



AT-A-GLANCE
2023

ACCESS TO CAPITAL *for*
ENTREPRENEURS:

REMOVING
BARRIERS

Entrepreneurs continue to face a considerable gap in accessing capital through every stage of the business cycle. While there have been some advances in identifying and addressing barriers to accessing capital, there is much more work to do.

The Ewing Marion Kauffman Foundation continues to recognize, with urgency, the significance of the role new and existing businesses play in local, regional, and the national economy. *Access to Capital for Entrepreneurs: Removing Barriers, 2023*, continues our series of sharing the state of capital access for entrepreneurs highlighting the need for innovative products and models to improve capital delivery systems.

What are the barriers?

The following data and information highlight demographic and geographic disparities in the flow of capital. The information brings to life the barriers across all traditional forms of capital from venture to lending.

The bottom line? There is a need for both changes in policies and practices as well as investments in the development of alternative forms of financing to reduce gaps in capital needs.

What can you do?

- If you're a capital allocator, you can invest in emerging fund managers that are offering alternative financing beyond traditional VC and bank lending and that are proven to be more accessible by a more diverse set of entrepreneurs.
- If you're a capital allocator, you can invest in funds that are practicing creative, alternative means of financing and give funds that "feel unfamiliar or novel" a fair shot.
- If you're a bank, Community Development Financial Institution (CDFI), or traditional lender, you can create and implement new debt products like revenue-based lending to expand your pipeline of investable businesses.
- If you are a corporation, you can invest in local financial institutions and funds led by or supporting people of color.
- If you are an investor, you can promote and refer entrepreneurs to alternative methods of getting capital into the hands of many that are being left out.
- If you're a policymaker, you can advocate for and implement entrepreneur-friendly capital solutions in your communities and states.
- If you're a policymaker, you can ensure regulations prevent and penalize predatory and opaque lending and investment practices.
- If you're a civic, non-profit, philanthropic, or for-profit organization, you can work collaboratively to make important funding decisions to change conditions for marginalized entrepreneurs.

Download the full report at kauffman.org/capitalreport23

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Access to capital is critical for the successful startup and growth of businesses, yet considerable gaps persist.



Each year, **millions of people have ideas for new products or services** to start a business.

And, **90%** will need at least **some capital** to get started.



Ultimately leading to an average of **4.4 million** new businesses per year.

But the problem is...



83%

of new businesses with employees **don't access capital** from banks or other financial institutions.



