

Capital Access for Underrepresented Founders

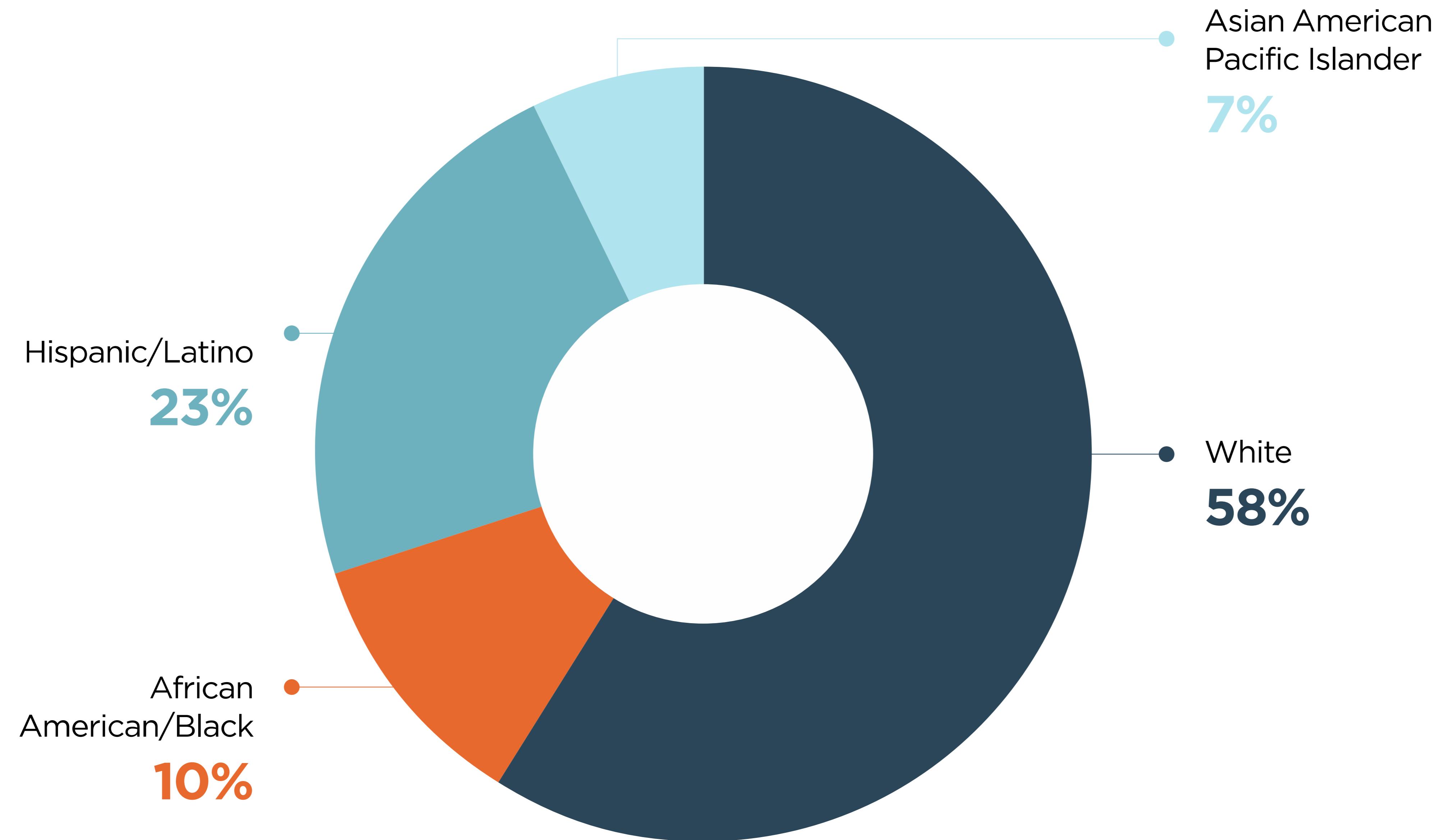
Presented by the SEC's Office of the Advocate for Small Business Capital Formation

