

# HAMILTON COUNTY BLACK-OWNED BUSINESS NEEDS ASSESSMENT SUMMARY OF FINDINGS

Prepared by The Urban League Greater Chattanooga for Pathway  
Lending with generous funding by JPMorgan Chase & Co.

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Provide an ecosystem assessment on the state of Black-owned businesses in Hamilton County to assist with the stabilization and strengthening of these business enterprises through Pathway Lending products, services, and partnerships.

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Only 1% of U.S. Black business owners receive a loan from a bank during their first year of business.



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40% of Black-owned business revenue comes from sectors most vulnerable to the pandemic, including leisure, hospitality, or retail.



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# Research Methodology



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## Background Research

Body of National Research

Previous Local Studies

## Research Design

Assessment of and perspectives on recent local activity

Census data patterns

Survey research

Business owner in-depth interviews

# Research Methodology

## Survey & Interviews

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### **We surveyed Chattanooga area Black-owned businesses to:**

- Deepen our understanding of the Black-owned business ecosystem
- Capture Chattanooga Black business owners' current needs
- Identify businesses with non-traditional capital needs

### **Of the 500 Black-owned businesses we identified:**

- Many were no longer active, including many that failed to launch
- A significant portion represented part-time businesses that operate sporadically and/or generate no revenue
- Our final survey captures 104 responses with 62 completed responses from Black business owners

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We identified 18 survey respondents whose businesses could potentially participate in Pathway Lending loan programs.

We interviewed 8 of these business owners to understand the current status of the businesses, including growth strategies and financing needs.

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# Common Challenges



Black-owned businesses face common challenges nationwide.

## Tools for Scaling Businesses

Hyper-local focus results in businesses that may provide income replacement but fall short of scaling to a level that supports significant job and wealth creation.

## Navigating Capital Sources and Access

Tepid relationship between Black business owners and banks is well chronicled and not specific to Chattanooga. Nationally, only 1% of Black business owners receive a loan from a bank during their first year of business.

## Capacity-Building Networks

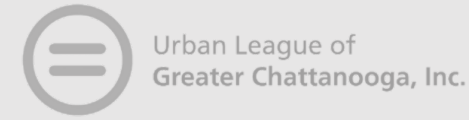
Socio-cultural barriers encompass the biased and exclusionary ways in which Black entrepreneurs are less likely to benefit from social capital afforded by helpful relationships that make up business networks.

## Government Contracting Environment

Inequity in local government contracting shows evidence of disparities likely caused by the race, ethnicity, or gender status of the firm owners.



# A Regional and City Priority



Community and ecosystem partners have made Black business development a priority for the last several years





# Recent Efforts

## Minority Contractor Acceleration Efforts



Several private sector supplier diversity programs are working to expand contract opportunities for MBEs (EPB, TVA, BCBS, Volkswagen) with some success. Barriers for African American-owned businesses persist, especially in government contracting.

Example: The ULGC partnered with TVA to launch the **Building Futures Initiative** to broaden the pool of minority firms prepared to do business with TVA. Fifteen program participants have contracted with TVA for work valued at \$264,000 in total.



# Recent Efforts

## Locally-Based Capital Initiatives & Investments



The Greater Chattanooga Community Foundation's \$150,000 Accelerator Loan Fund provides loans up to \$25,000 at 3% interest with deferred interest payments and mentorship.

TVFCU's IdeaLeap loan program offers term loans and credit facilities up to \$50,000 via select technical assistance providers.

The City's Neighborhood Reinvestment Fund provides businesses located in city limits partially forgivable loans up to \$25,000 to support infrastructure-related capital needs.



# Recent Efforts

## Education and Training Programs



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Numerous education and training programs offer startup and established MBEs access to knowledge and skills they need to grow and sustain their businesses. Barriers to participation remain for African American business owners such as limited capacity, among others.

Examples: **Urban League Next-Level, Co.Starters (Launch/Others), SBDC, Hamilton County Business Center, CO.LAB** tech-focused programs, various others.



