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An Examination of the Differences in the Funding of Minority-Owned Businesses (Small and Large) Compared to Non-Minority Businesses

MALEBATOM SOUSSO
Walden University

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Walden University

College of Management and Human Potential

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Malebatom Sousso

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Walden University
2024

Abstract

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MBA, American Military University, 2016

Master's in Economics, University of Lome-Togo, 2002

Bachelor's in Economics, University of Lome-Togo, 2000

Portfolio Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration – International Business

Walden University

June 2024

Abstract

Minority business owners face challenges obtaining capital even though, in the last 10 years, 50% of the two million minority-owned small businesses created up to 4.7 million jobs in the United States. Grounded in the financial growth cycle model, the purpose of this quantitative ex post facto study was to examine the impact of minority-owned business status and small business size on the disbursed/shipped approved funding amount score. Data records ($N = 48,018$) were collected from the Approved Working Capital Transactions Authorization dataset administered by the Export-Import Bank of the United States. The two-way ANOVA results showed a statistically significant interaction between minority-owned status and the size of the business, $F(1, 48,014) = 36.49, p < .001$, partial $\eta^2 = .001$. Minority non-small businesses had a statistically significantly higher mean ($M = 63.00, SD = 28.71$) of disbursed/shipped approved funding amount score than non-minority non-small businesses ($M = 56.21, SD = 32.80$). A key recommendation for minority-owned business status and small business size is to reduce the possible disparities of the disbursed/shipped approved funding amount score and, as a result, improve the business performance of minority-owned businesses and the nationwide economy. The implications for positive social change include the potential to reduce minority and non-minority business inequalities in the loans provided and thus improve equity in funding minority businesses.

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Dedication

My special doctoral study is dedicated to my wife and best friend, Paninam (called Farenbello), who has always been with me throughout the journey of my doctoral study. She always said, "It is your passion, and you cannot quit." She always believed in me and encouraged me to rest or do something different when I was anxious or depressed and return for further steps. My doctoral study is also dedicated to my son Odissa and two daughters, Hanna and Aleki, who sometimes feel I abandoned them. Lastly, my doctoral study is addressed to my god, ancestors, and my mother, Tassika Amah, named Tassi, who made me the person I am today.

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Section 1: Background and Content

Small and medium enterprises (SMEs) are crucial for the economic development of a region and a country (Rahman & Kabir, 2019). However, access to capital is a major challenge for minority-owned companies (Robb, 2020). Research utilizing the Small Business Credit Survey (SBCS) indicated that minority-owned companies regularly rely on personal funds and often have a weak relationship with banks, as demonstrated by a low credit application rate (Banks, 2021). In fact, even when minority-owned business leaders have good credit, they may not be approved for a loan. The denial of capital is due to a lack of adequate information among minority-owned small business owners. Also, financial institutions impose requirements (e.g., past performance, credit score, etc.) for accessing capital that automatically excludes many small firms. In 2017, the value-added contribution of minority business enterprises (MBEs) to the gross domestic product (GDP) was 2.3%, or approximately \$500 billion, compared to 15.5% for non-minority-owned businesses.

The findings from this study may enable minority-owned leaders to have an informed understanding of the challenges they face so they can adopt appropriate measures promoting their financial performance and, therefore, business growth. On the other hand, more excellent knowledge of the funding disproportion among minority-owned businesses could encourage financial institutions and government agencies to ease business loan procedures, policies, and regulations that are detrimental to this group of companies. The goal of this research study was to examine the degree to which minority-owned business status and size of business explain the funding received by businesses

may limit minority-owned businesses' ability to contribute to the development of local economies and, therefore, the nationwide economy.

Historical Background

Minority-owned businesses are essential to the United States' economic growth. Winston (2021) estimated that by 2044, the U.S. would have a majority-minority population, and minority workers and MBEs would have a significant impact on the GDP. In 2018, approximately 18.5%, or one million, U.S. employers were minority business owners, and most were contributors to their communities' job creation and wealth growth (Vilasquez, 2020). Over the last 10 years, among the two million small businesses created, 50% were minority-owned and contributed to as many as 4.7 million jobs created in the United States of America, according to the US Committee on Small Business and Entrepreneurs. A recent change due to the COVID-19 pandemic impacted small businesses.

The COVID-19 pandemic has disproportionately impacted small businesses. African Americans have faced economic hardships with 41% of active businesses, followed by 32% of Latinx-owned compared to 17% of White-owned in the second quarter of 2020 (Fairlie & Fossen, 2022; Fairlie, 2020; Velasquez, 2020). The CARES Act, which included the Paycheck Protection Program (PPP) and Economical Injuries Disaster Loan (EIDL) program, was not beneficial for many minority-owned businesses (Fairlie & Fossen, 2022). The majority of MBEs are not affiliated with the Small Business Administration (SBA). Even among affiliated businesses, many did not receive early information about the program needed to apply. Institutional discrimination and

social inequalities create challenges that prevent minority-owned businesses from accessing capital (Berdejo, 2021; Robb, 2020; Wainwright, 2020). Minority-owned businesses often have weak relationships with financial institutions, have bad experiences with credit applications, and rely on self-financing, unlike their non-minority-owned business counterparts (SBCS, 2021).

Research has found that access to capital remains a factor disproportionately affecting minority-owned businesses (Robb & Niwot, 2018), which prevents expansion and innovation. Financing minority firms remains the top priority challenge in the US for job creation and economic growth. Research has provided evidence of racial discrimination against Black-owned businesses by banks and commercial lenders during the COVID-19 pandemic disruption (Atkins et al., 2022). The concern was that Black-owned businesses received approximately 50% lower loans through the PPP than White-owned. A survey of businesses has shown that 41% of Black-owned businesses who applied for loans through PPP did not receive funds, and an additional 21% were not informed about the program (Atkins et al., 2022). The advocacy organizations Unidos U.S. and Color of Change published that only 12% of Black and Latino small business owners received the exact amount of loan applied through PPP, while 26% got a portion of the funds requested (Santellano, 2021).

Organizational Context

In this quantitative non-experimental causal-comparative study, I used ex post facto data to examine the differences in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business. The data set used within this

study was the Working Capital Transactions Authorization data set from 01/01/2006 to 09/01/2022, administrated by the Export-Import Bank of the United States (EXIM Bank, 2020). The data were drawn from businesses and lenders across the United States. The data set enabled the identification of minority-owned small business enterprises regularly established in the United States of America and engaged in exporting goods and services abroad and well-established financial institutions that have agreements with EXIM Bank and specialize in lending funds to small businesses. For the data set, I searched the Walden University library, SBA, data.gov, and Census Bureau research engines. The data set describes the capital transactions that small and minority-owned businesses have received or been denied for exports and imports from EXIM Bank.

EXIM Bank is an official Export Credit Agency (ECA) founded under the renewal statutory charter (Act of 1945, as amended; 12 U.S.C. §§635 et Seq.), which respects international rules on ECA financing, and is a member of the Organization for Economic Cooperation for Development (OECD) (Akhtar, 2019 & 2022). OECD was established in 1978 to provide credit to exporters while doing business abroad and facing competitors. With ECA financing, the terms and conditions of financing are determined, and an agreement for the repayment period is also made. In the early 1970s, EXIM Bank created the Private Export Funding Corporation (PEFCO) as a privately owned entity designed to buy loans from private lenders. The EXIM bank guarantees the loans and reduces risk-taking associated with borrowing from commercial banks on the market (De Ruyg, 2020). In addition to EXIM Bank, other U.S. Government agencies also finance exports. The U.S. Department of Agriculture specializes in agricultural goods and

services exports. SBA promotes small businesses for exports with a guaranteed program. Under the World Trade Organization rules, arrangement-compliant export credit practices are not subject to export subsidy prohibition. The bank's goal is to fill market gaps when the private sector is reluctant or unable to finance U.S. exporting companies and or when U.S. exports compete against ECA-backed foreign export companies (Shekhar & Jena, 2021).

EXIM Bank is led by a five-member board of directors appointed by the President of the United States of America and confirmed by the Senate (Democrat and Republican) (Akhtar, 2019 & 2022). The president and vice-president of the EXIM bank are, respectively, the board chairman and vice-chairman. A quorum of three out of five board members is sufficient to conduct business, which includes the approval of financing over 10 million dollars with at least a term of 7 years for repayment. The board of directors makes decisions on the bank's requirements and policies. In addition, advisors and other committee members assist the board of directors.

The primary mission of EXIM Bank is to support U.S. exports of goods and services and to sustain jobs (Akhtar, 2019). To do so, the bank developed four key programs:

1. Direct loans to foreign buyers of U.S. exports with an interest rate in accordance with international trade rules and above the rate of the U.S. Treasury.
2. Loan guarantees to lenders to protect U.S. exports against no-payment from foreign buyers. The lenders fix the loan rate.

3. Insurance to protect U.S. exporters or financial institutions against any export-related risk.
4. Working capital guarantees short-term loans to U.S. exporters (Akhtar, 2019, 2022; Young, 2019).

EXIM Bank is required to ensure that U.S. private exporters are properly financed and that the repayment conditions are well-defined. The bank may enter into competition to protect U.S. exports with terms, rates, and conditions when the international ECA landscape changes. Each year, EXIM Bank extends more than 30% of its financing authority to support small business exports, with a minimum of five percent to renewable energy, energy efficiency, and energy storage technology exports (Akhtar, 2022). Additionally, the bank's objectives include environmentally beneficial exports and exports to sub-Saharan Africa. EXIM bank set its default rate up to 2%. Thus, the bank monitors its credit and transaction risks every quarter and reports its default rate. The bank sets up the credit underwriting and due diligence of potential transactions to mitigate risks to ensure repayment.

The charter of EXIM Bank requires that 75% of its funding be granted to small businesses. The bank defines a small business as a company with no more than 1500 employees (Young, 2019). EXIM Bank protects small businesses against risks and losses with loan dispenses, working capital, and guarantees (de Rugy & Leventhal, 2019). Considering the organizational context, within this quantitative study, I examined the differences in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business.

Problem Statement

Access to capital is vital for small enterprises for job creation, innovation, and economic growth in the United States (Robb & Niwot, 2018). Recently, the U.S. Treasury Department invested more than \$4 billion in 332 institutions, where \$3.9 billion was assigned to community banks and \$104 million to community development loan funds (CDLFs; Brock, 2018). Between 2018 and 2019, the business lending rate increased by seven percent, while the growth rate of small business loans (\$1 million or less) was stagnant (SBA Advocacy Office, 2020). The general problem was that some minority-owned business entrepreneurs (who often have small businesses) could not gain a similar success level in accessing lender funding as non-minorities, resulting in the high failure rates of their business operations. The specific problem was that some business leaders did not know the differences in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business.

Purpose Statement

The purpose of this quantitative non-experimental causal-comparative study utilizing ex post facto data was to examine the differences in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business. The targeted population was small enterprises legally established in the U.S. for over 5 years and small business loan banks. The independent variables were minority-owned businesses (minority-owned businesses and non-minority-owned) and small businesses (small and large businesses). The dependent variable was the disbursed/shipped amount. The social change implication for this research was to investigate whether differential

loan funding exists (i.e., access to distributed/shipped approved loan amounts). Leader resources were essential for businesses to improve their profitability. Also, access to resources enhanced organizations' job creation, innovations, and overall economic growth.

Target Audience

The key stakeholders in this portfolio are small business leaders with a specific focus on minority-owned business leaders. The research findings could give small business leaders, specifically small minority-owned business owners, an opportunity to understand their challenges and strategies to promote their financial performance. Additionally, the proposed study's findings have the potential to inform financial institutions, loan banks, and government agencies (federal and local) to ease policies, procedures, and loan processes toward the minority-owned business organizations, which are the backbone of the local economy.

Research Question

Research Question (RQ): Is there a significant difference in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business?

Hypotheses

Based on the research questions, the hypotheses are:

Null Hypothesis (H_0): There is no difference in the disbursed/shipped approved funding amount based on the minority-owned status of the business.

Alternative Hypothesis (H_{A1}): There is a difference in the disbursed/shipped approved funding amount based on the minority-owned status of the business

Null Hypothesis (H_02): There is no difference in the disbursed/shipped approved funding amount based on the size of the business.

Alternative Hypothesis (H_{A2}): There is a difference in the disbursed/shipped approved funding amount based on the size of the business.

Null Hypothesis (H_03): There is no difference in the disbursed/shipped approved funding amount among minority-owned businesses and non-minority-owned businesses based on the size of the business.

Alternative Hypothesis (H_{A3}): There is a difference in the disbursed/shipped approved funding amount among minority-owned businesses and non-minority-owned businesses based on the size of the business.

Significance

The contribution to business practice and the potential positive implications for social change are considerable for this study. Robb and Niwot (2018) argued that Minority Business Development Agencies and SBA provided evidence of continuing disparities between minority and non-minority-owned businesses for accessing capital. In this study, I examined the differences in the funding of minority-owned businesses (small and large) compared to non-minority companies, the disbursed/shipped approved funding amount, and the relationship between minority-businesses status and the disbursed/shipped approved loan amount when controlling for business size. This study's findings have the potential to positively contribute to business practices within minority-owned companies of any size. They could inform leaders within small businesses by better understanding funding allocations.

Contribution to Business Practice

This research study's results, conclusions, and recommendations may benefit financial institutions and small businesses. Small business refers to a privately owned corporation, partnership, or sole proprietorship, having 500 employees or fewer depending on the industry and generating an average annual income of 28.5 million U.S. dollars (Robb, 2018; SBA, 2020; & U.S. Census, 2020). Small businesses are the basis of economic growth in the U.S. Recently, the Department of Treasury approved more than \$ 4 billion for 332 small business lending institutions, of which \$ 3.9 billion went to community banks and \$104 million to 51 CDLFs (Brock, 2018). While small businesses have received funding from the federal government, minority-owned businesses disproportionately received less funding than their non-minority counterparts (Robb & Niwot, 2018)

Access to the distributed/shipped approved loan amount may be disproportionate due to factors not considered by financial and small businesses. The study is vital for business practice, given an investigation of whether funds are distributed equitably between minority and non-minority-owned businesses may illuminate potential disparities. Whether disparities are found or not, the study's findings have the potential to inform stakeholders within the government and business. Thus, the study's findings have the potential to reduce possible disparities and, as a result, improve the business performance of minority-owned businesses.

Positive Social Change Implications

The positive social change implication of the proposed study was to investigate if differential loan funding (i.e., access to disbursed/shipped approved loan amount) exists so that leaders in business and financial sectors can be made aware of how funding resources are distributed. Lender resources are essential for businesses to improve their profitability. Also, additional funding resources have the potential to enhance job creation, innovations, and overall economic growth. Small and medium enterprises (SMEs) represent 95% of firms, participate in between 60% and 70% of global employment, and contribute to the largest share of new jobs in the economies (Observer, 2000). Furthermore, SMEs contribute to the eradication of poverty and the improvement in the living standards of vulnerable groups through the increase in income and self-employment (*Naradda Gamage et al., 2020*).