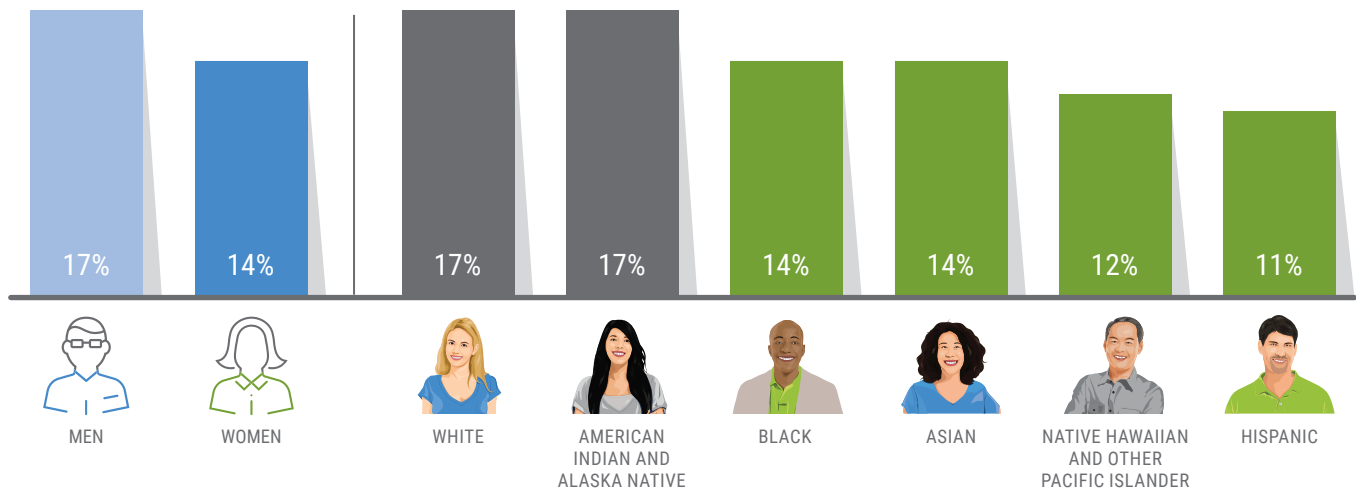
Instead,

65%

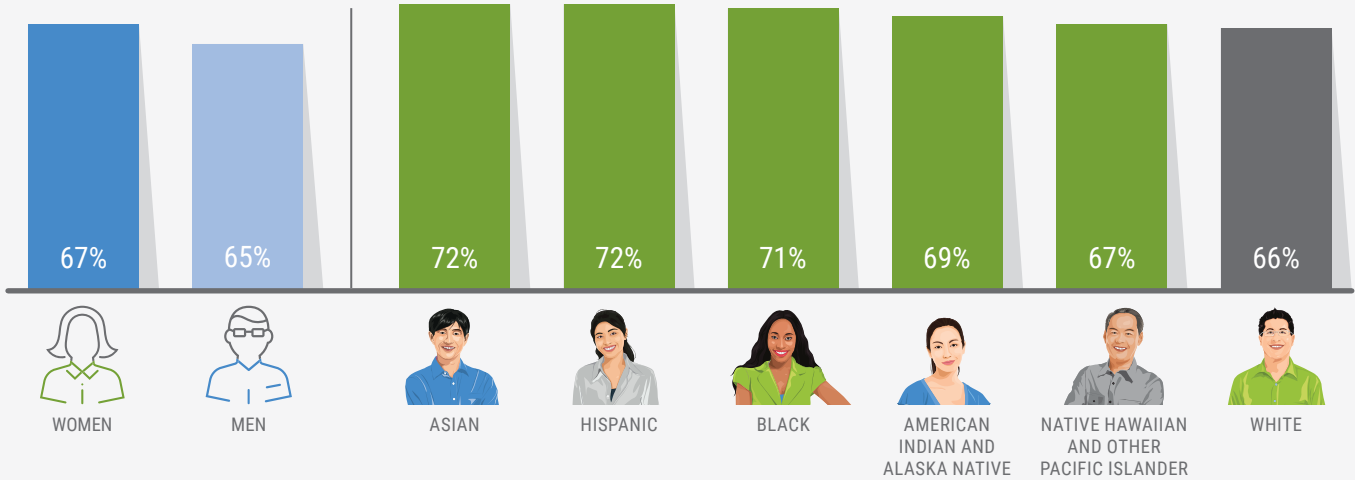
tap into their personal or family savings.