April 30, 2021



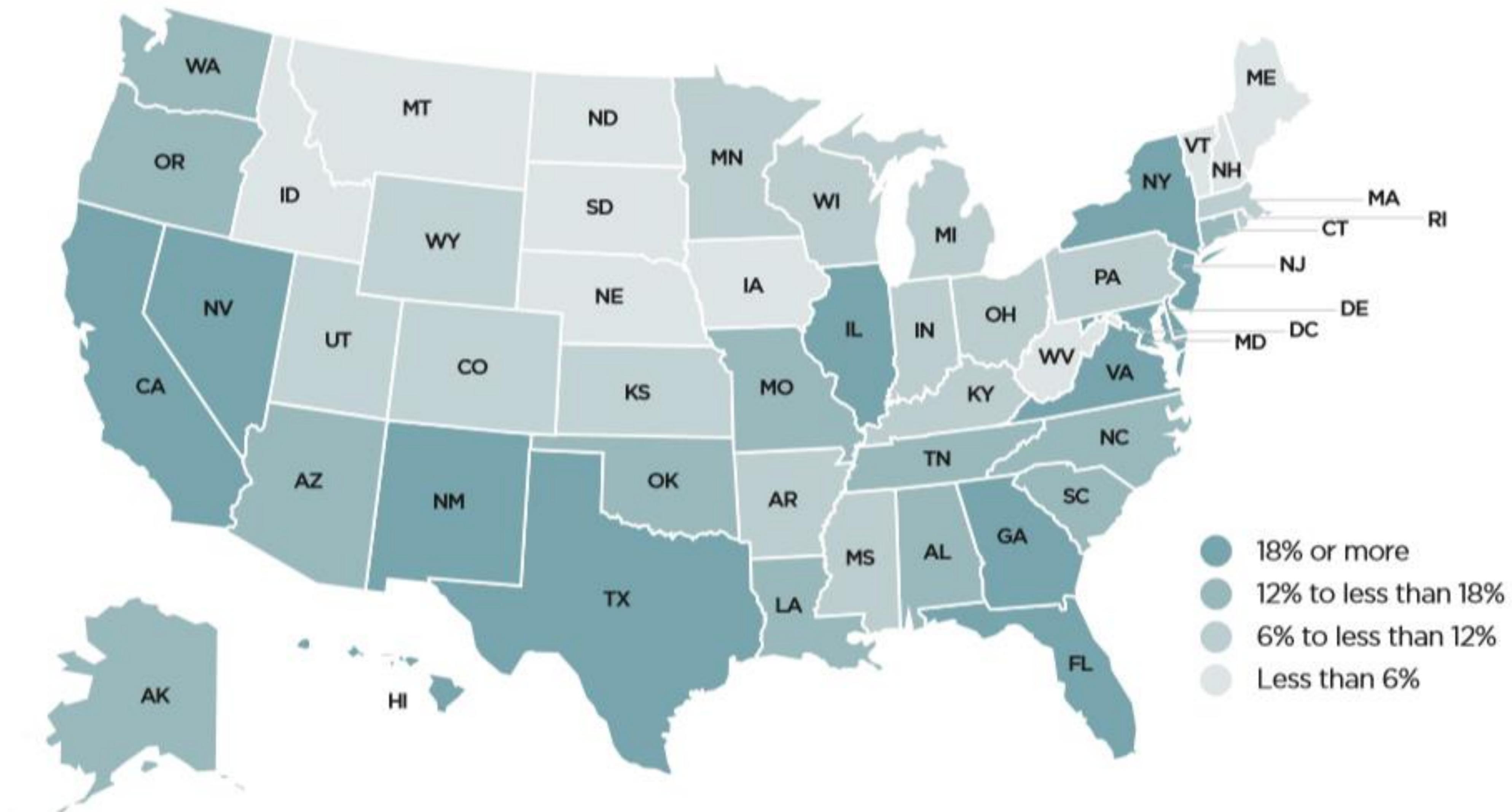
Underrepresented Founders

Who are new entrepreneurs by race and ethnicity?



Source: See FY2020 Report p. 52; Ewing Marion Kauffman Foundation, "Who is the Entrepreneur? Race and Ethnicity, Age, and Immigration Trends among New Entrepreneurs in the United States, 1996-2019," (2020).

What percentage of employer firms are owned by minorities?



Source: See FY2020 Report p. 52; Small Business Administration Office of Advocacy, "Small Business Facts: Spotlight on Minority-Owned Employer Businesses," (May 2019).

Minority-owned businesses face challenges accessing bank capital, leading to more financial restraints:

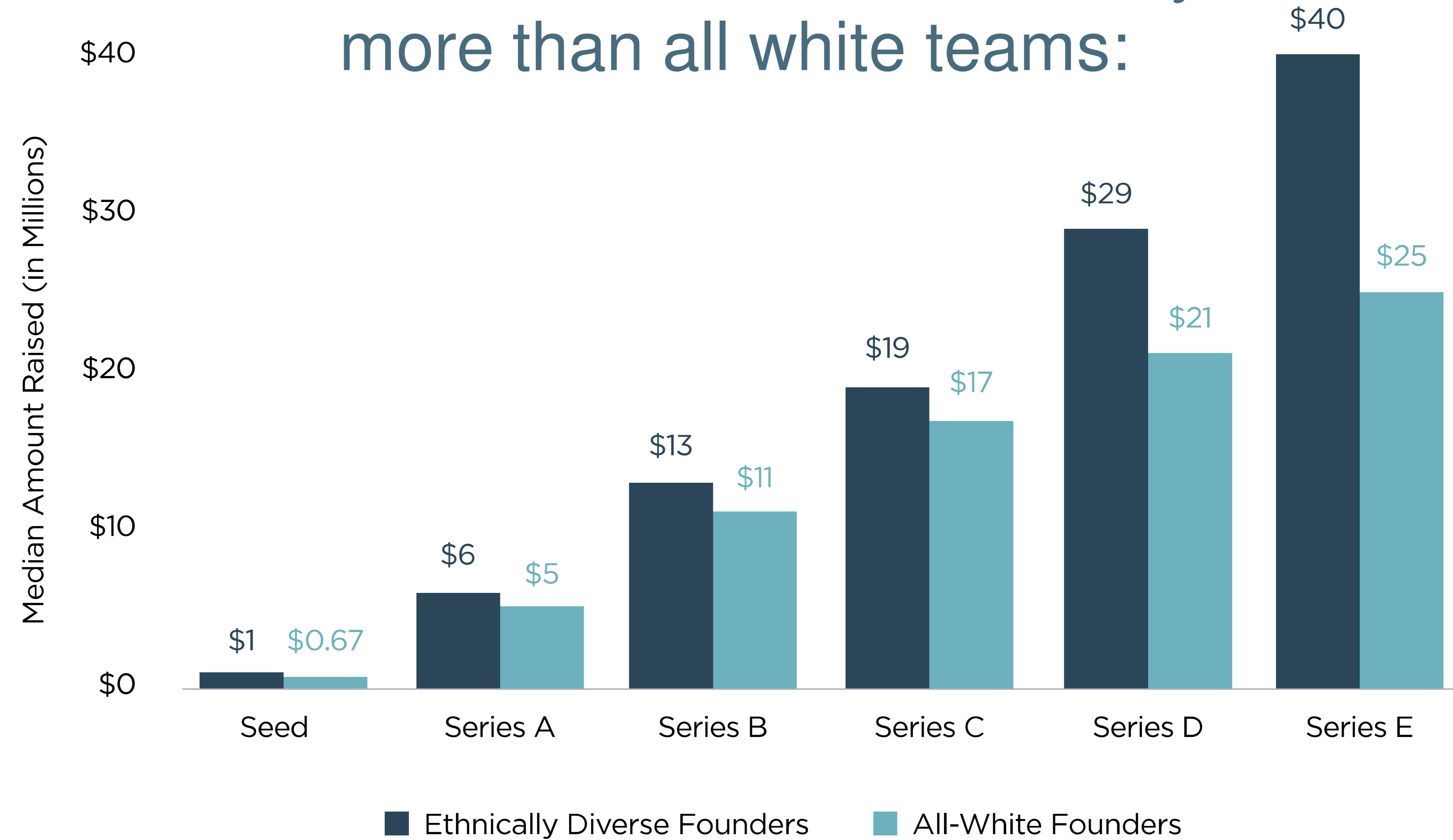
- ✓ More likely to use personal funds as primary funding source
- ✓ More likely to use personal funds in response to financial challenges
- ✓ Generally lower credit approval ratings
- ✓ Less frequently approved for full amount of loans

