

THE STATE OF **BLACK** **ENTREPRENEURSHIP** IN **AMERICA:**

EVALUATING THE RELATIONSHIP BETWEEN IMMIGRATION AND
MINORITY BUSINESS OWNERSHIP

April 2019

Center for Policy Analysis and Research
Tiffany Howard, Ph.D





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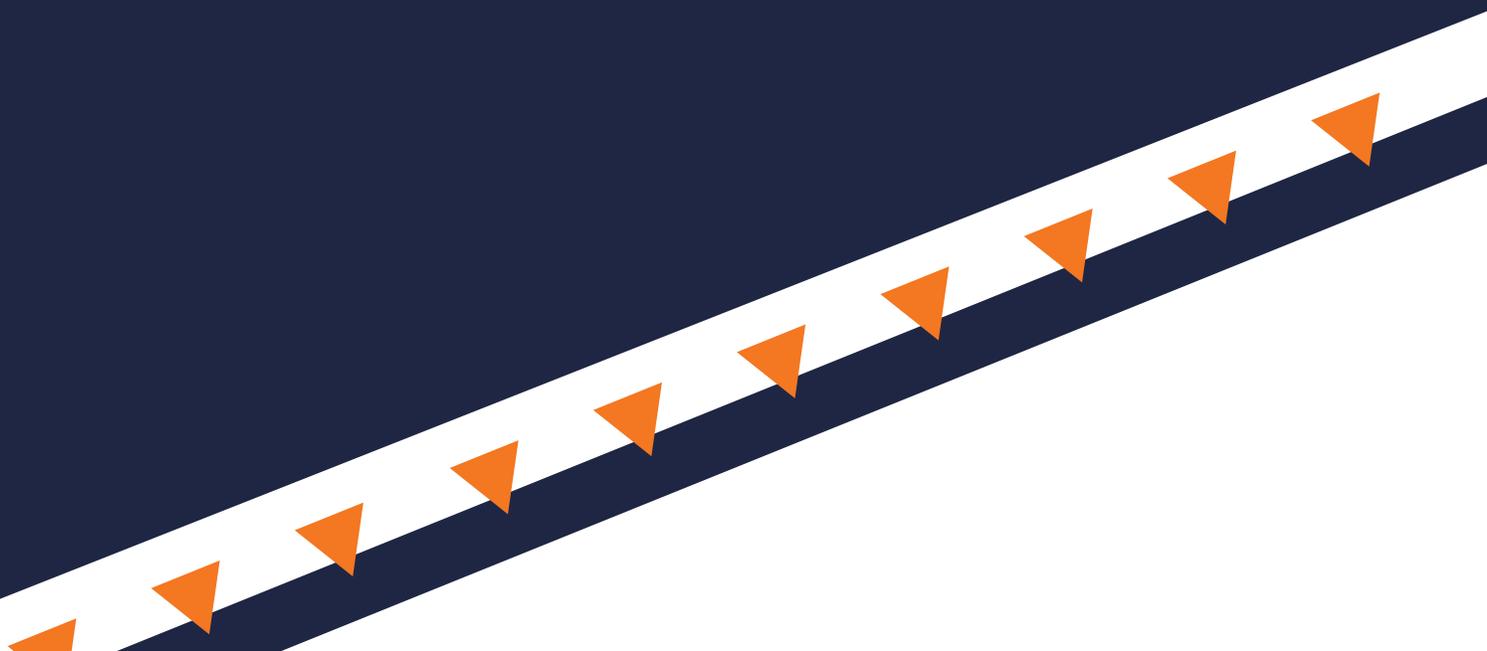
Center for Policy Analysis and Research

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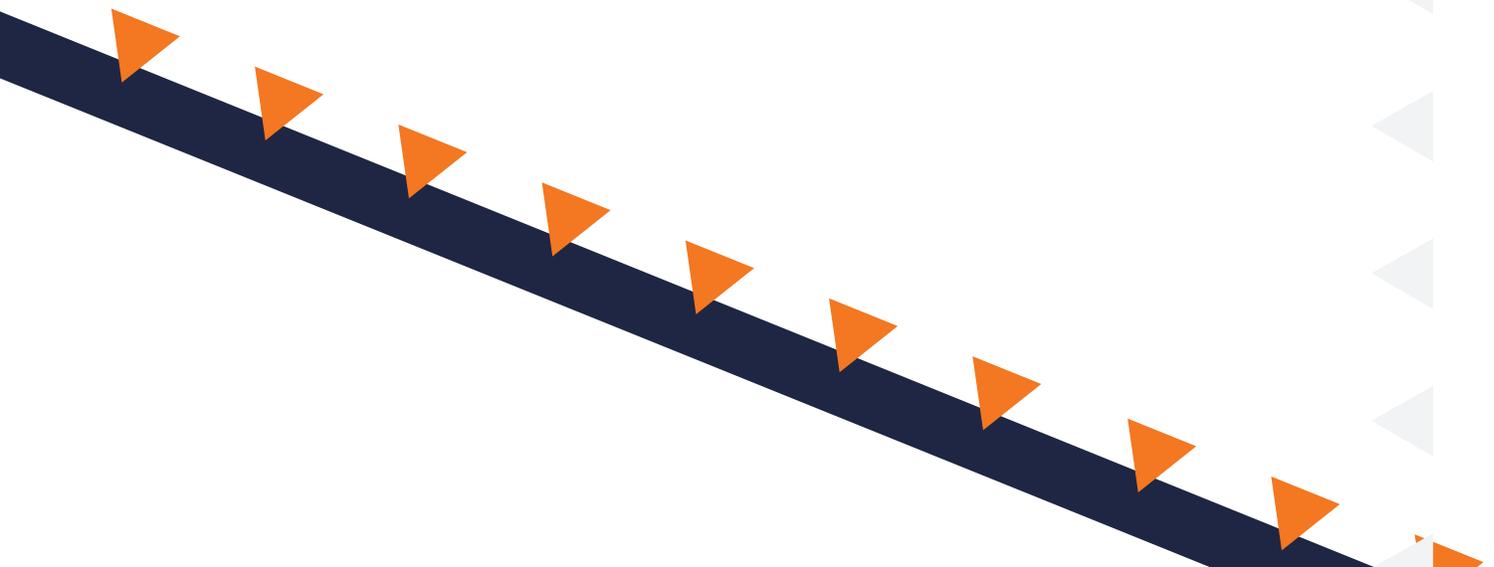
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**THERE ARE MANY
ADVANTAGES OF
ENTREPRENEURSHIP—
ONE OF THEM BEING IT
PROMOTES ECONOMIC
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HAVE CREATED OVER
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GENERATED OVER \$165
BILLION IN REVENUE.**

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OVERVIEW

Two factors have been deemed essential to a successful business launch and a firm's ultimate longevity: access to human capital and financial capital. Human capital refers to the personal characteristics that facilitate an individual's economic advancement, such as education and work experience. While financial capital represents formal and informal monetary resources that support the establishment and sustainability of a business,² another form of business capital that has been examined as an ancillary resource is that of social capital. Social capital refers to the networks and relationships that individuals form in a given society that aid in effective functioning or norms of reciprocity.

The importance of human and financial capital to the entrepreneurial process is undeniable, but social capital is equally crucial to business success. Research has demonstrated that when compared to other minority business owners, black entrepreneurs are at a social capital disadvantage. It has been observed that a substantial proportion of U.S. based minority business owners have an immigrant background. As a result, the elements of social capital that are important to business ownership, such as relational networks, monetary assistance, and economically self-sufficient ethnic enclaves, are embedded within immigrant

communities, which serves as an advantage to minority entrepreneurs of immigrant origin.

To better understand the significance of all forms of capital to the entrepreneurial process, but specifically that of social capital, this study engages in a comparative analysis that does the following: 1) Analyzes three types of capital and their discrete impact on the entrepreneurial success of black entrepreneurs in comparison to foreign-born minority entrepreneurs; and 2) Evaluates the economic and entrepreneurial outcomes for African Americans in comparison to African and Afro-Caribbean immigrants, in order to provide a deeper examination of the influence immigrant background has on business establishment and growth. The focus on the black immigrant community can also assist in a better understanding of the challenges and opportunities when both race and ethnic background are considered in the advancement of black owned businesses.

The overarching objective of this study is to better position researchers and policymakers to extend working models of social capital utilized in other minority and immigrant communities in order to implement best practices and strategies that will enhance the value of social capital for African American entrepreneurs.

²Business monetary capital can be divided into three main types: financial, economic, and growth. This paper discusses financial capital.

PART ONE

Black Entrepreneurship, Immigration and Minority Business Ownership

Despite contemporary trends and the current climate, African Americans have a long history of entrepreneurship. Within two decades of abolition, African Americans established several thousand successful businesses that thrived in exclusively African American communities. However, the escalation of racial tensions and Jim Crow laws made these businesses vulnerable to targeting and destruction. With few resources available to black business owners to rebuild if their businesses were targeted and destroyed, African American business ownership began to steadily decline beginning in the early 1940s. Black business ownership remained stagnant for several decades before resurging again in the early 1980s, and while growth has been slow, black business ownership has continued its upward trajectory ever since.³

At the same time, black business growth has lagged substantially behind that of other minority groups. One explanation for this has been that immigrant minority⁴ business owners, or minority business

owners from an immigrant background⁵ start their businesses with higher levels of human, social and financial capital. While African Americans, who lack a traditional immigration pathway, undertake the entrepreneurial process with comparatively lower levels of these business capital resources.

Immigrant and Minority Business Ownership and Human Capital

Human capital represents one's individual traits and skills that serve as an asset to a business and/or employer. Human capital has typically been measured as a combination of an individual's educational level, years of work experience, and any supplemental skillsets, such as technical certifications and professional development training.

The most comprehensive measure we have of human capital is that of educational attainment. Studies have shown that the educational level of the business owner is a significant determinant of business success.⁶ Moreover, with sixty percent of businesses failing within five years of establishment, education and training have become increasingly important to increasing business success and survival rates.⁷

³ US Census 2012 Survey of Business Owners (SBO).

⁴ Since this study only focuses on Asian and non-White Hispanic minorities, then when referencing 'immigrant minority' it identifies Asians and non-White Hispanics who are first generation or 1.5 generation immigrants. 1.5 generation refers to individuals born in their parent's home country but spent the majority of their pre-adult years being raised in the U.S.

⁵ Immigrant background, as it related to minorities, refers to Asian and Hispanic U.S. citizens whose parents and/or grandparents were immigrants. In immigration studies, this group would be classified as second-generation and third-generation.

⁶ Dodson, Angela P. "Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States." *Diverse Issues in Higher Education* 26.1 (2009): 23.

