

LGBTQ-Owned Small Businesses in 2021

The Financial Health & Needs of LGBTQ
Firms in the Small Business Credit Survey



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LGBTQ-Owned Small Businesses in 2021 Executive Summary

Healthy LGBTQ-owned small businesses are essential for a thriving LGBTQ community, as well as the entire economy. LGBTQ small businesses create local jobs, as well as providing needed goods and services. The National LGBT Chamber of Commerce estimated in 2017 that its 900+ members have created 33,000 jobs, and have contributed \$1.7 trillion to the U.S. economy. LGBTQ small businesses are also spaces for LGBTQ people to gather, socialize, organize, and provide important visibility for the community. It is well documented that discrimination and financial inequality are bad for business and contribute to economic dysfunction. Improving equity in financial services and financing for LGBTQ-owned businesses will improve health and well-being for LGBTQ people and for the entire economy as a whole.

The Federal Small Business Credit Survey (SBCS) is a national survey of small businesses that has been conducted annually since 2016 by the 12 Federal Reserve Banks.¹ SBCS respondents—i.e., small businesses—are firms with fewer than 500 employees. The survey asks respondents about their business performance, financing needs and gaps, including applications for credit and outcomes. The SBCS also examines segments of the small business market, including startups, minority-owned firms, and women-owned firms. In 2021 for the first time the SBCS included questions that allow LGBTQ-owned firms to be identified as well.^a

LGBTQ-Owned Business Demographics



Women & immigrant ownership. LGBTQ-owned small businesses were more likely to be both women-owned (34% vs. 20%) and immigrant-owned (21% vs. 15%).



Race & ethnicity of owners. LGBTQ-owned businesses in the SBCS were similar to

a) The SBCS, and therefore this report, defines LGBTQ-owned businesses as those where individuals who identify as lesbian, gay, bisexual, transgender, or queer own 50% or more of the business.

non-LGBTQ businesses with regard to the race and ethnicity of business owners. About 83% of both LGBTQ and non-LGBTQ businesses were owned by white business owners, though this is significantly less diverse than the racial composition of the United States as a whole, and even less diverse than the racial composition of the LGBTQ community.



Geography. LGBTQ businesses were roughly equally likely as non-LGBTQ businesses to operate in rural areas. Although the greatest disparity for LGBTQ businesses was in the South, the largest share of LGBTQ firms in the SBCS (31%) were located in the South.



Industry. The top three industries among LGBTQ firms in the SBCS were retail, (22%) hospitality (18%), and professional services (17%). LGBTQ-owned businesses were more likely to be in leisure and hospitality (18% vs. 11%) and in retail (22% vs. 13%).



Age. LGBTQ firms were more likely to be newer or younger businesses than non-LGBTQ businesses. Nearly two thirds (64%) were younger than 10 years compared to 47% of non-LGBTQ firms.



Size. LGBTQ firms in the SBCS were more likely to have only a few employees. About 62% reported that they only had 1-4 employees at their business, as compared to 55% of non-LGBTQ businesses.



Revenues. LGBTQ-owned businesses had smaller annual revenues than non-LGBTQ businesses. Three quarters of LGBTQ firms had annual revenues of less than \$500,000 (74%), compared to 58% of non-LGBTQ firms.

Financial Condition



Financial health. LGBTQ-owned businesses were more likely to report that they were in poor financial health (28% of LGBTQ firms vs. 20% of non-LGBTQ firms).



Profitability Issues. LGBTQ businesses were more likely to report financial losses during 2020 than non-LGBTQ businesses (61% vs. 48%).

Business Challenges



Operational Challenges. While both LGBTQ and non-LGBTQ businesses reported the same top-three operational challenges in 2021, LGBTQ-owned businesses were more likely to report that they had faced all of these operational challenges. The top three challenges LGBTQ firms reported were supply chain issues, (66%) hiring or retaining staff (62%), and growing sales or reaching customers (61%).



Health & Safety Challenges. More than half of LGBTQ-owned businesses reported difficulties ensuring the health and safety of their customers or employees (53%), compared to over a third of non-LGBTQ businesses (37%).



Financial Challenges. LGBTQ-owned businesses were more likely to report experiencing all types of financial challenges in the last year, compared to non-LGBTQ businesses. LGBTQ-owned businesses took a variety of responses to these challenges, and in almost every instance did so at a higher rate than non-LGBTQ businesses.

Financial Effects of COVID-19



COVID Impact. 85% of LGBTQ firms reported the pandemic was having a negative effect on their business at the time of the survey, compared to only 76% of non-LGBTQ firms.



Paycheck Protection Program (PPP). The majority (57%) of LGBTQ-owned businesses applied for relief through the Paycheck Protection Program, compared to 47% of non-LGBTQ businesses. But, LGBTQ-owned applicants were more likely to have gotten none of the funding they applied for (17% vs. 10%). They were also less likely to receive full forgiveness for their 2020 PPP loans (78% vs. 88%).

Credit & Financial Services



Financing applications. In 2021 LGBTQ-owned firms were about as likely to apply for financing as non-LGBTQ firms and for similar reasons as non-LGBTQ firms.



Application outcomes. Among businesses that applied for any type of financing in the past year, LGBTQ firms were more likely to

report that they had received none, or only some (i.e., half or less) of the financing that they had applied for—from all sources.



Reasons for denial for financing. LGBTQ-owned businesses were more likely than non-LGBTQ businesses to explain that weak sales led to their denial (35% vs. 26%), that lenders do not approve financing for “businesses like theirs” (33% vs. 24%), or that lack of documentation contributed to their rejection for financing (15% vs. 6%).



Service Providers. Roughly half of both LGBTQ and non-LGBTQ businesses received their financial services primarily from large banks. LGBTQ firms were more likely to report a wide range of challenges when working with large banks, including high interest rates and unfavorable repayment terms.

Conclusion

Overall, despite their clear contributions to the economy and communities across the country, LGBTQ businesses are more likely to be suffering from financial difficulties, and are more likely to face obstacles to accessing financing and emergency assistance.

These findings about LGBTQ-owned businesses point to clear action steps. First, these data emphasize that the financial services industry should develop outreach initiatives and programs for LGBTQ small businesses. Federal, state, and local agencies that work with small business owners must increase their knowledge, outreach and capacity to adequately serve LGBTQ-owned small businesses.

Actions that all actors within the financial services industry should consider to improve equity for LGBTQ small businesses include:

- **Weeding out discrimination and bias** against LGBTQ people within their organizations.
- **Creating offices and positions** within their organizations dedicated to supporting LGBTQ-owned small businesses.
- **Promoting cultural competency** within their organizations for understanding and working with LGBTQ-owned enterprises.
- **Increasing funding opportunities** for LGBTQ-owned businesses.
- **Collecting information** about LGBTQ-owned businesses to fill information gaps about their financial wellbeing and needs.
- **Lawmakers should enact anti-discrimination protections in credit and public accommodations**, such as the Equality Act and the LGBTQ Business Equal Credit Enforcement and Investment Act.