Theoretical Framework

The financial growth cycle (FGC) model for SMEs was introduced in 1988 by Berger and Udell and later developed by Sanchez-Vital and Martin-Ugedo (2012) and Huang et al. (2020). FGC offers an explanation for how small businesses progress through the growth cycle stages with various financial characteristics. SMEs pass through phases of financial growth and crisis. Borio et al. (2018) stressed that companies are financed by angel finance, friends, family members, and others to encourage financial growth. This growth was followed by a period of crisis due to the high credit interest rates and the restrictions of financial institutions due to a lack of business information. Hawkins and Kuang (2017) stated that it is vital to understand the drivers and dynamics

of lending behavior to understand the financial business cycle. The key tenants of the FGC theoretical framework include SMEs, venture capital, financial institutions, angel finance, public equity, lenders, and stakeholders.

The financial institutions, angel financiers, and lenders perform transactions of the disbursed/shipped approved loan amount based on the status and size of the business. The FGC measures the cycle of financial growth for businesses in relation to the availability of approved funding. This framework will be used as a lens within the proposed study to provide a structure for understanding whether the growth of funding is equitably disbursed based on minority status and the size of the business. Thus, the FGC theory provides a framework for understanding the study's focus on examining the differences between minority-owned and non-minority-owned businesses (after controlling for business minority status and size) in the funding received.

Operational Definitions

Angel finance is a term used to qualify personal or group funds invested in small businesses with high risks and high returns on investment (Edelman et al., 2017).

Financial institutions are organizations that act as mobilizers and depositories of savings and provide credit services and other financial services to the communities (Bhole, 2004).

Public equity refers to large companies that raise capital publicly by issuing shares, which enable investors to acquire the ownership interest in the company (Kumar Rai & Shaikh, 2021; Meoli et al., 2018; Szkuta et al., 2021).

Small and medium enterprises (SMEs) represent 95% of firms, participate between 60% and 70% of global employment, and contribute to the largest new jobs share in the economies (Observer, 2000), are the most dynamic ventures in the global economy and play a vital role in developing the human welfare of any country (Naradda Gamage et al., 2020).

Venture capital is a mid-term equity investment or direct investment that promotes the growth of SMEs to the stage of public equity with a clear exit strategy (Nyagadza et al., 2019)

A Review of the Professional and Academic Literature

This literature review focuses on small businesses' potential capital access status, particularly the financial growth that challenges minority small business owners. The literature review was conducted to examine research on topics surrounding the study's dependent variable, disbursed/shipped amount, and the independent variable, minority-owned business status, when controlling for the size of the business. Within this extant review of the literature, I critically analyzed and synthesized research describing the theoretical framework, and prior studies focused on the funding of minority-owned businesses' status and size of business as they relate to funding received. The data reviewed included peer-reviewed journal articles, books, and reports from governments' and organizations' websites. The vast majority of data reviewed were recently published and no more than 5 years old.

The research literature I reviewed was retrieved from Walden Library, Business and Management Academic databases with Business Source Complete, ABI/INFORM

Complete, Emerald Management, ProQuest Central, ScienceDirect, and Sage Premier. Also, Data.gov, SBA, Census Bureau, Google, and Google Scholar engine search contributed to my research. The literature review retrieved enabled me to identify peer-reviewed on the FGC model.

The Financial Growth Cycle (FGC) Model

Many researchers have established the business FGC models and theories. In this business literature, I reviewed the business growth stages of development and the FGC in the small business growth process. Penrose, in 1952 and 1959, originated the “Life Cycle theory of the Firm” (LCTF) in the economics literature (Mac & Bhaird, 2010). The LCTF is used to describe the growth phases of a firm from its creation to its maturity. The stage of growth is set as follows: the traditional society, the precondition for take-off, the take-off, the drive to maturity, and the age of high mass consumption (Jacobs, 2022; Li & Hung, 2013; Rostow, 1959).

The five growth stages, which are a sequential linear process, are inherent to any country in the world. Traditional society has the characteristics of subsistence economics, where all activities are at the rudimentary stage (Jacobs, 2022; Li & Hung, 2013; Rostow, 1959). Within this stage, the product from agriculture was sold for fiscality and not for profit or gain (Hoffman, 2018). The population has no scientific perspective on the world and technology. In the second stage, the precondition to take off, the production of agriculture increases with trade activities which enable the creation of other business services. The third is the stage of take-off, a period at the beginning of industrialization characterized by economic growth and institutionalization of activities and workers. The

drive to maturity stage is the period where standardization of living increases with the use of high technology, and it is characterized by the growth of the national economy and its diversity. The last stage is high mass consumption; at this stage, the process of industrialization is completed. The income of the workforce increases with the establishment of labor unions. Even though these five stages of economic growth are important, they are not necessary for today's economic development of many countries (Tsiang, 1964).

The number of stages of economic growth is not standard across all organizations. Steinmetz (1969) proposed a growth model based on three stages, and Greiner, in 1972, proposed a five-stage evolution-revolution model where each stage is separated by revolution change (Mac and Bhaird, 2010). However, management succession is a crucial factor contributing to changes in the organizational structure and small business progress. Churchill and Lewis (1983) developed a five-stage model with eight prominent factors for business succession (Manna, 2018). The five stages of business succession are existence, survival, success, take-off, and resource maturity. These five stages are vital for business management leaders, practitioners, and researchers to understand each step and implement them according to business strategies and environment. The varied economic growth models each provide an example of how companies move through the growth stages.

In the sales-marketing cooperation strategy, researchers developed many stages of growth for firm development. Manna (2018) established six stages for business growth as follows:

- Bare land devoid of business is the area without any business. Some factors, such as culture, tribal, and new business policy, naturally may influence the business existence, or the business activities are relatively weak due to the unfavorable environment.
- Establishment, at this stage, the businesses are set up with all opportunities to succeed or disappear. The firm develops marketing and growth strategies to conquer the market.
- Aggregation, the established business grows and creates extension branches.
- Competition and coaction, business leaders develop expansion strategies with the local market as well as nationwide with specific products or services. In competitive conditions, managers implement customer service as a key area of innovation and invest in information technologies to achieve a high level of customer satisfaction.
- Reaction is the stage at which the business leaders invest innovation and information technologies to change the business market environment and customer behavior.
- Stabilization, the stage where the firm becomes public. The period of the standardization of living increases with the use of high technology and the growth and diversity of the national economy (Jacobs, 2022; Li & Hung, 2013; Rostow, 1959).

However, this stage model does not apply in a biological analogy of organizations' existence. Organizations are born, grow, and decline; and may also reawaken or disappear (Mac & Bhaird, 2010).

The firm life cycle approach is a linear sequential process of firm growth, and it is particularly applied in the literature on management and organizational studies. However, the firm life cycle is not standardized. Atolia et al. (2018) explained that business cycles, which are asymmetrical, are divided into two categories: steepness and deepness. Steepness is marked by a sharp contraction followed by a long recovery period, and deepness refers to the business cycle troughs which are often deeper than tall peaks. Therefore, the business life cycle evolves at the same time with many economic activities that are characterized by general recessions, contractions, and revivals (Tahir et al., 2020). The cyclical period of businesses, such as duration, amplitude, and severity of economic evolution, enables researchers to follow fluctuations in the economy and implement strategies accordingly.

The business life cycle passes through at least three phases (startup, growth, and crisis). The startup phase is the period of uncertainty characterized by Porter's five forces framework, introduced in 1979 to understand the market (Isabelle et al., 2020; Porter, 2021). The five forces framework are the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products or services, and the rivalry existing among competitors. Challenges are high because the potential partners, customers, and financial institutions do not have enough data and hesitate to work with the company. The phase of growth is the period the company enters the

market, and, at this phase, the company may easily access capital. However, growth is also considered as a period of stability. At that period, the company benefits and may intend to invest in many sectors. The crisis phase is the period when the company faces new challenges. The poor forecasting performance is due to the linear relationship between the financial cycle and output fluctuations (Ng, 2011). The financial cycle boom may end in crisis and weaken the company's growth (Borio et al., 2018).

The life cycle theory of business is the foundation of economic progress that allows businesses to mitigate risks through forecasting. Goodwin (1967) introduced the growth cycle model based on Minorski's (1962) classic predator-prey model for fish population (Dessai et al., 2006). The growth cycle model was used to generate the growth rate between capital and labor in the national revenue distribution (Sordi & Vercelli, 2014). The extension of the model in many directions has led to a framework that combines growth and cycles that has been used by many researchers (Dessai et al., 2006). The concept of growth is that investments have a determining effect on economic dynamics and unfold two main directions (Sukharev & Voronchikhina, 2020). The economic growth depends on the dynamic of the investments spending and investments in the non-financial assets are crucial for future economic growth. Five channels of financial development may influence economic growth (Levine, 2005; He et al., 2019). Firstly, the improvement of investment formation and efficiency of capital distribution; second, the level of enterprises management improved; third, the high-tech innovation and the reduction of innovation risk create an excellent business environment for

enterprises; fourth, efficiently enhance investment savings; and lastly, promote trade in goods and services.

The financial growth life cycle describes a business life cycle that passes through three phases: the growth stage, maturity stage, and decline stage. The concept of a financial cycle is the perceptions and attitudes of financial risk fluctuations observed over time (Ng, 2011). It is self-reinforcing interactions between perceiving values and risk, risk-taking, and financing constraints (Borio et al., 2018). Changes observed during fluctuations are marked by swings in credit growth, asset prices, terms of access to external funding, and other indicators of financial behavior (Borio et al., 2018; Ng, 2011). The financial cycle is based on the forecast of public and private investors and the behavior of the economy. A significant increase in financial investment, marked by an economic boom or growth, can be ended with crises such as recessions (Borio et al., 2018). Financial resources may affect non-financial aspects, mass spending, the behavior of a whole economy, and even natural factors. Crises accompanied by recessions are the characteristics of fallen asset prices, debts increase, and the reform of balance sheets, which drag down growth. Overall, financial performance is measured through profit behavior, earning behavior, dividend behavior, risk behavior, and cash flow behavior (Dan Perbankan, 2021).

Through Goodwin's growth cycle model, the financial growth model (FGC) for SMEs was introduced in 1998 by Berger and Udell. The FGC is proper for every firm and may be applied depending on internal factors (e.g., decision-making, policies, organization, operations, etc.) and external factors (e.g., government business policies,

lenders, market orientation, etc.). A firm needs additional financing due to business growth, financial performance, innovations, and to be competitive in the global market. SMEs, including minority-owned small businesses, often only have access to funding from family and friends, private equity, or debt markets where the interest rate is often high. The information asymmetry problem (Butt et al., 2013; Sanchez-Vidal & Martin-Ugedo, 2012) and the agency costs problem (Sanchez-Vidal & Martin-Ugedo, 2012) interact because the lender companies control the interest cost. As long as the company grows, the leadership has the capacity to mitigate or alleviate information asymmetry problems. The more the company grows (age and size), the manager controls the financial cycle, becomes less risky, and gets confidence from external investors and financial institutions. Sanchez-Vidal and Martin-Ugedo (2012) formulated five hypotheses for testing the FGC essentially based on age and size. The study's two independent variables (age and size) are selected because they influence the information asymmetry problem. Age and size may significantly contribute to the FGC.

A company, in the process of attaining a level of sustainability, develops growth strategies for risks and overcomes uncertainties. Some researchers argued that resource constraints, challenges, capabilities, structures, and strategies enable the company to grow and reach sustainability (Huang et al., 2020). FGC is a cycle with consecutive positive and negative changes in the business process (Paweta, 2018). It is considered a financial cycle (Borio et al., 2018) encompassing the interactions between the value perceived and risk, risk-taking, and financial constraints. An increase in the credit value implies an increase in asset value, the price of assets. The financial constraints and risks

prevent small businesses from accessing loans and may provoke an economic crisis. The period of random fluctuation, during which a company gathers financial information and resources, develops networking through marketing, workshops, and exhibitions and is followed by an expansion phase. Three stakeholder groups (business owners, workers, and investors) are important to reduce the information asymmetry problem in the business growth cycle (Atolia et al., 2018). The business owner (manager) elaborates the project plan, mobilizes funds, and hires resources; the worker provides service for wages; and the investor provides capital, equity, and liquidity assets against interest.

The capital debt and equity are vital for a company's financial growth, especially when intending to become a public company. As the company progresses, the capital structure contributes to the benefits realization (Butt et al., 2013; Modigliani & Miller, 1958, 1963; Pandey, 2004; Shahar et al., 2015). The capital structure is a combination of short-term and long-term financing with a mix of debt and equity capital that is indispensable for a company to achieve its financial goals (Butt et al., 2013). Pecking order theory and signaling theory are essential to understanding the relationship between financing decisions and investments. Signaling theory and pecking order theory (Butt et al., 2013; Huang et al., 2020; Pandey, 2004; Shahar et al., 2015) are vital in the capital structure and FGC. According to the Pecking order theory (Myers & Majluf, 1984), a company may finance a project with only its internal resources like reserves and benefits (Ahmadimousaabad et al., 2013), and use less debt with high growth (Pandey, 2004). Instead, the Signaling theory promotes the growth of a company during the recession risk by contracting external debt (Butt et al., 2013). Huang et al. (2020) argued that at the

same time, pecking order and signaling theories are concerned with the relationship between a firm's cash flow and debt structure to growth; they individually contribute to the company's growth at all levels of the company's financial life cycle. Micro, small, and medium enterprises, which are the pillars of economic growth, need support from financial institutions and their stakeholders.

Micro, Small, and Medium Enterprises (MSMEs)

The development of the economy of any country often depends on micro, small, and medium enterprises (MSMEs). MSMEs are the backbone of the world economy, and their performance impacts social development and economic growth (Bashir et al., 2021; Martins et al., 2022; Novikasari et al., 2021; Velasquez, 2020). SMEs represent 95% of firms, participate in between 60% to 70% of global employment, and contribute to the largest new jobs share in the overall economy (Ridwan et al., 2020). More than 90% of SMEs represent the total enterprises in a country, contribute up to 80% of employment in the industry workforce, and about 40% to the national GDP (Albassami et al., 2019; Bashir et al., 2021). SMEs are also the most dynamic ventures in the global economy and play a vital role in developing the human welfare of any country (Naradda Gamage et al., 2020). SMEs are critical for sustainable economic growth, and their integration in the region considerably contributes to economic development. MSMEs/SMEs have been regulated into many sectors of activity, such as industry, service, agriculture, restaurant, and transport (Novikasari et al., 2021; SBA, 2020).

Small business refers to a privately owned corporation, partnership, or sole proprietorship with 500 or fewer employees, depending on the industry. Small

businesses generate an average annual income of 28.5 million U.S. dollars (Robb, 2018; SBA, 2020; U.S. Census, 2020). The definition of SMEs varies by country and region. This definition is based on each country's economic, cultural, and social habits, often on the value of assets or the number of employees (Martins et al., 2022). The European Commission (EC) considers SMEs as those companies with 250 employees or fewer and that make no more than 50 million Euros and/or present an annual total balance sheet of less than 43 million Euros (Bashir et al., 2021; Martins et al., 2022). The statistical data of the Organization for Economic Cooperation and Development (OECD) explained that 99% of all businesses correspond to SMEs (Niewohner et al., 2019), contribute about 60% of employment, and make between 50 and 60% of GDP (Martins et al., 2022). The contribution of SMEs is to alleviate poverty and sustain economic growth. SMEs are involved in community development, specifically in rural economies. The importance of small businesses in community development is to eradicate poverty, inequality, and unemployment, support the local population to fulfill their basic needs, and help marginalized groups (e.g., disabled, female heads of household, uneducated persons; Naradda Gamge et al., 2020).