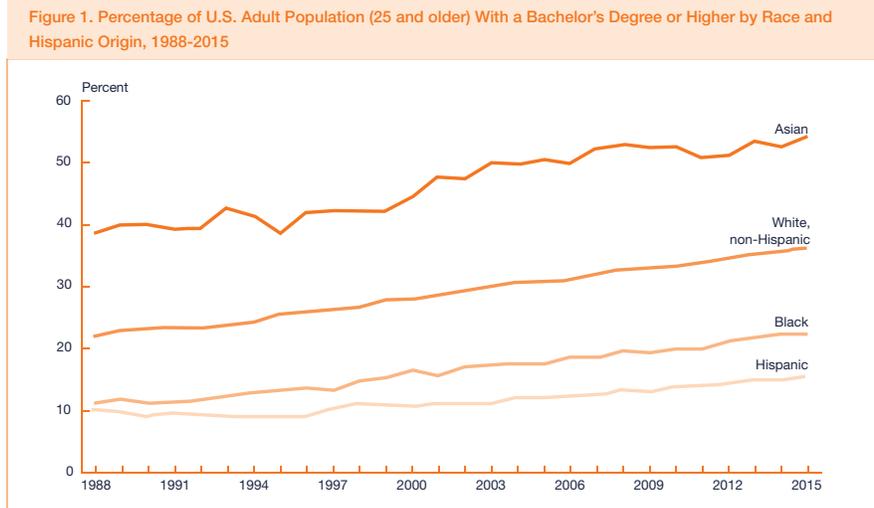
⁷ Gartner, W.B., & Vesper, K.H. (1993). Experiments in entrepreneurship education: Successes and failures. *Journal of Business Venturing*, 8 (Spring): 179-187; Hatten, T.S. (1997). *Small business: Entrepreneurship and beyond*. Upper Saddle River, NJ: Prentice Hall.; Luissier, R. N. (1995). A non-financial business success versus failure prediction model for young firms. *Journal of Small Business Management*, 33(1): 8-20.

In 2015, an estimated 9 out of 10 (88 percent) of adults graduated from high school or achieved high school graduate equivalency (i.e. GED). The majority of the adult population (59 percent) had completed some college or more and approximately 42 percent reported holding an associate degree or more. Additionally, close to a third (33 percent) reported they held a bachelor's degree or more. While 12 percent indicated they had completed an advanced degree, such as a master's, professional degree, or a doctorate.

Delineations by race and ethnicity reveal a steady increase in educational levels across every racial sub-group category for the past three decades (Figure 1). Asians consistently had the highest percentage of bachelor degree completions or higher, across all years and groups. In 1988, 38 percent of the adult Asian population held at least a bachelor's degree. In comparison, 21 percent of Whites, 11 percent of Blacks, and 10 percent of Hispanics reported a bachelor's degree completion or higher. In 2015, 54 percent of Asians reported holding a bachelor's degree or higher, while 36 percent of Whites, 22 percent of Blacks,

and 15 percent of Hispanics reported the equivalent level of education.

The data trends presented in Figure

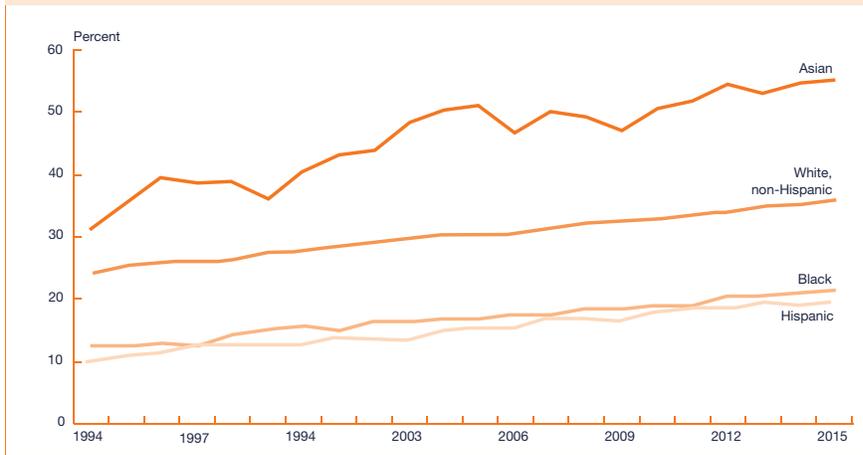


Source: U.S. Census Bureau, 1988-2015, Current Population Survey

1 underscore a crucial aspect of data gathering and statistics reporting, especially with respect to the reporting of data that examines race and ethnic origin. The trends for Hispanic educational attainment are heavily influenced by the inclusion of the foreign-born population in the data figures. When the foreign-born population is excluded across all groups, the data reveal that native-born Blacks and native-born Hispanics report comparable levels of educational attainment between 1988 and 2015 (Figure 2).

Additionally, when citizenship status is accounted for, another significant trend becomes evident. In a comparison between foreign-born and native-born Asians, (non-Hispanic) Whites, and Blacks, the

Figure 2. Percentage of the U.S. Native-Born Only Adult Population (25 and older) With a Bachelor's Degree or Higher by Race and Hispanic Origin, 1988-2015



Source: U.S. Census Bureau, 1994-2015, Current Population Survey

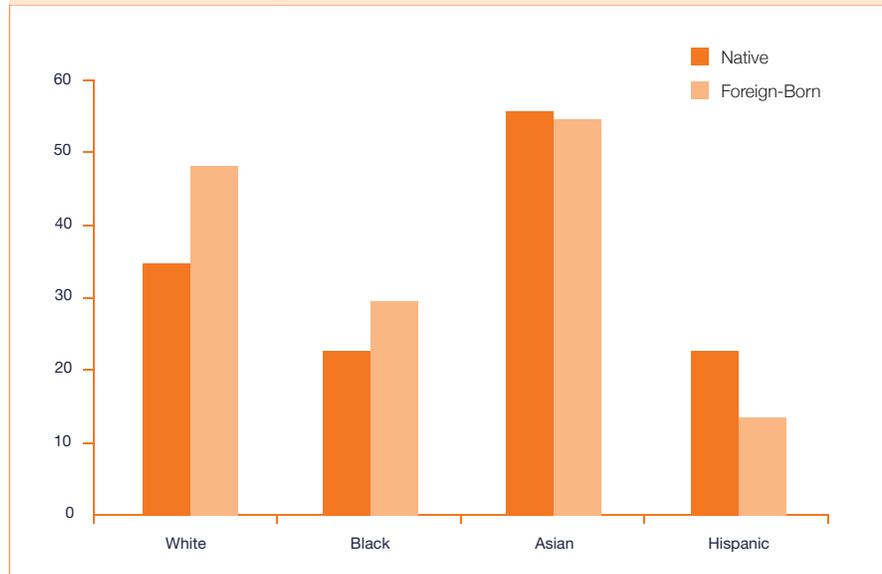
percentage of the foreign-born population that held a bachelor's degree or higher was higher than the percentage of native-born adults of the same ethnic/racial group with the equivalent education level. Hispanics were the only group where the percentage of the native-born adult population with a bachelor's degree or higher, was greater than the foreign-born adult population with the equivalent level of education (Figure 3).

What is illustrated in Figure 3 is consistent with studies of co-ethnic⁸ comparisons by nativity, which indicate the majority of immigrants to the United States possess higher levels of education, and equivalent or higher

levels of economic resources than that of their native-born counterparts. This is largely due to the prominence of the federal government's Optional Practical Training (OPT) program and H-1B visa programs, which are the two largest sources of highly educated immigrant

workers to the U.S. The singular exception is that of Hispanics. In this case, the native-born population is more educated and possesses greater economic resources than its foreign-born counterparts. Studies that make comparative assessments of the Hispanic foreign-born and native-born

Figure 3. Percentage of the U.S. Native-Born Only Adult Population (25 and older) With a Bachelor's Degree or Higher by Race and Hispanic Origin, 1988-2015



Source: U.S. Census Bureau, 1988-2015, Current Population Survey
 Note: The percentage of the native-born Asian population with a BA degree or higher (55 percent) was not statistically different from the percentage of the foreign-born Asian population with a BA degree or higher (54 percent).

⁸The term "co-ethnic" is used, to identify a group of people who share the same ethnicity, national origin, or ancestral origin, regardless of immigrant origin or U.S. citizenship status. For example, U.S. born African Americans, Black African immigrants, and Black Caribbean immigrants are co-ethnics.

populations attribute this transposition to English language proficiency and labor skillset.⁹

Central America is the leading region of origin for immigrants to the U.S., and data show that immigrants from this region have the lowest rate of English proficiency and the highest percentage of low and unskilled laborers (Table 1). Additionally, the immigrant experiences of Central American immigrants, especially those of Mexicans, Guatemalans and El Salvadorans, diverge sharply from those of immigrants from other regions¹⁰. Sixty-seven percent of the undocumented/unauthorized immigrant population migrates from Central America— while, the second highest percentage of undocumented/unauthorized

immigrants — migrating from South and East Asia—is only 16 percent (Table 1). The disparities between immigrants with legal documents, and those without, are stark. As a consequence, a significant proportion of Hispanic immigrants come to

the United States with low levels of human capital, which is reflected in Figure 3.

A closer examination of Hispanic-owned businesses reveals that of those Hispanic business owners who are from an immigrant background, their parents/grandparents immigrated with legal status.¹¹ When taking into account legal immigration status, Hispanic immigrants have comparable levels of human capital to that of other immigrant groups.¹² The implication for undocumented/unauthorized Hispanic immigrants is the inherent advantage of one’s immigrant background to the entrepreneurial process is largely mitigated by the absence of legal status.

Table 1. U.S. Foreign-Born Population by Region, Labor Skills and English Proficiency, 2016

Region	Foreign-born by Region	Less Than High School	English Proficiency	Unauthorized/ Undocumented Status
Central America	35%	53%	33%	67%
South and East Asia	27%	15%	54%	16%
Europe or Canada	13%	11%	76%	5%
Caribbean	10%	25%	57%*	3%
Middle East	4%	13%	61%	1%
Sub-Saharan Africa	4%	12%	72%	3%

Source: Pew Research Center and Migration Policy Institute; Data Compiled by Author
 *This figure is comprised of immigrants from both English and Spanish speaking Caribbean nations. When disaggregated, the figures for immigrants from English speaking Caribbean nations (i.e. Jamaica, Trinidad and Tobago, etc.) are higher than the English proficiency levels of immigrants from all other regions, at 78 percent.¹³

⁹ See Pew Research Center. (2018) *Key Findings About U.S. Immigrants*. Available: <http://www.pewresearch.org/fact-tank/2018/11/30/key-findings-about-u-s-immigrants/>

¹⁰ Migration Policy Institute. (2016). *Profile of the Unauthorized Population: United States*. Available: <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US>

¹¹ Flores, Nadia Y. “Assessing Human Capital Transferability into the U.S. Labor Market among Latino Immigrants to the United States.” *The Annals of the American Academy of Political and Social Science*, vol. 630, 2010, pp. 196–204. *JSTOR*, www.jstor.org/stable/20743994

¹² Ibid

¹³ See Waters, Mary C., Philip Kasinitz, and Asad L. Asad. (2014). “Immigrants and African Americans.” *Annual Review of Sociology* 40: 369-39, p. 374.

Beyond the nuances of the Hispanic/Latino case, this assessment of human capital reveals that the U.S. foreign-born population demonstrates equivalent or higher levels of human capital (as measured by educational attainment) when compared to their native-born counterparts. This is true for all groups, including native and foreign-born Whites. What this suggests is there is a strong association between immigrant background and high levels of human capital driven by the correlation with high educational attainment, which has implications for startups given that human capital is vital to positive business outcomes and survival.

Immigrant and Minority Business Ownership and Financial Capital

Business monetary capital can be divided into three main types: financial, economic, and growth. Financial capital is the capital needed to start the business and is often referred to as startup capital. Economic capital is the capital needed to protect business assets from unexpected losses and help maintain the longevity of a business. Growth capital is the capital needed to expand, restructure and/or grow a business. Growth capital operates in conjunction with economic capital to ensure a business is sustainable in the long-term. This paper focuses on financial, or startup capital, because without it, a new business would never exist.