Introduction

Healthy LGBTQ-owned small businesses are essential for a thriving LGBTQ community. LGBTQ small businesses create local jobs, as well as providing needed goods and services. The National LGBT Chamber of Commerce estimated in 2017 that its 900+ members have created 33,000 jobs, and have contributed \$1.7 trillion to the U.S. economy.² LGBTQ small businesses are also spaces for LGBTQ people to gather, socialize, and organize,³ and provide important visibility for the community. Despite LGBTQ-owned businesses' significance to the economy, and for the financial and social health of the LGBTQ community, far too little information exists about them. That's because very few surveys include questions that allow LGBTQ business owners to identify themselves.

High-quality information about LGBTQ-owned small businesses is critical to support equity for those businesses. Improving equity in financial services and financing for LGBTQ-owned businesses will improve health and wellbeing for LGBTQ people and for the entire economy as a whole.⁴ It is well documented that discrimination and financial inequality are bad for business and contribute to economic dysfunction.⁵

The Federal Small Business Credit Survey (SBCS) is a national survey of small businesses that has been conducted annually since 2016 by the 12 Federal Reserve Banks.⁶ SBCS respondents—i.e., small businesses—are firms with fewer than 500 employees. The survey asks respondents about their business performance, financing needs and gaps, including applications for credit and outcomes. The SBCS also examines segments of the small business market, including startups, minority-owned firms, and women-owned firms. In 2021 for the first time the SBCS included questions that allow LGBTQ-owned firms to be identified as well. The SBCS, and therefore this report, defines LGBTQ-owned businesses as those where individuals who identify as lesbian, gay, bisexual, transgender, or queer own 50% or more of the business.

This report discusses the financial health and needs of LGBTQ-owned small businesses, using the SBCS data sheet released by the Federal Reserve Banks. For readability purposes, this report uses the terms “LGBTQ-owned businesses/firms,” “LGBTQ businesses,” and “LGBTQ firms” interchangeably to refer to these LGBTQ-owned small businesses.

LGBTQ-Owned Business Demographics

In 2021, 10,914 small businesses participated in the SBCS. **More than 4% (n=445) of businesses in the survey reported that they were LGBTQ-owned businesses, and another 2% reported that they were at least partially owned by LGBTQ people.** Current population studies estimate that 7.1% of people in the United States identify as LGBTQ,⁷ and so LGBTQ people appear to be somewhat under-represented among small businesses in the SBCS.

LGBTQ-owned small businesses in the SBCS were diverse with regard to in their owners' gender, race, ethnicity, and backgrounds as well in their locations of business, industry, size, and length of time in business. In many though not all respects, this diversity among business owners reflects the diversity of the broader LGBTQ community.⁸

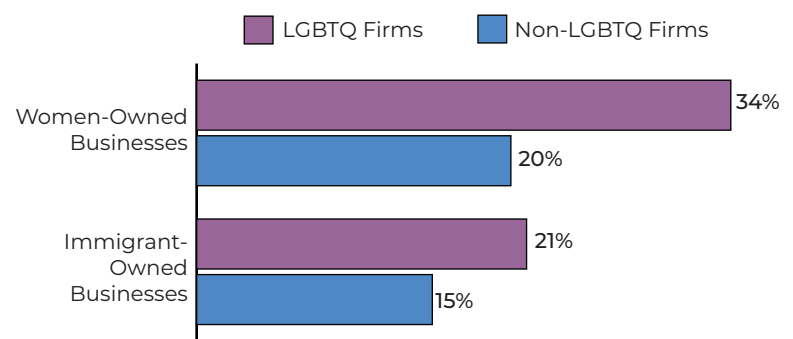
Women-Owned Businesses

LGBTQ businesses in the SBCS were more likely to be women-owned businesses^a than non-LGBTQ businesses. As shown in Graph 1, more than one-third of LGBTQ-owned businesses were women-owned, (34%), as compared to only a fifth of non-LGBTQ businesses (20%). Data about the broader LGBTQ population shows that 58% of LGBTQ people identify as women.⁹

Immigrant Ownership

LGBTQ businesses were also more likely to be immigrant-owned businesses. One-fifth of LGBTQ-owned businesses in the SBCS were also immigrant-owned^b (21%) and nearly a fourth were at least

Graph 1. Women-Owned and Immigrant-Owned Businesses



a) *i.e.*, women owned 50%+ of the business

b) *i.e.*, immigrants owned 50%+ of the business.



partially immigrant owned (24%), more often than non-LGBTQ businesses (15% and 20%, respectively).

Race & Ethnicity of Owners

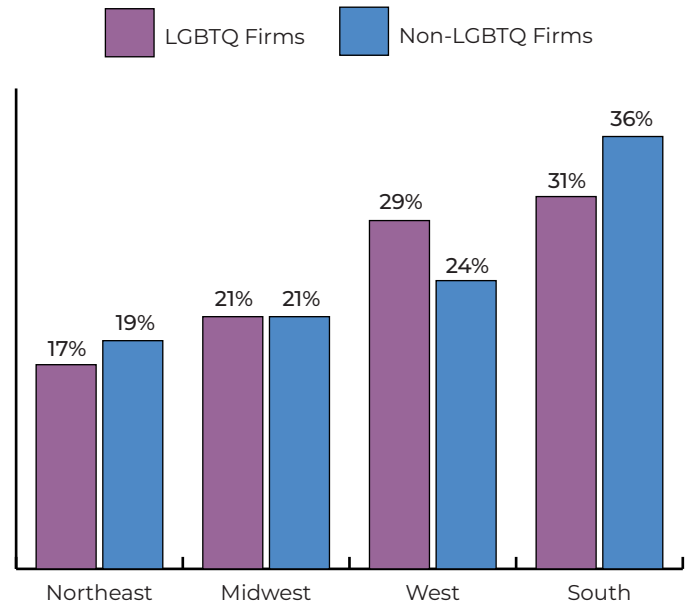
LGBTQ-owned businesses in the SBCS were similar to non-LGBTQ businesses with regard to the race and ethnicity of business owners. As shown in Table 1, 83% of both LGBTQ and non-LGBTQ businesses were owned by white business owners, with only 17% of small businesses being owned by people of color. For both LGBTQ and non-LGBTQ populations, this is a significant disparity, as people of color comprise a far greater share of both populations than 17%. In fact, research shows that 42% of LGBTQ people are people of color,¹⁰ a higher share (and therefore a larger disparity) than even in the general population.