Minority founders raise less venture capital by headcount

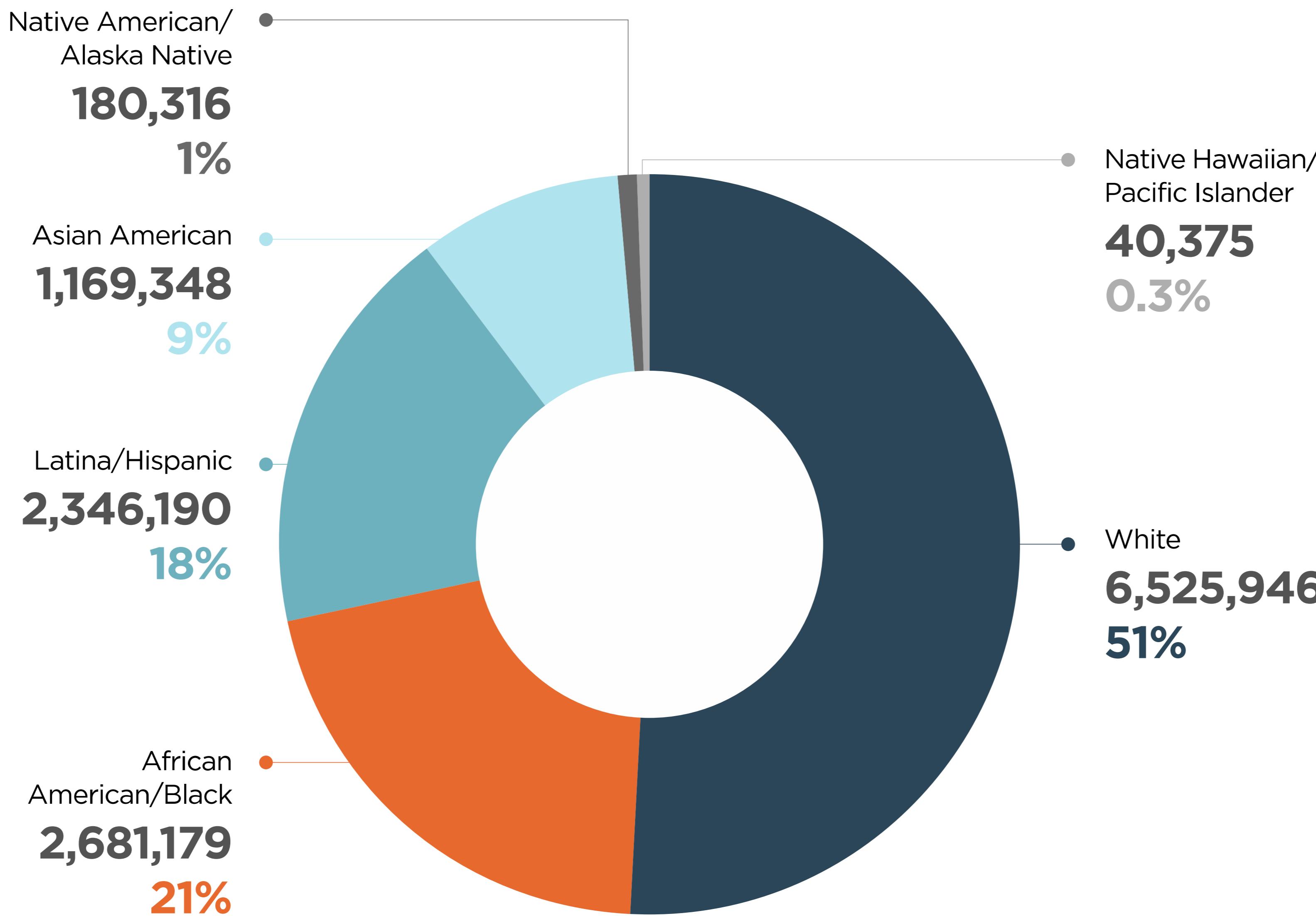


23% of VC-backed founders are **African American/Black**,
Hispanic/Latino, **Middle Eastern**, or **Asian American**.

However, when diverse teams do raise, they tend to raise more than all white teams:



The 13 million women-owned businesses include:



Source: See FY2020 Report p. 47; American Express, "The 2019 State of Women-Owned Businesses Report," (Sept. 2019).

Women founders raise less venture capital by headcount



3% of dollars went to women-only founding teams,
3% and **9%** went to women/men co-founding teams.

Source: See FY2020 Report p. 49; Crunchbase, "Funding to the Female Founders," (Mar. 2020).

