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Who Owns New Businesses?



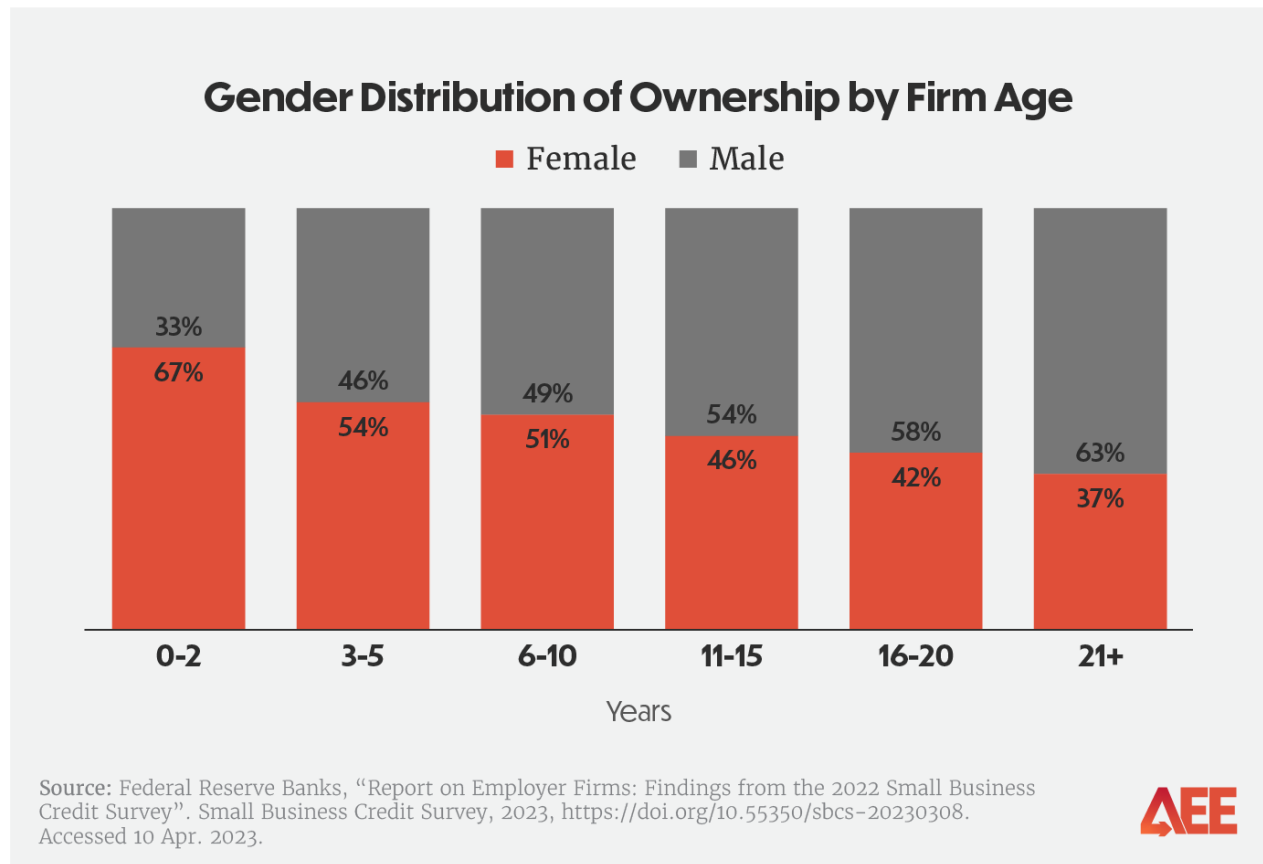
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New businesses in America are far more likely to be owned by women or people of color. The surprising numbers behind that trend were recently made available through the Small Business Credit Survey of the Federal Reserve Banks—an annual measurement of how firms with under 500 employees are faring.¹ If these firms beat the odds and survive their startup period, the next generation of employers would be much more diverse than it has been historically. Here’s what the Fed numbers show:

2/3 of new businesses are owned by women.