Race of Owners	LGBT Firms	Non-LGBT Firms
Asian	7%	10%
Black	2%	2%
Hispanic	7%	5%
Native American	1%	0%
White	83%	83%

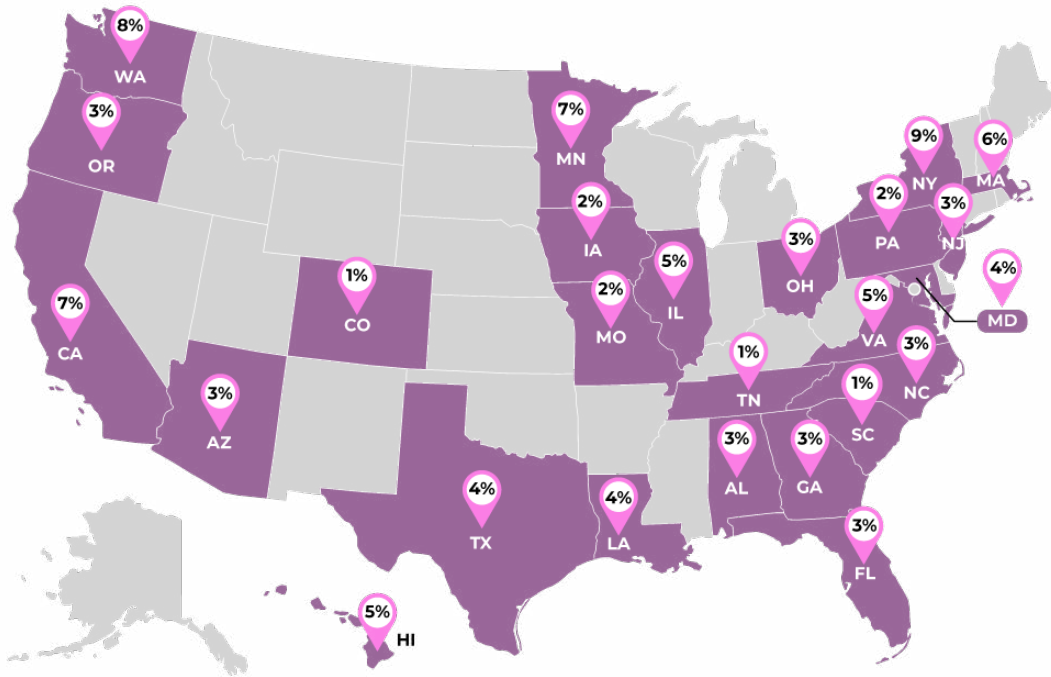
Geography

Map 1 shows that LGBTQ small businesses from 25 states participated in the SBCS, representing anywhere from 1% to 9% of the small businesses in those states. Despite stereotypes about where LGBTQ people live and thrive, the SBCS data show

Graph 2. LGBTQ-owned Businesses by Census Region



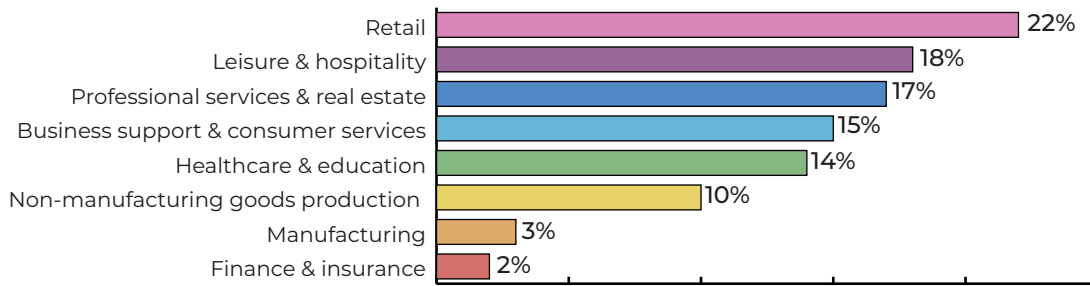
Map 1. Percent of SBCS Small Businesses in Each State that are LGBTQ-owned



Note: Map shows LGBTQ-owned small businesses that participated in the 2021 SBCS. States in grey also have LGBTQ-owned small businesses, but none identified themselves as such in the SBCS.



Graph 3. LGBTQ-owned Businesses by Industry



that **LGBTQ businesses were roughly equally likely as non-LGBTQ businesses to operate in rural areas.** Overall, 15% of LGBTQ-owned businesses were in rural areas, as were 16% of non-LGBTQ businesses.

Although LGBTQ businesses were about as likely to be urban or rural, they did have different geographic distributions compared to non-LGBTQ firms, as shown in Graph 2 on the previous page. **Although the greatest disparity for LGBTQ businesses was in the South, the largest share of LGBTQ firms in the SBCS (31%) were located in the South.** This is consistent with existing research showing that the largest share of LGBTQ people live in the South.¹¹ Over a quarter of LGBTQ businesses were in the West (29%), compared to 24% of non-LGBTQ firms.

Industry

As shown in Graph 3, the top three industries among LGBTQ firms in the SBCS were retail, (22%) hospitality (18%), and professional services (17%). LGBTQ-owned businesses were more likely than non-LGBTQ businesses to be in leisure and hospitality (18% vs. 11%) and in retail (22% vs. 13%).

Age of businesses

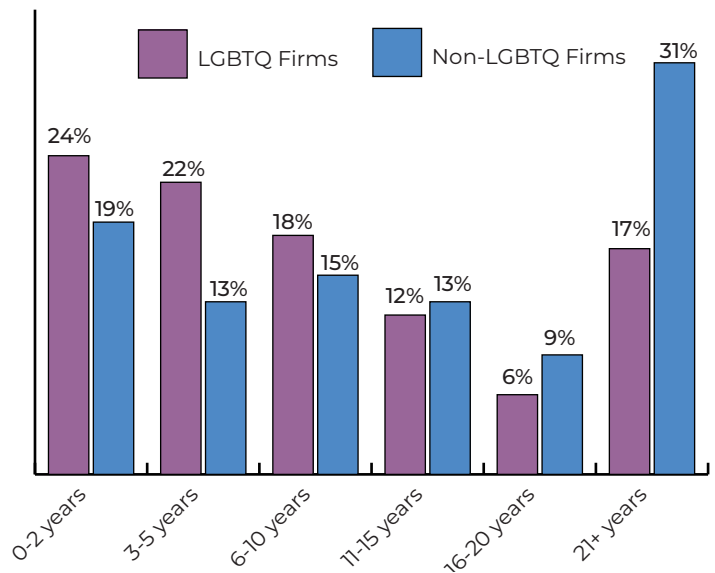
LGBTQ firms were more likely to be newer or younger businesses than non-LGBTQ businesses. LGBTQ firms ranged in age from newly established to long-standing (21+ years) institutions in their local community. However, and as shown in Graph 4, nearly two-thirds (64%) were younger than 10 years compared to 47% of non-LGBTQ firms. That said, more than one-in-six LGBTQ firms (17%) were at least 21 years old.

Size of Business

LGBTQ firms in the SBCS were more likely to have only a few employees. About 62% reported that they only had 1-4 employees at their business, as compared to 55% of non-LGBTQ businesses.

Another 18% said they had between 5-9 employees, 11% said they had 10-19 employees, 7% reported 20-49 employees, and 2% reported between 50 and 499 employees.

