



POLICY ANALYSIS PAPER
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Empowering Asian-Owned Businesses in the Greater Boston Area

Analysis of Strategies to Improve AAPI Business
Access to Financial Options

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Executive Summary

The Asian American Pacific Islander (AAPI) community makes up close to 8% of the population in Greater Boston and the surrounding areas. Many within this ethnic group own their local businesses and are entrepreneurs and leaders in the business community.

The COVID-19 pandemic affected the entire world, but in America, we saw select groups of people suffer more consequences of the virus and have more negative outcomes because of their race and life circumstances. The AAPI community at large and within that group, the AAPI business community suffered immensely from the onset of the pandemic. As the inception of the virus was traced back to Wuhan, China, many AAPI citizens were met with increased discrimination and racism, racially charged incidents, and even hate crimes that resulted in the murder of an AAPI individual. The AAPI business community faced property damage and boycotts of their businesses stemming from fear of the virus and hatred of the community.

As the AAPI business community begins to recover from the setbacks and stressors of the COVID-19 pandemic, there are many ways that they can enter the marketplace stronger than before. These business owners face a considerable limitation is the lack of differentiated data regarding the races and ethnicities considered part of the AAPI community, such as differentiating between Chinese and Vietnamese entrepreneurs and businesses. Having increased data and recognition of the similarities and differences between the heritages of the groups that make up the AAPI community will show how each group may need a different type of support and aid than another, ensuring that all AAPI businesses can grow and be successful.

Another barrier that AAPI businesses face is the owner's relationship and subsequent thoughts about money and being in debt or having credit. Many studies outline that AAPI individuals either refuse to or reluctantly borrow money from outside sources, such as a financial institution, as they would much rather take a loan from a friend or family member inside their own social networks. But the question is why? Why do AAPI business owners and citizens feel uncomfortable with the idea of formal financial aid and guidance, to the point where businesses might shut down rather than apply for a loan?

There are many possibilities as to why this is: the culture and social norms within AAPI ethnic groups that are passed down from generation to generation, barriers stopping the individuals from applying for assistance such as language or citizenship, ties to countries where money wasn't always safe and available at banks, so there is no trust of the American banking system, and heavy reliance on the network that the individual is already a part of.

To fully understand the scope of the problem that AAPI business owners face: differentiated data must be collected, financial institutions need to sponsor programs specifically for the AAPI community to gain trust, alternative funding options such as micro-loans must be considered and offered, and partnerships between community organizations and financial institutions must be created and stewarded.

Understanding the Problem

The Asian American community is one of the most diverse ethnicity, language, immigration history, and education.¹ It is also one of the fastest-growing communities in the Greater Boston region, and firms owned by members of the AAPI community serve as a significant economic driver.² Business opportunity plays a vital role in the ability of community members to gain economic power, and a key piece of building that opportunity is access to banking institutions. These institutions provide critical financial resources that allow businesses to be born, grow, thrive during strong economies, and survive difficult periods. Despite the important role banking institutions can play in supporting businesses, there has long been a problem with AAPI business owners not making full use of these resources. Due to numerous reasons, chief among them a lack of information about available resources and a general distrust in banking institutions, AAPI businesses are not making the most of their options. Because of that, AAPI firms cannot meet their true potential, and in turn, the owners of those firms are leaving money on the table.

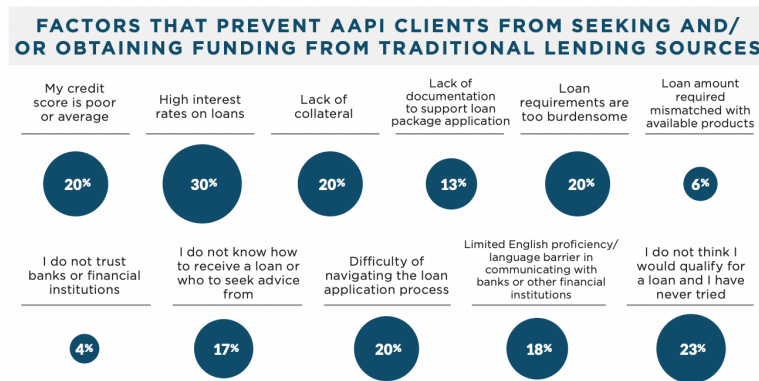
The essentials for a successful business are skills and relationships, access to capital, and access to markets.³ Racial bias and structural inequality make it more difficult for entrepreneurs of color to secure the financial resources to build strong companies.⁴ Efforts by policymakers and leaders can stimulate economic development strategies to foster better financial conditions for small business owners of the AAPI community by working together toward building a more inclusive entrepreneurial ecosystem. Trends suggest that entrepreneurship is in decline in Massachusetts partly because the state's population is becoming more diverse. Some barriers keep people of color from successfully creating their businesses at the same rate as white residents.⁵ Small business owners of color have encountered more setbacks than white small business owners when seeking financial capital.⁶ Before the Covid-19 pandemic, few small business owners of color had a banking relationship with a credit union or a bank.⁷ According to a 2018 survey on financial capabilities in the AAPI community by the National CAPACD, respondents felt that fiscal institutions poorly met their financial needs and the lack of good job opportunities.⁸

