Government sector contracting is fundamentally important to the success of minority-owned businesses. Minorities represent a greater percentage of government contractors in comparison to their share of all small businesses. They also receive a greater share of their revenue from the government contracting than do non-minority owned small businesses. To illustrate this point, consider the following.

The Census of Businesses determined that in 2008 there were 27.3 million small businesses. Of that number, 21% were owned by minorities. During the same year, EuQuant (which powers the Gazelle Index) determined there were 47,254 small businesses registered with the federal government through the Central Contractor Register (CCR). This number excluded small businesses owned by veterans and white women.

Of the 47,254 small businesses registered with the government, 41% were owned by minorities. In comparison, of the 27.3 million small businesses in the US, 21% were owned by minorities.

This fact indicates that minority businesses pursue government contracting opportunities to a much greater extent than do businesses owned by whites.

There were 19,237 minority-owned small business concerns (SBCs) registered with the government in 2008. Black owned businesses comprised the largest number, representing 15.3% of all SBCs. In contrast, blacks made up only 7.1% of all small businesses in society.

Blacks were followed in respective order by Hispanics, who comprised 10.8% of all SBCs and in comparison only 8.3% of all US small businesses.

Asian and Pacific Americans and Subcontinent Asian Americans represented 10.3% of all SBCs and 7.2% of all small businesses.

Native Americans represented 4.7% of SBCs and only .9% of all small businesses.

Finally, white-owned businesses comprised 59.3% of all SBCs and 79% of all small businesses in the US.

Minority businesses are more dependent on government contracting because decades ago, racial discrimination in private sector contracting confined them mainly to personal service and retail activities that largely served minority consumers.

During the era of Jim Crow segregation and immediately afterward, discrimination manifested itself in many ways including the following: exclusion from bank loans, red lining minority neighborhoods, restrictive and exclusionary licensing and distribution practices, mortgage lending discrimination and discriminatory white consumer purchasing patterns.

As a result, minority entrepreneurs who sought to go beyond the traditional racial barriers of the

market place pursued government contracting as solution.

Government procurement gave minorities the opportunity to enter faster growing, more diverse and nontraditional industries such as professional services, technical and engineering services as well as specialized and heavy construction services. The result transformed the character of the minority business sector and created employment opportunities for minority workers.

Government opportunities prompted an increase in minority business startups and lead to the formation of more successful companies.

While business disparities by race and ethnicity still exist, unlike in the past, the typical minority enterprise is no longer a “mom and pop” establishment engaged in low value personal service and small-scale retail activities. Government sector contracting opportunities played a major role in this transformation.