# Recent Efforts

## Recent Studies



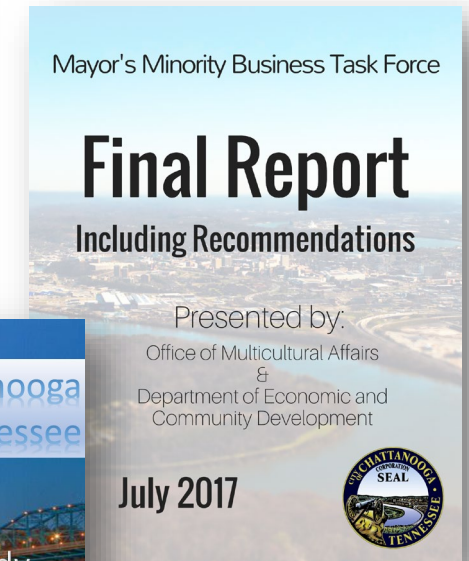
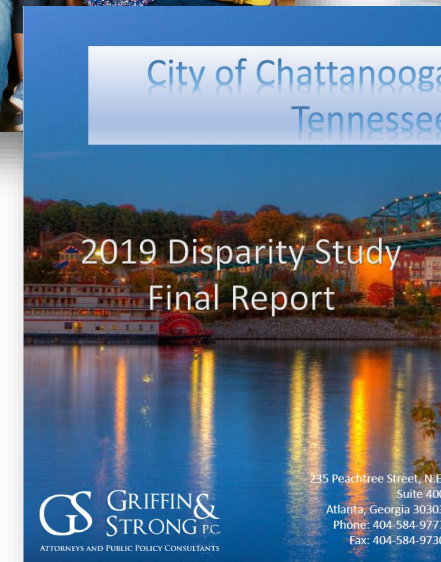
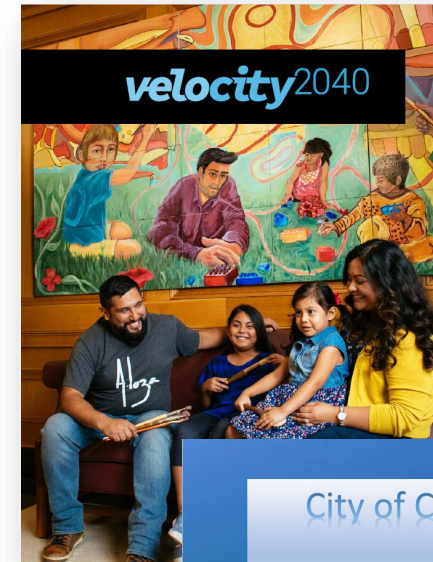
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City Government, Chamber of Commerce, Foundations and other groups have released reports regarding the need to invest in minority-owned businesses' success.

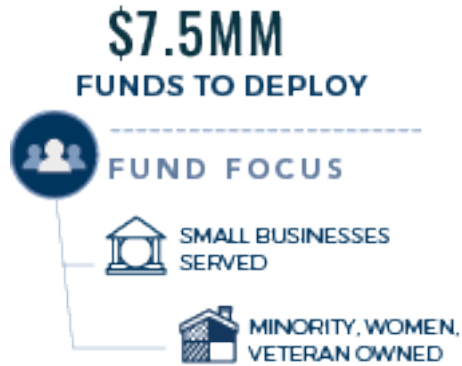
Examples: 2017 Minority Business Task Force recommended: 1) Increase Access to Capital 2) Support a Web Portal 3) Complete the Disparity Study 4) Grow Social Capital. The City Disparities Study for Government Contracting, Velocity 2040 Report from the Chamber and Benwood Foundation, among others.