Another major issue in assessing the question of debt among the AAPI business community, or the AAPI community, is very limited data available. There are two important pieces to this problem. First, there is a lack of data on the AAPI community, as many surveys will either group the AAPI community with "other" or omit them entirely. For instance, the Boston Federal Reserve's groundbreaking report from 2015 on racial wealth inequities in the Boston Metropolitan Statistical Area failed to capture any data on AAPI families.⁹ Similarly, a report on racial disparities in family debt from the Aspen Institute, which utilized a dataset from the Federal Reserve's Survey of Consumer Finances, has AAPI individuals grouped as part of the "other" category.¹⁰

Another part of the data problem is that it is not disaggregated even when data does exist, making it impossible to see the differences among ethnic groups under the AAPI umbrella. Unfortunately, the lack of quality disaggregated data capturing the diversity of groups within the Asian American community presents a unique challenge in identifying their needs accurately.¹¹ Wealth positioning of the AAPI community is complex and misunderstood because of challenges from incomplete data and generalizations, such as grouping all ethnicities together into AAPI instead of considering the nuances of different ethnic identities.¹² Moreso, the lack of categorized data for small businesses at the federal level reduces the access to resources for entrepreneurs. These data challenges are particularly relevant to the AAPI community, with the most intra-racial income inequality of any racial group.¹³ While we can generalize ways to help the AAPI community writ large, there is a need to ensure that proposals are made with a degree of cultural competency. Different ethnic groups within the AAPI umbrella have differing needs. Comparing the occupational patterns of just two ethnic groups, for example, Cambodian workers and Vietnamese workers, show major differences.¹⁴ More disaggregation of data will be needed to better identify barriers and potential facilitators of building wealth for the AAPI community. Still, we have been able to identify a few leading causes for the limited use of banking resources among large portions of the AAPI community.

The most recent data for the number of AAPI-owned businesses in Boston is from the Census Bureau's 2017 Annual Business Survey, which showed that there were 1,468 businesses in Boston, with AAPI owners employing 10,938 people.¹⁵ Subsequent surveys only provided data for the Boston-Cambridge-Newton Metropolitan Statistical Area, including areas along the North Shore and over the border into New Hampshire. And even with the limited Boston-centric data that does exist, it is currently aggregated under the expansive AAPI label, making it impossible to see trends among different ethnic groups that make up the AAPI community. More expansive business ownership data does exist at the state level, which shows that 14.8% of AAPI entrepreneurs are in the accommodation and food services sector, and another 8.1% are in the retail trades.¹⁶ While this is valuable information, it covers too wide a geographic space to fully apply to the Greater Boston area and does not provide any information about groups within the AAPI label.

Figure 1.



Source: National CAPACD Small Business, Big Dreams. A Survey of Economic Development Organizations and their Small Business Clients in Low-Income Asian American and Pacific Islander Communities, March 2019.

A general distrust of banking institutions, while not solely a feature of communities within the greater AAPI umbrella, general distrust of banking institutions has resulted in members of the AAPI community either utilizing alternative methods of capital acquisition or relying entirely on personal assets. This can leave these businesses more vulnerable to disruption or result in stagnation at moments when the firm would otherwise have an opportunity to grow. There is a cultural history of distrust of the banking system among some Asian immigrants, especially older Chinese immigrants who may either remember or have family who remember the seizure of bank assets during China's Cultural Revolution. From 1966 to 1976, having deposits or any asset was seen as equivalent to being bourgeois and supporting capitalism, which was demonized.¹⁷ Research focusing on small business startup capital for Chinese and Korean firms from 1979 to 1987 found these entrepreneurs were more reliant on existing family equity and that much of the borrowing they undertook came from family and friends.¹⁸ This tracks with more recent data on AAPI small business owners, which reported that 33% relied solely on their own funds as a source of capital and 47% relied on family and friends.¹⁹ In some cases, AAPI business owners will turn to more community-based alternative financial options, such as rotating credit associations, where members of a community pool their resources to create a borrowable source of funds.²⁰ These alternate solutions have been considered an essential part of AAPI business models.²¹

