide transparency and accountability, we echo the calls of Senator Elizabeth Warren and Representative Ayanna Pressley to collect data on the race and gender of
PPP recipients. This is necessary if we want to ensure that the next set of monies are distributed equitably and appropriately.

It is imperative that we address these structural barriers and funnel needed resources to MBEs. According to the Minority Business Development Agency of the US Department of Commerce, 909,000 minority-owned firms add $1.4 trillion to the American economy and employ 7.2 million people. This, coupled with a recent report from the Brookings Institution showing that MBEs contributed to the adding of 1.8 million jobs during the Great Recession, makes clear that in times of financial crisis, MBEs are key to stabilizing our economy. If we are truly concerned about these businesses getting through this urgent moment, we should give them the resources they need to survive — and right away. The future of our minority business community, and our nation, depends upon it.

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