# Recent Efforts

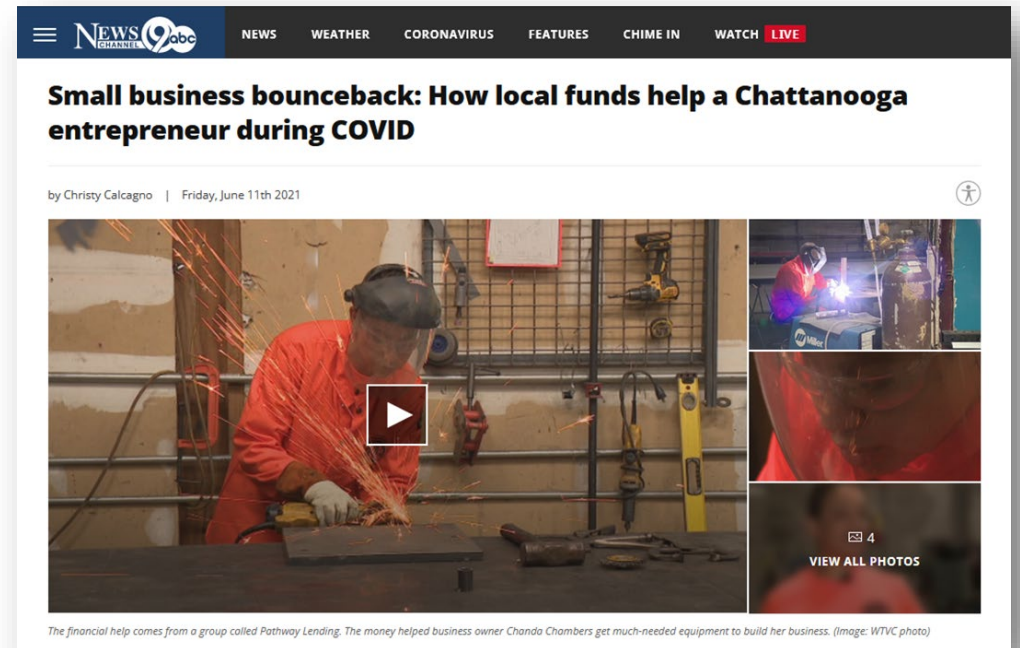
## Chattanooga Small Business Opportunity Fund



Established to advance an inclusive small business ecosystem and improve access to capital for small and minority-led businesses in Greater Chattanooga

Grant support from:  
The Benwood Foundation  
Bobby Stone Foundation  
Footprint Foundation  
Lyndhurst Foundation  
JPMorgan Chase Foundation  
Pointer Management Co.

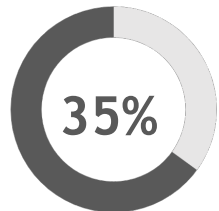
Initial capital provided by:  
First Horizon Bank  
Regions Bank  
Pinnacle Financial Partners



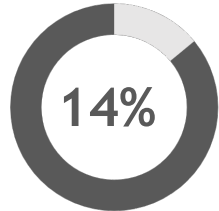
# Findings

## Census Data Patterns

### Black Population

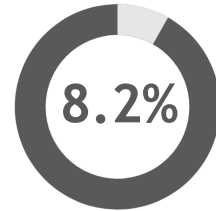


CHATTANOOGA

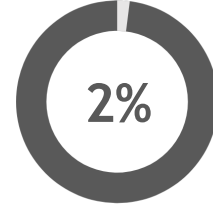


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### Black Business Ownership

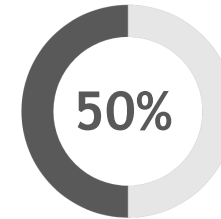


HAMILTON COUNTY  
NON-EMPLOYER FIRMS  
3,200

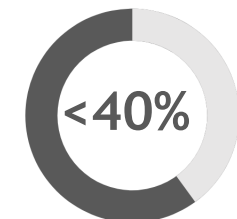


HAMILTON COUNTY  
EMPLOYER FIRMS  
143

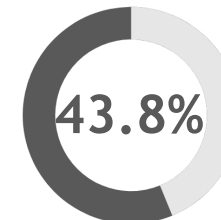
### Black Business Outcomes



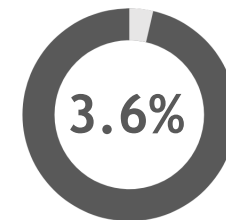
THE JOB CREATION RATE  
OF NON-BLACK FIRMS



OF REVENUE BY  
WHITE-OWNED FIRMS



OF REVENUE BY  
ALL FIRMS



OF TOTAL SALES

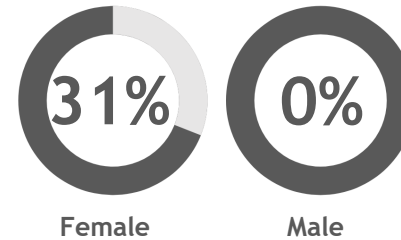
# Findings

## Survey Key Insights

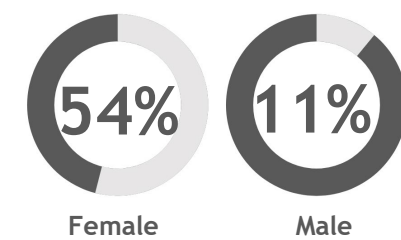
### Gender shapes perceptions and experience.

