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## New Report Reveals Systemic Barriers Holding Back California's Diverse-Owned Small Businesses

**Sacramento, CA** (September 24, 2024) — A new research report commissioned by the California Asian Pacific Chamber of Commerce, California Hispanic Chambers of Commerce, and California African American Chamber of Commerce highlights significant challenges small enterprises in California owned by racially and ethnically diverse individuals face. Despite their substantial presence—making up nearly half of California’s 4.1 million businesses—the research found that Diverse-owned Small Businesses (DSBs) face barriers such as limited access to capital, high barriers to entry to lucrative sectors, and challenges to scaling and growth. As a result, DSBs contribute less than their proportionate share of California’s economy, and the number of minority-owned firms lags other states when measured relative to population.

The new report, completed by Beacon Economics and funded by Southern California Gas, San Diego Gas and Electric, and Kaiser Permanente, is the second in a pioneering series launched by the California Office of Small Business Advocate (CalOSBA) in 2023. The report uses comprehensive datasets from the American Community Survey and the Bureau of Economic Analysis to assess the economic, fiscal, and community impacts of DSBs. It identifies systemic barriers that hinder the growth and potential of these businesses, a problem aggravated but not solely caused by the COVID-19 pandemic.

“The findings indicate that DSBs face unique challenges that require tailored investments, technical assistance, and policy interventions to unlock their full economic potential,” said **Pat Fong Kushida**, President and CEO of the California Asian Pacific Chamber of Commerce – one of the three project conveners. “The new report underscores the need for targeted strategies to address the diverse needs within this vital segment of California’s business community.”

“Our research has shown that the same employment barriers that disadvantage many marginalized communities often prevent minority business owners from being able to scale up their businesses,” said **Christopher Thornberg**, Founding Partner of Beacon Economics. “To effectively address these barriers and ensure long-term success, it is critical to root future public policies and initiatives in data and research.”

A sample of the key findings from the 2024 report:

- DSB’s economic contribution was approximately half of its employment figures. In 2019 and 2020, California’s minority-owned small businesses contributed \$443 billion and \$414 billion, respectively, to the state’s economy, representing 8% of its total output. These businesses support 3.6 million jobs annually, equating to 15% of state employment, and their contribution to GDP in 2020 surpassed the economic output of 23 other U.S. states.
- DSBs remain a source of untapped potential for California. Supporting their growth would translate into significant new job, business, and tax growth across the state. However, this report shows that

diverse small businesses are having a difficult time scaling and growing compared to other US states. For instance, California has fewer minority-owned small businesses relative to its population than Florida, New York, or Texas.

- There is significant potential for DSBs to boost their revenues and economic impact by integrating into the government procurement supply chain. Aligning state policies with DSB sectors can create mutual benefits, enhancing both business growth and overall economic development;
- Addressing the significant data gaps that exist about DSBs through direct surveys and systematic monitoring will enable effective policy development and enhance DSBs' economic impact.

“This very detailed health check on diverse small business provides clear evidence that these firms face persistent systemic barriers, including limited access to capital and high entry barriers in lucrative sectors, which hinder their growth,” said **Julian Canete**, President and CEO of the California Hispanic Chambers of Commerce. “Despite these challenges, this research shows that DSBs demonstrate significant entrepreneurial drive crucial for California’s economic vitality and diversity.”

“We are extremely grateful to the leaders of Kaiser Permanente, Southern California Gas, and San Diego Gas and Electric for their financial and technical support that enabled us to unpack the widespread impact that our diverse small businesses are having in California. This work would be impossible without them,” said **Ahmad Holmes**, President and CEO of the California African American Chamber.

To obtain a copy of the full report, [click here](#).

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The **CalAsian Chamber** was founded in 2010 to give a voice to the more than 722,000 AAPI-owned businesses in California. Today, CalAsian is the largest statewide ethnic chamber in the state and operates three federal business centers, dozens of programs providing technical and financial assistance to small businesses, and a foundation offering leadership and workforce development programs. Learn more at [calasiancc.org](http://calasiancc.org)

The **California African American Chamber**: As California’s largest statewide African American chamber organization, the group’s mission is to drive economic opportunity and wealth creation for African American business, connect, and harness the collective strength of a statewide network of member organizations to elevate the fiscal health of the community. Learn more at [calaacc.org](http://calaacc.org)

The **California Hispanic Chambers of Commerce**, through its network of over 130 local Hispanic chambers and diverse trade associations, represents the interest of over 950,000 Hispanic businesses in California. The CHCC has served as the nation’s leading regional Hispanic business organization for over forty-five years. The CHCC brings the issues and needs of Hispanic-owned businesses to the forefront of California's and national economic agendas. Learn more at [cahcc.com](http://cahcc.com)

**Beacon Economics**, an LLC and certified Small Business Enterprise (SBE) with the state of California is a leading independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Leveraging unique proprietary models, vast databases, and sophisticated data processing, the firm equips its clients with the analysis needed to understand on-the-ground realities and make informed business and policy decisions. Learn more at [www.BeaconEcon.com](http://www.BeaconEcon.com).