SMEs, which play an important role in the job creation, poverty and unemployment reduction, and economic growth, have a very high failure rate. The failure rate of SMEs is high in the short period from their inception because many of them face challenges, including little or no investment, lack of knowledge of the market, lack of formal planning and demand forecasting, lack of managerial and technical skills, and limited access to economic resources (Caballero-Morales, 2021). The vulnerability of

SMEs is due to internal and external risks (Asgary et al., 2020; Caballero-Morales, 2021) and is often beyond their capacity to control, influence, and manage. However, internal risks can be controlled through risk management and treatment measures that managers and business owners implement. This approach is not often set up in developing countries. SMEs are vulnerable to external risks because these risks are beyond their capacity to manage, control, or influence (Asgary et al., 2020).

The vulnerability of SMEs in developing and emerging countries is more pronounced. Weak institutional support makes SMEs less prepared to manage the risks. Also, they often do not have the expertise to manage risks and anticipate the risks outbreak. Thus, to mitigate risks in emerging countries as well as developed countries, the World Economic Forum (WEF) has created, assessed, and monitored 30 global risks since 2005 (Asgary et al., 2020). According to the WEF, a global risk is an uncertain event or condition that, if it occurs, may negatively impact SMEs for at least ten years. SMEs represent more than 90% of all companies worldwide and are the backbone of the world economy in formal and informal business sectors (Thorgren & Williams, 2020). In Japan, over 99.8% of all companies are SMEs, which employ more than 70% of the workforce and generate at least 50% of the GDP (Asgary et al., 2020). Ninety-eight percent of all economic entities in Mexico are SMEs, and they contribute more than 50% of the country's GDP (Caballero-Morales, 2021).

In the global market, SMEs remain vital for global supply chain and international transactions, contributing to global economic growth and alleviating poverty. The aim of the International Labor Organization (ILO) is that SMEs contribute to creating productive

employment and decent work for all (ILO, 2022). SMEs are the key factor to a nation's economic development and social well-being. Two in three jobs created in the world come from SMEs, according to ILO. In developing countries, SMEs with less than 100 employees and from the private sector generate at least 50% of job creation, whereas in developed economies, they contribute up to 55% to the GDP. Policymakers may focus more on SMEs to enhance economic growth. The performance of SMEs is vital for economic and social development, specifically in rural economies (Bashir et al., 2021). Two factors are important for SMEs. The first factor is that SMEs stand to improve anti-poverty programs efficiently; second, SMEs' development is an ingredient for innovation and sustainable growth. These factors are vital for SMEs' performance and sustainability and contribute to global economic growth.

Small businesses are the basis of economic growth in the U.S. Recently, the Department of Treasury approved more than \$4 billion for 332 small business lending institutions, of which \$ 3.9 billion went to community banks and \$104 million to 51 CDLFs (Brock, 2018). According to the ILO, at least 62% of employment (Ridwan, 2020; Tambunan, 2018, 2019) created by SMEs are informal and often have difficult working conditions (e.g., lack of social security, lower wages, poor occupational safety and health conditions, and weaker industrial relations). Also, SMEs are flexible and have the capacity to move from one product to another in an environment where the market demand changes quickly; expansion is easy during economic growth (Tambunan, 2018, 2019). SMEs are social entrepreneurs working for community interests and processing minimum profit distribution among their members (Ridwan et al., 2020). However, at the

same time, they can be used for any contract during an economic crisis, and their degree of failure is very high.

One of the biggest challenges SMEs encounter in launching their operations is accessing capital. Access to capital is a challenge, and the lack of adequate policies beneficial for both lenders and borrowers prevents small startup businesses from innovating, growing, and creating jobs (Robb & Niwot, 2018). Many researchers have shared the factors specific to different countries that impede the growth and sustainability of SMEs. In Bangladesh, scientists found that among SMEs, 50.53% have no access to formal sources of finance, 13.68% have restricted access, and 35.79% have no restrictions (Islam & Miajee, 2018). Although 59.6% of SMEs applied for working capital financing, only half of them got loans from their banks. SMEs often have initial finance to startup, but not sufficient for operations. Due to the lack of information from SMEs, traditional banks' financial requirements can be extremely costly (Dong et al., 2019). The weak growth of SMEs is due to the financial constraints, capital constraints, poor technologies, and tight regulations faced by these businesses (Nkwabi & Mboya, 2019).

Many studies proved that the absence of the use of technologies and financial resources prevents small businesses from innovating and, therefore, contributing to the country's economic growth. Information on SMEs' financial health is opaque, so they do not expose their financial statements to the public. Investing in innovation and technology requires external finance from banks and financial institutions, the main source of funding (Kijkasiwat & Phuensane, 2020). The fact that external investors do

not have enough data on SMEs, their level of credit trustworthiness is very low, and they have difficulties accessing financial capital. Lenders hesitate to extend credit loans to small businesses because they consider small business loaning an alluring and gainful endeavor (Islam & Miajee, 2018). SMEs are viewed to be high-hazard borrowers due to their low level of capitalization, deficient resources, and failure to conform to the lender's security requirements. Islam and Miajee (2018) identified seven reasons that make formal banks to loan small businesses less probable:

- Lending small businesses is seen to be extremely hazardous. They are very vulnerable, the rate of failure is very high, and the financial statements and operation information are opaque, preventing lenders from being hesitant (Kijkasiwat & Phuensane, 2020).
- Small business owners experience fear of gaining access to financial capital due to the conditions of loaning and the high cost of processing before getting the loan.
- Banks prefer loaning to large companies to protect their investment, and shareholders often control these companies. The fact that large companies have a long history with banks, they have an investment agreement that facilitates the process of transactions. Also, shareholders influence banks' policies and may restrict SMEs' access to capital.
- The loan managerial expenses are very high, as is the interest rate, orienting small businesses to other sources of financing.

- The absence of SMEs' history (e.g., financial statements, records bookkeeping) automatically excludes them from accessing financing.
- Borrowers do not have any means to guarantee the loan requested, even though banks may be willing to support the project.
- Many small businesses are informal or do not register with legal institutions for the benefit inherent to SMEs.

Overall, SMEs struggle due to many factors, with financing and access to credit being among the most challenging, as reported by industry experts and researchers (Rao et al., 2018). Policymakers, banks, financial institutions, and small business organizations must come together to define rules and regulations that are beneficial for all and boost the economy of nations.

The economic development of a country depends on its SMEs. SMEs play a vital role in developed and developing countries and are the most dynamic in the present global economy, contributing to human well-being (Naradda Gamge et al., 2020; Albassami, 2019). Even though large companies influence SMEs, their collaboration is significant in enhancing the global economy. Small businesses are the foundation for large companies in many countries. They construct a local technological base, have the capacity to use local resources such as raw materials, generate savings, encourage the participation of vulnerable groups, and support local economies (Naradda Gamge et al., 2020; Albassami, 2019). However, financial accessibility constraints negatively impact SMEs' performance. The financial constraints are a handicap to innovation and technologies (Kijkasiwat & Phuensane, 2020). Large companies can use internal and

external finance from banks for innovation and technology and prevent risks. In contrast, internal finance is the only source of investment for many SMEs. Due to financial hardship, SMEs see their cash flow decline and are outperformed by larger companies.

U.S. SBA instituted many programs that contribute to enhancing small business activities and the communities' well-being. Recently SBA developed many programs to support small businesses, including loan guaranty programs, small business development centers, women development centers, Service Corps of retired executive, microloan Technical, and others to enhance small business access to capital, and increase small business opportunities in federal contracting, access to direct loans for businesses, and other financial opportunities (Fairlie, 2021; CRS, 2021). Congressional interest in these programs has increased for two reasons (SBA, 2021). The first is that small businesses are the pillar of the U.S. economic growth and job creation. Second, since 2020, the interest again increased to support small businesses negatively affected by the coronavirus pandemic and, in turn, the nationwide economy. To respond to the crisis, Congress passed on March 27th, 2020, the Coronavirus Aid, relief, and Economic Security (CARES) Act, including \$349 billion and later increased by \$669 billion to fund the PPP (CRS, 2021; Fairlie & Fossen, 2021; Humphries et al., 2020). This fund, designed to support small business endeavors and provide economic relief, should be reimbursed partially or forgiven once established conditions are met. The EIDL programs (about 3.6 EIDL loans for \$200 billion and about 5.8 million EIDL advances for \$20 billion) were designed to support small businesses that were forced to close or lose their

activities due to the coronavirus (CRS, 2021; Fairlie & Fossen, 2021; Humphries et al., 2020).

The event of high technologies and digitalization enable SMEs to enter the global market and do business with any company. Globalization and rapid technological improvements promoted international trade, which eased the SMEs to export products and services (Safari & Saleh, 2019). The expansion of SMEs in the global market significantly impacts job creation, innovation, and economic growth. Globalization and technological improvements created opportunities and threats for SMEs in developed and developing countries. SMEs have opportunities because they can enter the global market and develop partnerships with any company. SMEs are completely integrated into their community, and partnering with other businesses gives them a competitive advantage in their products and services.

Entering the global market is a challenge for SMEs. Multinational corporations (MNCs) and transnational corporations (TNCs) have occupied the global market, impeding SMEs and threatening them with potential closures. The financial accessibility constraints negatively impact SMEs' performance. The financial constraints handicap innovation and advancements in technologies (Kijkasiwat & Phuensane, 2020). Large companies can use internal and external finance from banks for innovation and technology advancement as well as to prevent risks. In contrast, for many SMEs, internal finance is the only source of investment. Facing financial hardship, SMEs see their cash flow decline and continue to be outperformed by larger companies.

With the rapid technological improvement, U.S. small business exporters have easy access to the global market but face adversities. Recent changes to the global economy (market and trade liberalization initiatives) and rapid improvement technologies have contributed to SMEs' growth through exporting products and services (Safari & Saleh, 2019). To support SMEs that are specialized in exporting or importing products or services and avoid the influence of foreign MNCs/TNCs, the SBA has created export financing programs to ensure lenders with up to a 90% guarantee of export loans (SBA, nd). In the same perspective, EXIM-Bank was created to support U.S. exporters of goods and services and promote job creation and economic growth.

The fact that U.S. SMEs may have a cash flow shortage to fulfill an export order and seek a capital working loan to finance, for instance, its purchase of materials or supplies for the export order, the product of the good, or the collection of payment from the foreign buyers, EXIM Bank put in place the working capital guarantee program which guarantees up to 90% of the principal and interest on a loan made to participating lenders for export-related inventory and accounts receivables (Akhtar, 2019; EXIM Bank, 2020). Also, EXIM Bank has created the supply chain finance guarantee program to guarantee up to 90% to approved lenders and exporters and increase liquidity for the fulfillment of export orders. Each year, EXIM Bank extends more than 30% of its financing authority to support small business exports, with a minimum of 5% to renewable energy, energy efficiency, and energy storage technology exports (Akhtar, 2019; EXIM Bank, 2020). Despite SMEs' challenges to global market entry and rivalry,

the U.S. EXIM Bank strives to boost economic growth with small businesses' protection abroad and promote job creation.

Going globally is a partnership and networking process based on each company's specialization. Supply chain financial (SCF) is a key factor for small businesses to easily operate in the global market and promote economic growth (Ali & Gongbing, 2018). The SCF was introduced to reduce the working capital, cut transaction costs, and decrease debt ratios through financial mechanisms (e.g., factoring, trade financing, and inventory financing; Ali et al., 2018; Jia et al., 2020; Zhu et al., 2019). The SCF builds trust between the buyer, supplier, and financial institutions. The fact that information is asymmetric is a huge challenge for SMEs seeking to finance their business growth. Financial institutions use SCF as a tool to fulfill financing requirements and accomplish their growth in a timely manner (Ali et al., 2018). Supply chain finance is a critical tool for SMEs' growth because it contributes to the reduction of net operative capital, increases profit, and strategic benefit (Zhu et al., 2019). In addition, SCF can mitigate risks between supply and demand in the financial flow and create value-added for the supply chain with capital constraints by integrating the financial institutions, SMEs, and constraints capital firms' members of the supply chain.

Supply chain finance promotes financial transactions based on confidence. The importance of SCF for SMEs is that it contributes to minimizing debt costs, creating new opportunities to obtain loans, and decreasing working capital, especially for weak supply chain players (Ali et al., 2018). Information on the SCF, including transaction costs, debts, management liabilities, and information on the market, politics, and technology

environment, contribute to reducing investment risks and capital costs of projects financed within supply chains, enhance financial decisions, and optimize financing (Jia et al., 2020) which are vital for SMEs financial performance and therefore the U.S. economy. The SCF brings supply chain partners together to build trust commitment, develop mutual benefit, and therefore benefit SMEs' performance, which positively impacts economic growth in the global market. SCF is an opportunity for policymakers, experts, and business practitioners to lean on the researchers' findings and implement appropriate strategies that may contribute to SMEs' financial performance, which, therefore, positively affects the well-being of the community.

The growth of small businesses necessarily passes through the small business owners' and managers' competencies and skills building. The government should promote vocational training to empower small business owners or those willing to build businesses in financial management and promote the best practices to access finance (Tambunan, 2018, 2019). Companies should comply with legal requirements specific to bookkeeping, reporting gross income, and paying taxes to the government (Novikasari et al., 2021). Knowledge, skills, and abilities are the three main areas that business owners, managers, and personnel must possess to boost businesses and have access to any resources (Sedyastuti et al., 2021). Thus, minority-owned small business enterprises involved in local economic development to reduce poverty and inequality and protect vulnerable persons are more concerned with getting skills, knowledge, competencies, etc., to promote their companies.

Minority-Owned Small Business Enterprises (MBEs)

Minority small businesses, despite their statute second zone companies, contribute to their community's well-being and economic growth. Minority-owned small business enterprises are the pillar of job creation and create jobs at a similar rate to newly created non-minority businesses (Montout, 2019; Fairlie et al., 2010). Minority-owned small businesses also play a vital role in community development and improve the population's well-being in areas where poverty and unemployment are historically high (Berdejo, 2021). MBEs are composed of African Americans, Hispanics, women-owned small businesses, veterans, and other ethnic groups. Over the last 10 years, among the two million small businesses created, 50% were minority-owned and contributed to as many as 4.7 million jobs created in the United States of America, according to the U.S. Committee on Small Business and Entrepreneurs. Minorities are less represented in the entrepreneurial marketplace. Even though they represent 38% of the U.S. population, only 19% own small businesses (Berdejo, 2021). In the inner cities, this gap is more pronounced, where 67% of the population are minorities, and 23% are minority-owned businesses, according to census data (Berdejo, 2021).

The contribution of MBEs is significant to U.S. economic growth due to their integration into community development and population welfare. Winston (2021) estimated that by 2044, the United States would have a majority-minority population, and minority workers and MBEs would have a significant impact on the GDP. According to the data in 2017, MBEs with employees were 1.015 million and generated \$1.401 trillion in revenue with 8.923 million people employed (Winston, 2021). In 2018, approximately

18.5%, or one million U.S. employers, were minority business owners and most were contributors to their communities' job creation and wealth growth (Vilasquez, 2020). The contribution of MBEs to GDP is 2.3% value-added or \$500 million against 15.5% for non-minority. By 2044, the minority population will constitute the majority of the workforce. At that trend, the contribution of MBEs to GDP will be 5.5% value-added, which is insufficient to catch up with the non-minority (Winston, 2021). To avoid harming the United States' human capital development and economic growth, researchers recommended that policymakers, experts, business practitioners, and other stakeholders consider the implications of the shifting marketplace.