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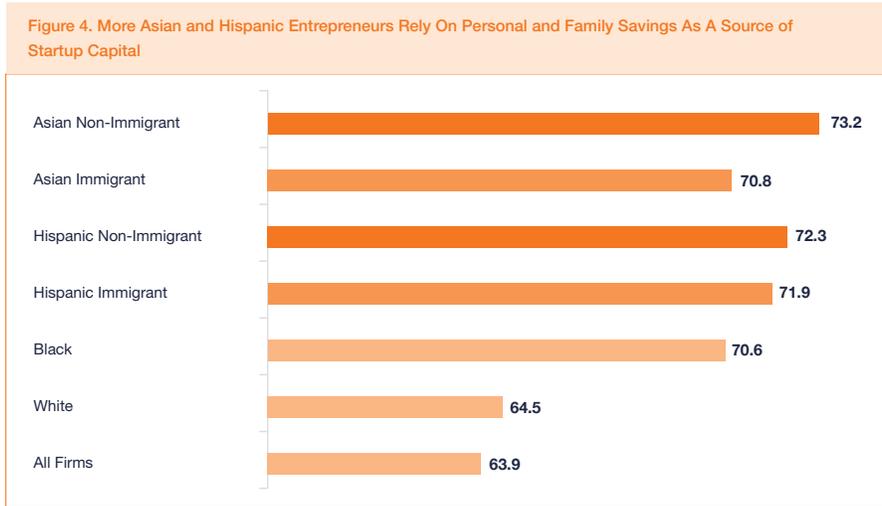
**HOW HEAVILY
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Entrepreneurs of all racial/ethnic and immigrant backgrounds rely on three primary sources of startup capital: 1) personal and family savings; 2) business loans from banks, and 3) credit cards. Overwhelmingly, the majority (63.9 percent) of new businesses utilize their personal savings or receive monetary support from their families for startup capital. Bank loans account for 17.9 percent of startup capital; and personal credit cards are used by 10.3 percent of new business owners to provide startup capital.

How heavily different groups rely upon each source of capital funding reveals the disparities associated with wealth resources across racial/ethnic groups in the U.S. 73.2 percent of Asian non-immigrant businesses owners rely upon personal and family resources, while 70.8 percent of Asian immigrant business owners rely upon personal and family savings. 72.3 percent of Hispanic non-immigrant businesses owners rely upon personal and family savings, while 71.9 percent of Hispanic immigrant business owners rely upon personal and family savings. 64.5 percent of non-immigrant White business owners rely upon personal and family savings. And

lastly, 70.6 percent of Black non-immigrant businesses owners rely upon personal and family savings (Figure 4).



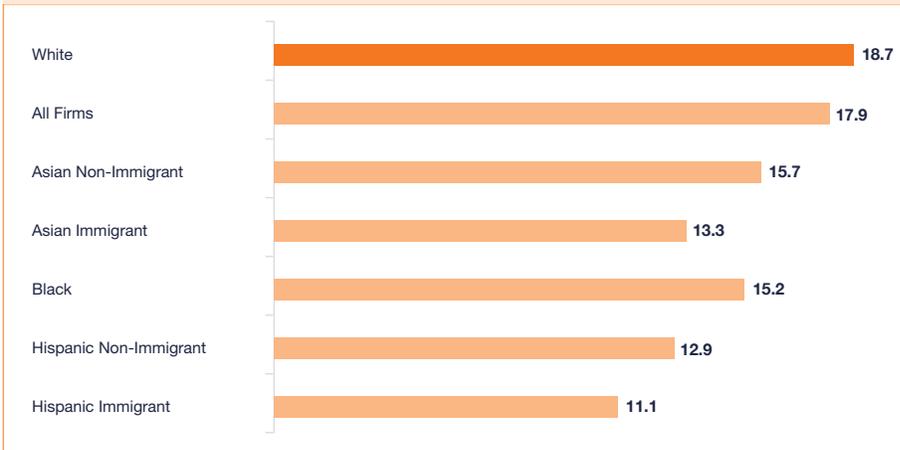
Source: Kaufman Foundation, 2014 U.S. Census Bureau Annual Survey of Entrepreneurs, and the U.S. Small Business Administration. Compiled by author.

White non-immigrant business owners rely the most on bank loans (18.7 percent), which exceeds the Total Firm percentage of 17.9 percent. 15.2 percent of Black non-immigrant business owners rely upon business loans from banks. While, 15.7 percent of Asian non-immigrant business owners, and 13.3 percent of Asian immigrant business owners also rely upon bank loans. Hispanics rely the least on bank loans. 12.9 percent of Hispanic non-immigrant business owners, and 11.1 percent of Hispanic immigrant business owners rely upon bank loans (Figure 5).

African American business owners, referenced as “Black” in Figures 4 through 8, rely the most on credit cards (17.6 percent).¹⁴ While Asians and Whites rely the

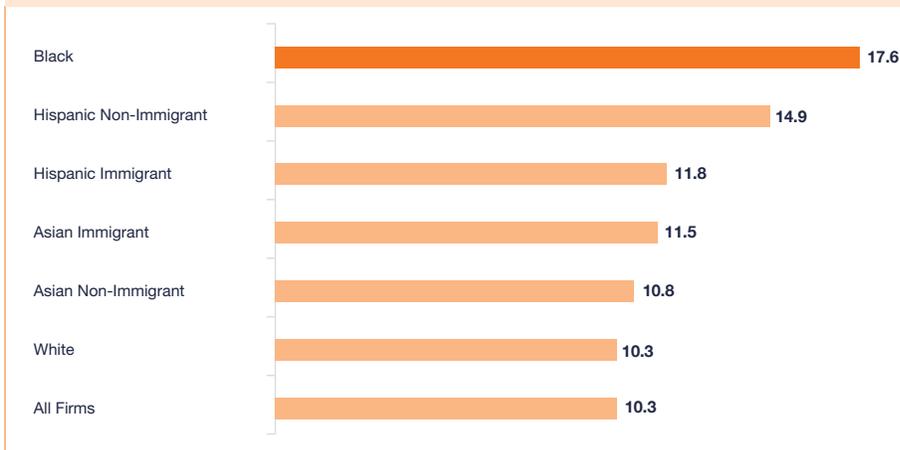
¹⁴Robb, Alicia, and Arnobio Morelix. (2016). “Startup Financing Trends by Race: How Access to Capital Impacts Profitability.” The Kauffman Foundation. Available: https://www.kauffman.org/-/media/kauffman_org/research-reports-and-covers/2016/ase_brief_startup_financing_by_race.pdf

Figure 5. More White Entrepreneurs Rely On Business Loans from Banks or Other Financial Institutions As A Source of Startup Capital



Source: Kaufman Foundation, 2014 U.S. Census Bureau Annual Survey of Entrepreneurs, and the U.S. Small Business Administration. Compiled by author.

Figure 6. More Black Entrepreneurs Rely on Personal Credit Cards As A Source of Startup Capital



Source: Kaufman Foundation, 2014 U.S. Census Bureau Annual Survey of Entrepreneurs, and the U.S. Small Business Administration. Compiled by author.

The acquisition of startup capital from personal and family savings has the advantage over all other sources of capital because it reduces the debt to income ratio of a business, thus allowing firm owners to reinvest all of their profit into the business. Another advantage is that if the business fails, the owner’s non-liquid assets, such as their home or investment and retirement holdings are not at risk of being seized to pay off a business loan. At the same time the primary disadvantage of using one’s personal and

least on credit cards. 10.8 percent of Asian non-immigrant businesses owners, and 11.5 percent of Asian immigrant business owners rely upon personal credit cards. 10.3 percent of White non-immigrant business owners rely upon credit cards. 14.9 percent of Hispanic non-immigrant business owners, and 11.8 percent of Hispanic immigrant business owners rely upon credit cards (Figure 6).

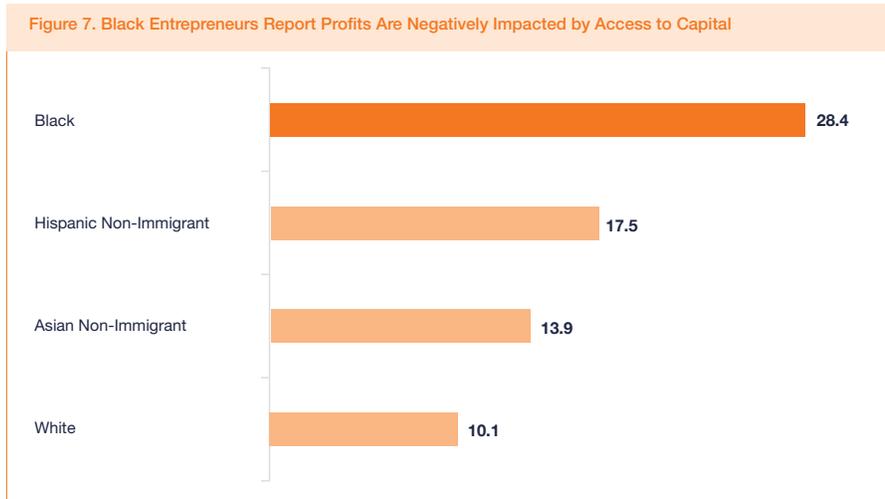
family savings, is that if the business fails it could potentially wipe out all of one’s personal liquid assets.

The reverse is true for using a bank loan as the primary source of startup capital. The advantage is that the business owner can retain a substantial portion of their liquid assets, which can accrue interest in the interim and be utilized as economic capital,

if necessary. However, if the business fails, then whatever asset(s) used as collateral for the loan can be seized by the lender, which is generally a paper asset than can be easily liquidized, such as cash or negotiable securities. In this case, even if the business fails, the owner (ideally) would retain ownership of the liquid assets not used for collateral, meaning they could still walk away from a failed business with substantial financial assets.

In comparison to personal credit cards, small business loans acquired from banks have much lower interest rates and more favorable debt payoff terms, that is why financing a business with a credit card is the least optimal of all the financing avenues. Credit card financing is inherently more risky than a loan or one's personal savings because if the business fails, the owner is still personally liable for that debt. Also, the debt to income ratio is higher when using a credit card for startup capital, than all other options because of the high interest rates, thus it constrains a firm's profitability. Consequently, because African American entrepreneurs have a higher rate of reliance upon credit cards for startup capital than other business owners, their business

profits are negatively impacted by access and cost of capital, more so than any other race/ethnic group (Figure 7 and Figure 8). The profits of 28.4 percent of Black business owners are negatively impacted by access to capital. Most significantly, Black entrepreneurs are almost three times more likely than Whites (10.1 percent) to report their business profits have been negatively impacted by access to capital. In comparison, 17.5 percent of Hispanic entrepreneurs and 13.9 percent of Asian entrepreneurs report being negatively impacted by access to capital (Figure 7).