Women-led founding teams raise less than their male peers



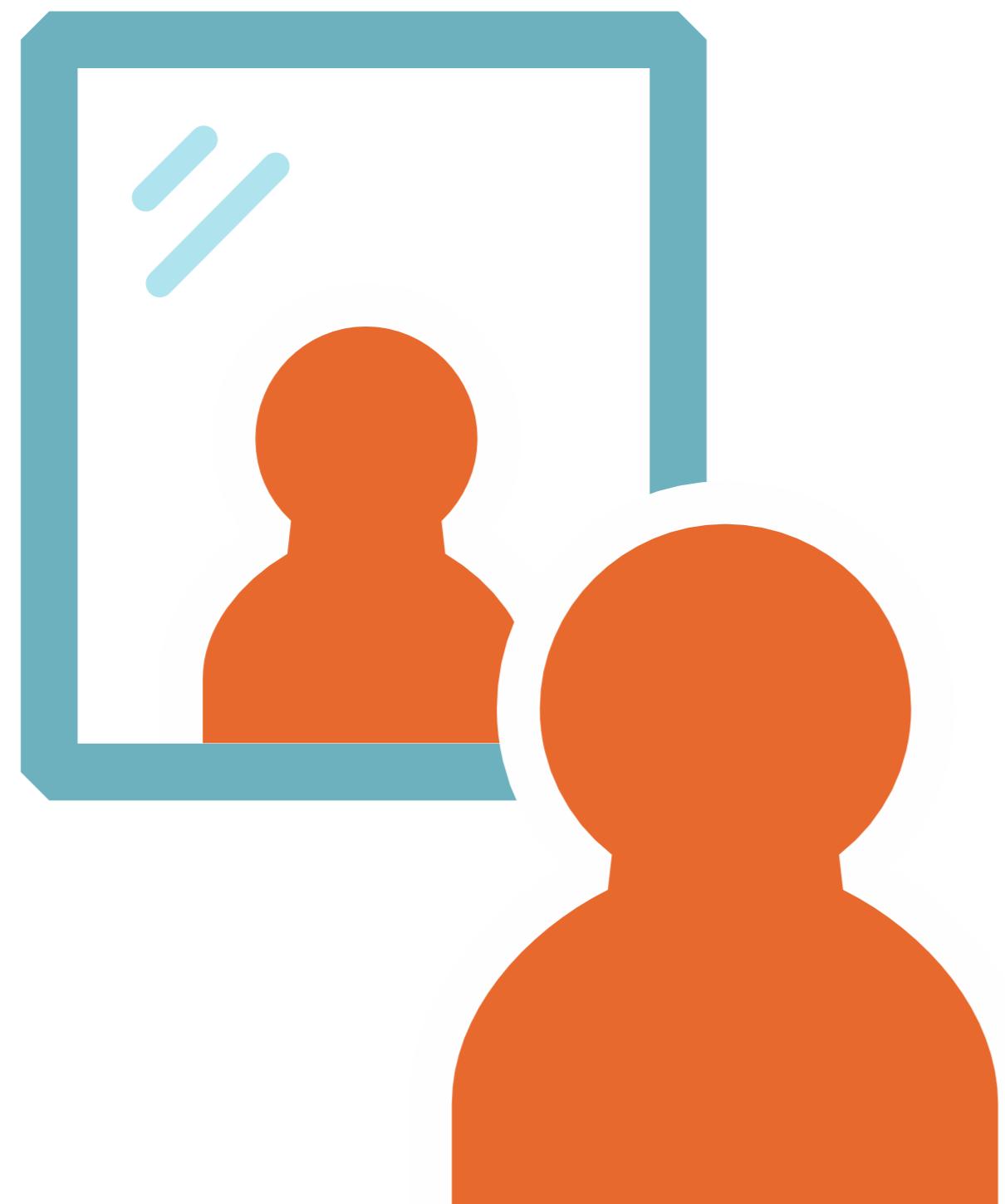
Lower median VC pre-money valuations in 2019

Lower median funding rounds in 2019

Source: See FY2020 Report p. 48; PitchBook-NVCA, "Venture Monitor Q4 2019," (Jan. 13, 2020); Crunchbase, "Funding to the Female Founders," (Mar. 2020).

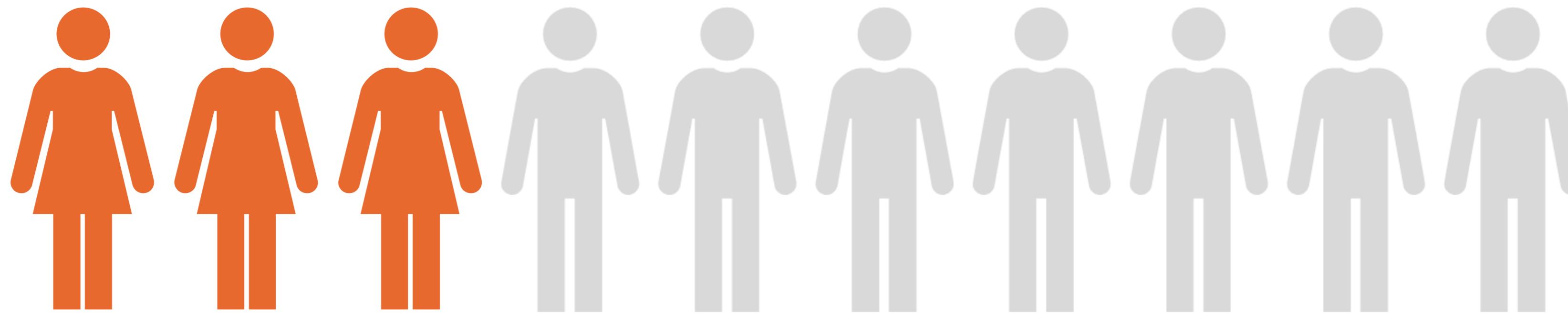
Capital Allocators

Artificial boundaries between investors and businesses reinforce pattern matching

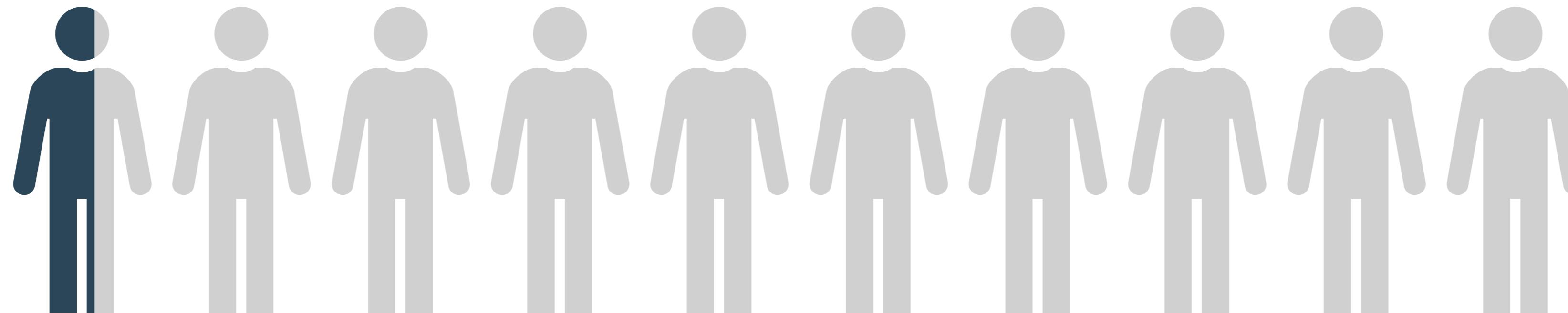


Founders are **21%** more likely to be funded by an investor of the same ethnicity than of a different ethnicity.