Graph 4. Age of Business

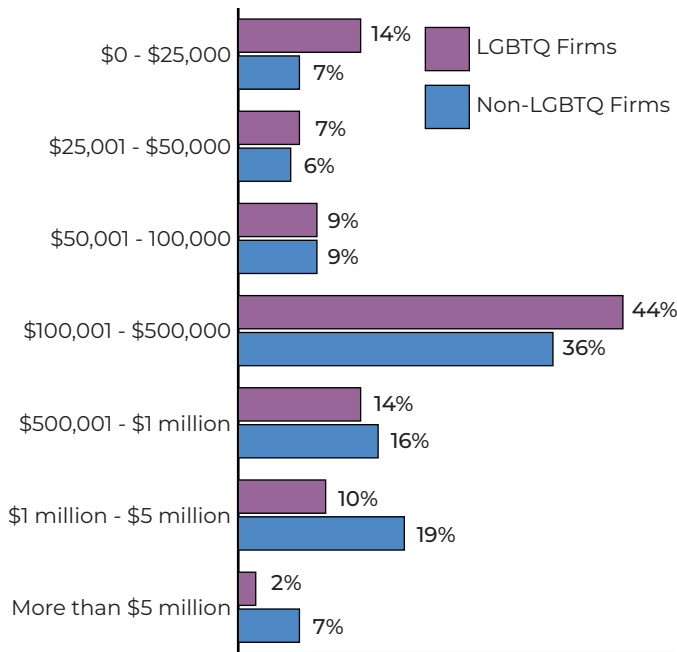


Annual Revenues

LGBTQ-owned businesses had smaller annual revenues than non-LGBTQ businesses. As shown in Graph 5 on the following page, 74% of LGBTQ firms had annual revenues of less than \$500,000 compared to 58% of non-LGBTQ firms. One-in-seven LGBTQ-owned businesses had annual revenues of less than \$25,000 a year (14%), twice as often as non-LGBTQ businesses (7%).

Half of LGBTQ-owned businesses reported that their revenue had decreased in the past year (51%). More than a third said that revenue had increased (37%), and one-in-ten reported that it had not changed (11%).

Graph 5. Annual Revenues



Financial Condition

Overall, LGBTQ firms were more likely to report low revenue and profitability, poor financial condition, and that their business would be considered high credit risk, compared to non-LGBTQ firms.

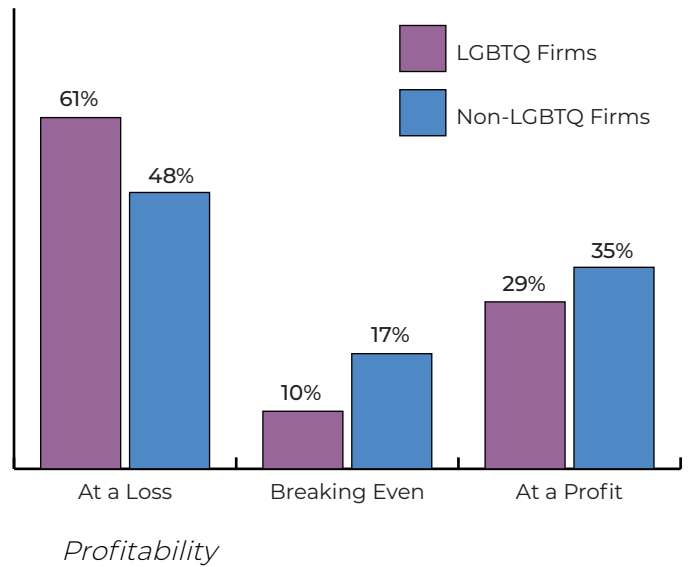
Current Financial Condition

LGBTQ-owned businesses were more likely to report that they were in poor financial health. Twenty eight percent of LGBTQ-owned businesses said that they were in poor financial condition (28%), compared with 20% of non-LGBTQ businesses.

Credit Riskiness

LGBTQ-owned businesses were more likely than non-LGBTQ businesses to report that they were a medium or high credit risk. Only 59% of LGBTQ-owned businesses reported that they thought they were a low-credit risk, as compared to 69% of non-LGBTQ businesses. One-third reported that they were a medium credit risk (32%), as compared to a quarter of non-LGBTQ businesses (25%), and one-in-ten reported that they were a high credit risk (9%) compared with 6% of non-LGBTQ businesses.

Graph 6. Firm Profitability in 2020



LGBTQ businesses were more likely to report financial losses during 2020 than non-LGBTQ businesses. As shown in Graph 6, 61% of LGBTQ-owned businesses reported a financial loss during 2020, as compared to 48% of non-LGBTQ businesses.

Business Challenges

LGBTQ firms were more likely to report operational and financial challenges in 2021 than non-LGBTQ firms, and about as likely to report challenges in hiring and retaining workers. Notably, the entirety of 2021 was during the COVID-19 pandemic, which has put record stress on businesses, individuals, and communities.

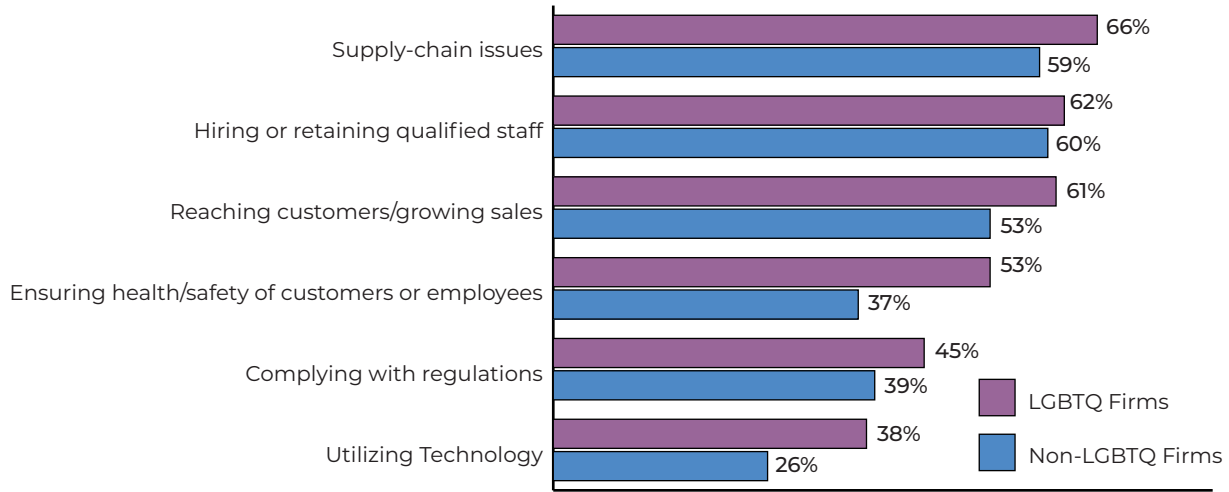
Operational Challenges

As shown in Graph 7 on the following page, while both LGBTQ and non-LGBTQ businesses reported the same top-three operational challenges in 2021, **LGBTQ-owned businesses were more likely to report that they had faced all of these operational challenges.** The top three challenges reported were supply chain issues, hiring or retaining staff, and growing sales or reaching customers.