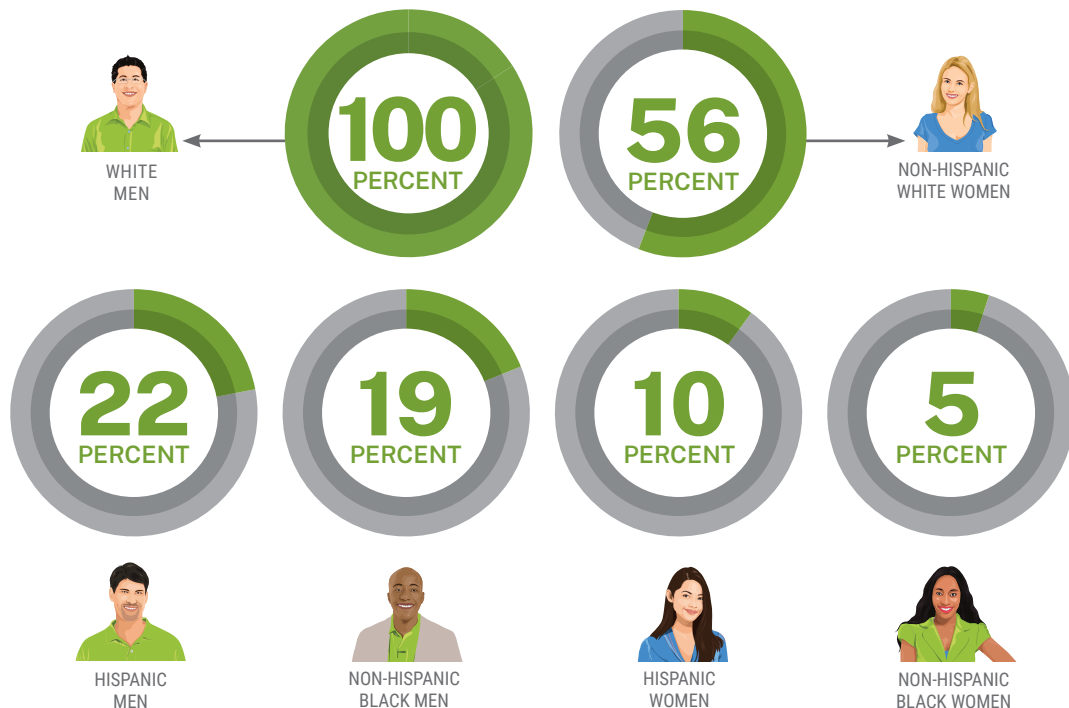
Women and people of color are less likely to access capital through banks and other financial institutions.



In addition, **accessing personal or family savings** is more common among **women** and **people of color**.



Which is problematic because they have fewer resources to draw on. Compared with households headed by white men, **households headed by white women and women and men of color had significantly less wealth.**





Capital is important to the success of businesses at all stages, yet considerable gaps still exist beyond startup.



14 %
of businesses will require additional capital beyond startup.

Yet despite their need...

47 %
choose not to apply for financing.



And among those who do, only...



30 %
will receive the full amount requested.



All of this adds up to a significant gap in capital access.



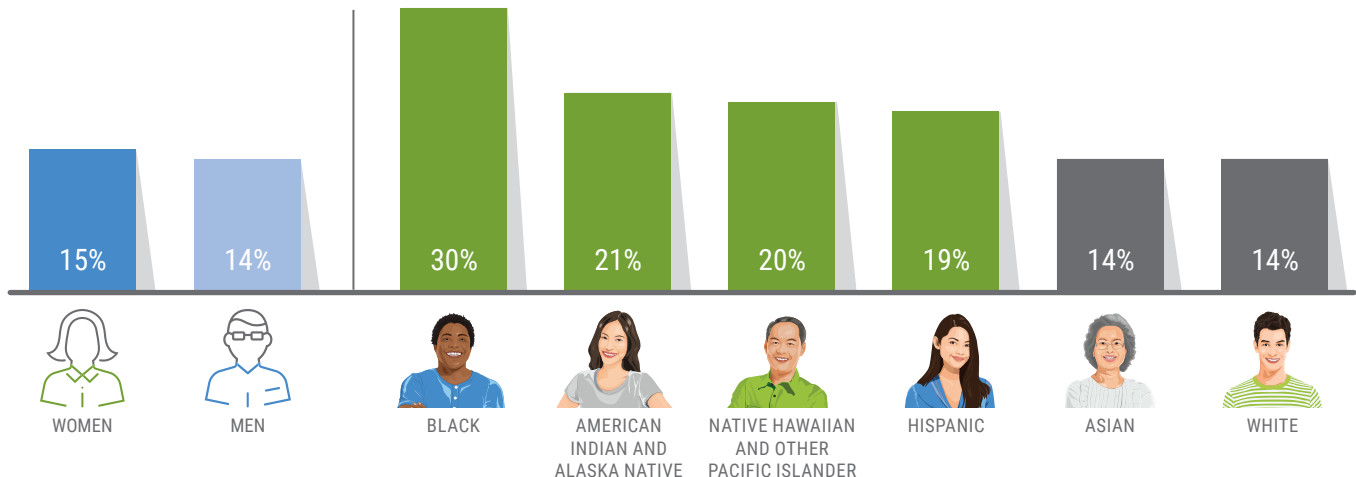
Only

44 % of businesses report that their financing needs are met.