Women and minorities are underrepresented among angel investors

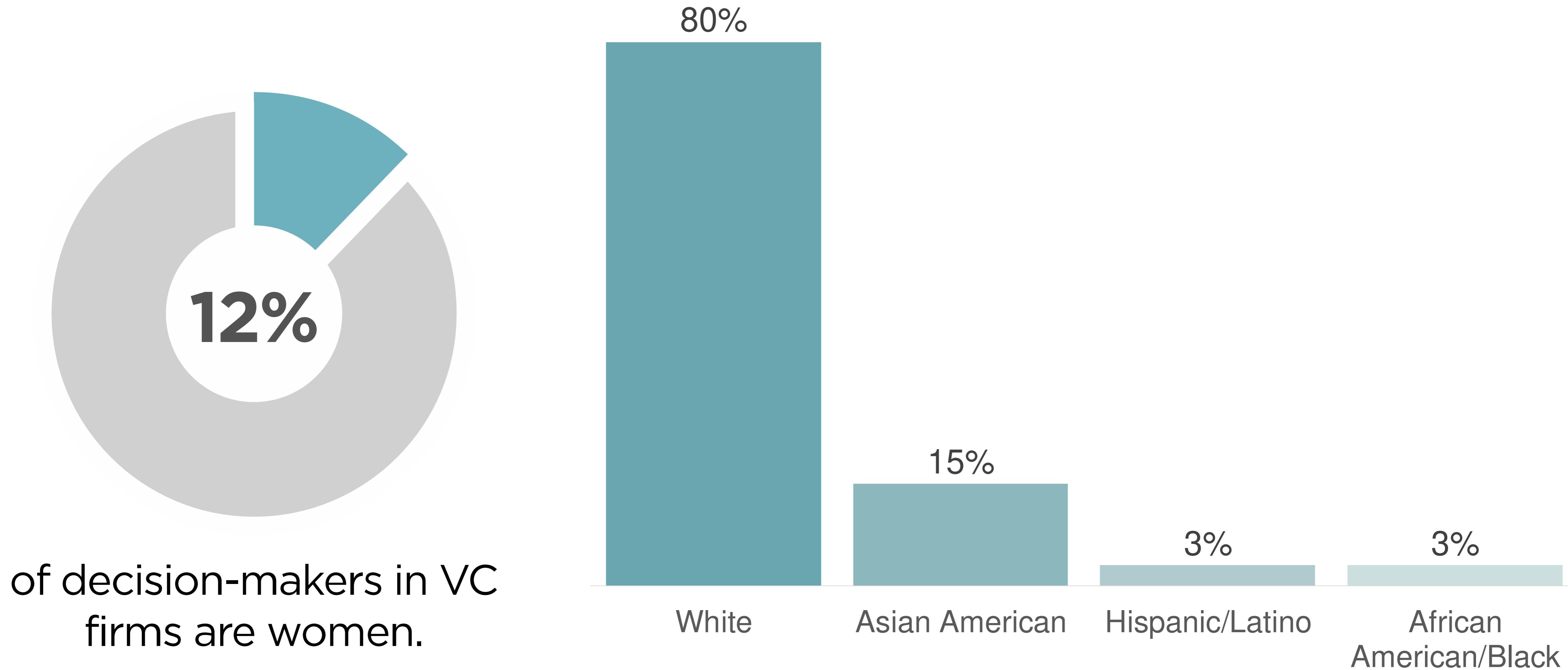


29% of angel investors in 2019 were women



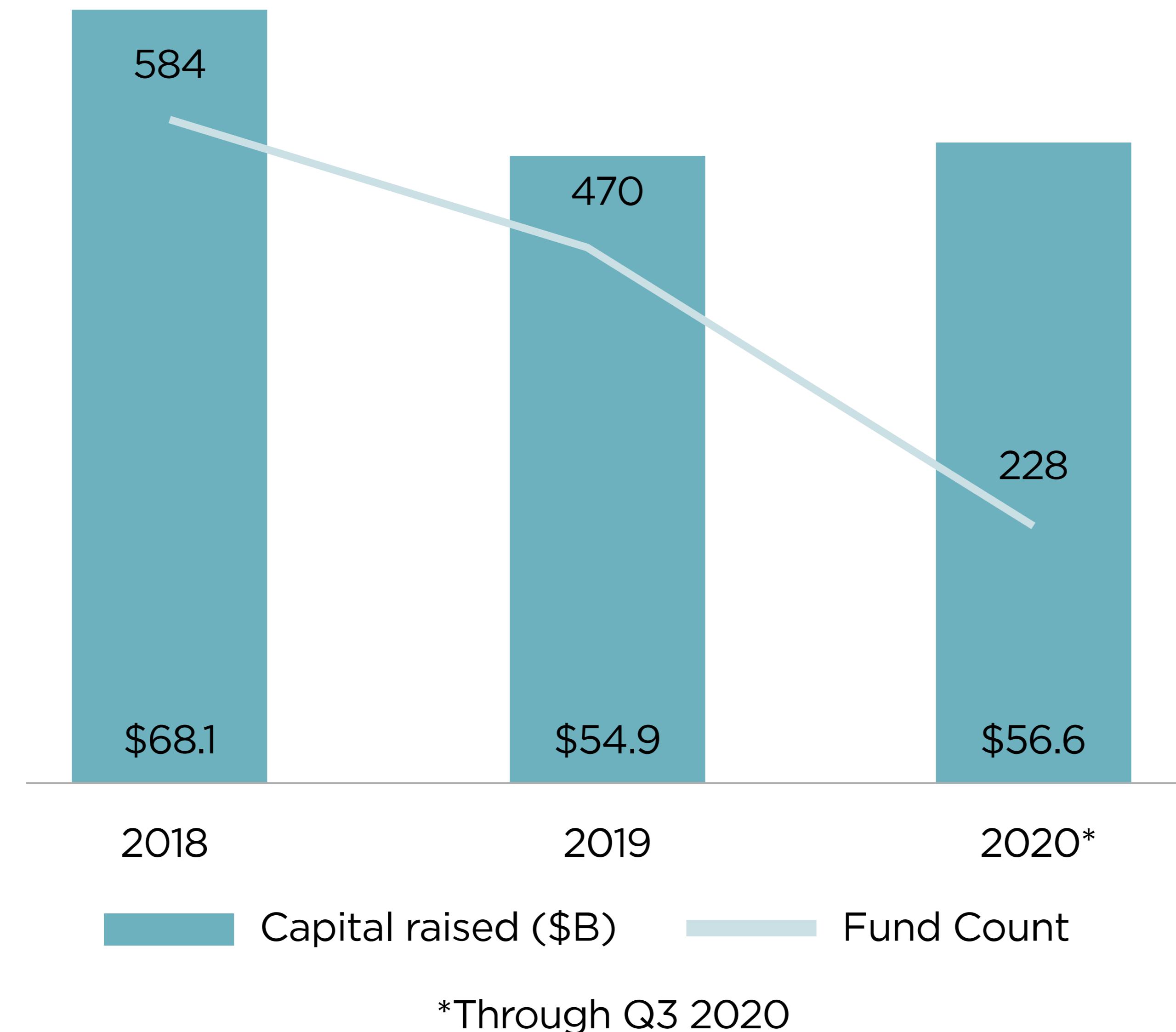
7% of angel investors in 2019 were minorities