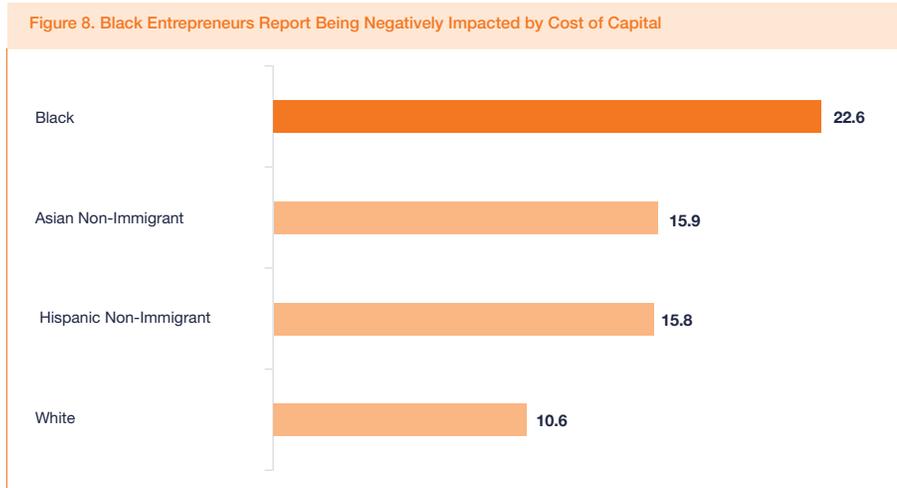
Source: Kaufman Foundation, 2014 U.S. Census Bureau Annual Survey of Entrepreneurs, and the U.S. Small Business Administration. Compiled by author.

In terms of the cost of capital, 22.6 percent of Black business owners report their profits are negatively impacted by this cost, compared to 15.9 percent of Asian entrepreneurs, 15.8 percent of Hispanic entrepreneurs, and 10.6 percent of White entrepreneurs (Figure 8). Black entrepreneurs are more than twice as likely as Whites to be negatively impacted by the

cost of capital (Figure 8).

The challenges experienced by Black entrepreneurs with generating business capital and obtaining business loans illustrate the significant role wealth plays in entrepreneurship. There is a large body of research that provides evidence that low levels of personal wealth are associated with low rates of business creation.¹⁵ Similarly, fewer opportunities to acquire wealth also inhibit the ability of entrepreneurs to generate startup capital, which leads to undercapitalized businesses. Undercapitalized businesses are much more likely to report lower sales, profits and employment options and are at a much higher risk of failing within the five-year startup period, compared to businesses that obtain sufficient startup capital. Also, the use of personal and family savings to obtain business loans from banks means that wealthier entrepreneurs are able to obtain larger loans and negotiate better credit terms than entrepreneurs with lower levels of personal wealth.

When comparing African American business owners with both immigrant and non-immigrant minority entrepreneurs, one



Source: Kaufman Foundation, 2014 U.S. Census Bureau Annual Survey of Entrepreneurs, and the U.S. Small Business Administration. Compiled by author.

key finding emerges, and that is immigrant and non-immigrant minority entrepreneurs rely upon personal and family savings more so than any other group, including non-immigrant Whites (note: immigrant Whites are not observed in this analysis). Additionally, both immigrant and non-immigrant Hispanic business owners rely upon bank loans the least; while both immigrant and non-immigrant Asian business owners rely upon credit cards less than all other groups, except Whites. However, it should be noted that the percentage differences between Asians and Whites is very small—10.8 percent of Asian non-immigrant businesses owners,

¹⁵ See Astebro Thomas and Irwin Bernhardt. 2003. Start-Up Financing, Owner Characteristics and Survival, *Journal of Economics and Business*, 55(4), 303-320.; Avery, Robert B., Raphael W. Bostic, and Katherine A. Samolyk. 1998. "The Role of Personal Wealth in Small Business Finance," *Journal of Banking and Finance*, 22: 1019-1061.; Fairlie, Robert W. 2008. Estimating the Contribution of Immigrant Business Owners to the U.S. Economy, U.S. Small Business Administration, Office of Advocacy, Washington, D.C.; Fairlie, Robert W., and Alicia M. Robb. 2008. *Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States*, Cambridge: MIT Press.; Fairlie, Robert W., and Alicia M. Robb. 2010. *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs*, U.S. Department of Commerce, Minority Business Development Agency.; Bates, Timothy. 1997. *Race, Self-Employment & Upward Mobility: An Illusive American Dream*, Washington, D.C.: Woodrow Wilson Center Press and Baltimore: Johns Hopkins University Press.

and 11.5 percent of Asian immigrant business owners rely upon personal credit cards compared to 10.3 percent of White business owners. What these findings suggest is that both immigrant and non-immigrant minority entrepreneurs enter into business ownership with substantial cash reserves. They also start their businesses with lower debt to income ratios than African Americans. Subsequently, both immigrant and non-immigrant minority business owners start their businesses with optimal levels of capital, which increases their potential for business success.

In addition, because immigrant minority business owners are able to enter into business with such optimal levels of startup capital, there is once again evidence of a strong association between immigrant background and entrepreneurship. Similar to the findings observed with human capital, immigrant background demonstrates a strong, positive relationship with high levels of financial capital. Therefore, just as human capital is important to business success and sustainability, financial capital is equally important. Furthermore, despite the perceptions surrounding immigration to the U.S.—at least with respect to legal immigration—immigrants excel as entrepreneurs in the United States.^{16,17} Consequently, in spite of the inherent obstacles that accompany the immigration

process, this dynamic does not appear to represent a significant barrier to successful business ownership. The reason for this can be gleaned from observations of how immigrant minority entrepreneurs operationalize their social capital, which is discussed in the following section.

Immigrant and Minority Business Ownership and Social Capital

According to data from the U.S. Census Bureau's Annual Survey of Entrepreneurs (2016), U.S. businesses with less than twenty workers account for 98 percent of all U.S. businesses.¹⁸ Therefore, the majority of U.S. firms are small businesses. A closer examination of small business ownership by race, ethnicity and nativity indicates that among minority business owners, foreign-born minorities have a higher percentage of business ownership than native-born minorities (Table 2) signaling that the majority of minority-business owners are immigrants.

The reason why immigrant minority entrepreneurs are so predominant has been attributed to their effectual use of their social capital. Existing research overwhelmingly supports the assertion that owing to their immigrant origins, minority business owners of immigrant background have a substantial social capital advantage

¹⁶One out of every five businesses is owned by a foreign-born entrepreneur—thus, at 20 percent, the immigrant share of business ownership exceeds the immigrant share of the total population (14.4 percent), and the immigrant share of the labor force (17.1 percent).

¹⁷Immigrant Small Business Owners: A Significant and Growing Part of the Economy (2012). A Report from the Fiscal Policy's Institute's Immigration Research Initiative. Available: <http://www.fiscalpolicy.org/immigrant-small-business-owners-FPI-20120614.pdf>

¹⁸This figure includes both employer businesses (businesses that hire employees), and non-employer businesses (businesses with a single employee i.e. self-employed, such as an artist, writer, consultant, etc.). See <https://sbecouncil.org/about-us/facts-and-data/>

over non-immigrant minority business owners.¹⁹

Social capital refers to the networks and relationships that individuals form in a given society. It is the foundation of every community and the basis for creating social trust. Social capital represents a critical component of opportunity access that supports business growth and its ability to thrive. Research indicates that in comparison to Whites, African Americans have comparable, and oftentimes a greater number of “affective interactions with close family members and friends”.²⁰ However, the types of social capital that are developed through professional networks are less accessible to African Americans.

immigrants, these groups also have less access to professional social networks than Whites. Despite this however, non-White immigrants are able to leverage their affective relational networks and utilize them as social capital. That is because affective relational networks, which are integral to social capital building, are also salient to U.S. immigration, especially family-based immigration to the United States.

The diffusion of information across immigrant networks has been shown to reduce the costs associated with migrating and resettling in a foreign country. As a result, the elements of social capital that are important to business ownership, such as relational networks, monetary assistance,

and economically self-sufficient ethnic enclaves, are embedded within immigrant communities. In a comparative study of African American and immigrant self-employment, the findings support this observation. Drawing

Table 2. Small Business Owners as Share of Labor Force by Race, Ethnicity, and Nativity (2010)

Race/Ethnicity	U.S. Born	Foreign-Born
Black	1.1%	2.1%
Hispanic	1.6%	2.0%
Asian	2.5%	4.7%
White	3.8%	6.8%
Total	3.3%	3.5%

Source: Foreign Policy Institute Analysis. <http://www.fiscalpolicy.org/immigrant-small-business-owners-FPI-20120614.pdf>

This social capital disadvantage is not just unique to African Americans. Across other minority groups, including non-White

upon ninety years of U.S. Census Data (1900-1990), the authors determined that “many immigrants have [tangible

¹⁹ Since 2014, approximately 40% of minority owned businesses have experienced sales growth of 11% or greater. Asian owned businesses have witnessed the greatest increase. Between 2012 and 2017, the revenue of Asian owned businesses increased by 38% to \$965 billion; while Hispanic owned business revenue increased 35% to \$640 billion, and African American owned business revenue increased by 10% to \$165 billion. See Howard, Tiffany. (2019). “Crowdfunding, Cryptocurrency, and Capital: Alternative Sources of Business Capital for Black Entrepreneurs”. *Congressional Black Caucus Foundation-Center for Policy Analysis and Research*. Available: <https://www.cbcfinc.org/publications/>

²⁰ Smith, Danielle T. (2013). “African Americans and Network Disadvantage: Enhancing Social Capital through Participation on Social Networking Sites.” *Future Internet*, 5, 56-66; doi:10.3390/fi5010056. P. 58

and intangible] resources (not available to native non-Whites) that facilitate entrepreneurship.”²¹

Affective relational networks are essential to mobilizing monetary resources and facilitating information networks for small businesses. Unlike native-born entrepreneurs, immigrants have unique liquidity constraints, such as ineligibility for certain loans, grants, or government financial assistance because these resources are reserved for U.S. citizens. Given this barrier to financial capital, that is largely why immigrant entrepreneurs turn to the informal sector for startup capital (i.e. personal and family savings), as opposed to the formal sector (i.e. bank loans). Therefore, the financial resources generated through affective relational networks are critical to immigrant businesses, particularly during the startup phase.

Ethnic enclaves are also crucial to the immigrant entrepreneurial process. New immigrants to the U.S. tend to be geospatially concentrated, thus, ethnic enclaves provide a business owner a protected market for ethnic goods and supplies. There are also greater opportunities for co-ethnic job seekers to obtain employment within a business rooted in an ethnic enclave. The very existence of ethnic enclaves, such as Chinatown, Little Havana, Little Haiti, Greektown, and Little

Italy, several of which are communities that can be found in many major U.S. cities, indicate that these cultural hubs provide opportunities for immigrant businesses to thrive.

At the same time there are variations in immigrant entrepreneurship rates and the degree of geographical concentration. For example, Cuban immigrants have high self-employment rates as well as high geographical concentration, while immigrants from India also have high rates of self-employment, but they are much more geographically dispersed.²² Much of this deviation is attributable to features of human capital, such as English proficiency and levels of educational attainment. The main point here is that while ethnic enclaves are an important element of social capital, which plays a key role in immigrant business creation and success, there is variation across immigrant groups as far as how important the ethnic enclave is to their business model.

An important aspect of social capital that enables relational networks is that of social trust. At its most basic level, social trust is the belief in the good will, honesty and integrity of others, and it is the foundation of every community within a civil society. Therefore, it is significant that African Americans are one of the least trusting groups in the United States.²³

²¹ Bogan, Vicki & William Darity. (2008). Culture and entrepreneurship? African American and immigrant self-employment in the United States. *Journal of Socio-Economics*, 37(5), 1999-2019, p. 20.

