Double Jeopardy or Not?
Investigating the Experience of Black Women Entrepreneurs Seeking Small Business Financing

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Minority Women & Small Businesses

• 99.9% of businesses in the US are small businesses
• 47.3% of US employees work for small businesses
• 50% of all women-owned businesses are owned by minority women
• Black women make up the largest segment of women-owned businesses after non-minority women women
Theory of Intersectional Consumers

Previous Research:
- Gender
- Race

Our Research Contribution:
- Consumer Gender
- Consumer Race
- Employee Gender
- Employee Race

Double Jeopardy
Research Questions

1) How are consumers at the intersection of race and gender treated by financial institutions in regards to obtaining small business loans compared to non-intersectional consumers (i.e., white men)?

2) What are the public policies and business practices that can buffer and protect intersectional consumers from differences in treatment?
Methods

Tester Condition
- Black Female
- White Male
- White Female
- Black Male

Bank Visits
- Atlanta:
  - 14 Banks
  - 52 Bank Branches
  - 200 Tests

  • 50 tests for each condition
  • Black profiles slightly better
  • Testers seeking $60k-$70k loans

Record Experience
- Audio Recording
- Video Recording*
- Follow-Up Survey
## Loan Products

<table>
<thead>
<tr>
<th>Loan Product</th>
<th>Pros</th>
<th>Cons</th>
<th>Source</th>
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<tbody>
<tr>
<td>Business Line of Credit</td>
<td>• Flexible</td>
<td>• Higher interest rates</td>
<td></td>
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<td></td>
<td>• Pay what you use</td>
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<tr>
<td>Small Business Administration (SBA)</td>
<td>Pros:</td>
<td>Cons:</td>
<td></td>
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<tr>
<td></td>
<td>• Lower interest rates</td>
<td>• Long approval process</td>
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<td></td>
<td>• Backed by the government</td>
<td>• Difficult to qualify</td>
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<td></td>
<td></td>
<td>• Lump sum payment</td>
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<tr>
<td>Home Equity Line of Credit</td>
<td>Pros:</td>
<td>Cons:</td>
<td></td>
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<tr>
<td></td>
<td>• Flexible</td>
<td>• Can lose your home if unable to make payments</td>
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<tr>
<td></td>
<td>• Pay what you use</td>
<td>• Must be homeowner</td>
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<td>• Adjustable rates</td>
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Analysis

Analyzed *objective* measures of each test and compared the treatment received along the following measures:

- Product recommendations
- Encouragement and Assistance

Quantitative data were analyzed using Chi-Square difference tests and Loglinear analyses

- Black female (Intersectional Consumer) vs. White Male (Control)
- Black female vs. All Others (White Male, White Female, and Black Male)
Product Recommendation: Business Line-of-Credit

Chi-Square = 7.978  $p = 0.01$
Employee-Tester Race & Gender Match: Business Line-of-Credit

*Chi Square = 7.767, p < .01
Employee-Tester Race & Gender Match: Business Line-of-Credit

*Chi Square = 7.767, p < .01
Product Recommendation: Small Business Administration Loan

Chi-Square = 3.291, \( p < .07 \)
Employee-Tester Race & Gender Match: Small Business Administration Loan

*Chi-Square = 4.609, \( p = .03 \)
Employee Offered to Schedule Appointment

White Male: 17.00%
Black Female: 4.00%

Chi-Square = 4.443, p < .04

Employee Offered to Schedule Appointment

All Others: 15.20%
Black Female: 4.00%

Chi-Square = 4.300, p < .04
Employee-Tester Race & Gender Match: Employee Offered to Schedule Appointment Crosstab

*Chi-Square = 5.679, p < .02
Results

Takeaway 1
Black women are not provided information about business line of credit products as frequently

Takeaway 2
Black women are recommended SBA loans more frequently

Takeaway 3
Black women are not offered follow up appointments as frequently
Market Solutions

• Diversity in staffing
• Fair lending training
• Online lending & unbiased technology solutions
• Improved customer service quality

Policy Solutions

• Business loan data reporting regulations
• Ensuring Diversity in Community Banking Act of 2019