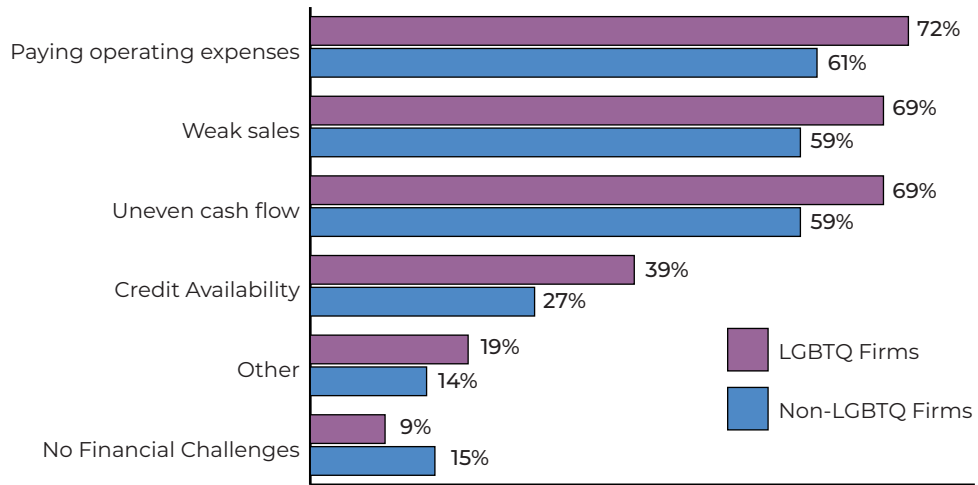
One especially notable difference is that more than half of LGBTQ-owned businesses reported difficulties ensuring the health and safety of their customers or employees (53%), compared to over a third of non-LGBTQ businesses (37%).



Graph 7. Firm Operational Challenges in the Prior Year



Graph 8. Firm Financial Challenges in Prior Year



Financial Challenges

As shown in Graph 8, LGBTQ-owned businesses were more likely to report experiencing all types of financial challenges in the last year, compared to non-LGBTQ businesses. About seven-in-ten LGBTQ-owned businesses reported difficulties paying for their operating expenses (72%), uneven cash flow (69%) and weak sales (69%).

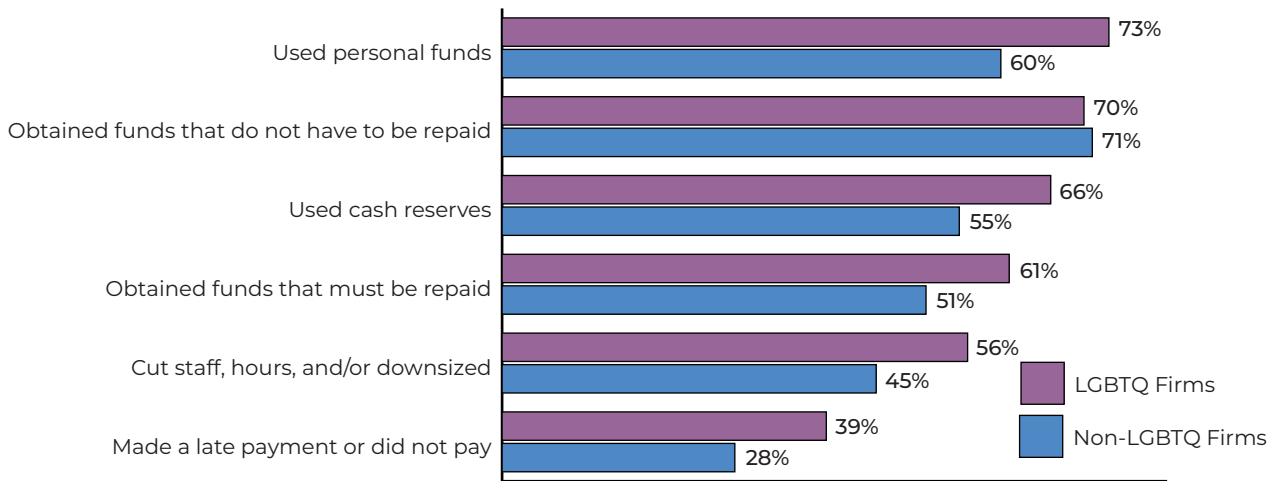
Graph 9 on the following page shows that LGBTQ-owned businesses took a variety of responses to these challenges, and in almost every instance did so at a higher rate than non-LGBTQ businesses. For example, 73% of LGBTQ businesses reported they used personal funds, compared to 60% of non-LGBTQ businesses.

Workforce Challenges

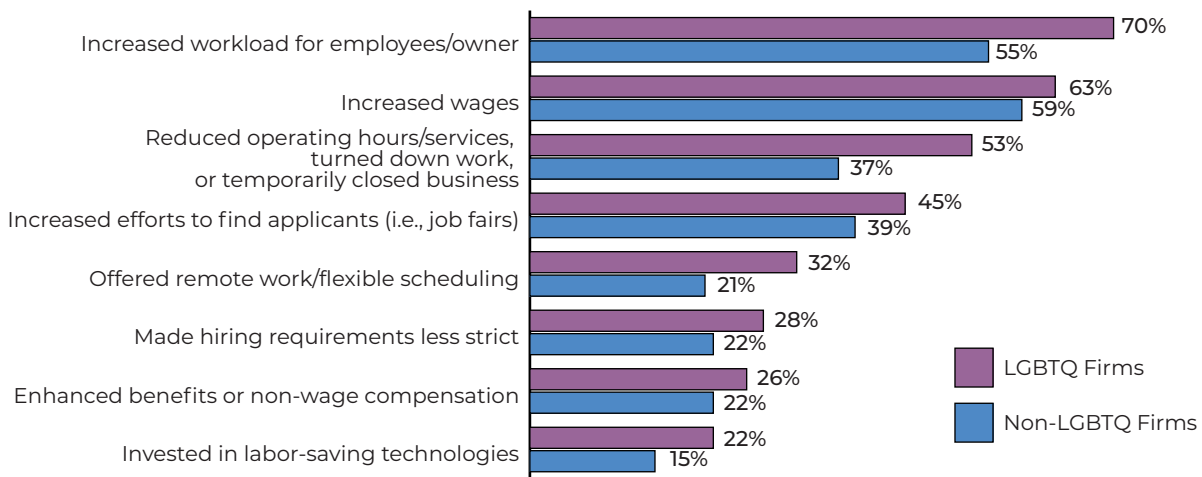
Over half of both LGBTQ and non-LGBTQ firms reported that it was “very difficult” to fill positions in their firm (58% and 59% respectively), and were roughly equally likely to report that it was “very difficult” (38% vs. 34%) to retain employees.