- Black woman business owners outnumber Black men 2-to-1.
- Women are more likely than men to indicate they perceive gender and racial discrimination as “high impact” challenges to their businesses.
- Women are more likely than men in their survey responses to indicate they perceive finding time to dedicate to strategic planning and to balance their businesses with other work as “high impact” challenges.

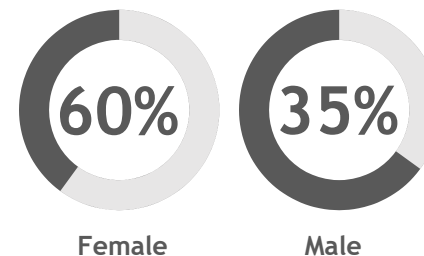
#### Gender Discrimination



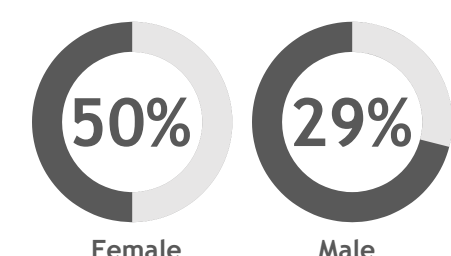
#### Racial Discrimination



#### Finding Time | Planning



#### Finding Time | Balance



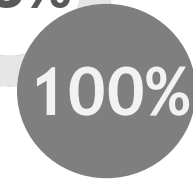
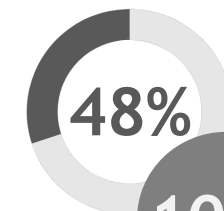
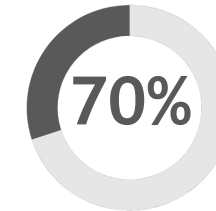
# Findings

## Survey Key Insights

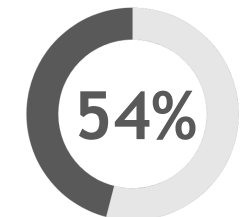
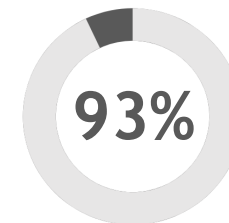
### Most Black-owned businesses are initially self-funded.

- 90% of respondents reported that they used their own savings to start their businesses
- 70% of startup capital came from personal savings, with nearly half (48%) reporting 100% of startup capital came from personal savings
- 93% of respondents report having a separate business bank account, while over 54% report they have never applied for a business-related loan

### Capital From Personal Savings



### Business Bank Account Never Applied For Loan





# Findings

## Survey Key Insights

### **Technical assistance most needed in sales, marketing, and accounting.**

25% of respondents reported sales, marketing, or accounting as the top area of training or support to improve the growth of their businesses. Broadly, respondents expressed high interest in free technical support, business coaching and mentoring, and online training tools.

### **Black-owned businesses with current or prior government contracts (city, county, state, or federal) exhibit distinct characteristics.**

These firms are far more likely to provide the primary source of income for business owners (92% vs 66% for all business owners). These firms also more likely employ multiple people, to have operated longer, and to occupy fewer industry types.

### **Substantial divergence in business outcomes for Black-owned businesses.**

Survey data reveal stark differences in business growth outcomes across populations in the Chattanooga area and show that many Black-owned businesses struggle to start, grow, and flourish.