Accessing capital and attracting opportunities remain a challenge for minority-owned businesses due to the persistent disparities. A report from the Federal Reserve in 2017 supported that the source of external credit to small businesses always comes from banks. Carlisle (2019) argued that some small businesses lack expertise or cannot support the costs related to the financing program; thus, lenders designed intermediaries to assist low-income minority communities in accessing capital. The recent works and federal officials underlined factors like the small size of business, low income, weak credit histories, lack of loan information, or lack of clear title of agricultural land prevent or dissuade minority farmers and ranchers, and women from accessing loans (Clements, 2021). The disparities between minority-owned and non-minority-owned firms regarding loan approval rates, credit lines, cash advances, etc., remain current. Mayorga (2019) argued that the new securing funding rule that the administration introduced made it hard for small businesses to access the capital for growth.

Any restrictive policy prevents minority-owned businesses from accessing credit and contributes to their underperforming, preventing community members from taking advantage of it and thus limiting local economic growth. Capital is vital for new and existing businesses that need startup costs and growth financing. The research of Hwang et al. (2019) found three vital sources of capital that small business owners may use for startup and/or launch activities. The research studies showed that 64.4% of funds come from personal/family savings, 16.5% are business loans from banks or financial institutions, and 9.1% use personal credit cards.

The disparity between minority-owned businesses and non-minority-owned businesses is current despite efforts made by governments and other organizations. The difference in accessing financing across racial and ethnic groups has been noted by researchers (Hwang et al., 2019). Barriers to accessing financing prevent many positive trends and outcomes for minority entrepreneurs. Barriers often stop people in the process of running their businesses. Barriers are one of the factors that slow business activities and may contribute to failure. In the United States, many minority-owned small businesses experience additional challenges from different barriers. At least 83% of entrepreneurs do not access bank loans or venture capital at the time of startup, 65% rely on personal and family savings for startup capital, and 10% carry balances on their personal credit cards (Hwang et al., 2019). Some research shows that minority business owners use their personal and family savings for startup capital (Robb & Niwot, 2018). The data from the U.S. Census Bureau show that half of all Hispanic and half of all African American households have less than \$7,683 and \$6,314, respectively, compared

to \$110,500 for non-minority households. In 2021, the Federal Reserve System (FRS) data by race and ethnicity indicated that 43% of Black adults and 40% of Hispanic adults had a family income less than \$25,000, which is at least twice the rate among White and Asian adults (FRS, 2022). In contrast, the family income of Whites and Asians was disproportionately over \$100,000. The levels of income of African American and Hispanic individuals and households are a challenge for saving and often prevent minorities from investing directly in the business, using collateral to obtain a business loan, and/or acquiring other businesses (Robb & Niwot, 2018). The fact that minorities have the lowest income and do not have enough savings presents a challenge to running a business. Although minorities are able to launch the business due to the barriers they face, the degree of survival is very low.

Financial institutions and their shareholders contribute to the minority-owned business's success as well as their failure. Financial constraints are one of the factors playing an important role in racial inequality (Kim et al., 2021). The problem of liquidity negatively affects current consumption and reduces investment, mobility, and wealth accumulation in the repetitive economic cycle. Universal employer data from the Census Bureau shows that the racial financing gap is most pronounced at the startup and narrows as the firm ages (Kim et al., 2021). Black-owned businesses are less likely to obtain bank loans, more likely to refrain from applying because of expected denial, and more likely to report that lack of finance reduces their profitability. Black and Hispanics are twice as likely to start a business with less than \$10,000 compared with White and Asian business owners (Robb & Niwot, 2018). When minority business owners request a loan from a

bank, contrary to their White counterparts, Hispanic-owned businesses may not be granted the full amount, while Black-owned businesses may see the requested amount cut in half or the total amount rejected. Most of the time, Black-owned businesses refuse to request business finance loans because they do not want to link their business profitability to the bank rejection (Kim et al., 2021). Racial bias persists when it comes to financing new businesses, influencing lenders' consideration toward minority-owned businesses' success. Lenders charge minority business owners a high-interest rate on bank loans compared to similar white business owners (Fairlie & Niwot, 2018; Hwang et al., 2019).

Although minority-owned businesses are marginalized, the population of this ethnic group remains vital to the U.S. economic growth. With the growing minority population in the U.S. (Robb & Niwot, 2018), Boston's 200-year-old Eastern Bank initiated an ambitious goal to fill the wealth gap and enhance economic inclusion (Carlisle, 2019). In 2017, the bank, in partnership with Eastern Bank Charitable Foundation, launched the Business Equity Initiative with a three-year commitment of \$10 million to substantially reduce wealth inequality by bringing together minority-owned businesses, supplier partnerships, and community development experts to address the problem of income inequality in Massachusetts and southern New Hampshire. Federal, state, and local governments have made direct investments, grants, and guarantees through SBA loans, Small Business Innovation Grants, Small Business Transfer Technology Program, regional venture capital funds, and other initiatives designed to support SMEs (Hwang et al., 2019). In the same perspective, large-cap companies have

initiated programs to support Black-owned businesses with the intention to reduce the racial wealth gap (Velasquez, 2020). The amount of funds that financial services pledged was \$1.15 billion which included \$350 million in procurement spending on Black-owned businesses. While the federal government is the largest procurer in the U.S., State governments, municipalities, and public educational institutions contribute up to \$1.5 trillion for procurements. In addition to these programs that the government reinforced, the PPP was initiated for the resilience of small businesses due to the COVID-19 pandemic. The Coronavirus Aid, relief, and Economic Security (CARES) Act, included \$349 billion and later increased by \$669 billion to fund the PPP (CRS, 2021; Fairlie & Fossen, 2021; Humphries et al., 2020).

Many research studies underlined that in addition to financial discrimination, minority-owned businesses are confronted by diverse types of discrimination, such as loan application denial, discouraging borrowers, demanding a price premium, and supplying lower quantities of credit. Discrimination is recurrent in the small business loan lending marketplace (Fairlie et al., 2010; Montout, 2019). The racial differences in financial hardships are due to racial differences in credit risk (Robb, 2020). Companies specialized in determining credit scores are prohibited from using race, gender, and other forms of discrimination as criteria for lending money (Montout, 2020; Robb & Robinson, 2018). Minority-owned businesses may face challenges to market access for the goods and services they produce due to consumer discrimination by customers, other companies, or redlining (Fairlie & Robb, 2010). The term redlining” was the way the federal government and lenders would select or delimit a neighborhood with a red line

where they would not invest based on demographics alone (Burke et al., 2023). Redlining is a discriminatory practice that prohibits a community based on racial and ethnicity access to elementary services such as mortgage, insurance, loans, and other financial services (Burke et al., 2023; Egede et al., 2023; Swape et al., 2022). About 38% of White-owned businesses had not experienced financial hardship for 12 months, compared with 17% of Black-owned and 29% of Asian-owned and Hispanic-owned businesses. Over decades, national and regional studies proved that limited capital, human and social capital, and racial discrimination are the main sources of disparity in minority business performance (Fairlie & Robb, 2010). Inequal access to financial capital remains the most important factor that prevents minority-owned businesses from growing.

Minorities and women's businesses, which contribute to the families' job creation and promote the community's development, always face discrimination challenges. Many studies and reports support that minorities and women have been historically and consistently disadvantaged by the effects of discrimination in business enterprises (Wainwright, 2020). Although disparities between non-minority male-owned businesses and minority-owned and women-owned businesses have been severe, the Disadvantaged Business Enterprise Program has significantly reduced the gap. The Office of Minority and Women Inclusion, established under the Dodd-Frank Wall Street Reform and Consumer Protection Act section 342, which oversees Federal Deposit Insurance Corporation's (FDIC) Minority and the Women Outreach Program, strives to promote minority- and women-owned businesses through the FDIC's procurements for goods and services (FDIC, 2022). The FDIC is an independent government corporation that

provides deposit insurance and performs bank supervision. The FDIC intends to maintain stability and confidence within the bank system and protect against loss nationwide.

Nowadays, high-tech enterprises nourish the business world and promote economic growth. However, compared to their counterparts, the representation of African American-owned enterprises and innovation in the high-tech sector are quasi-inexistent (London & Sheikh, 2020). Most of the White-owned Businesses or 68.5% created businesses specialized in high-tech and innovation. African American-owned businesses are underrepresented with 7.4% compared to the 14% overall private-sector African Americans employment rate. According to London and Sheikh (2020), African Americans only represent 2% of executives and 11% of technicians in the high-tech sector, which highlights the lack of diversity in high-tech. High-tech innovation is a powerful tool in today's economic development. Winston (2021) estimated that by 2044, the United States would have a majority-minority population, and minority workers and MBEs would have a significant impact on the GDP. The exclusion of African American-owned businesses has a negative impact on this community, and therefore, the overall economic growth will be negatively impacted.

In addition, MBEs challenge discrimination in the U.S. business development, whatever their contribution to the U.S. economic growth. The performance of MBEs depends on the measures that the shareholders of commercial banks undertake regarding their orientations (Franquesa & Vera, 2021). The grant of credit to minority-owned small business enterprises depends on the ethnicity/race of the owners, size, and the age of the business. Nguyen and Pacheco (2021) supported that confidentiality in loan credit

agreements is vital for affiliated-bank mutual funds while investing in the firms that borrow with the affiliated banks. The confidentiality strictness is a factor that impairs the financial covenants, which may affect minority-owned businesses. The request for proposal or request for quote procedures and policies are restrictive, preventing minority-owned small businesses from being competitive because of limited access to the funding source to satisfy the financial requirement (Offei et al., 2019).

Recent business development and economic growth changes challenge SMEs to implement new proactive strategies to access finance. Environmental, social, and governance are the measures SMEs need to introduce in the strategic planning for getting finance and short and long-term sustainability (Păun (Zamfiroiu) et al., 2021). In addition, Velasquez (2020) argued that minority small business owners, especially black-owned businesses, the local employers contributing to their community's job creation, face institutional discrimination and social inequalities, losing approximately a billion dollars of revenue every year. The three persistent challenges, such as inadequate access to capital, lack of mentorship, and non-proportionate business opportunities, prevent minority business owners from prospering.

In the wake of COVID-19, minority-owned small businesses have experimented with new ways to work with their employees safely, offer better income, and propose new community services. Among 1,000 small businesses nationwide, more than 40% of minority-owned-small businesses created new services to support their communities, compared to 27% of businesses overall (Dua et al., 2020). During COVID-19, business knowledge information is shared among small business owners and ethnic groups that

support their communities (Crick et al., 2021). The COVID-19 pandemic drastically changed people's lifestyles (e.g., live, learn, work, and socialize) and small businesses where socioeconomic and ethno-racial inequality were crucial (Ong et al., 2020). The disruption of businesses which led to the closure of stores, factories, and businesses of all sectors due to the COVID-19 pandemic, has disproportionately hit small businesses. Among the businesses that COVID-19 negatively impacted, African Americans owned 41%, and 32% were Latinx compared to 17% whites owned (Atkins et al., 2022; Berdejo, 2021; Fairlie & Fossen, 2022; Fairlie, 2020; Ong et al., 2020; Velasquez, 2020).

The COVID-19 pandemic provoked a sudden disruption in economic behavior, specifically with SMEs. The first quarter of 2020 started with the massive closing of stores and other businesses, which negatively affected the U.S. economy and the worldwide economy (Fairlie, 2020; Fairlie & Fozen, 2021). The mandatory closing due to the COVID-19 outbreak plummeted the number of U.S. business owners from 15.0 million in February 2020 to 11.7 million in April 2020. The COVID-19 pandemic has created unfavorable economic, social, and financial conditions similar to the crisis of 2000 (Kottika et al., 2020). In the first quarter of 2020, the U.S. GDP was reduced by 4.8% while the GDP of the Eurozone was reduced by 3.8%. In addition to the structural challenge that minority-owned businesses face (Dua et al., 2020), COVID-19 negatively impacted 41% African American-owned U.S. small businesses and 32% Latinx compared to 17% White-owned (Atkins et al., 2022; Berdejo, 2021; Fairlie & Fossen, 2022; Fairlie, 2020; Ong et al., 2020; Velasquez, 2020). The COVID-19 pandemic outbreak challenges

small business leaders and researchers to develop appropriate strategies to prevent similar events.

The coronavirus pandemic outbreak caused U.S. federal and state governments to make drastic decisions to protect the population and businesses. The federal government established the CARES Act, which offered support to businesses, including the PPP and the EIDL program (Fairlie & Fossen, 2022) to support SMEs that were victims of the COVID-19 pandemic. Priority was given to underserved markets and minority-owned businesses. However, minority-owned small businesses face structural challenges due to their economic fragility (Dua et al., 2020). While the federal government offered \$349 billion through the PPP to address the COVID-19 crisis, many minority-owned small businesses did not receive support because most were not members of the SBA (Hangen & Swack, 2020). Forty-one percent of Black-owned small businesses did not benefit from the PPP funds, and 21% did not get feedback from lenders (Atkins et al., 2022). It has been noted that the first round of the PPP was not beneficial to Black-owned businesses (e.g., the loan amounts that Black-owned businesses received were approximately 50% lower compared to similar White-owned businesses). Overall, the smallest businesses were unaware of the PPP and less likely to apply. In addition, those who applied later for a loan saw the process take longer and somewhat did not get approved (Humphries et al., 2020).

Summary and Transition

In this section, I presented the proposed study's background, problem, purpose, and significance. The problem was that some business leaders did not know the

differences in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business. The research question that guides this study is: Is there a difference in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business? I highlighted the target population, the contribution to business practice, and the positive social change implications. Next, I identified the FGC as the study's theoretical framework and provided the key tenants of the FGC. To assist readers' comprehension of the study's research and findings, I provided operationalized definitions to elucidate the minority-owned businesses. Finally, this section concludes with a summary of prior literature and highlights current gaps in the research that this study intends to fill.

Section 2: Project Design and Process

Within this study, I examined the differences in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business. I utilized ex post facto data collected from the Working Capital Transactions Authorization dataset from 01/01/2006 to 09/01/2021, administrated by the Export-Import Bank of the United States (EXIM Bank, 2020). Section 2 of this study includes a discussion of the study method and design along with a description of how I collected and analyzed that data within this study.

Method and Design

The purpose of this quantitative non-experimental causal-comparative study utilizing ex post facto data was to examine the differences in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business.

Research Question (RQ): Is there a significant difference in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business?

Based on the research questions, the hypotheses are:

Null Hypothesis (H_01): There is no difference in the disbursed/shipped approved funding amount based on the minority-owned status of the business.

Alternative Hypothesis (H_{A1}): There is a difference in the disbursed/shipped approved funding amount based on the minority-owned status of the business

Null Hypothesis (H_02): There is no difference in the disbursed/shipped approved funding amount based on the size of the business.

Alternative Hypothesis (H_{A2}): There is a difference in the disbursed/shipped approved funding amount based on the size of the business.

Null Hypothesis (H_{o3}): There is no difference in the disbursed/shipped approved funding amount among minority-owned businesses and non-minority-owned businesses based on the size of the business.

Alternative Hypothesis (H_{A3}): There is a difference in the disbursed/shipped approved funding amount among minority-owned businesses and non-minority-owned businesses based on the size of the business.