Graph 10 on the following page shows that, as with financial challenges, LGBTQ-owned firms took a variety of responses to workforce challenges, and again did so at a higher rate than non-LGBTQ firms. For example, 53% of LGBTQ small businesses reported they had to reduce operating hours or services or turn down work, compared to 37% of non-LGBTQ small businesses.

Graph 9. Firm Response to Financial Challenges in Prior Year



Graph 10. Firm Response to Workforce Challenges in Prior Year



Financial Effects of COVID-19

LGBTQ-owned firms were more likely to report that the pandemic negatively affected their business. Overall, nearly two-thirds of LGBTQ-owned businesses (64%) reported that their revenue had decreased since 2019, as did 63% of non-LGBTQ businesses. Thirty-one percent (31%) reported that their revenue was higher than it was in 2019, and 5% reported that it had not changed at all. As Graph 11 illustrates, 85% of LGBTQ firms reported the pandemic was having a negative effect on their business, compared to only 76% of non-LGBTQ firms.

LGBTQ-owned businesses were more likely to report seeking emergency assistance during

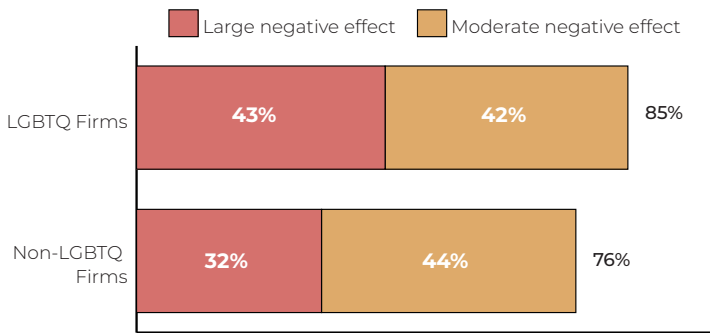
the pandemic. Eighty-five percent (85%) of LGBTQ-owned businesses reported seeking some kinds of emergency grants, or loans, or assistance versus only 77% of non-LGBTQ businesses.

Paycheck Protection Program (PPP) Loans

Although LGBTQ firms were more likely to apply for PPP loans, Graph 12 on the following page shows that LGBTQ-owned applicants were less likely to receive all of the funds that they applied for, and more likely to have gotten none of the funding they applied for. More than half of LGBTQ-owned businesses applied for relief through the Paycheck Protection Program (57%), as compared to less than half of non-LGBTQ businesses (47%).



Graph 11. Impact of the Pandemic at Time of Survey

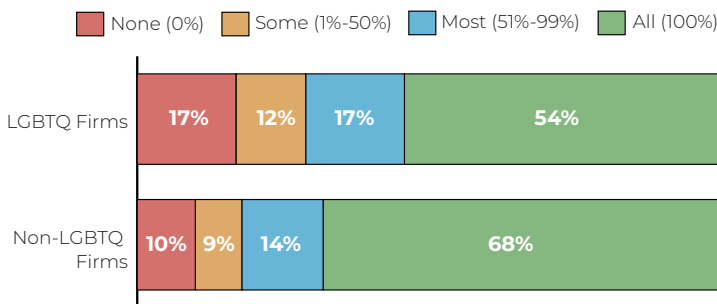


Graph 12 shows that 54% of LGBTQ-owned businesses that applied for PPP funding in 2021 received all of the funding they had applied for, compared to 68% of non-LGBTQ businesses. One-in-six reported that they had received none of the funding that they had applied for (17%) in 2021, compared to only one-in-ten non-LGBTQ businesses (10%).

LGBTQ-owned businesses were less likely to report that they had successfully obtained full forgiveness for the PPP loans they received in 2020. Only 78% of LGBTQ-owned businesses had received full forgiveness from their lender for their 2020 PPP loan, as compared to 88% of non-LGBTQ businesses.

Given the outcomes of their previous PPP loan forgiveness applications, LGBTQ firms were understandably more dubious about their prospects for receiving forgiveness for their 2021 PPP loans. LGBTQ firms were twice as likely to say that they were unsure about whether they would receive forgiveness for their 2021 PPP loan (12% vs. 6%), and less likely to say they thought that they would receive full forgiveness of their loan (84% vs. 90%). This is despite the fact that LGBTQ firms were more likely to report

Graph 12. Amount Received for 2021 Paycheck Protection Program Loan Applications



losses in 2021 compared to non-LGBTQ firms, which means they may be eligible for the second iteration of PPP loans, which require demonstrated losses.

Other Pandemic-Related Assistance

As shown in Table 2, LGBTQ businesses were also more likely to apply for other emergency relief during the pandemic. More than half (57%) applied for an Economic Injury Disaster Loan, compared to 47% of non-LGBTQ firms. Forty-six percent (46%) of LGBTQ-owned businesses applied for grants through a state or local government fund, compared to 33% of non-LGBTQ businesses. Over twice as many LGBTQ businesses applied for a grant from a nonprofit or foundation (16% vs. 7%).

As with PPP Loans, LGBTQ-owned businesses were also less likely to receive other forms of pandemic assistance from these other sources. Twenty-seven percent (27%) of LGBTQ-owned businesses did not receive any of the pandemic relief that they had applied for, as compared to 19% of non-LGBTQ businesses. Only one-in-five received all of the pandemic relief that they had applied for (19%), as compared to more than one-in-four of non-LGBTQ businesses (28%).

Program	LGBTQ Firms	Non-LGBTQ Firms
EIDL loan	57%	47%
Paycheck Protection Program	57%	47%
Grant from state/local government fund	46%	33%
EIDL advance	38%	31%
Grant from a nonprofit or foundation	16%	7%
Loan from state/local government fund	13%	5%
Restaurant Revitalization Fund (RRF) Grants	9%	5%
Shuttered Venue Operators (SVO) grants	1%	1%
Did not seek emergency assistance	15%	23%

Credit & Financial Services

Access to credit and financing is essential for small businesses to invest in their operations, hire staff, and to grow and expand their businesses.¹² In 2021 **LGBTQ-owned firms were about as likely to apply for financing as non-LGBTQ firms** (35% and 33%, respectively). Among those who did not apply for financing, about half of both LGBTQ and non-LGBTQ businesses reported that they needed funding, but chose not to apply (50% and 49%, respectively).

