

American Urban Radio Address
Impact of the Financial Crisis on Minority Business

Hello, this is Ron Langston, National Director of the Minority Business Development Agency at the U.S. Chamber of Commerce, Washington, D.C.

Today's current economic crisis presents a heightened challenge to the more than 4.1 million minority-owned businesses in the United States. As the fastest growing business sector of the U.S. economy, we absolutely must make sure they are able to grow and expand both domestically and abroad.

There are three keys to success: financial literacy, technology as an eBusiness tool, and most importantly, access to capital.

As the markets begin to unlock and financial services companies extend credit, it is imperative that minority businesses are not marginalized. The U.S. economy cannot afford for the fastest growing business sector to stagnate, or worse, fail.

Making sure that minority firms of size, scope and capacity have access to capital to grow their businesses and generate new jobs is a national priority

According to MBDA reports, many minority entrepreneurs rely on short-term debt to finance their business – for example, revolving credit lines or business and personal credit cards.

In the current economic environment, not only is it more difficult to receive loans and services from financial institutions, but the price of borrowing is also very high. The Federal Reserve recently reported that 65 percent of domestic banks have tightened lending standards since July 2008. More than 70 percent said they were charging more interest for loans.

This impacts cash flow and stunts the expansion of minority businesses, resulting in decreased growth and capacity and therefore, fewer jobs generated. Making sure that strategic growth firms of size, scale and capacity have critical access to capital and are able to grow and generate new jobs is a national priority.

It's extremely important that as the markets begin to unfreeze and financial services companies extend credit, they include minority businesses. The health of our economy is dependent upon the success of minority business entrepreneurs.

For example, minority-owned firms generated more than \$670 billion in annual sales and employed approximately 4.7 million people in 2002.

From 1997 to 2002, minority firms grew at a rate of 35 percent. By comparison, non-minority firms grew at a rate of 6 percent. During the same time period, the growth in annual gross receipts was also much greater for minority-owned businesses, at a rate of 13 percent, compared to non-minority firms which only grew 4 percent.

With the changing demographics of our nation to a majority minority by the year 2040, it's important we focus on the fastest growing sector of our economy, namely minority business enterprises.

Currently, MBDA is working with the U.S. Treasury Department to ensure that minority firms are considered as we begin to put together a framework for a Rescue Plan.

Finally, there are nearly a hundred minority-owned banks in the United States and minority investment firms that should be considered as suppliers and participants for implementation of the Rescue Plan – these firms should not be left out or marginalized as we work to shore up the nation's economy.

On behalf of President George W. Bush and Secretary of Commerce, Carlos M. Gutierrez, thank you for listening today.