

The Effect of the COVID-19 Pandemic on Korean American Small Businesses

ASIAN AMERICAN & PACIFIC ISLANDER POLICY INITIATIVE

The financial wellness of more than half of all Korean American respondents in the U.S. surveyed for this study was negatively impacted by the COVID-19 pandemic as of June 9, 2021, with 40% receiving unemployment benefits because they lost their job, were furloughed, or had to close down their business. Meanwhile, according to STOPAAPI Hate, 11,467 cases of anti-Asian hate crimes or incidents occurred from March 2020 to March 2022. Some Korean American small business owners attributed business closure and less frequent patronage to the rise in anti-Asian violence, particularly in enclaves such as Koreatown. Overlain on these existing struggles, business owners have suffered threefold from inflation (6.2%, the highest in 31 years), global supply chain disruption, and labor shortages.

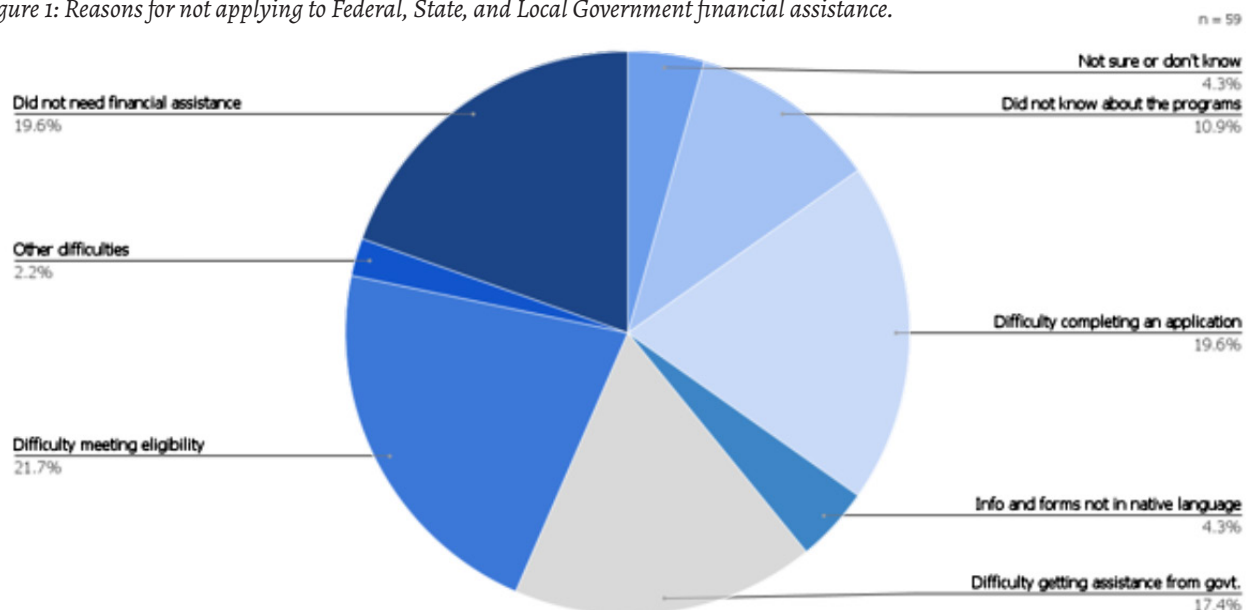
Key Findings

Some Korean American small business owners benefitted from and appreciated various state-level pandemic relief programs; however, such assistance has been insufficient to save businesses. The first round of Paycheck Protection Program (PPP) funds was disproportionately disbursed to non-minority communities while the second round of funds targeted

minority communities (Fairlie and Fossen, 2022). Economic Injury Dislocation Loans (EIDL) loans and advances, in both number per business and amounts per employee, show positive association in distribution to minority communities (Fairlie and Fossen, 2022). In Los Angeles, many such small business owners did not receive the first round of PPP funds, but Korean American small business owners welcomed the second expansion of the EIDL by the Small Business Administration (SBA) of Los Angeles that targeted small businesses with less than 10 employees. In addition, the Supplemental Targeted Advance Grant, ranging from ten thousand to fifteen thousand dollars, helped benefit Korean dry cleaners, taekwondo dojang and other martial art studios, chiropractors, and more.

Depending on the type of business, relief outcomes differed. SBA's Restaurant Revitalization Fund (RRF) provided free grants ranging from one thousand to five million dollars, benefitting restaurants, bars, hotels, and more; yet, a third of restaurants were said to have gone out of businesses (*Korea Times Los Angeles*, 2020). The dry cleaning business, of which a large proportion is run by people of Korean descent in Southern California, was in extreme financial distress during the

Figure 1: Reasons for not applying to Federal, State, and Local Government financial assistance.



pandemic: dry cleaners' unemployment reached 48% in the nation (April 2021), compared to 15% unemployment overall (*Korea Times Los Angeles*, 2020). In Southern California, 150 out of 1,200 dry cleaners went out of businesses (*Korea Times Los Angeles*, 2020); clearly, dry cleaners needed relief programs equivalent to RRF, which they did not receive.

Additionally, SBA filed lawsuits against major banks such as Wells Fargo, Bank of America, JP Morgan Chase, and US Bank, as they favored assisting businesses with heftier PPP applications that yielded larger commissions and fees. According to this study's survey respondents, lacking established bank relationships or accountants, some business owners found it hard to apply for relief programs; some applicants were unable to figure out how to apply, provided incorrect information by mistake, or were overwhelmed with the required paperwork (Figure 1).

Recommendations

- 1. Expand funding provisions and unemployment benefits.** California is home to 4.1 million small businesses, representing over 99% of all businesses in the state and employing nearly half of the state's total workforce; about 1.2 million (29%) are minority-owned (Harvey, 2021). Minority-owned businesses experienced difficulties accessing relief offered from the federal government; accordingly, equitable access for small business owners seeking COVID-19 relief should be prioritized. Given the ongoing pandemic, the federal government should extend small business assistance loan programs such as the PPP and EIDL programs, as well as Unemployed Insurance benefits. More business owners can benefit if the SBA enhances transparency around program eligibility, implementation, and return terms. At the state level, we can extend policies to assist small businesses such as through a Small Business Owners Equitable Access
- 2. Enhance accessibility of relief resources.** Legislators must ensure that members of immigrant communities, such as Korean Americans, are aware of available relief resources and also take advantage of assistance provided by the federal government as well as private and philanthropic sectors. Findings from this study show language access is an urgent matter; addressing technical access barriers would also make a critical difference in laying the foundation for future disaster relief programs. It is also critical to partner with local organizations so they can work with their constituents on applications for such relief programs: pandemic-related relief program applications have been handled and assisted by both Korean American and mainstream banks, community-based organizations, the Korean consulate, CPAs, volunteers, and more.
- 3. Tailor relief efforts.** While industry distributions placed groups such as Asian/Korean American-owned businesses at higher risk of closures, there are additional factors in disproportionate losses among minority-owned businesses, which are smaller on average. Larger businesses are more likely to have the resources, business, and legal structure, as well as return to scale to implement procedures addressing social-distancing regulations for operating and reopening during the pandemic (Fairlie, 2020). For instance, New Jersey EDA developed scaled relief programs ranging from small businesses with 5 or fewer employees (up to \$10,000 in relief), 6-25 employees (up to \$15,000), 26-50 employees (up to \$20,000), in addition to varying relief programs for restaurants and bars, childcare facilities, start-up enterprises, and more, to alleviate strain in the pandemic.

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The views expressed herein are those of the authors and not necessarily those of the University of California, Los Angeles. The authors alone are responsible for the content of this report.



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