²² See Toussaint-Comeau, M. (2008). “Do ethnic enclaves and networks promote immigrant self-employment?” *Economic Perspectives*, 4(Q), p. 41

²³ Nunnally, Shayla. (2012). *Trust in Black America: Race, Discrimination and Politics*. NY: NYU Press.

The historical experiences of African Americans with institutional and individual racism have created a culture of distrust within the Black community. The legacy of slavery, Jim Crow laws, and repeated civil rights violations, have eroded the trust of African Americans in the government, U.S. institutions, and social interactions for over a century. And this lack of trust is also reinforced by the negative experiences African Americans have with financial institutions when unsuccessfully attempting to secure a business startup loan. Improving trust within the black community and cracking down on institutional discrimination is essential to building Black social capital and producing more successful African American entrepreneurs. There are no simple or quick solutions to address the level of social distrust among African Americans because it has been cultivated over four centuries of contact with U.S. institutions. However, the area where there is the greatest potential, is with respect to improving the relationship between Black business owners and financial institutions. Black business owners are more likely to have shorter relationships with their primary financial institutions, than other entrepreneurs. Firm-lender relationships are built over time and involve consistent interaction. Small businesses with longer lender relationships are more likely to be extended a business loan and less likely to be credit constrained.

Social capital, undoubtedly, plays a significant role in the entrepreneurial process. And when compared to Whites, African Americans and other minorities have less access to professional social capital networks that are the foundation for business development and expansion. At the same time, immigrants of color are able to effectively translate the networks and resources that are established as a component of the immigration process, into social capital.

Foreign-born minority entrepreneurs start their businesses with more resources and foundational elements in place, such as economically viable affective relational networks, a pattern of monetary assistance from remittances, and higher levels of social trust²⁴. Migration based relational networks and remittances are not a component of the African American experience in contemporary America, and African Americans have among the lowest levels of social trust of any group in the nation; therefore, these resources are not available to African Americans, which help explain why black-owned businesses are growing at a much slower rate than other minority-owned businesses.

²⁴ Ibid

Findings: Black Entrepreneurship and the Relationship between Immigration and Minority Business Ownership

This study opens with the purpose of determining why other minorities have been successful at entrepreneurship, while African Americans continue to face challenges. One of the most significant reasons presented has been that of immigrant background and its impact on the entrepreneurial process. Given the majority of minority owned businesses, are owned by immigrant entrepreneurs (Table 2), there is compelling evidence to suggest that there is something inherent to the immigration process that is also salient to entrepreneurship. In this section of the study, evidence is presented to support this assertion, leading to the emergence of several insights.

First, overall human capital is associated with immigration background. With the exception of Latinos, for all other groups, including Whites, the foreign-born population has higher levels of educational attainment than its co-ethnic native-born population. Second, high levels of financial capital resources are associated with immigration background. A lower percentage of African Americans use their personal and family savings when compared to Asian immigrant and Asian non-immigrant entrepreneurs, as well as Hispanic immigrant and Hispanic non-

immigrant entrepreneurs. Moreover, a higher percentage of African Americans use personal credit cards to fund new businesses compared to Asian immigrant and Asian non-immigrant entrepreneurs as well as Hispanic immigrant and Hispanic non-immigrant entrepreneurs. This dynamic signifies that other minorities and immigrant business owners start their businesses with more cash resources and less debt in comparison to African Americans.

It is important to note that within ethnic group comparisons for Asians, there appears to be no difference between the two groups, and no obvious advantage of immigrant background to financial capital. For the most part this is true for Hispanics, except a much higher percentage of native-born Hispanics use credit cards to finance their new businesses than Hispanic immigrant entrepreneurs, indicating a greater percentage of non-immigrant Hispanics start their businesses with debt than their Hispanic immigrant counterparts. There may be an immigrant effect in this case, but given the consistent parallels between the two groups with respect to all other sources of financial capital, it is more likely that a lack of credit history for Hispanic immigrants explains this difference more so than anything else.

Third, the elements of social capital, such as social networks, social trust and ethnic geographic concentration are associated

with immigrant background. Although, African Americans do demonstrate high levels of geographic concentration,²⁵ there is less social trust among African Americans in comparison to Hispanic and Asian immigrants. As a result of these dynamics of social trust, ethnic-based entrepreneurial networks are more impactful to immigrant entrepreneurs than African Americans. Given the difficulty with measuring social capital, this study is unable to make intra-ethnic comparisons to determine if Asian and Hispanic immigrants possess higher levels of social capital than their native-born counterparts. However, given this study has shown that social capital is significant to entrepreneurship, and in consideration of the higher rates of business ownership among the foreign-population (Table 2), one could make the assumption that in this case, immigrant background is also salient to social capital.

To conclude this section of the study, across all elements of business capital (human, financial, social), there is evidence to indicate that given their immigrant background, foreign-born entrepreneurs are able to create their businesses with more business capital resources than African American entrepreneurs. This helps explain why, African Americans,

who lack a traditional immigration pathway and heritage, are experiencing slower entrepreneurial growth than other minorities. And while it is difficult to make comparisons within ethnic groups, a higher percentage of Asian and Hispanic business owners are immigrants as opposed to native-born (Table 3), which is consistent with the apparent centrality of immigration to the entrepreneurial process.

While it is important to identify and fully understand the aspects that constrain Black business growth, it is equally important to identify tenable solutions capable of addressing this problem. This is where intra-group comparisons become relevant. Collectively, Black immigrants have higher rates of business ownership than African Americans. This observation is in line with the fundamental premise of

Table 3. Foreign-Born Black Population by Region of Origin, 2010

Region of Origin	Population	Percent
Africa	1,081,000	33%
Caribbean	1,701,000	52%
Canada, Europe, and Central and South America.	485,000	15%
Total	<i>~3.3 million</i>	100%

Source: U.S. Census Data, 2010; Compiled by author

this study, that immigration is salient to the entrepreneurial process. However, when Black immigrants are disaggregated by region and country of origin, African Americans outperform certain groups in

²⁵ This is discussed in the following section

the area of entrepreneurship. What this alludes to is that when race and immigration background are taken into account, what are the factors responsible for these different outcomes, and how can this inform all aspects of black entrepreneurship in the U.S. in order to support Black business creation and growth?

PART TWO ▲ **Evaluating the Entrepreneurial Trajectories of African, Afro-Caribbean, and African Americans in the United States**

Studies of Black entrepreneurship evaluate black immigrant group involvement in the business sector from a monolithic lens, when, in fact, the experiences and needs of Black entrepreneurs vary significantly depending upon a number of factors. Two such factors include ethnic background and immigrant origins—there is tremendous diversity between native born-Blacks and Black immigrants, and their experiences and needs as business owners, are equally distinct. Black immigrants, like other immigrant groups, migrate to the United States with high levels of human, financial, and social capital that exceed the levels of native-born Blacks. Although, Black immigrants encounter and report on racial discrimination in the U.S., and they also migrate from origin-nations that have been heavily influenced and damaged by centuries of slavery, colonialism, and policies of apartheid, this group has been

able to achieve economic, educational and entrepreneurial success in the United States.

The key purpose driving this study is to identify the models for business success that are utilized by immigrants and other minorities in order to inform Black entrepreneurs and provide them with adaptive strategies for comparable business success. One of the best ways to achieve this purpose is to look more closely at African and Afro-Caribbean Black immigrants, in general, but specifically at the characteristics of Black immigrant entrepreneurs. A comparative analysis of native-born and foreign-born Blacks will help shed new light on how best to support the creation and sustainability of all Black businesses in the U.S.

Characteristics of the U.S. Foreign-Born Black Population

According to the 2010 U.S. Census, of the 38.9 million African Americans living in the United States, the vast majority descended from ancestors who were brought from Africa to North America between 1619 and 1859 during the Atlantic slave trade.²⁶ However, 3.3 million or 8.5 percent of that figure are comprised of individuals who were identified as “foreign blacks”—which represent first and second generation immigrants of African ancestry. This figure includes a diverse array of immigrants (and their children), predominantly from Africa

²⁶ Afro-Latinos and the Black-Hispanic Identity: Evaluating the Potential for Group Conflict and Cohesion”. In *Caribbeanization of Black Politics*, 19:1, edited by Sharon D. Austin. The National Political Science Review (Special Issue), January 2019.

and the English speaking Caribbean, although a small proportion migrate from Europe, Canada and Latin America (Table 3).²⁷

Over half of the foreign-born black population emigrates from the Caribbean, and the majority of Black immigrants from that region are from Jamaica and the other English-speaking island countries of the West Indies. While an appreciable number of immigrants from the Spanish-speaking Caribbean²⁸ are also of African ancestry—because of their dual black and Hispanic identities—they are more likely to classify themselves as “Other” on the U.S. Census under race and to identify a specific nationality under the Hispanic origin question. However, 14 percent of the Dominican and 3 percent of the Cuban immigrant population identify themselves as Black (according to the U.S. Census), thereby making them respectively the fifth and seventh, largest sources of Black immigrants from the Caribbean. However, Black migrants from Spanish-speaking countries are very distinct from other Black Caribbean immigrants. Afro-Latino immigrants tend to be poorer, less educated, have much lower levels of English proficiency and settle in different neighborhoods than their English-speaking counterparts.

Within the last decade, African immigrants have become the fastest growing immigrant group in the United States. Currently, with

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²⁷ Ibid

more than a third of the Black immigrant population comprised of African origin groups, if population patterns hold, African immigrants are poised to outnumber Black Caribbeans by 2020. While 80 percent of Afro-Caribbean immigrants migrate to the United States due to the family reunification immigration policy, African immigrants have entered the U.S. primarily as either refugees (30 percent) or as a result of the diversity visa lottery (25 percent). The implication of this dual pathway of entry is that African immigrants who enter as refugees tend to have much lower levels of education and language proficiency skills than other (legal) immigrant groups, and especially in comparison to their diversity visa counterparts, who are among the most well-educated and English proficient immigrants entering the United States. Further examination of the U.S. Black immigrant population indicates that when compared to native-born Blacks, foreign-born Blacks are generally older, with a median age of 42, compared to 29 for the native-born population (Table 4). Foreign-born Blacks are also much more likely to be married. Nearly half of the foreign-born Black population is married

(48 percent), compared to less than a third of the native-born Black population (28 percent). This disparity is likely a function of the higher median age for Black immigrants.

In comparison to other immigrant groups, Black immigrants are more likely to become naturalized citizens (54 percent versus 47 percent). Black immigrants also have the lowest rates of unauthorized status (16 percent) and the highest rate of English proficiency (76 percent) of all other immigrants (Table 4).

Human Capital and the U.S. Foreign-Born Black Population

Regarding education, Black immigrants from sub-Saharan African nations²⁹ have much higher levels of educational attainment compared to the overall figures

Table 4. Characteristics of Black Immigrants in the U.S. in Comparison to Other Groups, 2013

	Foreign-Born Black Population	Native-Born Black Population	All Immigrants	U.S. Population
Median Age (In Years)	42	29	43	37
Currently Married (Adults 18 and Older)	48%	28%	60%	50%
U.S. Citizen	54%	100%	47%	93%
Unauthorized Status (2012)	16%	--	26%	3.5%
English Proficiency (Ages 5 and Older)	74%	99%	50%	92%

Source: U.S. Census Bureau, 2012 augmented American Community Survey
 Note: U.S. native born and foreign-born blacks include sing-race blacks, and mixed-race blacks, regardless of Hispanic origin

²⁹ Both white and black immigrants from Sub-Saharan Africa have high levels of educational attainment, and white immigrants from sub-Saharan Africa have educational levels comparable to that of European and Canadian immigrants (See Table 1), but this section and these figures report solely those for Black immigrants from sub-Saharan Africa.