Research Method

In a quantitative study, a researcher uses quantitative methods to quantify and analyze variables to get probate results (Apuke, 2017). A quantitative researcher investigates the pertinent data to find the relationship between variables and provide further recommendations. My research topic was an examination of the differences in the funding of minority-owned businesses (small and large) compared to non-minority businesses. The quantitative methodology was suitable for this study.

Research Design

The non-experimental design should be used since the groups examined are neither randomly assigned nor should the independent variables be actively manipulated within the proposed study. I analyzed secondary data to explain the interaction effect between the independent and dependent variables. Using ex post facto data enabled me as the researcher to identify the independent and dependent variables clearly and to what extent these independent variables explain the dependent variable. My study focused on

ex post facto data with two existing independent variables (minority-owned businesses and non-minority-owned) and a dependent variable (disbursed/shipped approved funding amount). This study enabled me to examine the interaction effect of these two independent variables on the dependent variable (Bougie & Sekaran, 2019).

Assumptions

Assumptions are notions or beliefs the researcher believes accurately guide the study (Tocaven Gonzalez & Kastereen, 2021). The researcher conducts the study with the operating assumptions. This study assumes that small businesses seek to acquire loans from lenders (e.g., financial institutions). Another assumption is that the constructs that fall under the secondary data (e.g., the Working Capital Transactions Authorization dataset from 01/01/2006 to 09/01/2021) used for the study are valid and reliable sources.

Limitations

Limitations for any study are the potential weaknesses that the researcher cannot control but are inherent to the research design, statistical model, and funding constraints (Theofanidis & Fountouki, 2018). I used the data from the existing dataset; thus, the variables available for examination are restricted to what is initially collected. Within the authorizations dataset on the Import-Export Bank of the United States, the minority flag was predetermined, preventing us from operationalizing minorities within the proposed study.

Delimitations

Delimitations are the boundaries or limit the researcher sets within the study's objectives (Theofanidis & Fountouki, 2018). With this study, I examined the differences

in the funding of minority-owned businesses (small and large) compared to non-minority companies. My study was focused on small companies based in the United States from 2017 to 2022.

Data Collection

The Export-Import Bank of the United States approved the Working Capital Transactions Authorization dataset from 01/01/2006 to 09/01/92022 (EXIM Bank, 2020). The data were drawn from businesses and lenders across the United States. I used Walden Library, ProQuest, ScienceDirect, Emerald, Sage, and Singer for my research. Google Scholar and Google Search engine to find the Working Capital Transactions Authorization data set from 01/01/2006 to 09/01/92021 (EXIM Bank, 2020). The data set described the capital transactions that small and minority-owned businesses received for exports and imports. The independent variables were minority-owned business status and size of business. The dependent variable was the disbursed/shipped approved funding amount. The scale of the measurement for the independent variable (minority-owned business status) was nominal (minority = 1 and non-minority = 0), and the measurement for the independent variable (business size) was nominal (small = 1 and not small = 0). The measurement scale for the dependent variable was the ratio (disbursed/shipped approved funding amount).

Data Analysis

Within this non-experimental causal-comparative study, I conducted a two-way ANOVA. This enabled me to identify the main effect differences for each independent variable on the dependent variable and the interaction of the independent variables within

the two-way ANOVA. Within this study, I examined the difference in the disbursed/shipped approved funding amount based on the minority-owned status of the business and the difference in the disbursed/shipped approved funding amount based on the size of the business. Lastly, I examined the difference in the disbursed/shipped approved funding amount among minority-owned and non-minority-owned businesses based on the size of the business.

Ethics

Ethical research is the fundamental ethical principle that researchers must follow in the process of dealing with participants (e.g., physical, institutional, and others). When conducting research with human subjects, the U.S. government and institutions set up regulations and ethical guidelines focusing on the participant's rights and welfare (Fernandez Lynch, 2020). In the context of this research, Walden University mandated institutional review board (IRB) guidelines that I complied with to meet the university's ethical standards. Four steps were imperative to be completed: the researcher must complete Form A, enabling IRB to provide tailored guidelines, submit the required documents that meet the university's ethical standards for approval, gain approval for the proposal in accordance with the required documents, and finally I as the researcher received a confirmation via email. I complied with the university's ethical standards before conducting my research.

This proposed research study used a quantitative research methodology using ex post facto data the Working Capital Transactions Authorization dataset from 01/01/2006 to 09/01/2022. I explained my research work to all participants, including how I planned

to collect the data and protect the documentation, ensuring their privacy. The data will be destroyed after 5 years in accordance with the university's policy. I signed an agreement with participants to ensure the research was conducted within the code of conduct.

According to Sim and Waterfield (2019), the consent has four components: disclosure, the researcher gets adequate information needed; comprehensive, all participants properly understand the information that the researcher collected; competence, the participants have the capacity to accept or refuse the agreement; and voluntarily, any participant is not under pressure to give his consent. The application of ethical principles was crucial to protect and preserve participants' dignity, rights, and personal identification information during the designing, conducting, and reporting of research (Matandika et al., 2022).

The term "ethics" is a set of normative rules that define the behavior and actions of a group living in an organization based on the norms and conducts (Pappa & Filos, 2019; Pappa et al., 2022). A code of ethics is a set of rules, principles, and practices that all actors voluntarily adhere to for the performance of an organization. The code of ethics requires continually implementing the best practices through training and communication of an organization's ethics guidelines and policies (Pappa et al., 2022). The relationship between methods and ethics is noticeable in the quantitative method because researchers often claim that the quantitative methods are value-neutral or objective (Zyphur & Pierids, 2019). An ethical climate is imperative for improving organizational performance (Sabiou et al., 2019). The ethical climate defines policies, practices, and procedures on ethical matters, which influences the participants' attitudes and behavior toward the performance of an organization (Ahmad et al., 2018). The decision-making and conduct

of people are based on the trust between the researcher and participants and what is considered as wrong or right.

Transition and Summary

In Section 2, in addition to the purpose statement and the research question/hypothesis I presented briefly, I explained the importance of the study's research method and design. After enumerating the assumptions, limitations, and delimitations, I described how I collected and analyzed data and ended with a discussion of ethical research. In Section 3, I work on deliverables. The contents of deliverables consists of an executive summary, a presentation of quantitative data analysis, which includes graphs and figures, results and conclusions of the analysis, recommendations for action, communication plan, social change impact, and skills and competencies,

Section 3 The Deliverable

In this section, I provide an executive summary of the quantitative data analysis results, including conclusions, recommendations for actions, a communication plan, and a description of the impact of social change. I organized this section as follows: (a) executive summary, (b) presentation of quantitative data analysis, (c) descriptive and inferential results and conclusions of the analysis, (d) recommendations for action, (e) communication plan, (f) social impact, and (g) skills and competencies.

Executive Summary

The purpose of this quantitative non-experimental causal-comparative study utilizing ex post facto data is to examine the differences in the disbursed/shipped approved funding amount based on the minority-owned business status and size of the business. The data set used within this study is the Working Capital Transactions Authorized data set, administered by the Export-Import Bank of the United States (EXIM Bank, 2020) and drawn from businesses and lenders across the United States. The target population examined within this study was small enterprises legally established in the United States for more than 5 years and small business loan banks. A two-way ANOVA analysis was used to determine if there was a statistically significant difference between the disbursed/shipped approved funding amount for the two independent variables: size of the business and minority-owned business status.

Purpose of the Project

Utilizing a quantitative methodology, I examined the differences in the funding of minority-owned businesses (small and large) compared to non-minority businesses. A

non-experimental causal-comparative design was used since the groups examined were neither randomly assigned nor were the independent variables actively manipulated within the study. My study focused on ex post facto data with two independent variables: minority-owned business status and size of business, and a dependent variable: disbursed/shipped approved funding amount. My study was to examine the interaction effect of the two non-numeric independent variables on the single numeric dependent variable (Bougie & Sekaran, 2019).

The social change implications associated with this research are the potential contribution of highlighting the inequities in the disbursed/shipped approved funding amount between minority and non-minority businesses, thereby reducing the inequalities between minority and small businesses. Within this study, I present the study's findings, including the descriptive results, the tests for assumptions, and the results addressing the research question. This section also includes a discussion of the applications for professional practice and social change implications. Finally, this section ends with recommendations for action and further research, a reflection based on this study, and a conclusion of the study.

Overview of Findings

Within this study, I examined whether there was a significant difference in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business. I used Statistical Package for Social Science (SPSS) statistical software to conduct a two-way ANOVA for data analysis. I used SPSS to examine the descriptive and inferential results and provided my analysis and conclusions. The results of the

findings indicated that there was a statistically significant interaction between minority-owned status and the size of the business on the disbursed/shipped approved funding amount $F(1, 48014) = 36.49, p < .001$, Partial $\eta^2 = .001$. Thus, the null hypothesis (H_0), that There is no difference in the disbursed/shipped approved funding amount among minority-owned and non-minority-owned businesses based on the business size, was rejected. Given that a significant interaction was found, I analyzed the simple main effects of minority-owned status and the size of the business. There was a statistically significant difference in disbursed/shipped approved funding amount between small and non-small businesses based on minority business status, $F(1, 48014) = 95.932, p < .001$, Partial $\eta^2 = .001$.

Recommendations

Within this quantitative ex-post facto study, I analyzed the difference in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business. The independent variables were minority-owned business status and small business size with two categorical value levels, respectively. The dependent variable was the ranked disbursed/shipped approved amount. The findings of this study might contribute to positive social change by highlighting inequities between minority and non-minority businesses, thereby reducing the inequalities between minority and small businesses in the disbursed/shipped approved loan amount. Also, the results of the findings could challenge lenders and decision-makers to create greater equity in funding minority businesses. Results might enhance business strategies and financial performance and improve nationwide economic growth.

Presentation of the Findings

In this section, I share the research study's findings aligned with the research question. I briefly discuss the techniques of data collection and data analysis. Then, I present descriptive and inferential statistical results, discuss the tests of the assumptions, and conclude with a concise summary. Descriptive statistics depict the sample using central tendency (mean, median, and mode), range and standard deviation, and graphics (Guetterman, 2019; Sullivan-Bolyai & Bova, 2014). Descriptive statistics are used to describe in a few words the basic features of the data in a study, such as the mean and standard deviation (SD) (Mishra et al., 2019), and provide a first view of the data (MacFarland, 2011). Inferential statistics enable a researcher to analyze the data collected, test hypotheses, answer research questions (Sullivan-Bolyai & Bova, 2014), and draw conclusions from a sample to a population (Guetterman, 2019; Mishra et al., 2019). The two-way ANOVA is the appropriate method used to examine whether the independent variables have an interaction effect on the dependent variable. The SPSS is the software that I used to conduct a two-way ANOVA to examine the difference in the fractional ranked data of disbursed/shipped loan amount based on the minority-owned status of the business and the difference in the fractional ranked data of disbursed/shipped loan amount based on the size of the business. The two-way conducted utilizing SPSS enabled me to test the data in accordance with the research question and hypotheses. The test of between-subjects showed that there was a statistically significant interaction between minority-owned status and the size of business on disbursed/shipped approved funding amount, $F(1, 48014) = 36.49, p < .001, \text{Partial } \eta^2 = .001$. The null hypothesis

was rejected because the interaction effect between variables was statistically significant ($p < .05$).

Data Collection

The data set used in this research study, the Export-Import Bank of the United States, Approved Working Capital Transactions Authorization dataset from 01/01/2006 to 12/31/2022, includes minority-owned small businesses in the United States of America (EXIM Bank, 2020). I used Google Scholar and Google Search to find the Approved Working Capital Transactions Authorization dataset drawn from businesses and lenders across the United States. The Approved Working Capital Transactions Authorization dataset described the capital transactions that small and minority-owned businesses received for exports and imports. The independent variables used within this study were minority-owned business status and size of business. The dependent variable was the disbursed/shipped loan amount. The scale of the measurement for the independent variable minority-owned business status is nominal (minority = 1 and non-minority = 0), and the measurement for the independent variable the business size is nominal (small = 1 and not small = 0). The measurement scale for the dependent variable, the disbursed/shipped approved funding amount, is a ratio. The dependent variable was operationalized as a percentage of fractional ranked disbursed/shipped loan amount data. The percentage of fractional ranked data of disbursed/shipped loan amount was created using a transformation of the disbursed/shipped approved funding amount variable to address the outliers within the data. I used Transform, the Rank Case, and Rank Types

(Fractional Rank as Percentage) within the analyses I conducted in SPSS to create the percentage of fractional ranked data of disbursed/shipped loan amount for analysis.

Data Analysis

Within this non-experimental causal-comparative study, I conducted descriptive statistics to depict the sample and inferential statistics, specifically a two-way ANOVA, to examine the interaction between minority-owned status and the size of the business on the disbursed/shipped approved funding amount. Descriptive statistics depicting the sample's central tendency (i.e., mean and median), range, and standard deviation are presented. The study's analysis also included tests of the assumptions associated with the two-way ANOVA. The application of the two-way ANOVA is necessary for the interaction effects and to test the significance of the interaction term. A two-way ANOVA, also known as a two-way factor, was used to determine whether there is a simultaneous effect of at least two nominal independent variables (Assaad et al., 2015). A two-way ANOVA was used to understand whether there was any interaction between the independent and dependent variables (Mishra et al., 2019). The two-way ANOVA enabled me to identify the effect differences for each independent variable on the dependent variable and the interaction effect of the independent variables on the dependent variable. Within this study, I examined the difference in the fractional ranked data of disbursed/shipped loan amount based on the minority-owned status of the business and the difference in the fractional ranked data of disbursed/shipped loan amount based on the size of the business. Lastly, I examined the difference in the

fractional ranked data of disbursed/shipped loan amounts among minority-owned and non-minority-owned businesses based on the size of the business.

Descriptive Statistics

I retrieved the data set from the U.S. EXIM Bank website. The data set described the capital transactions that small and minority-owned businesses received for exports and imports. I identified two independent variables: small business size, which was categorized into two groups (small = 1 and non-small = 0), and minority-owned business, which was split into two categories (minority = 1 and non-minority = 0). The measurement scale for the dependent variable disbursed/shipped approved funding amount is ratio. The dependent variable was a percentage of fractional ranked disbursed/shipped loan amount data. I used Transform, Rank Case, and Rank Types (Fractional Rank as Percentage) to calculate the percentage of fractionally ranked disbursed/shipped approved funding amounts utilizing SPSS statistical software.

The data included 48,018 businesses within the Approved Working Capital Transactions Authorization data set. The mean funding amount for small businesses was \$2,346,909 with a standard deviation (SD) = \$27,100,000, while the mean for non-small businesses was \$4,304,617 with an SD = \$33,300,000. Given the presence of outliers and the large standard deviations, I transformed the dependent variable (disbursed/shipped approved funding amount) to the percentage of fractional ranked data of disbursed/shipped loan amount. I then calculated the descriptive statistics for the percentage of fractional ranked data of disbursed/shipped approved funding amounts. The mean percentage of fractional ranked data of disbursed/shipped loan amount for non-

minority-owned small businesses was $M = 49.53$ ($SD = 27.59$), while the mean for minority-owned small businesses was $M = 44.97$ ($SD = 27.49$). The mean percentage of fractional ranked data of disbursed/shipped approved funding amount for non-small businesses was $M = 56.45$ ($SD = 32.69$). The mean percentage of fractional ranked data of disbursed/shipped loan amount for minority-owned businesses was $M = 63.00$ ($SD = 28.71$) compared to non-minority was $M = 56.21$ ($SD = 32.80$). Minority-owned small businesses had the smallest percentage (27.49) of fractional ranked data of disbursed/shipped approved funding amount. No missing data were noticed. Table 1 depicts the descriptive statistics for the independent and dependent variables included in the study.