Some of this distrust may also find its rationale in the discrimination that members of the AAPI community have faced historically and in recent years. In American history, which is relevant because while there are still many AAPI immigrants today, there was a large influx of immigrants in the 1800s, leading to the notorious Chinese Exclusion Act passed in 1882 and remained law until the middle of the WWII in 1943. Labor and immigration restrictions on Asian

immigrants dramatically worsened their occupational outcomes, prohibited them from many professional positions, and damaged their social status.²² They also played on racial biases against people of Asian origin and stimulated xenophobia and racial hatred against Asians.²³ There are plenty of other historical examples in America, including the Japanese Internment camps during World War II to violence against Vietnamese shrimpers by members of the Ku Klux Klan in the 1960's.²⁴ With the Covid-19 pandemic, hatred towards the AAPI community has increased again, contributing to a general unease.²⁵

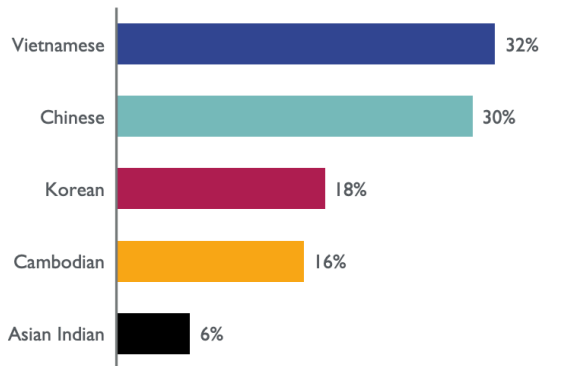
There is little direct evidence to say whether distrust in financial institutions or cultural attitudes towards debt, in general, are major driving forces in AAPI business owners' decisions to utilize alternative sources of funding instead of turning to banks. In a 2019 survey, only about 4% of AAPI business owners identified distrust in banks or financial institutions as a factor preventing them from seeking or obtaining funding from traditional lending sources.²⁶ However, the issue of distrust was identified multiple times during a focus group done by students in PPUA 6506 Techniques of Policy Analysis and alumni of the Asian American Civic Association's Asian Business Training and Mentorship Program. Tran Le, the owner of the Pho Le Restaurant, brought up the issue of trust as a limiting factor, at least for her father's generation. The idea of a stranger offering a large sum of money requires you to sign several papers and pay it back with interest. She also noted that her father, who opened Pho Le in 2011, formed a relationship with a banker who had a shared Vietnamese heritage, which allowed him to feel more comfortable working with a financial institution. Frank Chin, an independent insurance agency, pointed toward a negative cultural attitude toward debt. He specifically cited mortgage debt as the exception, pointing out that it would be far too complex for families to wait until they had the money to pay for their home. While there has been no research on the impact of cultural attitudes towards decisions around business debt, there is some valuable research on how these views may impact consumer debt. One study, for instance, found that 72% of Chinese American families held home mortgage debt, but only about 5% held auto loans and only 3% had other kinds of consumer debt. The authors tie this finding back to prior research which argued that among the set of certain core principles people of Chinese descent held no matter where they lived were values such as, "moderation, thrift, prudence, being conservative, and taking a long-range view."²⁷ Other research into more general patterns of financial decision-making showed little difference between Asian consumers and white consumers.²⁸ This is an area where more research is necessary to better understand the potential role of distrust and cultural attitudes in the financial decision-making of AAPI business owners.

Access to information remains a critical area of difficulty for AAPI, and there are several potential reasons for that. AAPI business owners are most likely to either rely on their own pre-existing knowledge or turn to family and friends for business advice. Unless a member of the family or a friend has had positive interactions with a bank, banks likely will not be recommended as a potential option for capital needs.²⁹ Another issue is language accessibility. Even where information is accessible, if it is not provided in a way that members of the AAPI

community can understand, it is almost useless. According to the National CAPACD survey, 28% percent of their participants responded that English proficiency was a barrier for finding help for their business operation.³⁰ Even when English proficiency wasn't the issue, some AAPI business owners found that complex financial systems were linguistically and culturally inaccessible, contributing to the significant barriers to wealth accumulation.³¹ Information on financial options, whether provided by banking institutions themselves or provided by members of the community, is critical for the functioning of AAPI businesses.

Figure 2.

Many AAPI households are linguistically isolated, particularly Vietnamese and Chinese households.
Percent of speakers that are linguistically isolated (no one in household over the age of 14 speaks English exclusively or "very well"). MA 2019.