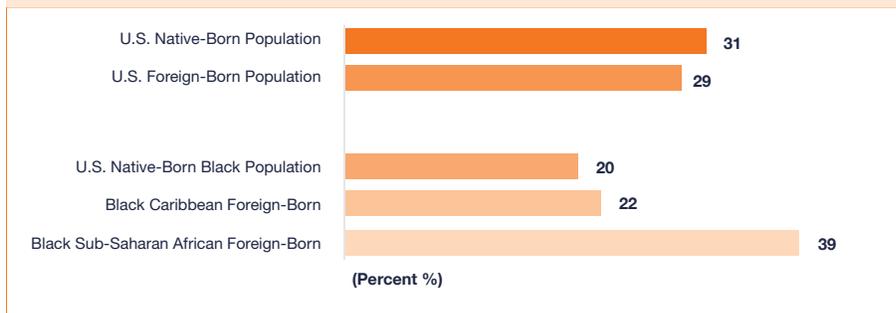
for other immigrant groups, as well as the overall native-born population.³⁰ Recent studies by the Migration Policy Institute, reveal that 39 percent of Black Sub-Saharan African immigrants (ages 25 and over) hold a bachelor’s degree or higher, compared to 29 percent of the total U.S. foreign-born population and 31 percent of the U.S.-born population (Figure 9).^{31,32} Disaggregation by African country reveals that Nigerians and South Africans were the

holding a bachelor’s degree, which is likely due to the geopolitics of the nation, and that it has been engaged in internal conflict for the past five decades.

The initial post-1965 Black Caribbean migration involved a high degree of educational selectivity, and Black immigrants from English speaking nations were more likely to be highly educated and employed in the professional sector, in

comparison to earlier Caribbean migrations, as well as other immigrants migrating during the same time period. More recently; however, there has been a decline in the educational levels of Black Caribbean immigrants, and this

Figure 9: Percentage of Black Sub-Saharan African Immigrants in Comparison to Other Groups With a Bachelor’s Degree or Higher, 2015



Source: U.S. Census Bureau, 2015 ACS; Compiled by Author

most highly educated, with approximately 57 percent holding at least a Bachelor’s degree. The next most highly educated sub-Saharan immigrants include, Kenyans at 44 percent, Ghanaians with 40 percent, Liberians at 32 percent, and Ethiopians with 29 percent (Figure 10). In contrast, Somalis reported the lowest level of educational attainment of all sub-Saharan African immigrants, with only 11 percent

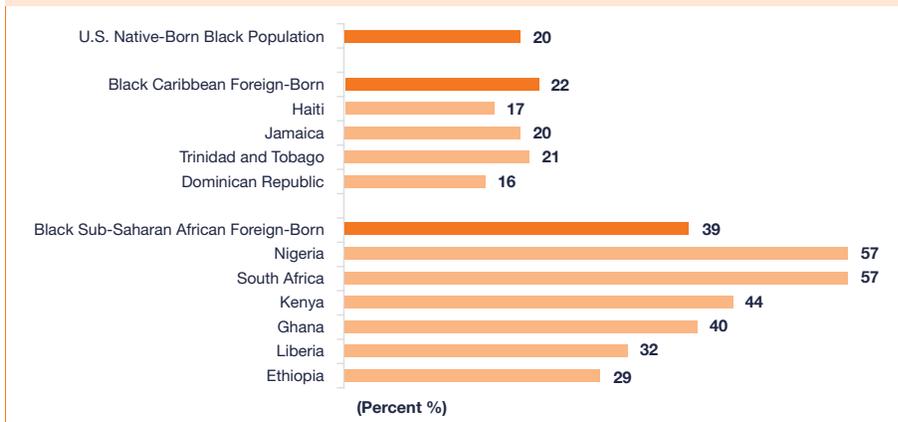
is reflected in Figure 10—approximately 22 percent of the Black Caribbean foreign-born population hold a bachelor’s degree or higher. This figure is only about half that of Black African immigrants. Disaggregation by Caribbean country indicates that English speaking countries have notably higher educational attainment rates than that of countries where English is not the native language. Trinidad and Tobago has

³⁰ Zong, Jie, and Jeanne Batalova. (2014). “Sub-Saharan African Immigrants in the United States.” *Migration Policy Institute*. Available: https://www.migrationpolicy.org/article/sub-saharan-african-immigrants-united-states#Educational_and_Professional_Attainment.

³¹ Note: This does not conflict with the figures presented in Figure 3, which also presents comparative data on Bachelor’s degrees and all other higher degrees. In the foreign-born Black category, Black immigrants from both the English speaking and Spanish speaking Caribbean are included, although Black Caribbean immigrants have much lower educational levels than African immigrants, thus skewing the number downwards. Similarly, when aggregating all immigrants as is the case in Figure 10, the figures for Asian immigrants are skewed downward because of the inclusion of Hispanic immigrants in the total figure which have much lower educational attainment rates as presented in Figure 3 and Table 1.

³² Thomas, Kevin JA. (2012). “A demographic profile of Black Caribbean immigrants in the United States.” *Washington, DC: Migration Policy Institute*: 15. Available: <https://www.migrationpolicy.org/research/CBI-demographic-profile-black-caribbean-immigrants>

Figure 10: Percentage of Native-Born and Foreign Born Black Population With a Bachelor's Degree or Higher, by Country and Region, 2015



Source: U.S. Census Bureau, 2015 ACS; Compiled by Author

the highest level of educational attainment at 21 percent, followed by Jamaica at 20 percent. While Haiti’s level of educational attainment is 17 percent and the Dominican Republic’s is 16 percent.

In the previous section, when evaluating the relationship between human capital and immigrant background, the findings indicate that immigrants have higher levels of human capital than their U.S. native-born counterparts; this is due primarily to their high levels of educational attainment. The one exception was Hispanic immigrants, owing largely to the high rates of unauthorized status among immigrants within this group. Overall, Black immigrants have higher levels of educational attainment than native-born Blacks. Approximately 20 percent of African Americans hold a bachelor’s degree or higher, in comparison to Black African immigrants at 39 percent, and Black Caribbean immigrants at 22 percent (Figure 9). When disaggregating

the figures by country of origin, Black immigrants from countries where English is not the native language report lower rates of education than that of African Americans. This is because the lack of English language fluency for this group serves as a

significant human capital barrier.

The findings of this section echo those of the previous section. Despite racial discrimination and policies of exclusion, both in the U.S. and in their countries of origin, Black immigrants migrate to the U.S. with higher levels of human capital, which is consistent with patterns of educational selectivity among immigrants in general and consistent with U.S. immigration policy, which determines the eligibility standards for the desired immigrant category. The Immigration and Naturalization Act has been amended several times since its inception in 1952 and prioritizes immigrant categories of interest such as family and employment-based preferences, for example, which benefit immigrants with high educational attainment. Immigrants with more education tend to have the resources, abilities, and initiative to undertake the

immigration process. At the most basic level, less educated immigrants generally do not have the financial resources to leave their home country. At the same time; however, this assertion does not hold true for a third of the Black African immigrant population, who enter the U.S. as refugees and across all comparisons are less educated and possess far fewer resources than African immigrants who migrated to the U.S. through the diversity visa lottery or family reunification. Also, while refugees to the U.S. are eligible for social services and arguably receive considerable support from the government and resettlement institutions, these resources do not mitigate the circumstances, which brought this group to the U.S.

Refugees migrate to the U.S. because they are fleeing untenable situations, such as conflict, persecution, and genocide. Yet despite their circumstances, and that the majority of refugees from Africa enter the U.S. without English language skills or higher education, they pursue higher education and acquire English proficiency at higher rates than any other immigrant group.³³ Despite racial discrimination or the trauma of forced migration, Black immigrants, and especially Black immigrants from Sub-Saharan Africa, enter the U.S. with high levels of human capital,

or they quickly acquire it, demonstrating the strong positive association between immigration and human capital.³⁴ What remains to be determined is if human capital is correlated with entrepreneurship rates for Black immigrants in the U.S.

Financial Capital and the U.S. Foreign-Born Black Population

As noted in the earlier discussion of financial capital, levels of personal wealth are directly correlated with business creation and business sustainability. Lower levels of wealth are consistent with lower levels of business establishment. Further, low levels of wealth create liquidity constraints and inhibit the ability of entrepreneurs to raise startup capital.

Existing research on startup and growth capital, identify home ownership as a key measure of personal wealth.³⁵ Studies find that personal wealth, as measured by home ownership decreases the likelihood of loan denials among existing business owners.³⁶ Homeownership also increases the probability of an individual starting a business, and the ability of homeowners to borrow against their homes also makes it easier for them to finance new business enterprises.³⁷

³³ Capps, Randy, Kristen McCabe, and Michael Fix. (2012). "Diverse streams: African migration to the United States." Migration Policy Institute: Washington, DC. Available: <https://www.migrationpolicy.org/research/CBI-african-migration-united-states>

³⁴ Refugees also have higher rates of entrepreneurship at 13 percent, than other immigrants (11.5 percent) and the U.S. native-born population (9.0 percent). See Mwaura, Samuel, and Sara Carter. (2015). "Does entrepreneurship make you wealthy." Enterprise Research Centre. Birmingham, UK. Available: <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2015/03/Does-Entrepreneurship-Make-You-Wealthy.pdf>

³⁵ Fairlie, Robert W. (2012). "Immigrant entrepreneurs and small business owners, and their access to financial capital." Small Business Administration: 1-46. Available: <https://www.microbiz.org/wp-content/uploads/2013/07/Immigrant-Entrepreneurs-and-Small-Business-Owners-and-their-Access-to-Financial-Capital.pdf>

³⁶ Ibid

³⁷ Ibid

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Initial assessments of wealth indicators for Black immigrants, are somewhat mixed. The foreign-born Black population (i.e. African and Afro-Caribbean combined) has higher household incomes and higher employment rates, than African Americans (Table 5). At \$43,800, the median household income for the foreign-born Black population is \$10,000 more than that of African Americans; and the foreign-born Black population has the highest employment rates (75 percent) of all other groups. The Black immigrant poverty rate is 20 percent, which is lower than that of African Americans (28 percent), but it exceeds that of all other immigrants (19 percent), albeit only slightly, as well as that of the total U.S. population (16 percent). Black immigrants also have the lowest home ownership rates in comparison to other groups. The rates of homeownership among Black immigrants is 40 percent, which is slightly lower than that of African Americans (42 percent), but substantially lower than that of other immigrants (51 percent), and the total U.S. population (64 percent). However, when disaggregated by region and country, the homeownership rate for Black Caribbean immigrants is 46 percent, which is higher than African Americans; and across all Black immigrant groups, Jamaican immigrants have the highest rate of homeownership (54 percent). In contrast, the Black African immigrant homeownership rate is considerably lower than all other groups, at 37 percent; and Ethiopian immigrants report the lowest rate

Table 5. Measures of Wealth Indicators Among Black Immigrants in the U.S. in Comparison to Other Groups, 2013

	Native-Born Black Population	Foreign-Born Black Population	Black African Immigrant Population	Black Caribbean Immigrant Population	All Immigrants	U.S. Population
Median Household Income	\$33,500	\$43,800	\$43,000	\$43,000	\$48,000	\$52,000
Homeownership	42%	40%	37%	46%	51%	64%
Poverty Rate	28%	20%	22%	18%	19%	16%
Employment Rate	70%	75%	75%	75%	71%	72%

Source: U.S. Census Bureau, 2012 augmented American Community Survey
 Note: U.S. native born and foreign-born blacks include single-race blacks, and mixed-race blacks, regardless of Hispanic origin

of homeownership, at 35 percent (Table 5).