Fed data breaks down the gender of business owners based on the age of the small business they own. Among the newest businesses (under two years old), 67% are owned by women. The upward trend in women owned businesses is somewhat new. There are minimal owner gender differences

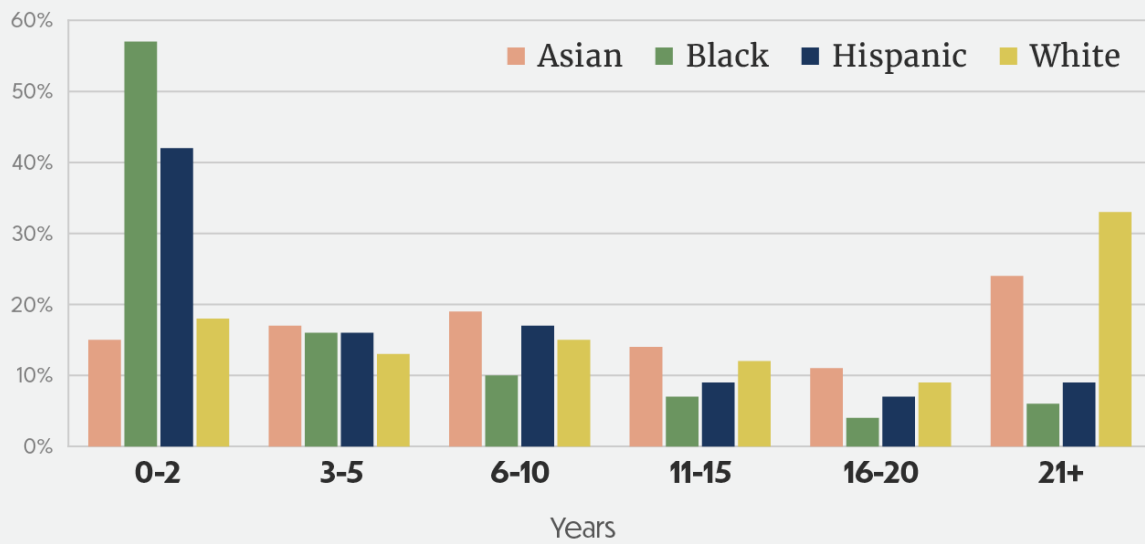
for firms between 3–20 years old, though firms under 10 years old are slightly more likely to be female owned. However, firms over 21 years old are far more likely to be owned by men.



3-in-5 new businesses are owned by people of color.

Fed data also breaks down the race and ethnicity of business owners. Among businesses under two years old, 60% are owned by Asian, Black, or Hispanic entrepreneurs. The minority-owned business boom is particularly pronounced for Black and Hispanic businesses.² Specifically, 57% of Black-owned businesses are under two years old, as are 42% of Hispanic-owned businesses. Interestingly, Asian-owned businesses follow a similar trend as white owned businesses. Only 15% of Asian-owned and 18% of white-owned businesses are less than two years old, but they constitute 24% and 33% of firms over 20 years old respectively.

Percentage Share of Owner Race/Ethnicity by Firm Age



Source: Federal Reserve Banks, "Report on Employer Firms: Findings from the 2022 Small Business Credit Survey". Small Business Credit Survey, 2023, <https://doi.org/10.55350/sbcs-20230308>. Accessed 10 Apr. 2023.



Young businesses face fierce headwinds. Seventy percent of small employer businesses survive their second year, with the rate dropping off to 50% and 35% for the 5th and 10th years respectively.³ Should these young firms beat the odds, the economic gains of entrepreneurial success will be spread more equitably amongst Americans who have historically had limited access to the opportunity.⁴

ENDNOTES

1. Federal Reserve Banks, “Report on Employer Firms: Findings from the 2022 Small Business Credit Survey”. *Small Business Credit Survey*, 2023, <https://doi.org/10.55350/sbcs-20230308>. Accessed 10 Apr. 2023.
2. McSwigan, Curran, “Who is Behind America’s Startup Surge?”. Report, *Alliance for Entrepreneurial Equity*, 1 Aug. 2022. <https://www.aeequity.org/product/who-is-behind-americas-startup-surge>. Accessed 10 Apr. 2023.
3. Gustafson, Katherine. “The Percentage of Businesses That Fail and How to Boost Your Chances of Success”. Article, *Lending Tree*, 2 May 2022. <https://www.lendingtree.com/business/small/failure-rate/>. Accessed 10 Apr. 2023.
4. Augustus, Imani. “Congressional Recess Packet: Engaging on Entrepreneurship at Home”. Memo, *Alliance for Entrepreneurial Equity*, 19 May 2022. <https://www.aeequity.org/product/congressional-recess-packet-engaging-on-entrepreneurship-at-home>. Accessed 10 Apr. 2023. & Horwitz, Gabe, Curran McSwigan and Don Cravins, Jr. “Entrepreneurial Inequity in America”. Presentation, *Alliance for Entrepreneurial Equity*, 10 May 2022. <https://www.aeequity.org/product/entrepreneurial-inequity-in-america>. Accessed 10 Apr. 2023.