Source: 2015-2019 American Community Survey 5-year Estimates, IPUMS USA

Source: Calef, A., & Schuster, L. Building AAPI Power: Building AAPI Power: A Profile of Asian American and Pacific Islander Communities in Greater Boston, November 2021.

Goals and Objectives

At present, the Asian American Civic Association (AACA) offers mentorship programs for the Asian American Community in the Greater Boston Area. The program's emphasis is on

helping with effective management branding, expansion, and financial literacy. To help boost this program’s maximum outcome, the analysis focused on the factors that impact AAPI businesses’ relationship with local banks in the Greater Boston Area. For that, research was conducted to identify and study the factors that influence AAPI businesses’ relationship with local banks and to what extent AAPI business owners lack access to banking in the Greater Boston Area. Another part examined was why AAPI business owners either take on or avoid taking debt for their business needs.

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Empowering the economic growth of Asian-owned businesses in the Greater Boston Area has been challenging. It is critically important for the Asian Business Training and Mentorship Program to have effective strategies and policies to ensure that Asian American businesses thrive. Adopting the right policy choices could boost AAPI businesses and make them more profitable. Based upon our analysis, we suggest that the Asian Business Training and Mentorship Program approach the general distrust of financial institutions and limited access to information and language barriers to gain financial knowledge in the AAPI business community in the following manner:

Goal: Provide the Asian Business Training and Mentorship Program policy recommendations to empower the economic growth of Asian-owned businesses in the Greater Boston Area by improving relationships of AAPI businesses with local banks and identifying the factors that impact AAPI businesses’ relationship with local banks in the Greater Boston Area. To achieve this goal, the Asian Business Training and Mentorship Program should promote the participation of AAPI businesses in partnerships between the public and private sectors, improve access of AAPI businesses to government aid, increase access to funding support for AAPI organizations down to local communities, and identify gaps in the existing minority small business support ecosystem and formulate policies to address them. To this end, we propose that the Asian Business Training and Mentorship Program focuses on achieving the following objectives:

- 1) Improve AAPI business access to financial options
- 2) Provide more financial literacy training focused on asset building programs
- 3) Improve the relationship between the AAPI community and local banks

Policy Options

This section examines approaches to improve access to financial resources for AAPI business owners in the Greater Boston Area. The Asian Business Training and Mentorship Program should be aware that a general distrust of financial institutions exists within the Asian American community in Boston. The limited access to information and language barriers to gaining financial knowledge has made it difficult for members of the AAPI community to secure capital from the United States financial institutions. Biases against people of the AAPI community, xenophobia, and racial hatred of the community have been an issue for a very long

time. With the Covid-19 Pandemic, these negative views towards the AAPI community were inflamed, with minority-owned establishments losing customers and an increase in threats towards members of the community. In this context, we have seen several organizations partner with AAPI-focused organizations to identify and address the needs and challenges of the AAPI community. As part of that effort to improve this diverse community's well-being, we will present a range of potential policy solutions to improve access to financial resources for AAPI business owners in the Greater Boston Area. Our review leads us to select four approaches for the Asian Business Training and Mentorship Program to consider, we also considered the status quo as a part of this analysis:

STATUS QUO

In the case of the current problem, the first policy option is to maintain the status quo. As a baseline, organizations like the Asian American Civic Association (AACA) provide limited English-speaking and economically disadvantaged people of the AAPI community with education, training, and services to succeed and obtain lasting economic self-sufficiency. There are currently small programs available for the AAPI community in the Greater Boston Area, most of which focus on providing training and mentorship for AAPI business owners, English classes, housing counseling, and training program for careers in banking and finance, and many more.

ALTERNATIVE 1: Improving data quality

Quality, disaggregated data is necessary for the policy process and efforts to improve outcomes for AAPI business owners in the Boston area. This is true of the AAPI population, and it is also true for the AAPI business community. There is a severe lack of data that impedes policymakers' ability to better identify and understand potential areas of concern. We believe that the City of Boston, through either the Office of Economic Opportunity and Inclusion or the Office of Small Business Development should survey members of the AAPI business community to get a census of the dynamics of AAPI businesses and an understanding of what issues they face, including issues relating to finances. The survey should be developed in collaboration with community stakeholders, including the AACA, the Asian American and Pacific Islanders Commission of the Commonwealth of Massachusetts, and the Asian Community Development Corporation. Working with these organizations will ensure that the questions being asked are the right ones and asked in a culturally competent way.