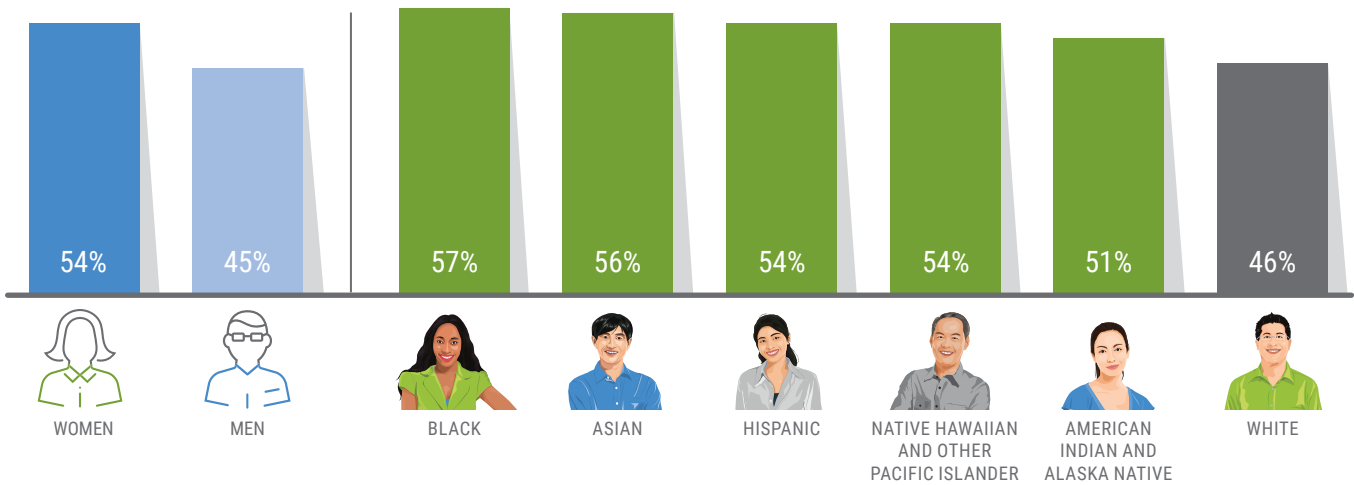


People of color are at an even greater disadvantage.

They are more likely to need additional capital beyond the startup phase.