# Findings

## Interview Key Insights



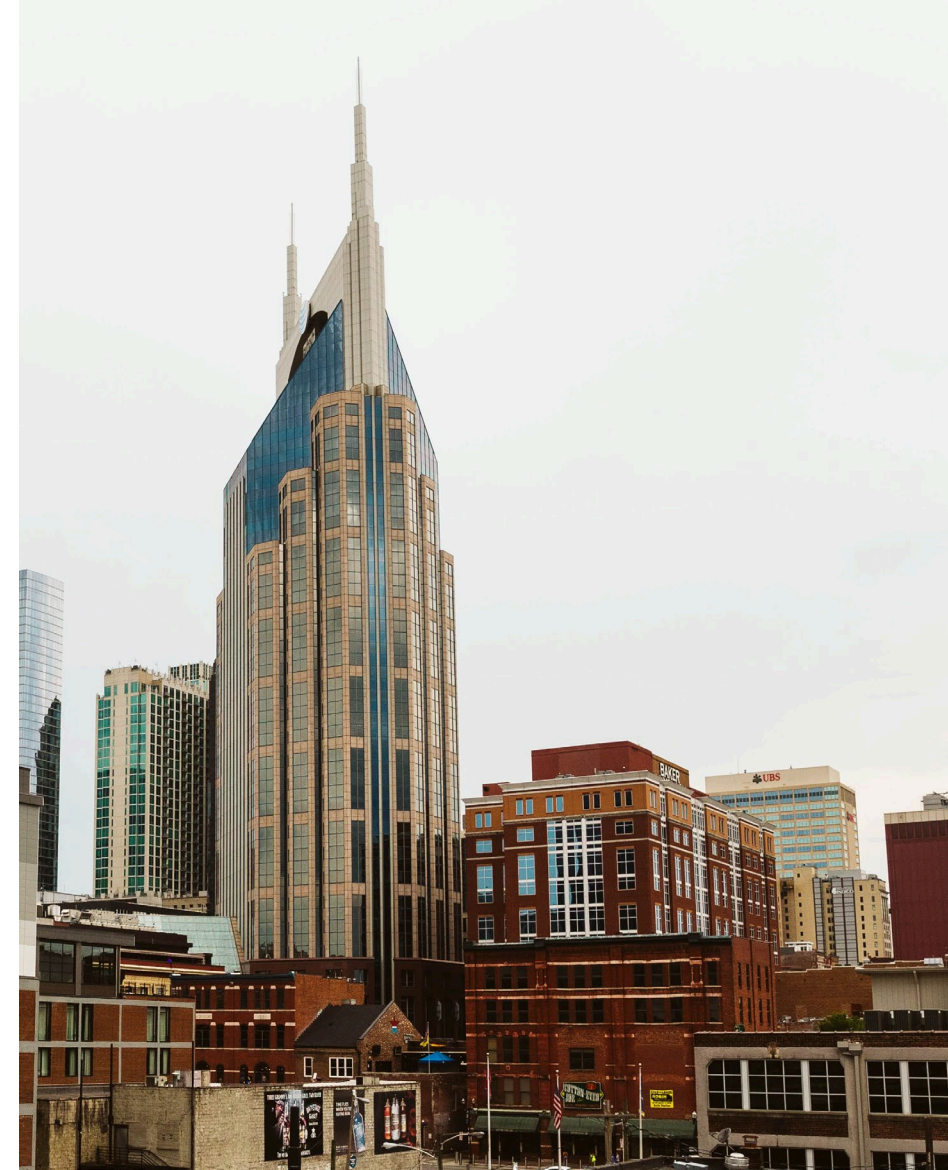
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**Businesses need support for expansion outside Chattanooga area.**

Most businesses we interviewed aspire to expand into Alabama, Georgia, Kentucky, Memphis, or Nashville.





# Findings

## Interview Key Insights



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### Businesses need more networking opportunities.

Despite expressing high interest in government contracting, many businesses report no activity and low awareness of how to find or respond to new or renewal opportunities.



# Findings

## Interview Key Insights



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**Businesses reported a clear inclination towards self-financing.**

Respondents prefer self-financing to loans or working with bank/loan institutions and push the limits of their capacity pursuing growth before considering other options.





# Findings

## Interview Key Insights



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**Businesses need support for hiring and workforce development.**

All business owners we interviewed worry about growing and developing their workforce and report shutdowns continue to impact rehiring efforts.



# Priority Recommendations



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## Leverage Regional Partnerships

Help businesses identify and pursue expansion opportunities to other markets in the southeast region.

## Develop clear marketing to communicate the power of loans

Elevate awareness and deepen knowledge of the benefits of loans as a funding strategy for growth-oriented businesses through dedicated, ongoing marketing and communications efforts.

## Support transparency for government opportunities

Boost visibility into contract opportunities and access to networks to pursue them by convening government procurement specialists with area businesses positioned to provide services to local, state or federal agencies.

## Foster trust by investing in relationships

Nurture business and community relationships by engaging with and investing in Black business and communities to foster familiarity with and trust in financial institutions.



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The mission of the Urban League is to enable African Americans, other ethnic minorities and disadvantaged persons to secure economic self-reliance, parity, power, and civil rights.

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The mission of Pathway Lending is to provide lending solutions and educational services that support the development, growth, and preservation of underserved small businesses, affordable housing, and sustainable communities.

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