Women and minorities are also underrepresented among VC investment partners



Source: See FY2020 Report pp. 51 and 57; PitchBook and All Raise, "All In: Women in the VC Ecosystem," (Nov. 11, 2019); NVCA and Deloitte, "Human Capital Survey," (2018).

First time funds, which are important to underrepresented founders, continue to decline

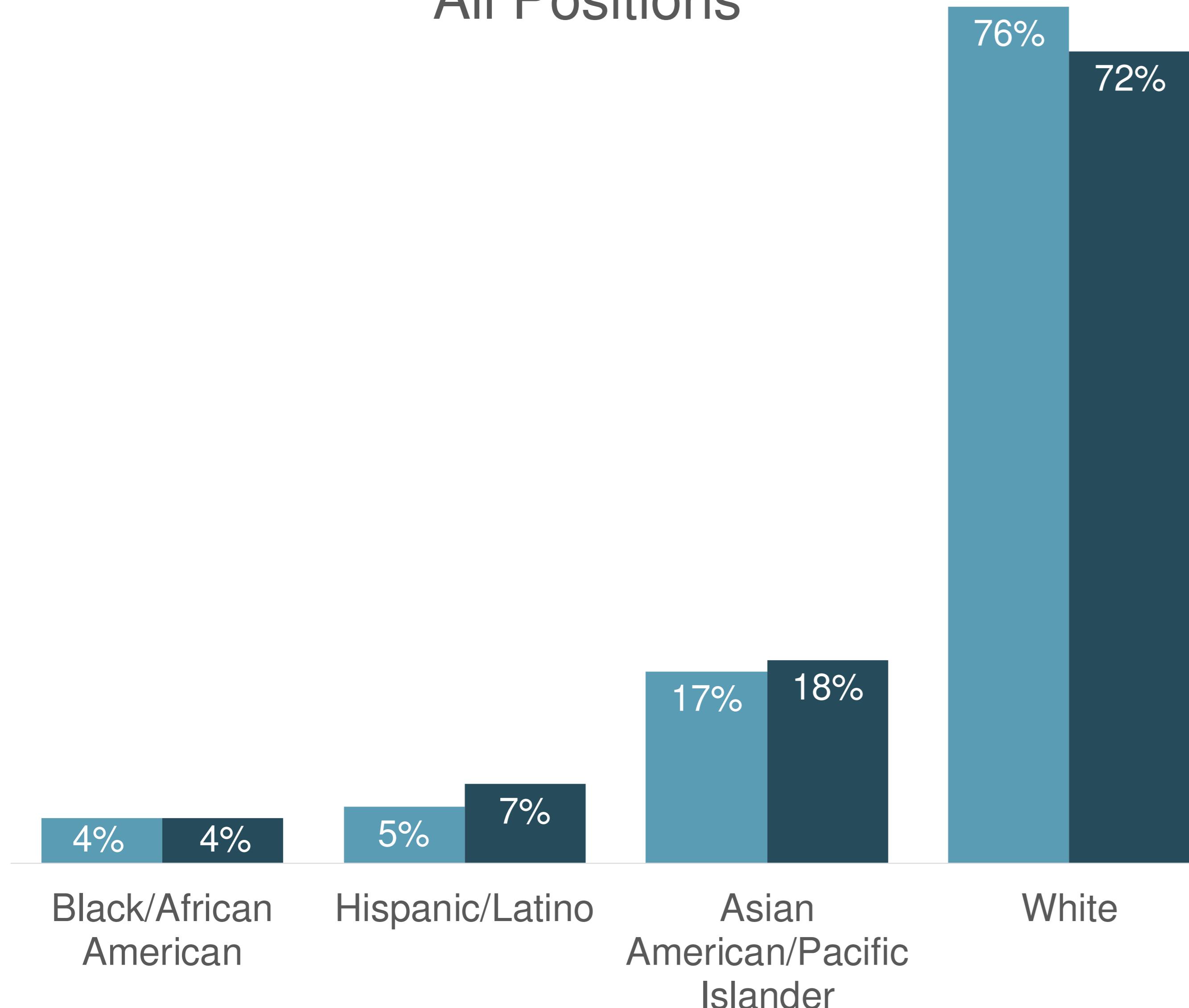


Source: See FY2020 Report p. 39; Cameron Stanfill, et al., "Analyst Note: 2020 Venture Capital Outlook: H1 Follow-Up," PitchBook, (Jul. 6, 2020); PitchBook-NVCA, "Venture Monitor Q3 2020," (Oct. 12, 2020).