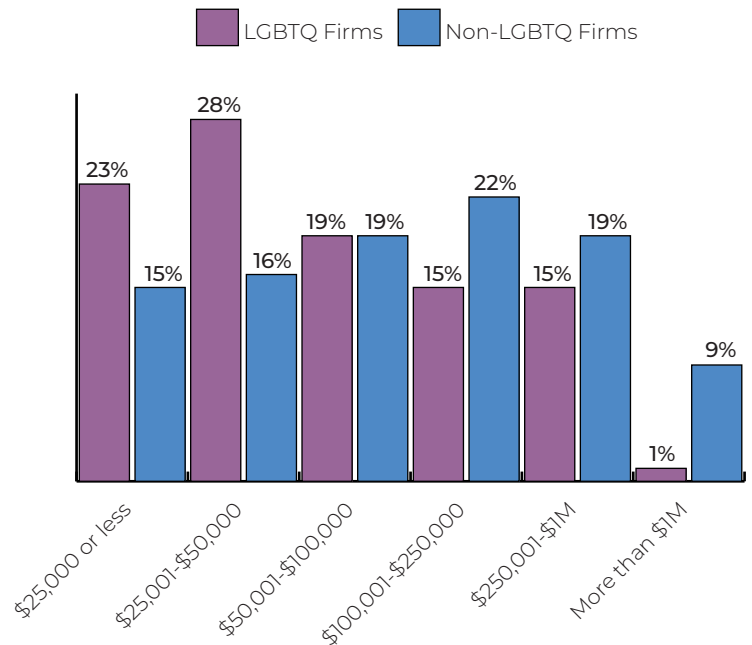
LGBTQ-owned businesses sought financing for similar reasons as non-LGBTQ firms, and at roughly similar rates, with one exception. More than two-thirds of LGBTQ businesses applied for funding for their operating costs (68%), slightly more often than non-LGBTQ firms (62%).

Applications for Financing

As shown in Table 3, the most common types of financing that LGBTQ-owned businesses applied for in 2021 were business loans or lines of credit (80%), business credit cards (40%), and merchant cash advances (14%), all at higher rates than non-LGBTQ businesses. LGBTQ-owned businesses were more likely than non-LGBTQ businesses to apply for nearly all these types of financing.

As shown in Graph 13, **LGBTQ businesses were more likely to be seeking smaller financing amounts than non-LGBTQ businesses.** Over half of LGBTQ businesses had sought less than \$50,000 in financing in the previous year (51%), as compared to

Graph 13. Amount of Financing Sought in Past Year



only three in ten non-LGBTQ businesses (31%).

Approval Rates

Among businesses that applied for any type of financing in the past year, **LGBTQ firms were more likely to report that they had received none, or only some (i.e., half or less) of the financing that they had applied for—from all sources.** As shown in Graph 14 on the following page, 46% of LGBTQ-owned businesses reported that they had received none of the financing that they had applied for in the past year, compared to only 34% of non-LGBTQ businesses. Only a quarter of LGBTQ-owned businesses reported that they had received all the financing that they had applied for (24%), versus a third or non-LGBTQ businesses (32%).

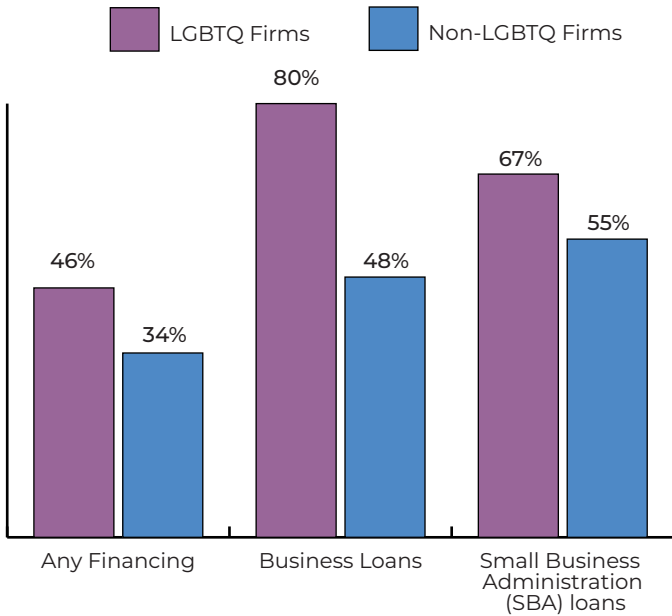
As with financing overall, LGBTQ-owned businesses were less likely to be approved specifically for business loans, and less likely to be approved for the full amount they applied for. Graph 14 shows that eight-in-ten LGBTQ-owned businesses who applied for business loans were not approved for a loan (80%), compared to 48% of non-LGBTQ businesses. Only one-in-ten LGBTQ firms were approved for the full amount they had applied for (11%), compared to 36% of non-LGBTQ businesses.

The U.S. Small Business Administration (SBA) helps small businesses get loans by setting guidelines for loans and reducing lender risk with loan

Program	LGBTQ Firms	Non-LGBTQ Firms
Loan or line of credit	80%	75%
Credit card	40%	28%
Merchant cash advance	14%	8%
Trade credit	10%	9%
Lease	6%	8%
Equity investment	5%	6%
Home equity line of credit	5%	5%
Factoring	3%	4%



Graph 14. Percent of Businesses That Received “None” of the Funding They Applied For by Source



guarantees.¹³ Although, LGBTQ firms fared somewhat better in applications for SBA loans or lines-of-credit than for non-SBA business loans, they still were less successful than non-LGBTQ businesses. Two-thirds of LGBTQ-owned business applicants for SBA loans were turned down (67%), as compared to 55% of non-LGBTQ business applicants. Eighteen percent (18%) of LGBTQ-owned businesses were approved for the full amount they applied for, as compared to 28% of non-LGBTQ businesses.

As shown in Graph 15, **LGBTQ-owned businesses**

were more likely than non-LGBTQ businesses to explain that weak sales led to their denial (35% vs. 26%), that lenders do not approve financing for “businesses like theirs” (33% vs. 24%), or that lack of documentation contributed to their rejection for financing (15% vs. 6%).

Overall, LGBTQ-owned firms reported similar reasons as non-LGBTQ firms for not applying for financing for their businesses, but LGBTQ-owned businesses were twice as likely to report that the cost of credit was too high (8% vs. 4%).

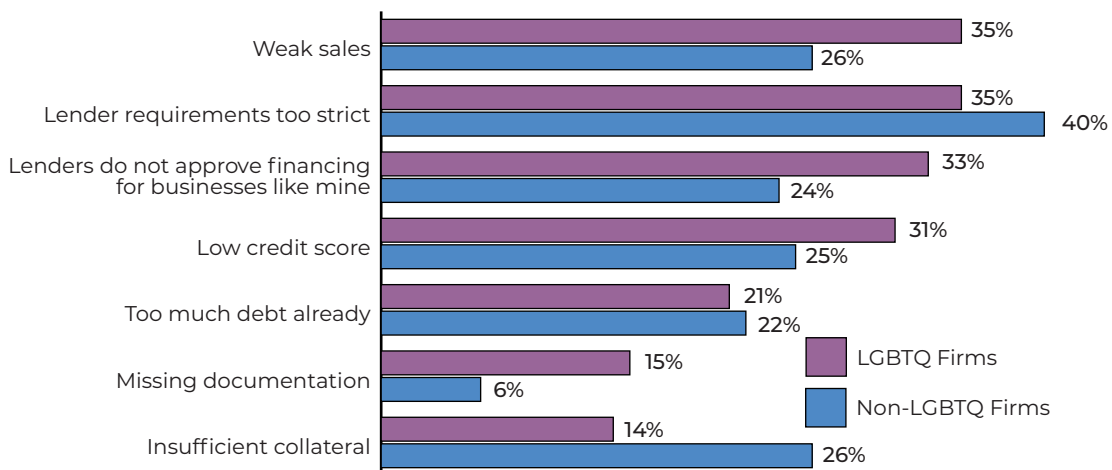
Financial Services Providers

As shown in Table 4, roughly half of both LGBTQ and non-LGBTQ businesses received their financial services primarily from large banks. However, LGBTQ-owned businesses were twice as likely to use a credit union than non-LGBTQ businesses (9% vs. 4%).