ALTERNATIVE 2: Investing in culturally appropriate financial capability and asset building programs

A second option is investing in culturally appropriate financial capability and asset-building programs to support AAPI business owners and help them navigate financial options and opportunities. Ideally, these programs would be operated by the AACA, which already has experience working with Asian entrepreneurs. Working with agencies like the Small Business Administration and Federal Deposit Insurance Corp, the AACA can develop a lesson plan meant

to inform AAPI business owners on the financial tools that are available to them and how they can best make use of those tools. Providing this knowledge would likely mitigate feelings of distrust towards financial institutions as well. Programs could include training and mentorship that help small businesses better understand how to appropriately manage and report their finances, build or repair credit, and progressively engage with the United States financial system. This could either be blended into the existing mentor curriculum utilized by the AACA or become an entirely new set of training programs hosted by the organization.

ALTERNATIVE 3: Supporting rotating credit and savings associations, or lending circles

A third option is to build off an existing alternative to the traditional financial industry that some AAPI community-based organizations have already utilized, known as rotating credit and savings associations or lending circles. Under these arrangements, individuals within a community pool resources to create group loans that would be utilized for business growth. Traditional rotating credit and savings associations (Roscas) operate one of two ways: (1) a group of community members makes contributions and over a period of time, a loan recipient is chosen at random, then this cycle repeats or (2) community members make contributions and loans are allocated through a competitive bidding process.³² Individuals can receive interest-free loans through these systems, build their credit and in a way, also build a stronger sense of community.³³

ALTERNATIVE 4: Hosting meetings between local financial institutions and other stakeholders

The final option would be to have the AACA host a series of meetings between local financial institutions and a cohort of AAPI community-based groups, AAPI business owners, and existing business advocacy organizations. This would give AAPI business owners a safe place to learn about financial resources that are available to them and receive information on how to utilize the resources. The meetings would also be a possible venue for business owners to discuss their reservations with financial institutions and provide opportunities for those institutions to tailor their product offerings better to reach AAPI businesses and learn how to avoid excluding the AAPI community in the future.

Criteria for Assessing Policy Options

We then evaluated the four alternatives according to the following criteria:

Efficacy - This is one of the most important metrics to consider for the purposes of policy analysis, as it serves as a measure of how effectively a policy proposal addresses the central concern of the study. Alternatives will be looked at based on whether they will achieve our goals of Improving AAPI business access to financial options, providing more financial literacy training focused on asset-building programs for AAPI business owners, and improving the relationship between the AAPI community and local banks.

Cost-Effectiveness – To evaluate an option’s cost-effectiveness is to calculate the ratio of input and output in implementation and therefore determine the priority among all plausible options. It will necessitate a clear indication of the financial support in position and outcomes from beneficiaries, including materialized and implicit influence on the AAPI community. With minimal effort, the most cost-effective option should maximize AAPI business owners’ interest.

Technical Feasibility – Along with how effective a program may be in achieving its goals and how efficient it is to run, it is essential to also look at how difficult the program will be to implement. This encompasses several questions, including the size and scope of the program, the number of different organizations that need to be involved, and what kinds of funding will be required.

Political Feasibility – This criterion assesses whether a policy option can be implemented in the current political climate and accepted by the public. Addressing any obstacles an alternative could encounter, political feasibility indicates the difficulty in actual adoption. In the case of carrying out changes for the AAPI community, this criterion represents the possibility of passing a particular proposal. Furthermore, given the number of stakeholders or funding resources involved, how complex the alternative could be when in need of collaboration.

Policy Sustainability – For a policy alternative to having an enduring impact beyond a single cohort of individuals, it needs to be one that the AACA or other connected organizations can easily maintain. This analysis needs to consider the inputs necessary to keep a policy program running and effective, how much of a time commitment will be required over time, and whether stakeholders are likely to remain interested and engaged with the project.

I. Evaluation of Policy Alternatives

We compared all five options, ranking each on a scale from High to Low for each evaluative criterion. The results are such:

Evaluating Policy Options		Evaluative Criteria				
		Efficacy	Cost-Effectiveness	Technical Feasibility	Political Feasibility	Policy Sustainability
1	Status Quo	Low	Medium	High	High	Medium
2	Collect disaggregated data on the AAPI community	High	Medium	Medium	Medium	High

3	Invest in culturally appropriate financial capability and asset building programs	Medium	High	High	High	Medium
4	Support rotating credit, savings associations, or lending circles	Medium	Low	Low	Medium	Medium
5	Host meetings between local financial institutions and other stakeholders	Medium	Medium	High	High	High

Maintaining the Status Quo

Therefore, this policy option requires no additional decisions or approvals from stakeholders and is technically and politically feasible. Even though this is the current policy, and its cost-effectiveness is low, it is not the most effective option. Nevertheless, as the current policy in the Asian Business Training and Mentorship Program, it is less effective in aiding business owners to obtain banking information and other applicable financial resources for not touching upon the rooting issue. For AAPI businesses, access to capital is essential to gain economic power. Racial bias and structural inequality have made it more challenging for AAPI business owners to access and secure the financial resources to develop their businesses.

