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BUSINESS

Black-Owned Businesses Hit Especially Hard by Coronavirus Pandemic, Study Finds

Federal Reserve report cites limited reach of Paycheck Protection Program, weaker ties with banks

By [Amara Omeokwe](#)

Aug. 4, 2020 12:32 pm ET

Businesses owned by Black people were hit especially hard by the coronavirus pandemic because of a combination of geography, limited reach of a key federal aid program and weaker ties to banks, a new report from the Federal Reserve Bank of New York finds.

This report offers “some pretty compelling evidence about the coincidence of the health crisis and business crisis in places that have high concentrations of Black businesses and Black residents,” said Claire Kramer Mills, assistant vice president at the New York Fed.

Ms. Mills and co-author Jessica Battisto studied why the number of active business owners fell more sharply for Black firms than for other groups between February, at the onset of the pandemic, and April.

They examined Census Bureau data on counties where Black-owned businesses are highly concentrated, while also looking at the prevalence of cases of Covid-19, the disease caused by the novel coronavirus, in those areas.



A modest positive link between the share of Black-owned businesses and the number of Covid-19 cases per 1,000 residents was found. The Formalwear Store on July 7 in Miami Gardens, Fla.

PHOTO: JOE RAEDLE/GETTY IMAGES

Their analysis found a modest positive link between the share of Black-owned businesses and the number of Covid-19 cases per 1,000 residents through the end of June.

Meanwhile, it found that counties with higher shares of white-owned businesses had a lower incidence of Covid-19 cases.

The findings are “an indication that areas with higher concentrations of Black businesses are more likely to be facing larger direct (longer forced closures, Covid-19 symptoms) and indirect (social distancing, fewer customers) effects of the pandemic,” the report said.

The researchers also examined the reach of [the Paycheck Protection Program](#), the \$670 billion federal coronavirus aid initiative that offered forgivable loans to small businesses to help them stay afloat during the economic downturn.

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Some areas where Black businesses are highly concentrated saw relatively lower volumes of loans through the program, the study found. In the 30 U.S. counties that contain 40% of receipts from Black-owned businesses, about 15%-20% of firms received PPP loans, a rate in line with the national average. However, the researchers noted “significant variation”

across the 30 counties, with lower volumes in places such as the Bronx, N.Y., and Wayne County, Mich., which includes Detroit.

“The important metapoint is that you can’t take geography out of it,” Ms. Mills said.

“There are particular places that have been dually hard hit,” she added. “They’ve been hard hit from a health perspective, and they’ve been hard hit from a business perspective. They’re also hit by not being served optimally by one of the largest federal programs in our lives.”

The report suggests that areas with high numbers of Black-owned companies may have received fewer Paycheck Protection Program loans because of weaker ties to financial institutions.

The loans are made through banks and other lenders and backed by the Small Business Administration. When the program launched in early April, many large banks prioritized customers that had existing relationships in an effort to manage overwhelming demand. However, Black-owned firms are less likely to have a recent borrowing relationship with a bank, separate Federal Reserve research shows.

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The authors suggest their findings can offer insight for federal policy makers as they consider additional coronavirus aid.

“To have the greatest impact, the next round of Covid-19 relief should be more targeted geographically to focus on the hardest-hit areas and communities that lack critical infrastructure (hospitals, banks) to ameliorate the gaps,” the report said.

Ms. Mills said she hoped the report also raised larger questions about structural barriers that Black-owned firms and other minorities might face when seeking financing for their operations broadly.

“There are some real fragmentations that we need to start paying attention to in our financial system and start fixing,” she said.

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