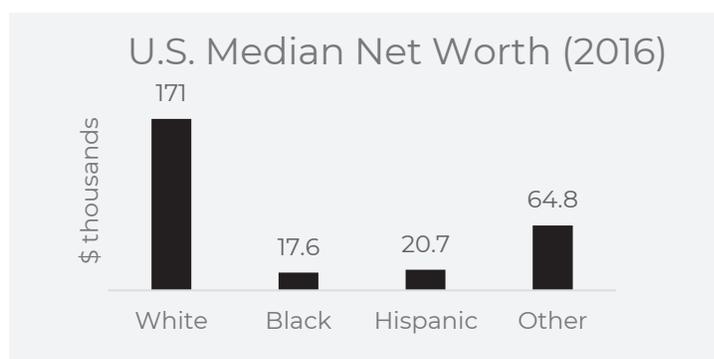




THE CASE FOR MINORITY ENTREPRENEURSHIP

A Dime to a Dollar

That's the wealth gap between a typical white and black household in America. The gap is only slightly less for Hispanic households—about 12 cents to a dollar. This wealth disparity for minorities creates barriers to minority entrepreneurship in the US.



Source: [Federal Reserve](#)

WEALTH GAP CREATES BARRIERS TO ENTREPRENEURSHIP

Barriers to Capital

Access to capital is critical for entrepreneurs. According to the Kauffman Foundation, more than two-thirds of entrepreneurs use personal savings as a source of funding, and more than one in five rely on family for funding.ⁱ Minority entrepreneurs' relative lack of wealth creates barriers to this important source of capital to fund startups.

In addition to the problems arising from the wealth disparity, minority entrepreneurs may also face racial discrimination as they attempt to access funding. The Stanford Institute for Economic Policy Research notes that even after controlling for differences in credit-worthiness and other factors, minority-owned firms face higher loan denial probabilities and pay higher interest rates than white-owned businesses.ⁱⁱ This adds an additional barrier for minority entrepreneurs seeking capital to fund their ventures.

The Minority Entrepreneurship Gap

These barriers lead to the underrepresentation of minorities in the venture capital world. In the first half of 2013, minority-owned firms comprised just 8.5% of those pitching their business to angel investors.ⁱⁱⁱ Furthermore, a study by CB Insights found that only 1% of venture capital funded startups have black founders.^{iv}

These disparities block minorities from the innovation, employment, and wealth-generation benefits that entrepreneurship creates. Gaps in wealth and entrepreneurship cause economic stagnation and instability. The lack of economic prosperity ripples through communities—leading to negative effects on the health of community members and fueling social unrest.

ACCESS TO CAPITAL & EDUCATION REMOVES OBSTACLES

MEI seeks to unlock the potential of minority entrepreneurship by removing the barriers that keep minorities trapped in wealth and entrepreneurship gaps.



What Does Change Look Like?

As part of the Hamilton Project by the Brookings Institution, University of Michigan Professor Michael Barr describes the importance of solving three key barriers to minority entrepreneurship: access to capital, business networks, and skill development.^v MEI's methods drive solutions in all three areas to close the minority entrepreneurship gap:

ACCESS TO CAPITAL

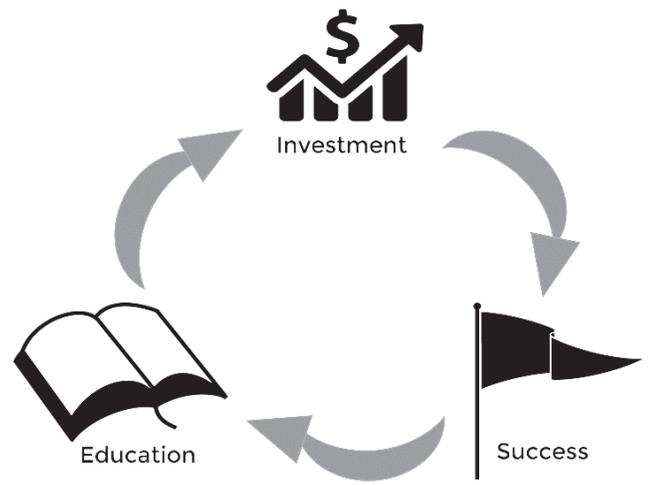
MEI is investing \$5M over 10 years to provide vital capital to minority entrepreneurs. Additionally, the MEI Marketplace provides a venue for high quality deal flow on top of the capital directly provided by MEI.

ACCESS TO BUSINESS NETWORKS & SKILL DEVELOPMENT

MEI hosts summits to close the educational gap for minority entrepreneurs. Designed to impact a greater number of minority entrepreneurs than the Showcase, MEI educational summits provide the knowledge and relational capital that entrepreneurs need to succeed.

CREATING A VIRTUOUS CYCLE OF ENTREPRENEURSHIP

By breaking down barriers and enabling minority entrepreneurship, MEI seeks to create a virtuous cycle of education, investment, and success. Minority enterprises generate wealth and jobs which reduce the wealth disparity. Increases in wealth and business acumen lower barriers for minority entrepreneurs, especially future generations. Additionally, growth in minority entrepreneurship has the potential to improve employment equity, as minority owners may be more likely to hire minority employees.



Entrepreneurship Improves Health and Education Outcomes

The benefits of increased minority entrepreneurship create ripple effects beyond the economy. The close links between wealth, health, and education suggest that increased minority entrepreneurship and wealth will reverberate into improved physical health, educational attainment, and more vibrant communities.^{vi}

Additionally, advancing minority entrepreneurship is increasingly relevant on a macroeconomic level nationally. Minorities are expected to comprise 56% of the US population in 2060. With the growing population, it is critical that a strong culture of minority entrepreneurship is established to help propel U.S. economic growth and success in the future and create flourishing communities for all.

“Our goal is to create a beloved community and this will require a qualitative change in our souls as well as a quantitative change in our lives.”

Dr. Martin Luther King Jr.

Endnotes

- ⁱ “Kauffman Compilation: Research on Race and Entrepreneurship.” Kauffman Foundation, 23 Nov. 2016, <https://www.kauffman.org/resources/kauffman-compilation-research-on-race-and-entrepreneurship/>.
- ⁱⁱ “Black and White: Access to Capital Among Minority-Owned Startups.” Stanford Institute for Economic Policy Research, 15 Dec. 2016, <https://siepr.stanford.edu/sites/default/files/publications/17-003.pdf>.
- ⁱⁱⁱ Sohl, Jeffrey. “The Angel Investor Market in Q1Q2 2013: A Sustainable Growth Continues.” Center for Venture Research, 16 Oct. 2013, <https://pdfs.semanticscholar.org/f453/b5e1a08718f634d492f3ae1cd6de3b2baca9.pdf>.
- ^{iv} “A Data-Driven Look at Diversity in Venture Capital and Startups.” CB Insights, 2010, <https://www.cbinsights.com/research/team-blog/venture-capital-diversity-data/>.
- ^v “Minority and Women Entrepreneurs: Building Capital, Networks, and Skills.” The Hamilton Project, Mar. 2015, https://www.brookings.edu/wp-content/uploads/2016/06/policy_brief_minority_women_entrepreneurs_building_skills_barr.pdf.
- ^{vi} “How are Income and Wealth Linked to Health and Longevity?” Urban Institute and Virginia Commonwealth University, Apr. 2015, <https://www.urban.org/sites/default/files/publication/49116/2000178-How-are-Income-and-Wealth-Linked-to-Health-and-Longevity.pdf>.