ALTERNATIVE 1: Improving data quality

While a survey would not directly improve conditions materially, better data will enhance the ability of policymakers to address the problems the AAPI community faces and may aid advocacy organizations and financial institutions in their efforts to improve the linkage between the AAPI business community and banking resources. This was, for instance, the real benefit of the National CAPACD’s 2019 report “Small Businesses, Big Dreams,” which provided hard data on financial decision-making in the AAPI business community and made it possible for policymakers to pinpoint potential gaps.³⁴ Problems can only be solved when they are known and understood.

The Office of Small Business Development has some experience with surveying businesses in the city and is currently running an online survey related to the city’s Covid-19

response.³⁵ However, this project's more rigorous requirements would likely necessitate an outside consultant. The city may need to go through an open bidding process, which means time and resources will be expended to draft a Request for Proposals (RFP), evaluate potential options, then make a hiring decision. If it does not have to go through open bidding, then there would still be search costs associated with finding a suitable firm. Still, the costs of this research would be mostly marginal, and the improved quality of information would be beneficial to the city's economy indirectly.

The number of stakeholders who will need to be involved, as well as the technical mechanics that would need to be in place for this survey to achieve its desired outcome, may create some difficulties for the city. In developing a survey, the city or the consultant it works with will need to bring in several stakeholders interested in the AAPI business community. Further, even after the survey is developed, it may not be easy to disperse it to AAPI business owners. There will need to be an effort to identify and reach out to business owners, which should involve community-based organizations, AAPI groups, and Boston Main Streets organizations. This will be important for ensuring as much participation as possible. Still, even with some of the problematic mechanics, it would be very doable, especially since supporting organizations' requests are not cost-intensive.

It is believed that there will be much political support for this option, even considering some opposition to previous data-focused efforts. It is impossible to discuss AAPI data collection and disaggregation in Boston without mentioning the strong pushback efforts have received at the State level in the past. Misinformation and fears of how data would be used prevented the passage of a bill on disaggregation at the state level in 2017-2018.³⁶ However, major organizations have continued to call for better quality data, and the language that had previously failed to pass at the state level was recently included in the House's FY 23 budget proposal.³⁷ Since this would be done by the city and not require any legislative approval, this program would likely not run into the problems of the state-level disaggregation bill. Still, it will be necessary for the city to communicate the goals of this data early to limit the potential for misinformation to derail the project.

It has been seen as a sustainable project, as once the survey is designed and the first survey is run, the process is highly replicable. The city already performs an annual census of its residents, so there is the experience in operating a wider-scale survey.³⁸ There is a possible concern around maintaining engagement with community-based organizations to keep up a robust outreach program, but that likely will not be a difficult task for the city.

ALTERNATIVE 2: Investing in culturally appropriate financial capability and asset building programs

A big barrier for AAPI business owners to access available financial resources is knowledge of available opportunities. The complexity of many of these resources makes it difficult to know where to start. The research from the National CAPACD, for instance, found

many AAPI entrepreneurs cited difficulty navigating loan programs, lack of knowledge about whether they qualify, and not knowing who to seek a loan or advice from as factors inhibiting their seeking or obtaining of loans.³⁹ Providing a way to learn more about these opportunities would benefit AAPI business owners. However, the efficacy of this concept is limited by the fact that attending courses is a time-consuming endeavor that may be difficult for many small business owners.

Costs would likely be limited, especially since AACA already has experience with running similar programs focused on entrepreneur education. Development of a new set of lessons would have a time cost. Still, beyond that, the cost of this alternative would be along the same lines as the current costs of operating AACA's existing mentorship program.

Since the AACA would develop the programs, there are not a lot of additional steps that would need to be taken regarding technical implementation. It would be suitable for the organization to get some input from area banks and the support of the regional SBA and FDIC offices. Having individuals from those offices speak at a class would be an additional asset and create stronger connections between the community and the institutions that could be there to benefit them. This is something that organizations like the FDIC have already had an interest in, so it is likely that they would be willing to provide support.⁴⁰

Politically, this would be highly feasible. It is unlikely that there would be any opposition to the AACA providing these programs, especially since they are very similar to the organization's existing work.