Table 1

Means and Standard Deviations for Fractional Rank Percent of Disbursed Shipped

Amount

Small business flag	Minority owned flag	Mean	Std. deviation	N
Non-small	Non-minority	56.2131	32.79896	6961
	Minority	62.9964	28.71475	248
	Total	56.4465	32.68856	7209
Small	Non-minority	49.5318	27.58647	34815
	Minority	44.9744	27.48759	5994
	Total	48.8624	27.61879	40809
Total	Non-minority	50.6451	28.62926	41776
	Minority	45.6904	27.75914	6242
	Total	50.0010	28.56601	48018

Note: Dependent variable: Fractional Rank Percent of Disbursed Shipped Amount

Test of Assumptions

Assumptions testing is crucial for data analysis in any statistical model. When tests of the assumptions are met for the test statistics (e.g., F , t), it indicates that the results, including p-values and descriptive and inferential statistics (e.g., effect size, confidence intervals, correlation coefficients), are accurate (Hu & Plonsky, 2021). The analysis of variance F test is commonly used to test the null hypothesis to determine the effect of the independent variable on the dependent variable (Sheng, 2008). Thus, assumptions need to be met so that the F test may produce a valid statistical result. The testable assumptions for the two-way ANOVA are no significant outliers, the dependent variable (residuals) should be approximately normally distributed, and the homogeneity of variance (i.e., the variance of your dependent variable [residuals] should be equal) (Laerd Statistics, 2024). I conducted a two-way ANOVA to test the main and interaction effects of the two independent variables (categorical) on the continuous dependent variable (Bougie & Sekaran, 2019; Green & Salkind, 2019).

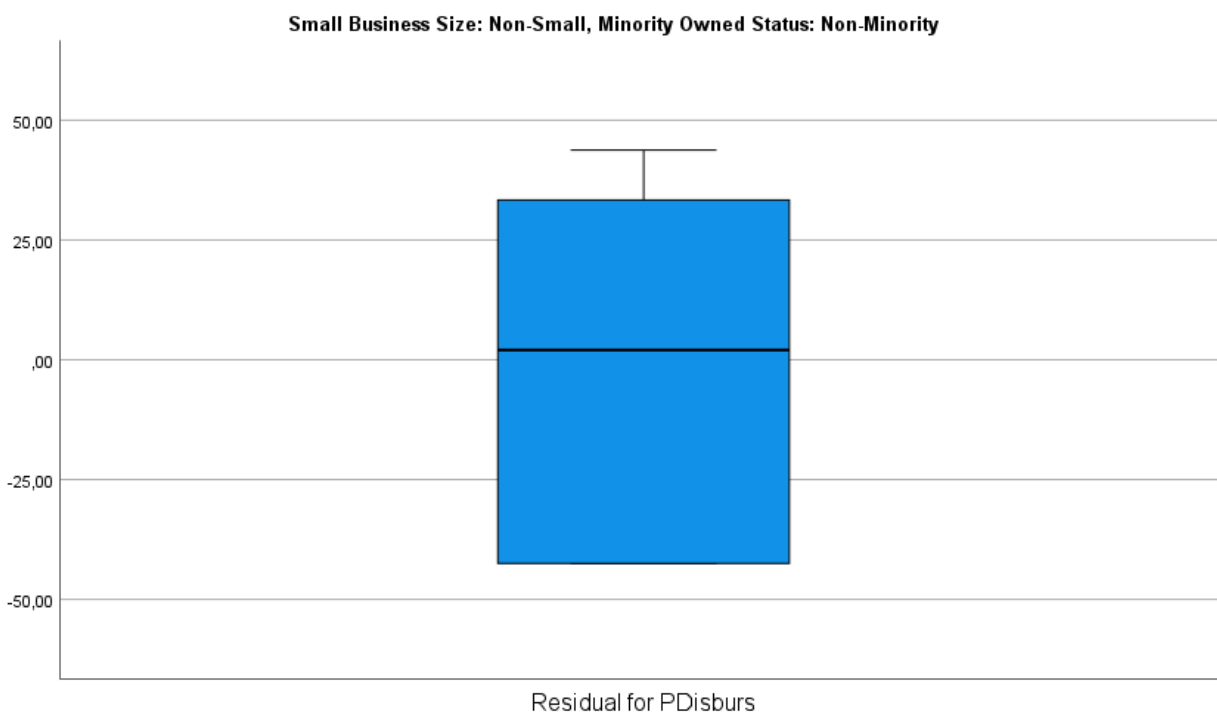
Outliers

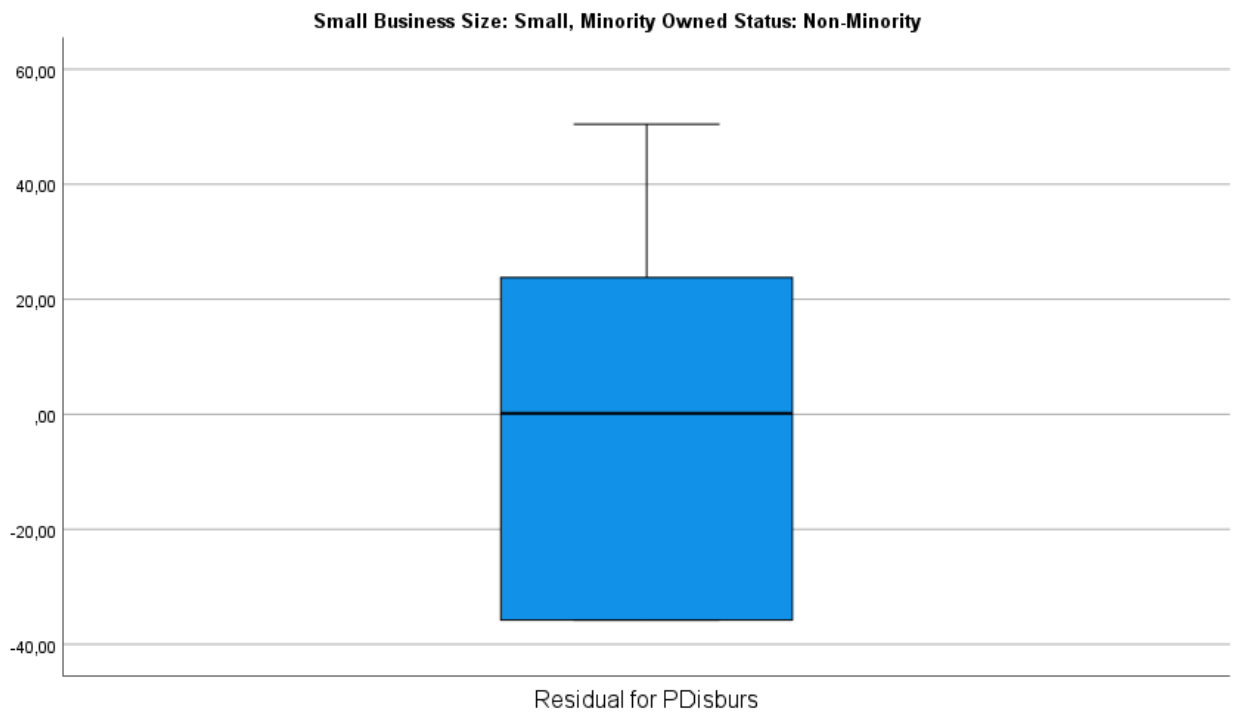
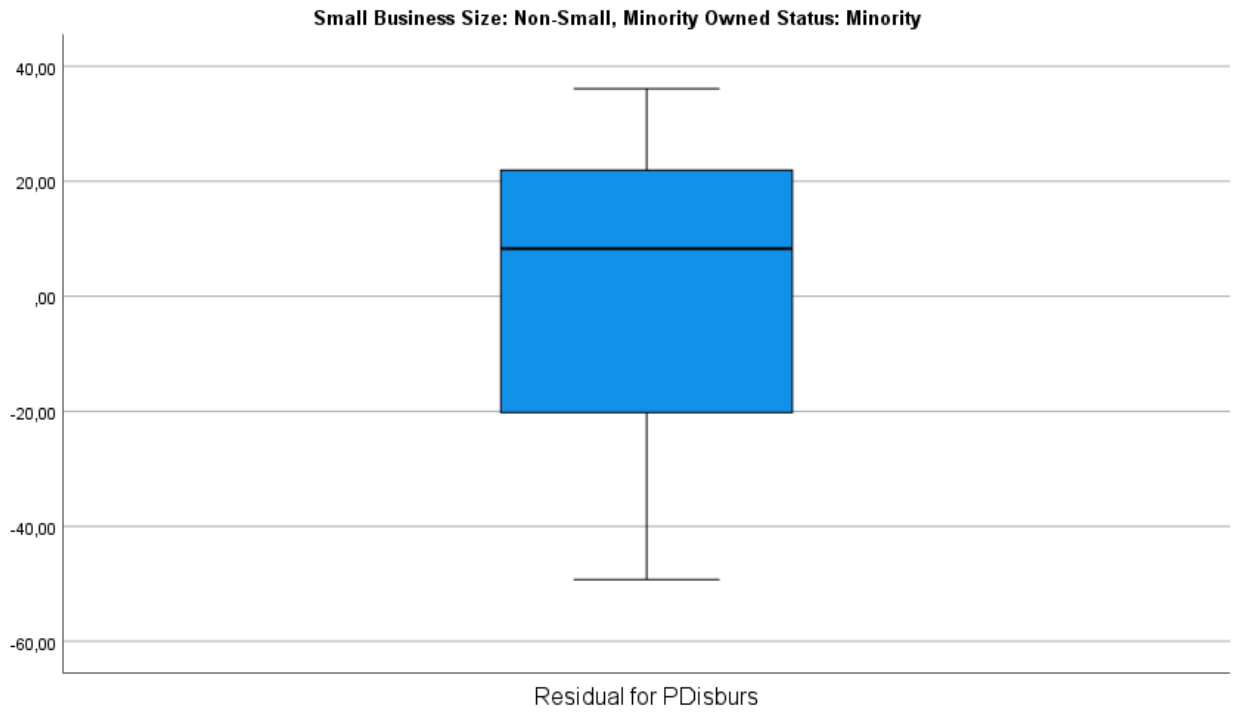
An examination of the assumption of no significant outliers was generated from an exploration of the descriptive statistics. The independent variables included in this study were both dichotomous. The first independent variable, minority-owned business status, is nominal (minority = 1 and non-minority = 0), and the second independent variable, small business size, is also nominal (small = 1 and non-small = 0). Utilizing SPSS Statistics software, I split the data files to explore the descriptive statistics and evaluate outliers within the dependent variable, the percentage of fractional ranked data

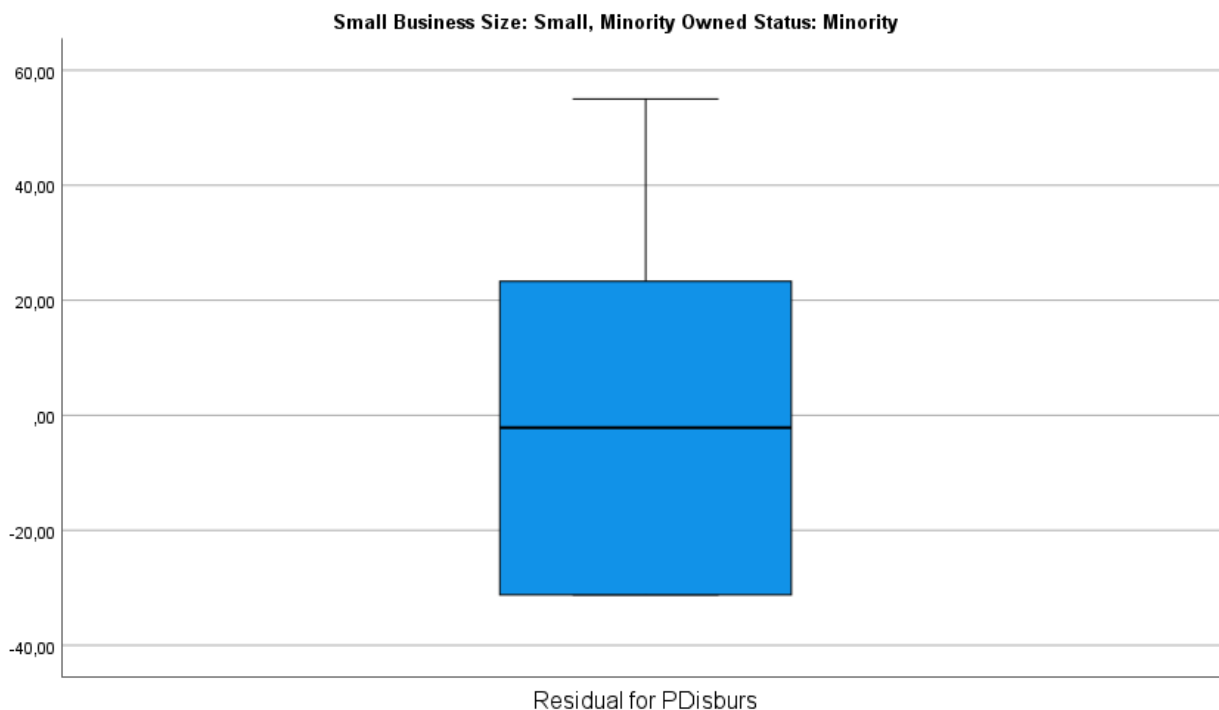
of disbursed/shipped loan amount. The two-way ANOVA is concerned with the investigation of the simultaneous effects of two nominal variables, which might take different categorical values known as levels (Assaad et al., 2015). The manipulated test of boxplots proved that there were no outliers as assessed by inspection of the boxplots. The examination of the boxplots (see Figure 1) displaying the interaction between independent variables small business size and minority-owned small business status on the dependent variable ranked data of disbursed/shipped loan amount showed the normal distribution of disbursed/shipped approved amount. Thus, the results proved no outliers, as assessed by inspection of a boxplot.

Figure 1

Outliers of Small Businesses and Minority-Owned Small Businesses







Normality

The assumption of normality is a test of the residuals rather than the raw data. Therefore, an investigation of the residuals, Res_1, is required to determine if each cell of the design is normally distributed (Laerd Statistics, 2024). The two-way ANOVA assumes that the data/residuals of each cell are normally distributed. Thus, I conducted the Kolmogorov-Smirnov normality test as a test of normality. The Kolmogorov-Smirnov normality test was run to test each group's combination of the two independent variables (Minority-Owned small business status and small business size). The p -value of the Kolmogorov-Smirnov normality test was less than 0.001 ($p < .001$). The assumption of normality has been violated, indicating that the Residual (Res_1) and dependent variable (percentage of fractional ranked data of disbursed/shipped loan amount) have not been normally distributed for each group combination of the two independent variables. Thus,

the data were not normally distributed as assessed by the Kolmogorov-Smirnov normality test ($p < .001$). Table 2 depicts the assumption of normality for the variables within the study.