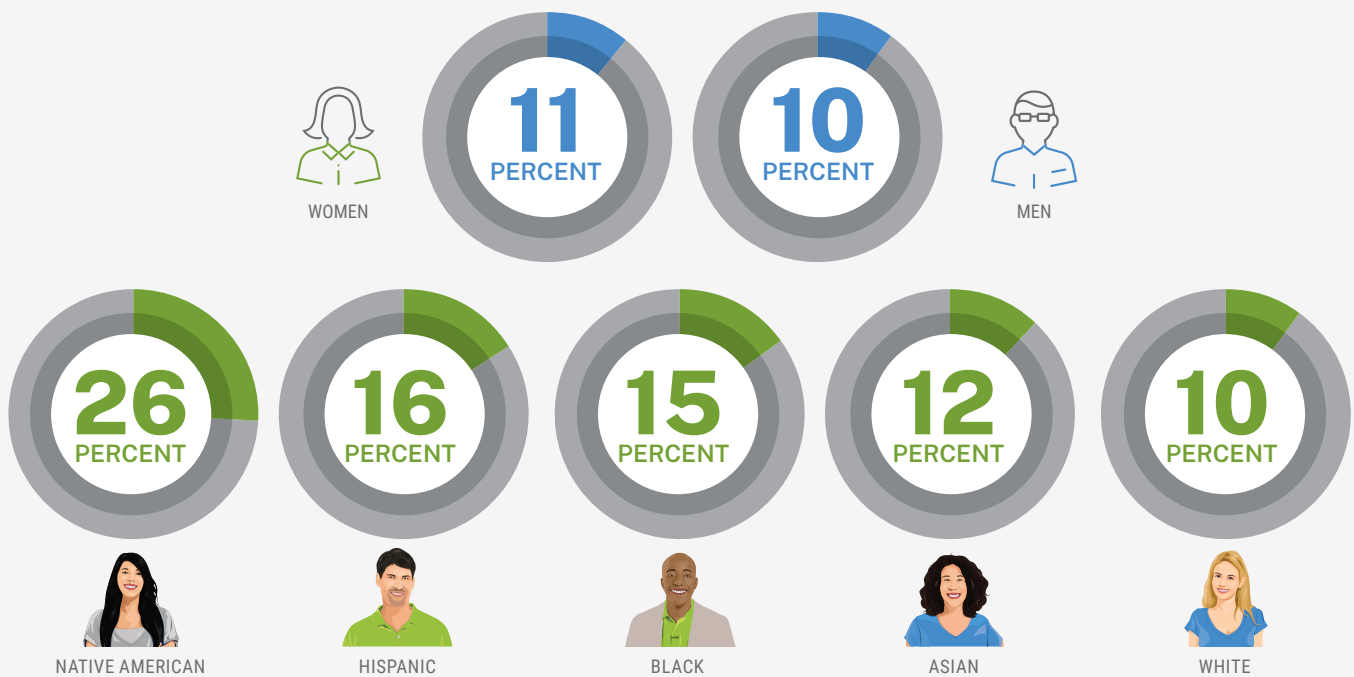


At the same time, they are significantly **more likely to choose not to apply** for it, despite their need.

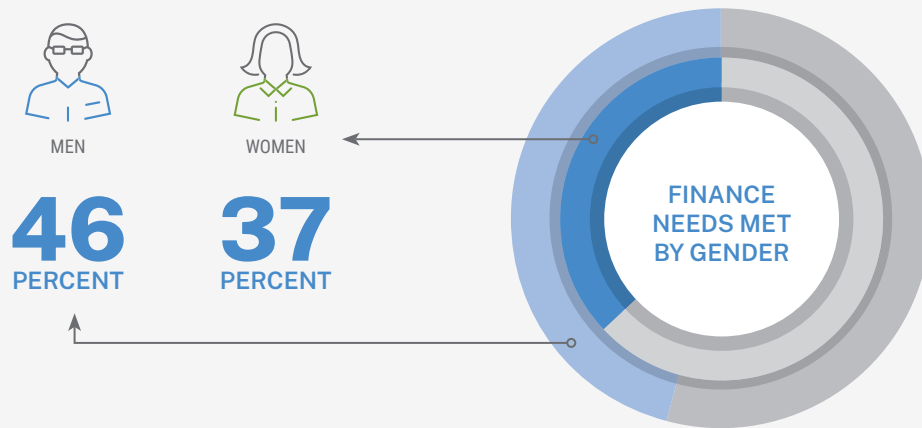


People of color are also more likely to cite **challenges around the loan application process** and many **expect to be turned down**.

Application process being too difficult:



And, as a result, they are **less likely to report** having their **financing needs met**.