This alternative is likely sustainable, though it will require enough demand for the programming to be still worth offering. Similarly, the AACA will need to maintain relationships with financial institutions to ensure that the information they are providing through their courses remains up to date. Still, once the courses are designed and people can teach the material, it will not be challenging to maintain the program as long as people are interested in participating.

ALTERNATIVE 3: Supporting rotating credit and savings associations, or lending circles

There is a benefit in building off this concept, as it would not require trying to shift negative views away from the general banking industry or attempt to change the culture of the AAPI community. Historically, there has been reliance on rotating credit and savings associations (Rocsas) among Asian immigrants attempting to open small businesses in the United States. However, research on new firms opened by Korean and Chinese immigrants between 1979 and 1987 was financed notes real limits to the role of these alternative arrangements. Most of the start-up capital for the firms this paper looked at came from family wealth, with debt taken on from financial institutions being the second most common source. Still, alternative loan sources like Rocsas did provide support for smaller, less financially viable firms.⁴¹ A more recent evaluation done by the Mission Asset Fund on the lending circles that it helps operate found more support for the value of these funds on an individual level. Their

lending circles helped several individuals with limited credit history grow their credit scores by an average of 168 points and reduce their levels of indebtedness.⁴² The ability to receive a no-interest loan is valuable, and these funds have a relatively low risk of nonpayment or default.⁴³ Still, it is hard to look past some of the limitations of lending circles when compared to other products. The relatively low dollar amounts and competitive, or sometimes random, nature of loans from rotating credit associations may limit their applicability to most existing businesses. There is promise in this idea, which is why the National CAPACD invested resources in them in 2014. However the modern business applications may be more limited.⁴⁴

This would be the highest cost option of the ones considered in this report, mainly because there would need to be investments made to get these funds off the ground in Massachusetts. A medium would be necessary to maintain, track, and transfer of funds. Some of these costs could be defrayed with the support of a third-party grantee, though that may still require upfront investment to show proof of concept before outside organizations may show willingness to provide funds.

One of the biggest struggles to grow out Rocsas in Massachusetts is that there are not many examples currently operating in the state, and seemingly not any that are solely dedicated to the needs of the AAPI community. Lawrence Community Works provides a good example of how a lending circle based on personal economic development can operate.⁴⁵ Beyond giving loans, the circles operated by Lawrence Community Works provide monthly workshops and opportunities to receive financial coaching.⁴⁶ However, the organization operating this lending circle for AAPI businesses in Boston would face several challenges getting the fund active. A new program would essentially need to be built from the ground up, with the entity at the center of the fund needing to find a place to maintain the fund, create a medium for collection of payments and transfer of loans, and create enough interest to making the lending circle worthwhile for participants. There are not many models for modern business applications as well, since most Rocsas are focused on individual financial development.

Politically, this project may be able to find support. Organizations and policymakers who want to help the AAPI community build power for itself may find the self-sufficiency of the lending circle model appealing. Theoretically, lending circles allow community members to build stronger connections with each other and will enable the community to have more control over how money is spent.

Getting Rocsas up and running in the first place will likely be more difficult than keeping them in operation, though they will still face difficulties in sustainability. The most significant problem will be keeping AAPI entrepreneurs interested in remaining involved and contributing to the fund. In lending circles, especially ones made up of members of a close-knit community, positive peer pressure is a significant factor that keeps people making contributions.⁴⁷ This may also be effective among members of the business community, if they feel a strong connection to other entrepreneurs involved in the program. If that kinship does not form, then it may be more difficult to maintain the Rocsas.

ALTERNATIVE 4: Hosting meetings between local financial institutions and other stakeholders

Creating a space for dialogue between AAPI community groups, business owners, and financial institutions would break down barriers to accessing financial resources. This would be beneficial in two different capacities, both of which are equally important. First, it would provide AAPI business owners with opportunities to learn more about their financial options and ask questions that could help mitigate some of the worries they may have about taking on loans. Second, it would be an opportunity for financial institutions to get a sense of ways to best reach an underserved market in the AAPI community. An additional benefit is that it would require less of a time commitment for attendees who may feel like they do not have the ability to take part in courses but can take part in a meeting. A downside, at least when compared to the more comprehensive offerings of courses provided by the AACA, is that a meeting can only provide a limited amount of information. While useful information can be conveyed in a single session, it is not the same as taking part in a training program.