Table 2

Assumption of Normality Test

Small business flag	Minority owned flag		Kolmogorov-Smirnov ^a		
			Statistic	df	Sig.
Non-small	Non-minority	Residual for PDisburs	.190	6961	.000
	Minority	Residual for PDisburs	.134	248	<.001
Small	Non-minority	Residual for PDisburs	.166	34815	.000
	Minority	Residual for PDisburs	.201	5994	.000

Note: "a"; Lilliefors significance correction

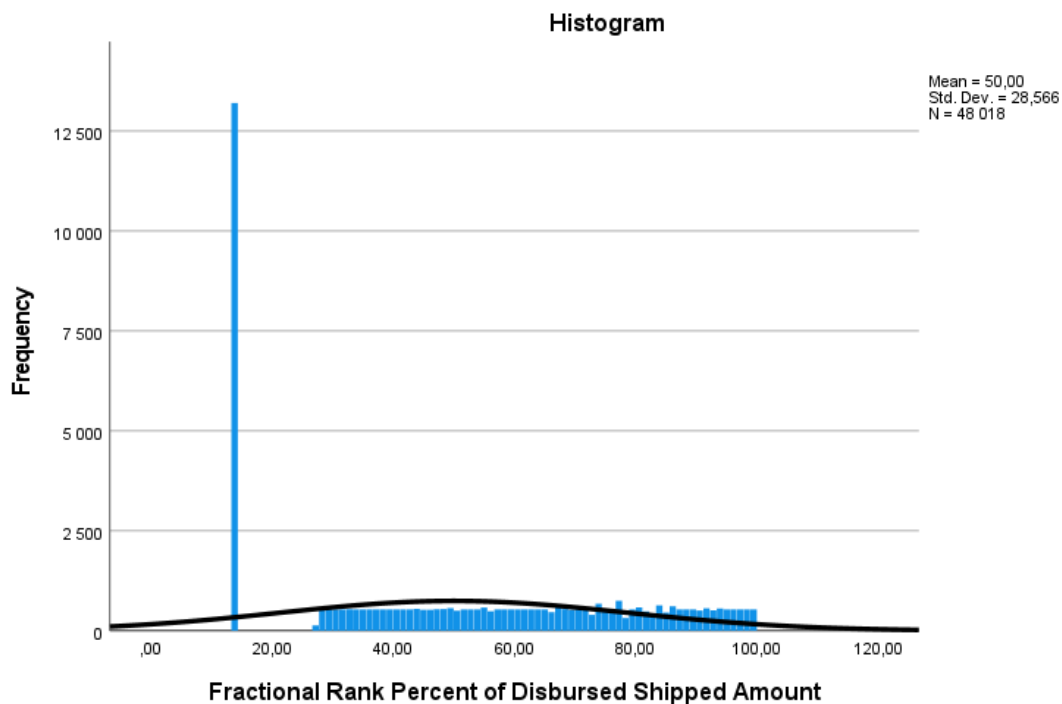
The data set used in this study is large, and ANOVAs can be fairly robust to deviations from normality, although no specific research has been conducted into a two-way ANOVA. Given that two-way ANOVA could be robust to the violation of normality, it may allow the researcher to make inferences without needing the assumption of normality (Laerd Statistics, 2024). Also, at this time, SPSS statistics does not offer a robust test for the two-way ANOVA.

The histogram enabled me to understand the way the data were distributed and provided a visual inspection of the assumption of normality. The histogram examined the displayed curve of the dependent variable ranked disbursed/shipped approved amount (see Figure 2). The assumption of normality on the dependent variable ranked disbursed/shipped approved amount was statistically significant. Thus, I failed to reject the null hypothesis. A visual inspection of the histogram displaying the fractional ranked

percentage of the disbursed/shipped approved amount indicated that the assumption of normality was violated (see Figure 2).

Figure 2

Histogram of Fractional Rank Percent of Distributed Shipped Amount

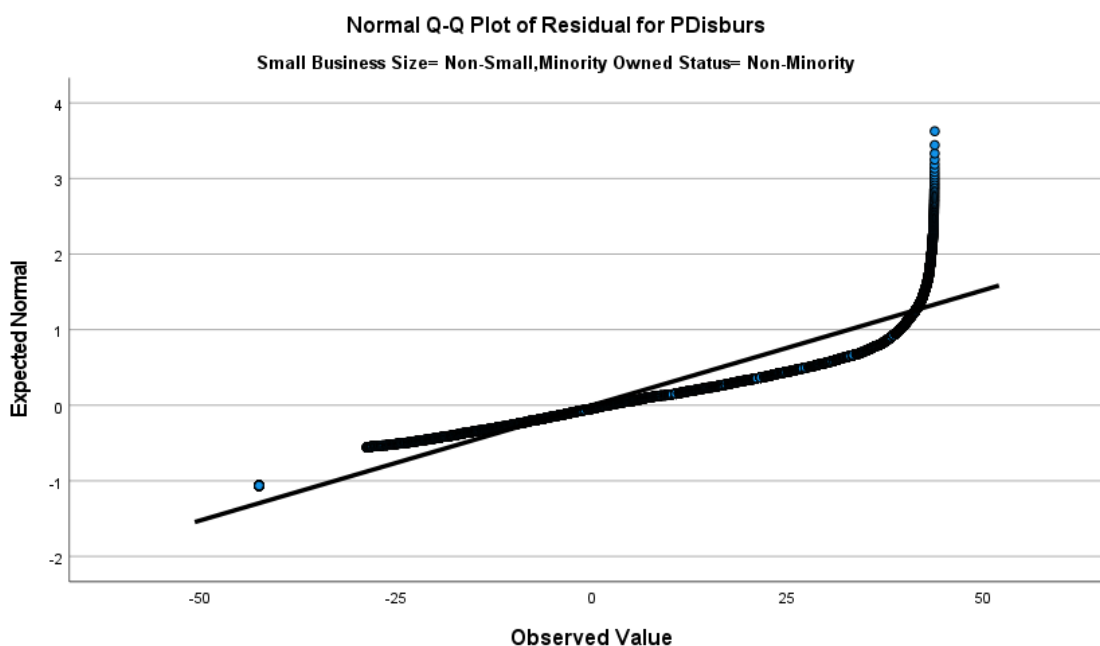


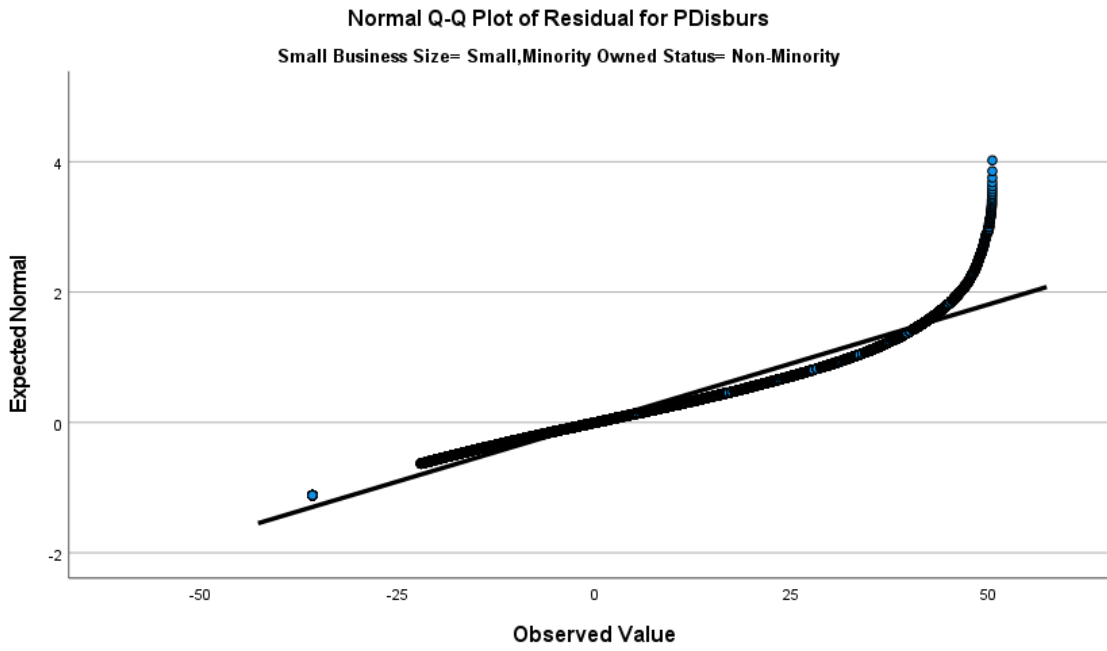
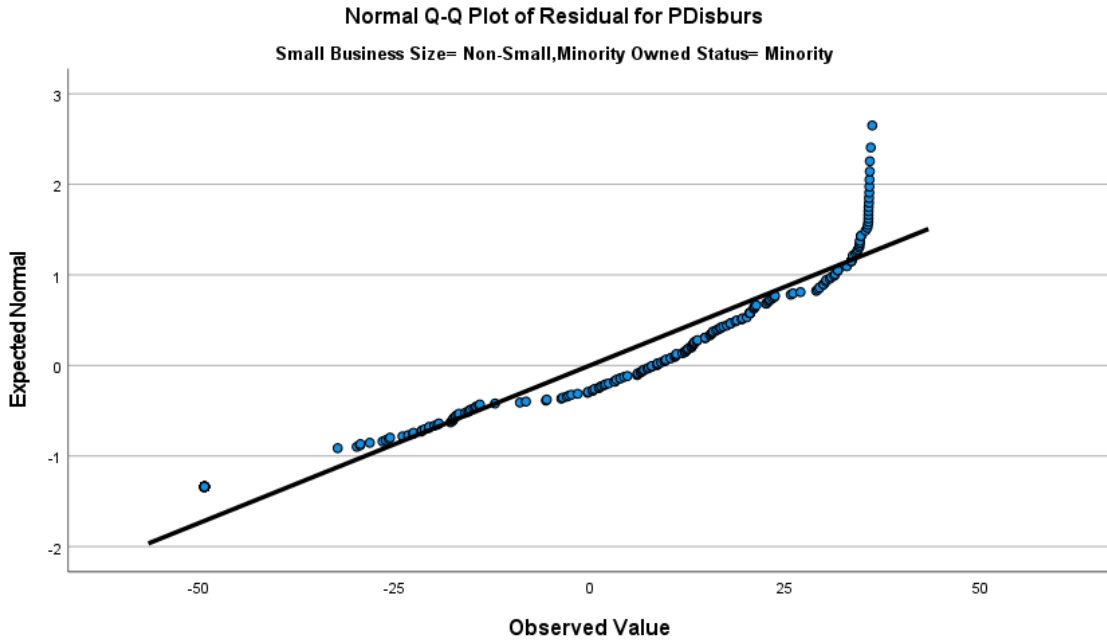
Another method of assessing the normality of the residuals of the dependent variable, the percentage of fractional ranked data of disbursed/shipped loan amount, was through examining a Q-Q plot. The normal Q-Q plots were used to assess the assumption of normality graphically. Based on an inspection of the residuals presented in the Q-Q plots in Figure 3, the groups considered are all skewed in a similar manner; thus, the violation of normality is not considered a serious violation of this assumption (Laerd Statistics, 2024). It should be noted that if the distributions are all skewed in a similar

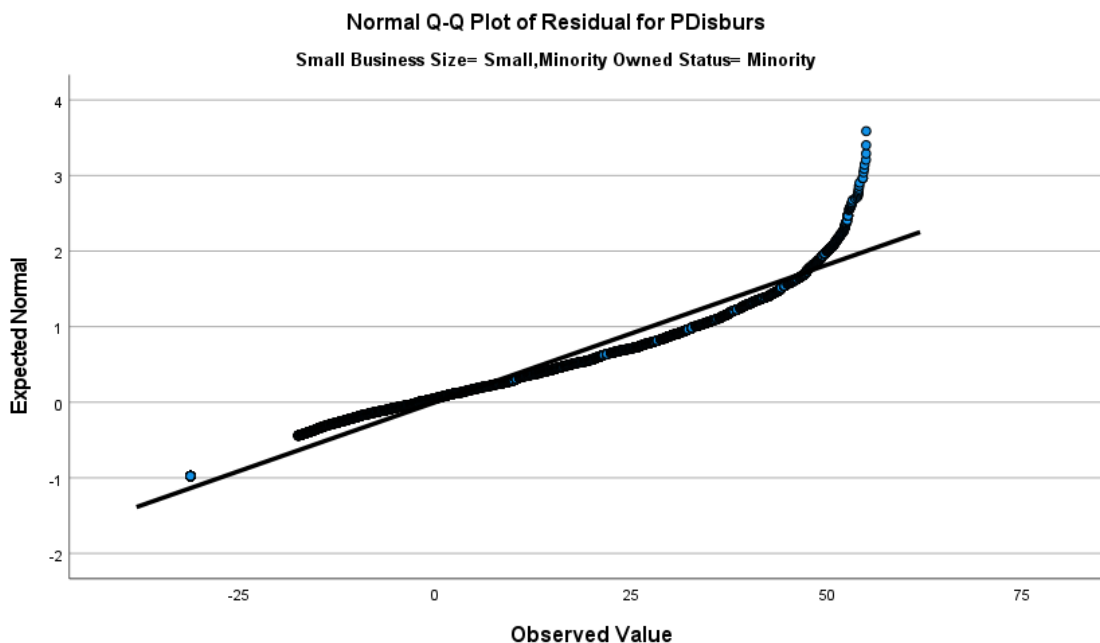
manner, this is not as troublesome when compared to the situation where you have groups that have differently shaped distributions (e.g., each combination of groups has different skews) (Laerd Statistics, 2024).

Figure 3

Normal Q-Q Plots of Residual for Percentage of Disbursed Shipped Amount







Homogeneity

The assumption of homogeneity of variance was tested with Levene's test of equality of variance. The importance of testing for the assumption of homogeneity was to raise questions concerning the degree of precision (Forbes & Ingebo, 1975). The test of homogeneity of variance was vital to verify the assumption of the homogeneity of variance (i.e., variance of your dependent variable [residuals] should be equal) before running the two-way ANOVA (Manshur & Husni, 2020). The null hypothesis for the assumption of equal variance of the dependent variable (the ranked disbursed/shipped approved amount) was equal across groups of the independent variables (i.e., minority-owned business status and small business size). The assumption of homogeneity of variances was violated, as assessed by Levene's test for equality of variances, $p < .001$.

Thus, I rejected the null hypothesis. Table 3 depicts the results of Levene's Test of equality of error variance.

Table 3

Levene's Test of Equality of Error Variance

		Levene statistic	df1	df2	Sig.
Fractional rank percent of disbursed/shipped amount	Based on mean	304.771	3	48014	<.001
	Based on median	298.579	3	48014	<.001
	Based on median and with adjusted df	298.579	3	47637.54	<.001
	Based on trimmed mean	304.325	3	48014	<.001

Inferential Results

A two-way ANOVA was conducted at $p = .05$ and 95% confidence interval to evaluate whether there was a statistically significant difference in the ranked disbursed/shipped approved amount based on the minority-owned status and size of the small business. The independent variables were minority-owned business status and small business size with two categorical value levels respectively. The dependent variable was the ranked disbursed/shipped approved amount. The research question was: Is there a significant difference in the disbursed/shipped approved funding amount based on the minority-owned status and size of the business? The study's hypotheses were:

Null Hypothesis (H_0): There is no difference in the disbursed/shipped approved funding amount based on the minority-owned status of the business.

Alternative Hypothesis (H_A): There is a difference in the disbursed/shipped approved funding amount based on the minority-owned status of the business

Null Hypothesis (H_02): There is no difference in the disbursed/shipped approved funding amount based on the size of the business.