Table 5 portrays a unique picture of the Black immigrant population in the U.S. As a measure of socioeconomic status, high levels of education are associated with high earnings. However, while the high levels of educational attainment and English proficiency of Black African immigrants translates into high rates of employment and labor market participation, they do not lead to higher earnings. Further, Black African immigrants have notably low levels of homeownership, which is also inconsistent with their high level of education. In contrast, despite much lower levels of education, Black Caribbean immigrants have equivalent labor participation rates and income earnings to that of Black African immigrants. Also, Black Caribbean immigrants have much higher rates of homeownership than African immigrants.

Given that homeownership is a crucial

predictor of access to financial capital and successful entrepreneurship, it is significant that a study of immigrant owned businesses finds that Black African immigrants face more barriers to financial capital access than Black Caribbean immigrants; which is

consistent with our expectations, given the lower rates of home ownership for African immigrants. Black African firms are twice as likely as Black Caribbean firms to be denied a business loan.³⁸ Also, 44 percent of Black African immigrants report that fear of rejection discouraged them from applying for loans; compared to 39 percent of Black Caribbean immigrants who report feelings of discouragement.

Overall, Black Caribbean immigrants report the highest levels of financial capital in comparison to African Americans and Black African immigrants. Across the measures of wealth and economic indicators, Black Caribbean immigrants consistently outperform African Americans. Further, with the exception of levels of educational attainment, Black Caribbean immigrants also outperform Black African immigrants along these same measures. In assessing the levels of financial capital, and access to

³⁸ Henry, John W, Joe T Darden, Norah F. Frazier. (2010). *The African Diaspora in the U.S. and Canada at the Dawn of the 21st Century*. Albany: State U of New York.

financial capital among African Americans and Black immigrants, what emerges is that for Afro-Caribbeans, there is a strong positive relationship between levels of financial capital and immigrant background. There is less evidence to suggest that this is also true for Black African immigrants. The implication of this is that African American and African immigrant entrepreneurs start their businesses with comparable levels of financial capital; however, it remains to be determined the impact this has on each group's entrepreneurial outcomes.

The most obvious reason why Black African immigrants diverge from Afro-Caribbean immigrants on this measure is related to duration of residence in the U.S. and population age. In comparison to Black Caribbean immigration, African immigration to the U.S. is much more recent, with more than 63 percent of the African immigrant population arriving in the United States after 2000.

Afro-Caribbean immigration surged in the late 1960s and only recently began to stabilize beginning in 2000; in turn, African immigration skyrocketed at the turn of the millennium and continues to grow every year. Therefore, opportunities for wealth accumulation have been limited due to the shorter duration of residence in the

U.S. Also, the median age of Black African immigrants (37 years) is much lower than the median age of Afro-Caribbean immigrants (47 years). Wealth accumulation is also associated with age, thus, as the African population ages, wealth accumulation is likely to increase.

Social Capital and the U.S. Foreign-Born Black Population

Social capital is essential to labor markets and economies. And as previously demonstrated, immigrant entrepreneurs rely upon the social structures within their communities to acquire business startup capital and growth financing. More so than non-immigrant business owners, immigrant business owners rely upon one another for resources such as contacts, financing, equipment and mentorship. As a result of immigrant social capital, immigrant entrepreneurs are able to achieve financial independence through a

supportive network that provides business mentorship and capital investment.

According to a survey of Caribbean business owners (U.S. Census, 2011), it was determined that Afro-Caribbean businesses experienced much higher longevity rates than non-immigrant

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AFTER 2000.**
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businesses due to the investment of veteran immigrant business owners. Co-ethnic veteran business owners in the same industry would provide capital and mentorship to new Afro-Caribbean businesses, thus facilitating the successful establishment of the new business. Subsequently, once this new business became sustainable, the owner of that business would do the same for the next immigrant entrepreneur, thus, creating a social capital network in support of business ownership.

Studies of Black African immigrant entrepreneurship highlight that African immigrants have extensive transnational social networks. The active engagement of the African diaspora functions as a significant measure of social capital among Black African immigrants. However, analyses of African social capital have come to conclude that while African social networks are widespread, and the prospects for social capital should be high, that among African immigrants, measures of social capital trend downward given low levels of social trust and high geographic dispersion.³⁹

Social trust is the foundation of social capital. When thinking of the entrepreneurial process among immigrants, it involves a pattern of time investment,

financial investment, resource support and mentorship. The new immigrant entrepreneur must maintain a high level of trust in the veteran immigrant business owner, upon whom he/she is heavily reliant in the initial stages of a new business. On the other hand, the veteran business owner must also place trust in the new immigrant entrepreneur and maintain the belief that he/she will achieve profitability and provide a return on their investment. Consequently, personal trust between veteran and new immigrant business owners is essential to the continuity of that relational network, and creating a culture of business success. Future studies should explore both the extent to which family business ties strengthen social trust and to what extent family ties explain business success rates across the life cycle of a business start-up for African Americans and immigrant groups.

Research conducted on the elements of social capital in Sub-Saharan Africa finds that countries with high levels of social trust also have high levels of ethnic homogeneity. Given that Sub-Saharan Africa is the most ethnically fractionalized region in the world, it is unsurprising that levels of interpersonal trust are comparatively lower than all other regions. Intra-regional comparisons support this. The three African countries with the largest black immigrant population

³⁹ See Kuenzi, Michelle T. (2008). "Social Capital And Political Trust In West Africa." *Afrobarometer: Working Paper Series*, 96. Available: <http://afrobarometer.org/sites/default/files/publications/Working%20paper/AfropaperNo96.pdf>; Delhey, Jan and Kenneth Newton. (2003). "Who Trusts: The Origins of Social Trust in Seven Societies." *European Societies* 5(2): 93-137; Anderson, Christopher J. and Aida Paskeciute. (2006). "How Ethnic and Linguistic Heterogeneity Influence the Prospects for Civil Society: A Comparative Study of Citizenship Behavior." *The Journal of Politics* 68(4):783-802; Brehm, John and Wendy Rahn. (1997). "Individual-Level Evidence for the Causes and Consequences of Social Capital." 1997. *American Journal of Political Science* 41(3): 999-1023.

in the United States are, Nigeria, Ethiopia and Ghana, respectively.⁴⁰ Nigeria has the highest degree of ethnic fractionalization of the three nations, with more than 250 ethnic groups. Ghana has the lowest degree of ethnic fractionalization of the three nations, with 11 ethnic groups. Case study analyses of the two countries find that Ghanaians have high levels of social trust. Also, corresponding indicators for high levels of Ghanaian social trust include, high levels of economic development and civil participation, low levels of corruption, and Freedom House classifies the nation as 'free'.⁴¹ Nigerians, on the other hand, have low levels of social trust, which is evidenced by the corresponding indicators for that state. Since its independence, Nigeria has been plagued by chronic ethno-religious conflicts, political violence and terrorism, the Human Development Index classifies it as 'low human development', and it suffers from extensive corruption at every level of society.⁴²

Global analyses of African migration and the African diaspora indicate immigrants from the region continue to struggle with social capital formation upon resettlement in their host nations. African immigrants express a lack of trust in public organizations,⁴³ and

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⁴⁰ Anderson, Monica. (2015). "A rising share of the US Black population is foreign born." *Washington, DC: Pew Research Center* 9. Available: http://www.pewresearch.org/wp-content/uploads/sites/3/2015/04/2015-04-09_black-immigrants_FINAL.pdf

⁴¹ Kuenzi, Michelle T. (2008). "Social Capital And Political Trust In West Africa." *Afrobarometer: Working Paper Series*, 96. Available: <http://afrobarometer.org/sites/default/files/publications/Working%20paper/AfropaperNo96.pdf>;

⁴² Ibid

⁴³ Gele, A. A., & Harslof, I. (2012). Barriers and facilitators to civic engagement among elderly African immigrants in Oslo. *Journal Immigrant Minority Health*, 14, 166-174. doi:10.1007/s10903-010-9423-8

report low levels of trust in individuals from other ethnic and national origin groups, but respondents also report low levels of trust for others within their own ethnic and national origin groups.^{44,45} The lack of social trust among African immigrants is a characteristic that is cultivated in this group's country of origin, and is retained even after immigration and resettlement.

Ethnic immigrant enclaves develop out of high ethnic geographic concentration. Immigrant resettlement patterns are informative, and ethnic enclaves are associated with strong relational networks, a high degree of social trust, and are illustrative of high levels of social capital. At the same time, the absence of an ethnic enclave or high geographic concentration does not mean these immigrant groups do not have high levels of social capital. For example, Korean immigrants maintain strong immigrant networks despite they are widely dispersed.⁴⁶ Also, population size affects the capacity for enclave formation, which is why new immigrant groups are more geographically dispersed than older immigrant populations. Given that African immigration did not surge until 2000, and is still classified as a new migration, this could explain why African immigrants have high geographic dispersion.

When examined collectively, Black immigrants are highly concentrated. Of the

entire U.S. Black immigrant population, 82 percent live in either the Northeast or the South; with an even split (41 percent) between the two regions. The Midwest and the West are home to the remaining 9 percent of the Black immigrant population. Afro-Caribbean immigrants are the most geographically concentrated—95 percent live in either the Northeast or the South. The Black African immigrant population is much more widely dispersed—40 percent live in the South, 25 percent in the Northeast, 19 percent in the West, and 16 percent in the Midwest.

To put the differences into context, the largest African immigrant population is from Nigeria, and 31 percent of its population is geographically distributed across Washington DC, New York NY, and Houston TX. These three cities contain the largest concentration of Nigerian immigrants in a single metropolitan area, which is one-third of the Nigerian immigrant population. What this indicates is that 70 percent of the Nigerian immigrant population is dispersed across several other geographical areas (Table 6). In comparison, the largest Afro-Caribbean immigrant population in the U.S. is from Jamaica, and 53 percent of its population is geographically distributed across New York NY, Ft. Lauderdale FL, and Miami FL, indicating over half of the Jamaican immigrant population is concentrated in only three cities—two of

⁴⁴ Madhavan, Sangeetha, and Loren B. Landau. (2011). "Bridges to Nowhere: Hosts, Migrants, and the Chimera of Social Capital in Three African Cities." *Population and Development Review* 37.3: 473-97.

