Dissecting Access to Capital

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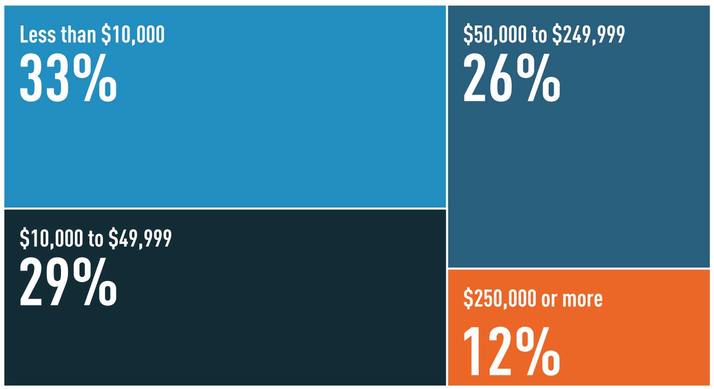
How much capital do businesses start with?

New businesses can start with a wide range of capital. While the majority of business start with less than $50,000, a sizeable number, 12%, use over $250,000. **(Chart 1)**

Chart 1: Amount of Startup Capital for Employer Firms



Where does start-up capital come from?

New business owners are often very dependent on their own resources for start-up capital. Three fourths of businesses report using personal or family savings when starting. Only 12% of businesses use a business loan for startup capital. The other top sources are personal credit cards (13%), personal assets (11%) and business credit cards (7%). All other sources, like venture capital and grants, are used by fewer than 6% of businesses.

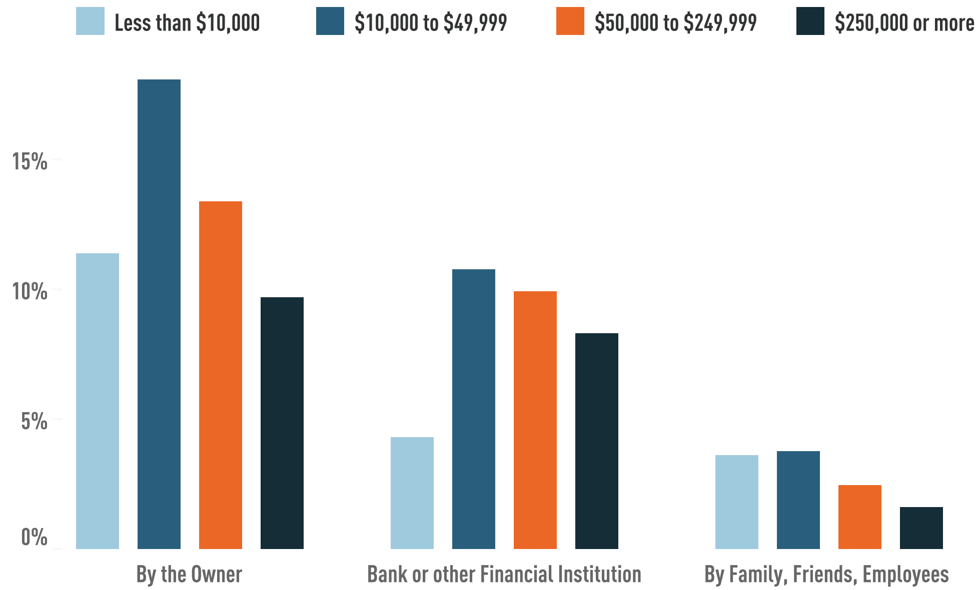
After start-up, how do businesses finance themselves year to year?

Financing is a constant need for businesses to stay open and grow. The most common sources of this financing are from the owners and banks. Over half of businesses (53%) report receiving additional funding from their owners last year. Often owners' investment can be quite substantial, with almost a quarter (23%) providing over $50,000 in funding. **(Chart 2)**

Are businesses seeking new financing options?

Yes, businesses are often looking for new financing relationships. 13% of businesses report forming a new connection with a bank or financial institution within the last year. After forming a relationship, 74% of those businesses receive the full funding requested. Credit cards are another popular new financing option (10%), and are similarly successful at providing the full funding requested (83%). **(Chart 3)**

Chart 2: Amount of Annual Financing by Source for Employer Firms



How does a lack of affordable capital affect businesses?

Businesses, especially younger businesses, with trouble accessing financing or have high related costs report being impacted. 15% of new businesses under the age of 2 report financing costs impacting profitability negatively. Half as many older businesses (7%), 16 years or older, report financing being a negative impact on profits.

Source: 2015 Annual Survey of Entrepreneurs; U.S. Census Bureau. Released July, 2017.

Chart 3: Percent of Employer Firms Establishing New Financial Relationships