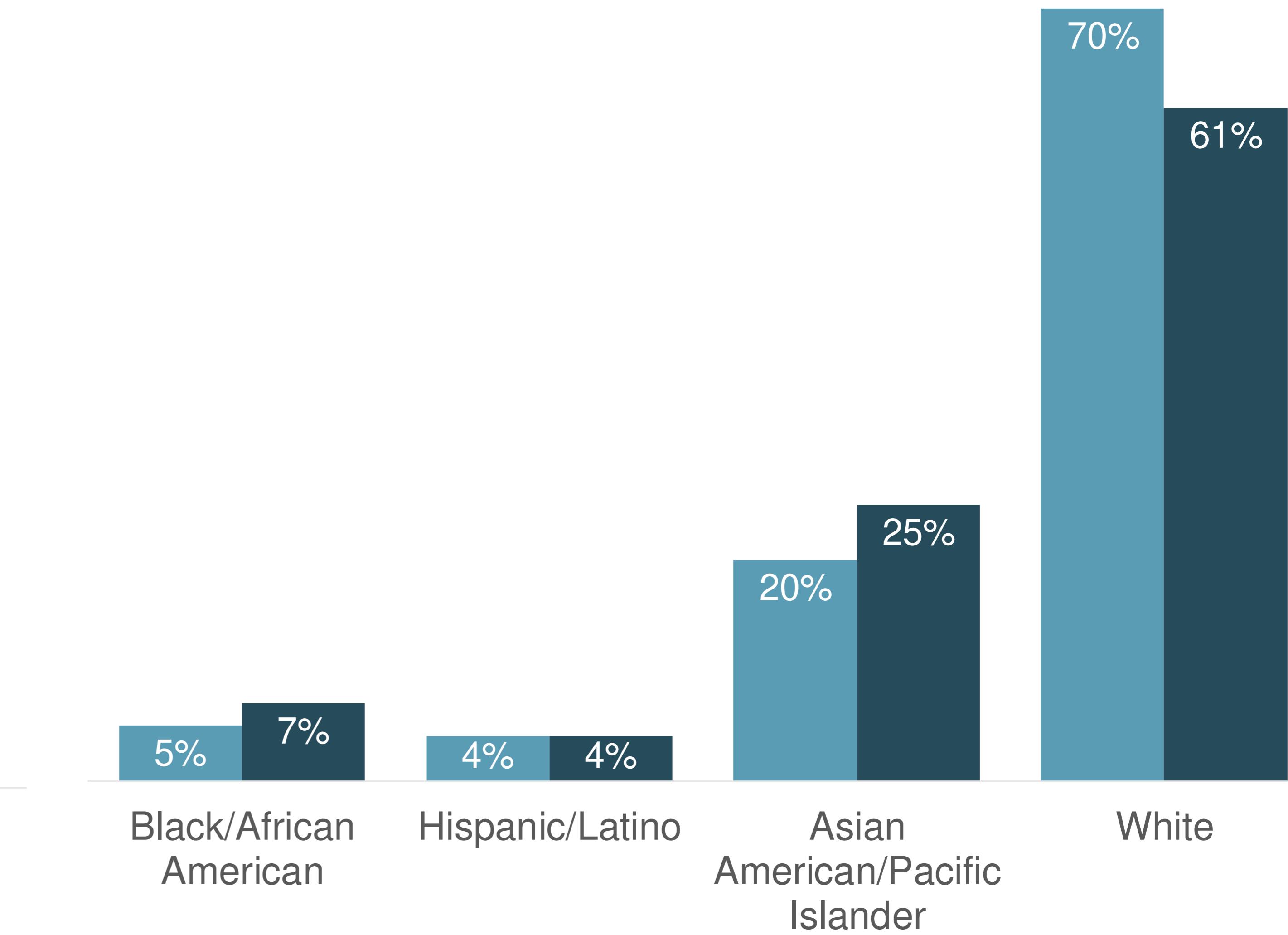
Progress in Investor Diversity

Racial and ethnic diversity in VC firms

All Positions



Junior-Level Investment Professionals

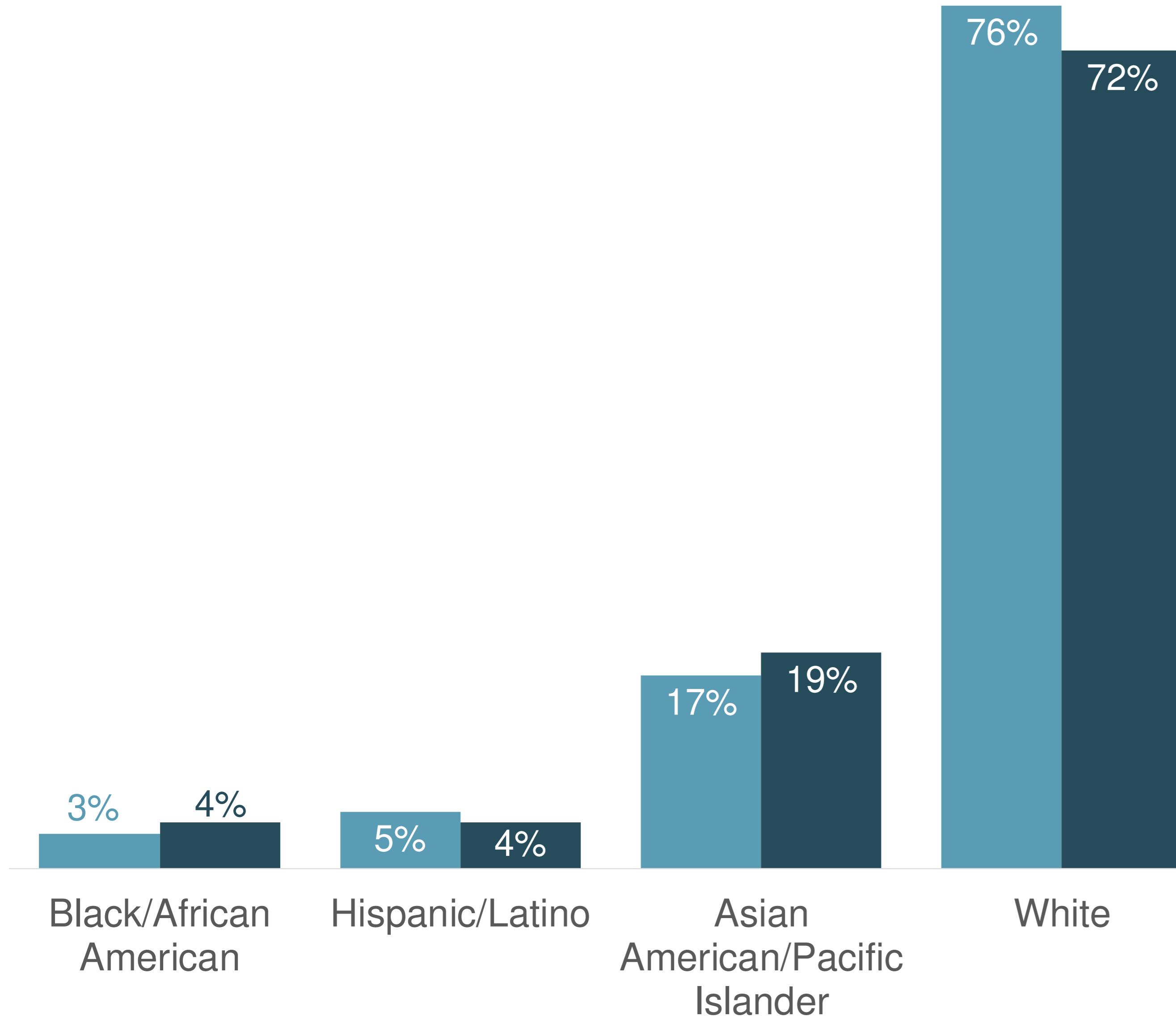