Alternative Hypothesis (H_{A2}): There is a difference in the disbursed/shipped approved funding amount based on the size of the business.

Null Hypothesis (H_03): There is no difference in the disbursed/shipped approved funding amount among minority-owned businesses and non-minority-owned businesses based on the size of the business.

Alternative Hypothesis (H_{A3}): There is a difference in the disbursed/shipped approved funding amount among minority-owned businesses and non-minority-owned businesses based on the size of the business.

The results of the two-way ANOVA conducted to examine the effects of minority-owned business status and size of business on the distributed/shipped approved funding amount allowed for an examination of the study's three null hypotheses. The main effect of minority-owned small business status on the distributed/shipped approved funding amount was not statistically significant with $F(1, 48014) = 1.41, p = .236$; thus, I failed to reject the null hypothesis (H_01). The main effect of small business size was statistically significant with $F(1, 48014) = 173.14, p < .001$; thus, the null hypothesis (H_02) was rejected. These tests were based on the linearity-independent pairwise comparisons among the estimated marginal means. The results of the interaction between minority-owned business status and size of the business on the distributed/shipped approved funding amount were statistically significant with $F(1, 48014) = 36.49, p < .001$, partial $\eta^2 = .001$. Thus, I concluded that the null hypothesis (H_03) was rejected.

Table 4 and profile plots (see Figure 4) show that the assessment of the interaction between independent variables on the dependent was statistically significant.

Table 4

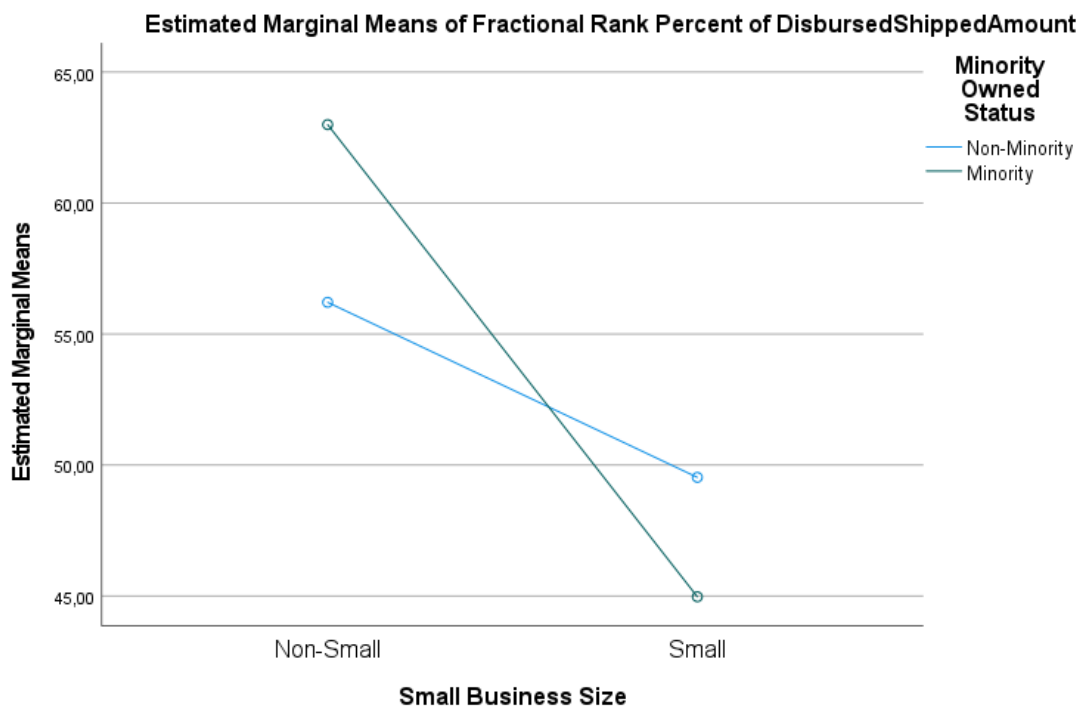
Tests of Between-Subjects Effects: Dependent Variable Fractional Rank Percent of Disbursed/Shipped Amount

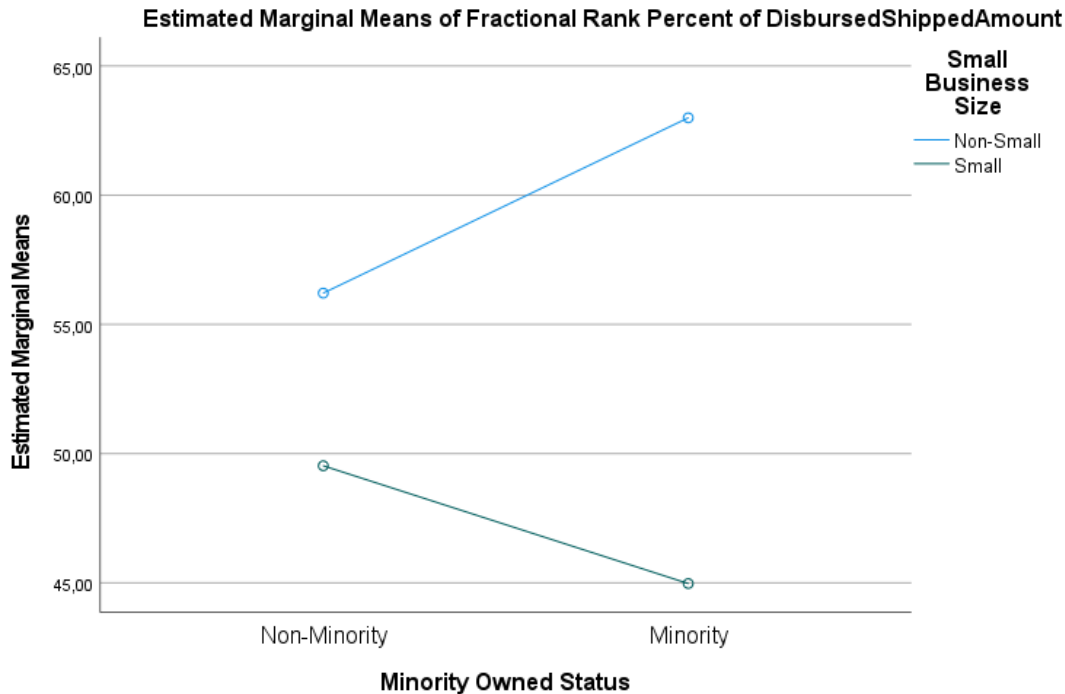
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	469623.112 ^a	3	156541.037	194.151	<.001	.012
Intercept	10448295.455	1	10448295.455	12958.5	.000	.213
				33		
SmallBusinessFlag	139599.412	1	139599.412	173.139	<.001	.004
MinorityOwnedFlag	1133.375	1	1133.375	1.406	.236	.000
SmallBusinessFlag * MinorityOwnedFlag	29421.083	1	29421.083	36.490	<.001	.001
Error	38713059.011	48014	806.287			
Total	159232682.17	48018				
		6				
Corrected Total	39182682.124	48017				

a. R Squared = .012 (Adjusted R Squared = .012)

Figure 4

Profile Plots





Analysis Summary

A two-way ANOVA was conducted to examine the effects of minority-owned business status and small business size on the disbursed/shipped approved funding amount. The assumptions of the two-way ANOVA were tested by residual analysis. The assumption of no outliers was assessed by inspection of boxplots; the normality assumption was assessed using Kolmogorov-Smirnov's normality test for each cell of the design and the homogeneity of variance assumption was assessed by Levene's test. There were no outliers; however, residuals were not normally distributed ($p < .05$) and there was a violation of the homogeneity of the variances ($p = .001$). While the two-way ANOVA is robust to the violation of normality of the residuals, the unequal variances may impact the accuracy of the study's findings; thus, the findings should be interpreted with caution.

There was a statistically significant interaction between minority-owned business status and small business size on the disbursed/shipped approved funding amount, $F(1, 48014) = 36.49, p < .001, \text{partial } \eta^2 = .001$. An analysis of the simple main effects for small business size was performed with statistical significance receiving a Bonferroni adjustment $p < .001$. There was a statistically significant difference in the mean of disbursed/shipped approved funding amount between minority small businesses and non-small businesses for minority-owned businesses, $F(1, 48014) = 95.93, p < .001, \text{partial } \eta^2 = .002$, and for non-minority-owned businesses $F(1, 48014) = 321.17, p < .001, \text{partial } \eta^2 = .007$. There also was a statistically significant difference in mean disbursed/shipped approved funding amount scores between minority-owned businesses and non-minority-owned businesses for small businesses, $F(1, 48014) = 131.729, p < .001, \text{partial } \eta^2 = .003$ and for non-small, $F(1, 48014) = 13.666, p < .001, \text{partial } \eta^2 = .000$.

All pairwise comparisons were conducted to examine each simple main effect with reported 95% confidence intervals (CI) and p -values Bonferroni-adjusted within each simple main effect. The mean “disbursed/shipped approved funding amount” for minority and non-minority small businesses were 44.97 ± 27.49 and 49.53 ± 27.59 , respectively. Non-minority small businesses had a statistically significantly higher mean “disbursed/shipped approved funding amount” than minority small businesses, 4.56 (95% CI, 3.78 to 5.34), $p < .001$. Minority non-small businesses had a statistically significantly higher mean disbursed/shipped approved funding amount than non-minority non-small businesses 6.78 (95% CI, 3.19 to 10.38), $p < .001$.

The mean disbursed/shipped approved funding amount for minority and non-minority non-small businesses were 63.00 ± 28.71 and 56.21 ± 32.80 , respectively. Non-small non-minority businesses had a statistically significantly higher mean disbursed/shipped approved funding amount than small non-minority Businesses 6.68 (95% CI, 5.95 to 7.41), $p < .001$. Non-small minority businesses had a statistically significantly higher mean disbursed/shipped approved funding amount than small minority businesses, 18.02 (95% CI, 14.42 to 21.63), $p < .001$.

Recommendation for Action

This research study's results, conclusions, and recommendations might be beneficial to financial institutions and small businesses. Small business refers to a privately owned corporation, partnership, and sole proprietorship, having 500 employees or fewer depending on the industry, and generating an average annual income of 28.5 million U.S. dollars (Robb, 2018; SBA, 2020). Small businesses are the basis of economic growth in the United States. Recently, the Department of Treasury approved more than \$4 billion for 332 small business lending institutions in which \$3.9 billion went to community banks and \$104 million to 51 CDLFs (Brock, 2018). While small businesses have received funding from the federal government, minority-owned businesses disproportionately received less funding than their non-minority counterparts (Robb & Niwot, 2018)

Access to the distributed/shipped approved loan amount might be disproportionate due to factors not considered by financial and small businesses. The proposed study was vital for business practice, given that an investigation of whether

funds were distributed equitably between minority and non-minority-owned businesses might illuminate potential disparities. The study's findings have the potential to inform stakeholders within the government and business. Examining the proportionality of the disbursed/shipped approved funding amount provides evidence that can inform future decisions regarding the distribution of funding. Thus, the study's findings had the potential to reduce possible disparities and, as a result, improve the business performance of minority-owned businesses and the nationwide economy.

Recommendations for Further Research

This study was a quantitative ex post facto study and could not be conducted without some limitations. Limitations for any study are the potential weaknesses that the researcher cannot control but are inherent to the research design, statistical model, and funding constraints (Theofanidis & Fountouki, 2018). In the secondary data analysis, researchers are limited to the available data or cannot conduct follow-up surveys with participants (Johnston, 2014; Kumara, 2022). In my research, I faced limitations associated with secondary analysis specific to unbalanced data. The original dependent variable, disbursed/shipped approved funding amount, failed the assumption of normality for the two-way ANOVA. Although I used the transform procedure within SPSS to create the percentage of fractional ranked data of disbursed/shipped approved funding amount and Residual (Res-1), the assumption of normality was still violated.

In addition to limitations associated with the data, I faced other limitations during the data analysis and examination of the findings. In the process of the dataset manipulation, it was necessary for me to categorize the data into dichotomized variables

(i.e., small businesses versus non-small businesses and minority-owned businesses versus non-minority-owned businesses). To deepen the analysis of the study topic future research could categorize these data further. The primary researchers conducted the initial data collection; thus, as the secondary researcher, I did not have full knowledge of the primary data collection process (Johnston, 2014). Additional research should be conducted to document further any disproportionality in the disbursed/shipped approved funding amount. That may address businesses and other institutions concerned and boost economic growth in general.

Communication Plan

Once the results of this study's findings are published in ProQuest, the first step is to share my research results with my peers, community, and Walden University social media, which I am part of. Next, I will publish the study's findings on Facebook, LinkedIn, and other relevant social media. As an expert and consultant, I will organize webinars to share results with small business owners, banks, and other stakeholders and provide advice on the importance of the study's results as assets for them to improve their turnover and growth and, therefore, impact their communities. I will participate in conferences, seminars, and workshops concerned with small business development.

Implications for Social Change

The results of the study's findings underlined that the minority-owned small businesses only represented 6,242 among the 48,014 businesses within the dataset examined, with a mean of $M = 45.69$ ($SD = 27.76$) that had access to the disbursed/shipped approved funding amount. Minority-owned small businesses play a

vital role in community development and improve the population's well-being in areas where poverty and unemployment are historically high (Berdejo, 2021). It is estimated that by 2044, the U.S. will have a majority-minority population, and minority workers and MBEs will significantly impact the GDP (Winston, 2021). This study's findings may be used to challenge leaders in business and financial sectors to be aware of how funding resources are distributed. Lender resources are essential for businesses to improve their profitability. Also, additional funding resources have the potential to enhance job creation, innovation, and overall economic growth. SMEs represent 95% of firms, between 60% and 70% of global employment, and contribute to the largest new jobs share in the economies (Observer, 2000). Positive social change implications for this study enhanced the promotion of minority-owned small businesses. Furthermore, SMEs contributed to the eradication of poverty and the improvement in the living standards of vulnerable groups through the increase in income and self-employment (Narada Gamage et al., 2020).

Skills and Competencies

Prior to starting this research study, I was facing many challenges, as a startup business owner. With my work experience with many organizations and institutions, my first challenge was to build my business database and professional networking. My first idea was to approach small business agencies, especially the Veteran Business Outreach Center, for assistance, seminars, and workshops. Next, I went to get financing from banks and financial institutions for my business building and operations. Most of them refused due to the lack of business history. Those who agreed to finance my business proposed a

credit line with high-interest rates. The last challenge was that I am Black and an immigrant in the United States. I had to work hard to finance my business. Furthermore, I observed that in my community, many small businesses had minority or immigrant owners.

Small businesses, specifically minority-owned small businesses, although they are the foundation of economic growth in the United States, often experience the highest rate of failure. Growth is a challenge for SMEs due to the lack of financing and credit, as reported by industry experts and researchers (Rao et al., 2019). The COVID-19 pandemic disproportionately impacted small business owners: 41% among Black/African American owners and, 34% for Latinx owners compared to 17% for White owners (Belitski et al., 2022; Fairlie & Fossen, 2022). Despite governmental efforts (local or nationwide) to promote small businesses, the discrimination against minority-owned small businesses remains current. Minority-owned small business enterprises, which are often involved in their local economic development to reduce poverty, and inequality and protect vulnerable persons, are in need of support to strengthen their skills, knowledge, and competencies to promote their companies and communities.

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