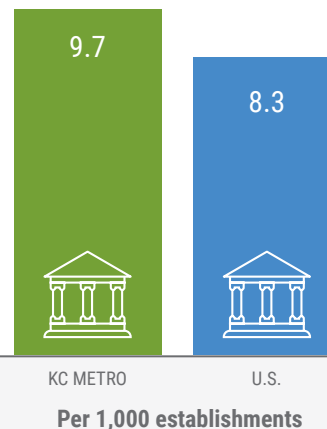
Finance needs met by race/ethnicity





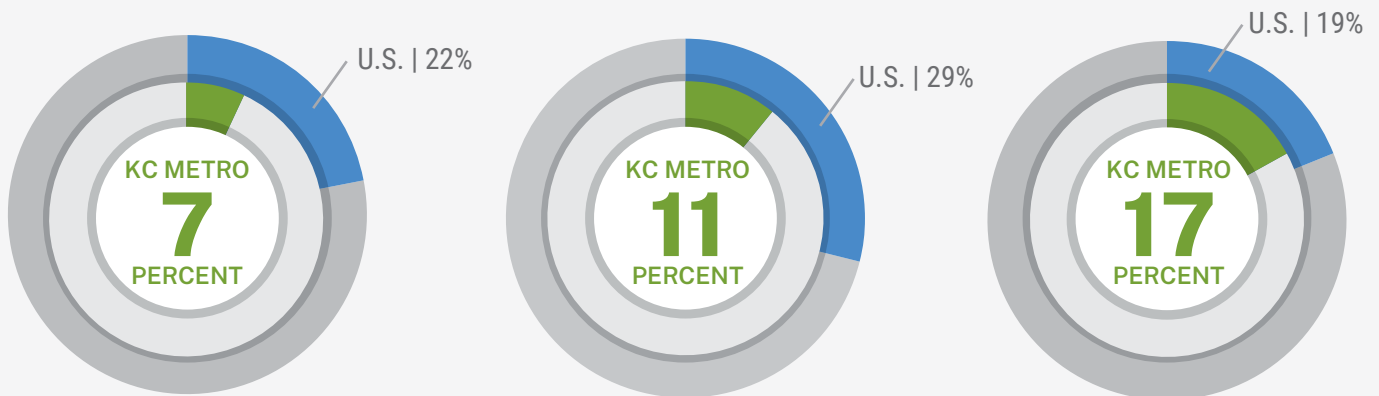
Businesses in the Kansas City Metro area face an acute capital gap estimated at more than \$1.4 billion in 2020.

There are **9.7 bank branches per 1,000 establishments in the KC metro area** compared with 8.3 bank branches in the U.S. overall.



KC METRO U.S.
Per 1,000 establishments

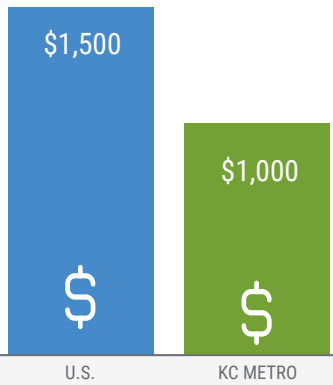
However, the **presence of more banks does not necessarily translate into greater access to capital.**



Bank branches in census tracts with majority-people of color populations (2019)

Percentage of traditional bank loans (\$ value) made to majority-people of color tracts (2019)

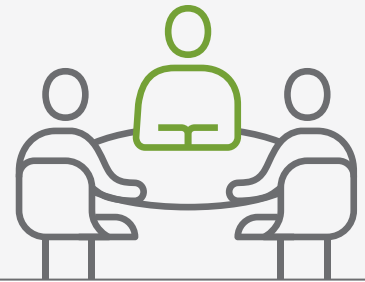
Percentage of traditional bank loans (\$ value) made to high poverty (>20% poverty rate) tracts (2019)



Bank branches in the **KC metro** are also **under-capitalized**.

Deposits per business establishment

If deposits per bank branch were equal, the KC metro area would have nearly **\$54 million more deposits** that could potentially be used to provide capital to businesses.



82%

of KC metro businesses with employees don't access capital from banks or other financial institutions at startup.



61%

of KC metro businesses rely on personal or family resources.





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