The financial cost of hosting these meetings would not be very high. There may be financial costs associated with booking venues for the events, though working with local community organizations that possess usable space may help defray those costs. Likely the biggest expenses would include salary or overtime pay for the employee(s) of the institution organizing and presenting at the meeting, as well as marketing and outreach. To ensure maximum feasible community participation, the organization behind these meetings would ideally need to disseminate information through diverse methods. While spreading information through word of mouth and organizational coalitions is relatively costless, other modes of communication like online ads are more expensive. Yet utilizing an expanded set of communication techniques will be vital to making sure the community is aware of the meetings.

Setting up community meetings would be quite feasible, so long as an organization is committed to organizing them. AACA would make sense as that organization, given its existing focus on the AAPI business community. Otherwise, the main issues would be regarding scheduling for industry participants, building partnerships with local organizations, and securing venues for each meeting. The FDIC is already hosting a seminar about what institutions can do to provide more access to the AAPI community so that financial institutions would be interested in participation.⁴⁸ The AACA or any other organization working to create these meetings will need to be cognizant of a few things in their outreach and operations. The meetings should include interpretation in multiple languages based on the main population of AAPI community members in a region. Also, there should be an effort to make sure the meetings are occurring at a time that would not conflict with the common work hours of small business owners. That likely means holding these events in the evening.

Politically, there would likely not be any issues in implementing these programs. Organizations focused on building power in the AAPI community would have an interest in helping share out information about the events and working with AACA to boost participation.

Financial institutions would also benefit from participation, as these meetings would result in more business from AAPI entrepreneurs.

While the theory of these meetings would be to at least initially hold them more regularly, as time goes on and connections between the AAPI business community and financial institutions are built, they could be reduced in frequency. It would be difficult to keep the program up and running at high frequency, but annual meetings would likely be more plausible. Maintaining interest and relationships with community organizations and financial institutions would be the most challenging factor for sustaining the program.

Recommendations and Rationale

Like many issues in America today, there is not a straightforward policy solution that would fix all the problems that AAPI business owners face regularly, but rather a combination of actions and changes that would improve the outcomes of AAPI business owners. A non-negotiable policy action would be to collect disaggregated data of the community, fund a comprehensive survey of AAPI businesses and the owners, looking not only at race and ethnicity within AAPI parameters but also collecting data on the type of industry, length of time the business has been open, profitability and sustainability, current amount of business-related debt as well as personal feelings regarding business debt, and even the demographics of the customer base if possible. Having disaggregated data would allow policymakers, nonprofits, and financial institutions to stop looking at the AAPI community as a whole and avoid applying stereotypes to all members of the relatively large group, and rather be able to pinpoint certain traits, beliefs, and behaviors that are shared by those who are, for example, Chinese and how those differ from those who are Vietnamese. From there, more individualized and targeted approaches can be made to create more positive outcomes and increase the level of success of the community. Once the survey is completed, additional work will be involved to analyze the data and make further policy recommendations based on the findings, but this is imperative to occur before any of the community-based policy recommendations listed above.

Once there is disaggregated data, community-based solutions and policy changes can be explored, such as our proposals for the creation of a new AAPI business finance focused curriculum and . Although all the proposed policy options and modifications are feasible and would result in improvements within the AAPI business community, based on the matrix investing in culturally appropriate financial capability and asset building programs has the highest feasibilities, meaning this would have the greatest effect on the community at a lower cost than other options. As this program grows and changes to meet the needs of more community members who need advice and assistance, the curriculum created can begin to include elements of the other two policy suggestions, such as welcoming guest speakers from financial institutions, local government officials, and business leaders within the community.

Appendix

Focus Group

On March 9th, members of POLS 6506 held a focus group with five alumni of the AACAs first Asian Business Training & Mentorship Program cohort. This included two restaurant owners, the founder of a web design firm, the owner of three eyelash extension salons, and an independent insurance agent. Each discussed the issues they have faced in their businesses and the value of the training and mentoring program. Each spoke extensively on the lack of readily available information around financial options for their small business owners. While most reported receiving financial support during the pandemic, not all had a pre-existing credit relationship with a bank. Some instead turned to the relief provided directly by the city. A common theme among the participants in speaking about borrowing from financial institutions and debt, in general, was a cultural attitude against it. One participant said of the fear that risk would have potentially weighed down his business early on, though he felt like he should have shown more willingness to take on risk. The other theme around debt was distrust towards the banking industry, especially among the previous generation. A Vietnamese restaurant owner discussed her father's hesitation to work with a banking institution when he was operating the business. She said that he was more willing in part because he found a banker who shared his Vietnamese heritage, so he felt more able to trust that individual with his finances. Another business owner spoke of the potential value of taking additional courses, saying that she would want more information on her options before taking out loans.

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