⁴⁵ Immigrants from Burundi, the Democratic Republic of Congo, Mozambique, Rwanda, Somalia and Sudan now living in Johannesburg (South Africa), Maputo (Mozambique), and Nairobi (Kenya) were surveyed

⁴⁶ See Toussaint-Comeau, M. (2008). "Do ethnic enclaves and networks promote immigrant self-employment?" *Economic Perspectives*, 4(Q), p. 40

which (Miami and Ft. Lauderdale) are within thirty miles of each other (Table 6).

Table 6. Top Three MSAs Relative to each Immigrant Group's Nationwide Population, 2010

Region/Country of Origin	First MSA	Second MSA	Third MSA	%
AFRICA				
Ethiopia	Washington DC	Atlanta GA	Minneapolis MN/ St. Paul WI	38
Nigeria	New York NY	Washington DC	Houston TX	31
CARIBBEAN				
Haiti	New York NY	Miami FL	Ft. Lauderdale FL	54
Jamaica	New York NY	Ft. Lauderdale FL	Miami FL	53

Source: U.S. Census Data, 2010; Compiled by author.
Note: MSA stands for Metropolitan Statistical Area

With respect to social capital, Black immigrants in the U.S. are notably distinct. Afro-Caribbean immigrants have deeply entrenched immigrant networks and geographically densely concentrated. These features of social capital, which are integral to the entrepreneurial process, are prevalent among the Afro-Caribbean immigrant population and indicate that for this group, immigrant origins and social capital are closely linked.

For Black African immigrants, there exist barriers to social capital. Despite the presence of extensive ethnic networks and an actively engaged African diaspora, low levels of social trust and wide population dispersion suggest African immigrants face challenges with respect to translating their immigrant backgrounds into tangible social capital. The post-2000 increase in

African immigration is categorized as a new wave of immigration; therefore, some of the barriers to social capital may disappear over time. However, at this juncture, for Black African immigrants, there is no obvious association between social capital and immigrant origin.

Similar to the patterns observed with financial capital, African immigrants and African Americans possess comparable levels of social capital. Therefore, when

starting a business, African immigrants and African Americans are unable to utilize the dimensions of social capital as a reliable resource. The following section discusses the implications of this and the potential impact this dynamic has on each group's entrepreneurial prospects.

Findings and Key Recommendations: The State of Black Entrepreneurship in America-Translating Capital into Black Immigrant and African American Entrepreneurship

Taken as a whole, the rate of business ownership for Black immigrants is 5.6 percent, which is more than double the business ownership rate of native-born Blacks at 2.5 percent.⁴⁷ However, when disaggregated, the data reveal that at 1.4

⁴⁷ As of 2019, this figure is now 3.5 percent, but we don't yet have the figures for Black immigrants to make comparisons, so had to rely upon most recent data for which all information was available, which was 2010 U.S. Census Data.

percent, Black African immigrants have the lowest rate of business ownership; whereas, Black Caribbean immigrants have the highest rate of business ownership of all three groups at 4.2 percent (Table 7).

Table 7. U.S. Native-Born and Foreign-Born Black Population-Rate of Business Ownership, 2010

Nativity/Region of Origin	Rate of Business Ownership (%)
Black American Native-Born	2.5%
Black Caribbean Foreign-Born	4.2%
Black African Foreign-Born	1.4%

Source: U.S. Census Data, 2010; Compiled by author.

Throughout the discussion of the various forms of business capital, some explanations have been explored to explain the preparedness of each group for entrepreneurship. While Afro-Caribbean immigrants have low levels of human capital (as measured by educational attainment), this group has the highest levels of both financial and social capital, when compared to African Americans and Black African immigrants. Of the three groups, Afro-Caribbean immigrants possess strong indicators of wealth. They have the highest home ownership rate, and the lowest poverty rate; and they are tied with African immigrants for the highest employment rate and median household income. Consequently, Afro-Caribbean immigrant entrepreneurs are able to start their businesses with greater accumulated wealth than African immigrants and African

Americans. Afro-Caribbeans also have strong ethnic networks, high levels of social trust, and they are highly geographically concentrated. All of these factors together indicate Afro-Caribbeans have high levels of social capital.

Black African immigrants have the highest levels of human capital, and they have the highest levels of educational attainment of any group in the United States. However, across the measures of financial capital, African

immigrants have the lowest rates of home ownership, of the three groups. Black African immigrants have equivalent rates of employment and median household incomes to that of Afro-Caribbeans. At the same time, while their poverty rate is lower than that of African Americans, it is 4 percent higher than the rate of poverty among Afro-Caribbeans. Also, Black African immigrants have low levels of social capital. There is a systemic lack of social trust between Black African immigrants. Social trust is the basis for the formation of ethnic enclaves, and the lack of it among African immigrants helps explain why this group has the highest rate of geographic dispersion of the three groups.

African Americans have comparable levels of human capital to that of Afro-Caribbeans, which are low, but they have a high level of financial capital, especially in

comparison to African immigrants. Despite their high rates of poverty, and low median household income, African Americans have comparatively high rates of employment to that of Afro-Caribbeans and African immigrants. And while the homeownership rate for African Americans is lower than that of Afro-Caribbeans, it is significantly higher than that of African immigrants. Also, African Americans have relatively high levels of social capital. Although, similar to Black African immigrants, African Americans also struggle with social trust, they have strong relational networks and have high levels of geographic concentration.⁴⁸

Overall, this analysis of Black immigrants and African Americans helps shed light on the state of black entrepreneurship in the United States, and several conclusions can be drawn from this study.

I. Afro-Caribbean immigrants have the highest rates of business ownership due largely to their high levels of financial and social capital.

II. Black African immigrants have the lowest rates of business ownership, due largely to their low levels of

financial and social capital.

III. Black African immigrants are also less likely to own a business than African Americans and Afro-Caribbeans because of their high levels of human capital. Given their high levels of education and overrepresentation in STEM majors, Black African immigrants are much more likely to pursue highly professionalized, high paying careers in fields such as medicine and engineering.⁴⁹

IV. The entrepreneurship rate for African Americans is positioned between Afro-Caribbean immigrants and Black African immigrants, because they have high levels of financial and social capital, relative to African immigrants, but lower levels of financial and social capital than that of Afro-Caribbean immigrants.

V. While education is important, a high level of educational attainment is not essential to successful business ownership. This is consistent with statistics that indicate 57 percent of small business owners in the U.S. do not have a college degree.⁵⁰

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**ENTREPRENEURSHIP IS A KEY
PATHWAY TO NARROWING THE
RACIAL WEALTH GAP.**
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⁴⁸Rastogi, Sonya et al. (2011). “U.S. Census Briefs: The Black Population, 2010.” *U.S. Census*. Available: <https://www.census.gov/prod/cen2010/briefs/c2010br-06.pdf>

⁴⁹New American Economy (2018). How Sub-Saharan Africans Contribute to the U.S. Economy. January. Available: http://research.newamericaneconomy.org/wp-content/uploads/sites/2/2018/01/NAE_African_V6.pdf

⁵⁰Immigrant Small Business Owners: A Significant and Growing Part of the Economy (2012). A Report from the Fiscal Policy's Institute's Immigration Research Initiative. Available: <http://www.fiscalpolicy.org/immigrant-small-business-owners-FPI-20120614.pdf>

VI. Financial capital is essential to successful business ownership at every stage, yet while social capital is also important at every business ownership stage; it is more critical to business longevity, than at the startup phase.

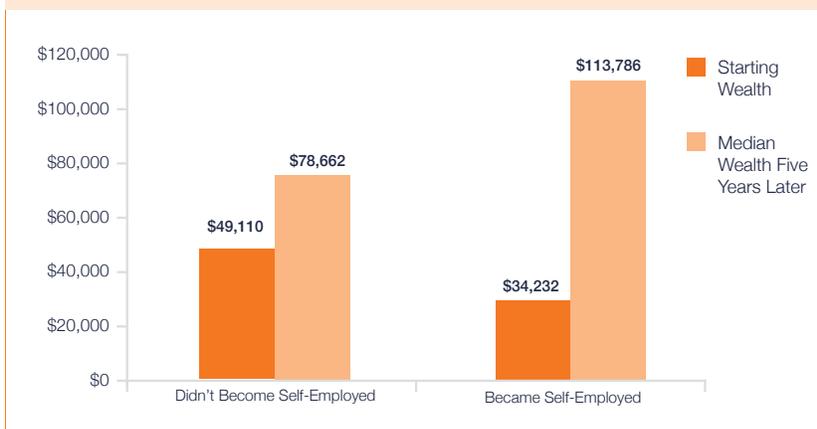
There are many advantages of entrepreneurship—one of them being it promotes economic growth. According to the Survey of Business Owners (2012), the existing number of black owned businesses have created over one million jobs and generated over \$165 billion in revenue. Another important advantage of entrepreneurship is that successful business ownership is one mode for achieving personal wealth. The wealth differential between business owners and non-business owners is substantial (Figure 11); and this wealth advantage is even more pronounced for minorities and women. For example, the median net worth for Black business owners is 12 times higher than

Black nonbusiness owners. Further, when examining the net worth of Black business owners in comparison to the net worth of White business owners, it becomes clear that entrepreneurship represents a pathway to narrowing the racial wealth gap. While Whites have 13 times the wealth of African Americans, when comparing the median wealth of Black and White business owners, the median wealth gap decreases to that of three.

To conclude this section, economic mobility is achievable for African Americans, and at the nexus of this goal is entrepreneurship. African Americans have a rich history of entrepreneurship and economic development, one that has been stunted due to targeted racism and discriminatory policies. However, what this study demonstrates is that among the U.S. black population, Afro-Caribbean immigrants offer a model of economic success. Afro-Caribbean immigrants have built wealth

through the pathway of entrepreneurship, and the core foundation of Afro-Caribbean business ownership is social capital. Through strong ethnic networks and social trust, Afro-Caribbean business owners have been able to generate financial capital for business startup. Also, through these ethnic networks, veteran business

Figure 11. Median Wealth Growth For Entrepreneurs and Non-Entrepreneurs, 2015



Source: Mwaura, Samuel, and Sara Carter. (2015). "Does entrepreneurship make you wealthy." *Enterprise Research Centre*, Birmingham, UK. Available: <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2015/03/Does-Entrepreneurship-Make-You-Wealthy.pdf>

owners provide non-monetary capital and mentorship to new Afro-Caribbean entrepreneurs. This dynamic has led to the establishment of Afro-Caribbean ethnic enclaves and the creation of a culture of entrepreneurship. African Americans have strong relational networks and have steadily established professional entrepreneurial networks. However, a core element lacking within the African American community is that of social trust.

Some recommendations for African American entrepreneurs in this area include:

I. Leveraging existing familial and relational networks, which are prominent in the African American community, to foster greater social trust.

II. Building upon the growing network of professional entrepreneurial linkages, associations, and organizations which have been successful in increasing Black business ownership as a pathway to establishing a communal sense of social trust, which is essential to social capital development.

III. Working with the federal government through agencies such as the Minority Business Development Agency and the Small Business Administration to help improve the relationship between financial institutions and Black entrepreneurs.

Cultivating more social trust within the African American community is crucial. Social trust is the necessary and essential component of social capital that is currently lacking for Black entrepreneurs. However, as social trust continues to grow, and subsequently social capital, so too will there be more equitable opportunities for African American entrepreneurs in the areas of financial capital generation, investment, mentorship, and ultimately business creation.

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**CULTIVATING
MORE SOCIAL
TRUST WITHIN THE
AFRICAN AMERICAN
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CRUCIAL.**

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