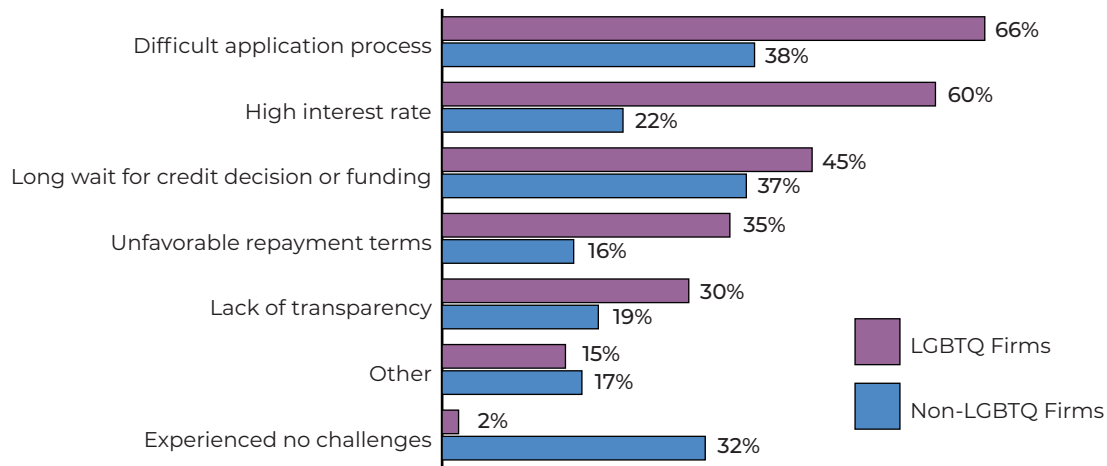
LGBTQ-owned businesses were more likely than non-LGBTQ businesses to report challenges in working with large banks, as shown in Graph 16 on the next page. Only 2% of LGBTQ-owned businesses reported absolutely no problems with their large

Program	LGBTQ Firms	Non-LGBTQ Firms
Large banks	50%	48%
Small banks	28%	38%
Credit union	9%	4%
Fintech lender	4%	2%
Other	2%	2%

Graph 15. Percent of Businesses Citing Each Reason for Denial for Loans or Financing



Graph 16. Challenges for Firms at Large Banks



bank, as compared to nearly a third of non-LGBTQ businesses (32%).

Graph 16 shows that 66% of LGBTQ firms reported difficulties in the application process at large banks, compared to 38% of non-LGBTQ businesses. Sixty percent (60%) reported high interest rates as a challenge at their large bank, nearly three times more often than for non-LGBTQ businesses (22%). Over a third reported receiving unfavorable repayment terms from a large bank (35%), more than twice as often as non-LGBTQ businesses (16%).

Conclusion

The data from the Federal Reserve Banks’ Small Business Credit Survey (SBCS) sheds much-needed light on the financial wellbeing and needs of LGBTQ-owned small businesses. Unfortunately, LGBTQ businesses are more likely to be suffering from financial difficulties, and are also more likely to face obstacles to accessing financing and emergency assistance. The information also adds hard data to support the anecdotal knowledge that LGBTQ businesses have suffered greater financial effects as a result of the COVID-19 pandemic than non-LGBTQ businesses.

These findings about LGBTQ-owned businesses from the SBCS point to clear action steps. First, these data emphasize that the financial services industry should develop outreach initiatives and programs for LGBTQ small businesses. Federal, state, and local agencies that work with small business owners must increase their knowledge, outreach and capacity to

adequately serve LGBTQ-owned small businesses and meet their often unique financial needs.

Actions that all actors within the financial services industry & related agencies should consider to improve equity for LGBTQ small businesses and communities include:

- **Weeding out discrimination,** bias, and harassment against LGBTQ people within their organizations.
- **Creating offices and positions** within their organizations dedicated to supporting LGBTQ-owned small businesses.
- **Promoting cultural competency** within their organizations for understanding and working with LGBTQ-owned enterprises.
- **Increasing funding opportunities** for LGBTQ-owned businesses.
- **Collecting information** about LGBTQ-owned businesses to fill information gaps about their financial wellbeing and needs.
- **Guarantee fair lending and equal opportunity for LGBTQ small businesses** by enacting and enforcing anti-discrimination protections in credit, such as the Equality Act,¹⁴ as well as measures to ensure effective enforcement within small-business financing, such as the LGBTQ Business Equal Credit Enforcement and Investment Act.¹⁵



Endnotes

- 1) The Federal Reserve Banks' annual Small Business Credit Survey (SBCS) and all related materials—including official reports, data, and full questionnaires—are available at <https://www.fedsmallbusiness.org/survey>.
- 2) NATIONAL LGBT CHAMBER OF COMMERCE, [America's LGBT Economy](#) (2017).
- 3) See, e.g., Jeffrey Escoffier, *The Political Economy of the Closet*, HOMOECONOMICS (Routledge 1997).
- 4) See, e.g., M.V. Lee Badger, *THE ECONOMIC CASE FOR LGBT EQUALITY* (Beacon Press, 2020); Oliver McNeil & Spencer Watson, [How LGBTQ Economic Equality Benefits Everyone](#), CLEAR (October 2, 2020).
- 5) See, e.g., Gary S. Becker, *THE ECONOMICS OF DISCRIMINATION* (University of Chicago Press, 1957).
- 6) FED SMALL BUSINESS, [About](#) (Last visited: July 03, 2022).
- 7) Jeffrey M. Jones, [LGBT Identification in U.S. Ticks Up to 71%](#), GALLUP (February 17, 2022).
- 8) WILLIAMS INSTITUTE AT UCLA L. SCH., [LGBT Data & Demographics](#) (January 2019).
- 9) *Supra*, note 8.
- 10) *Supra*, note 8.
- 11) *Supra*, note 8.
- 12) CFPB, *Final Report of the Small Business Review Panel on the CFPB's Proposals Under Consideration for the Small Business Lending Data Collection Rulemaking*, (December 2020).
- 13) SMALL BUSINESS ADMINISTRATION, [Funding Programs: Loans](#) (Last visited July 14, 2022).
- 14) H.R. 5, *Equality Act*, 117th Congress (2021); S. 393, *Equality Act*, 117th Congress (2021).
- 15) H.R. 1443, *LGBTQ Business Equal Credit Enforcement and Investment Act*, 117th Congress (2021); S. 4002, *LGBTQ Business Equal Credit Enforcement and Investment Act*, 117th Congress (2021).





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