2018 | 2020

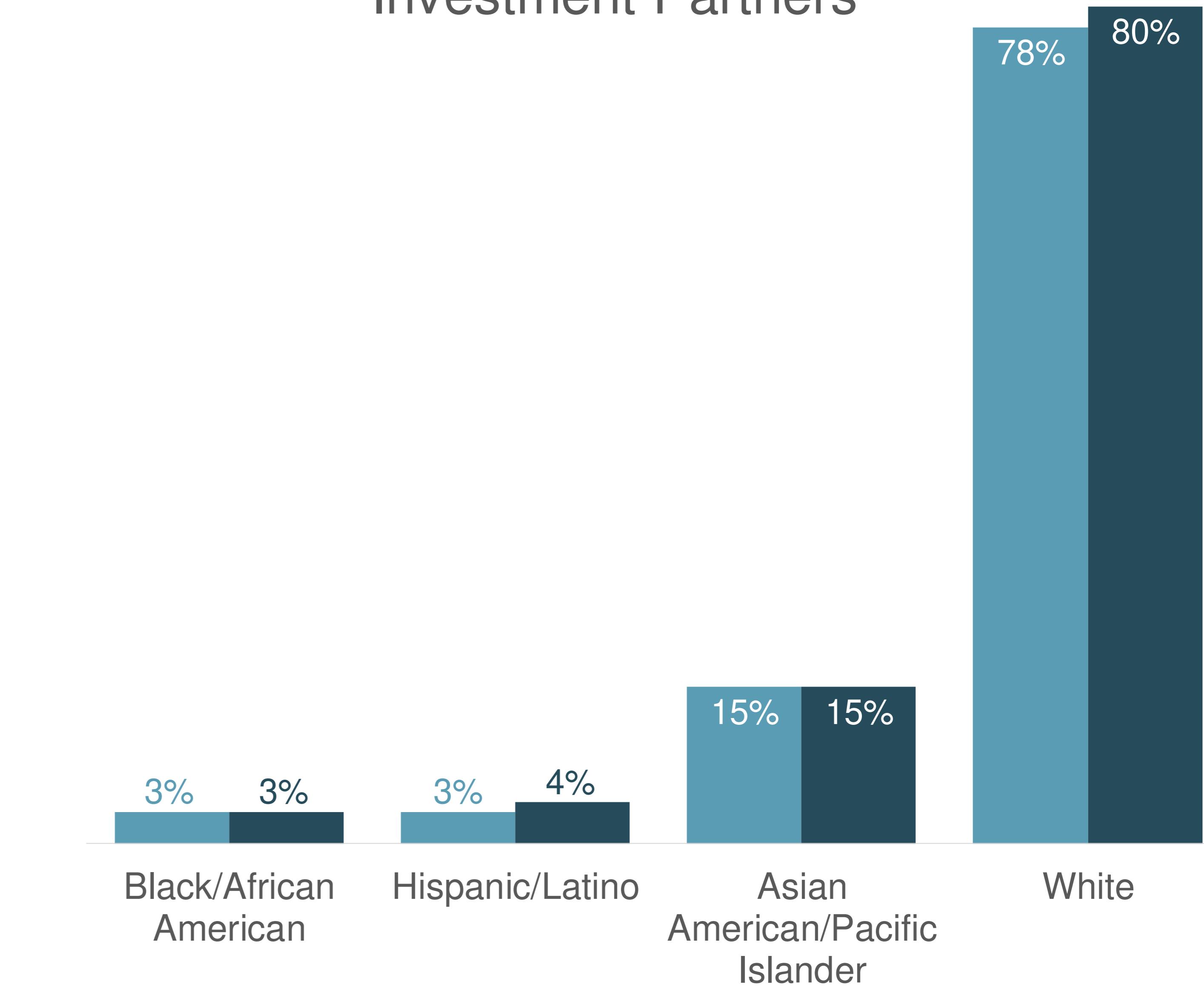
Source: See NVCA and Deloitte, "Human Capital Survey," (2021).

Racial and ethnic diversity in VC firms

Investment Professionals



Investment Partners

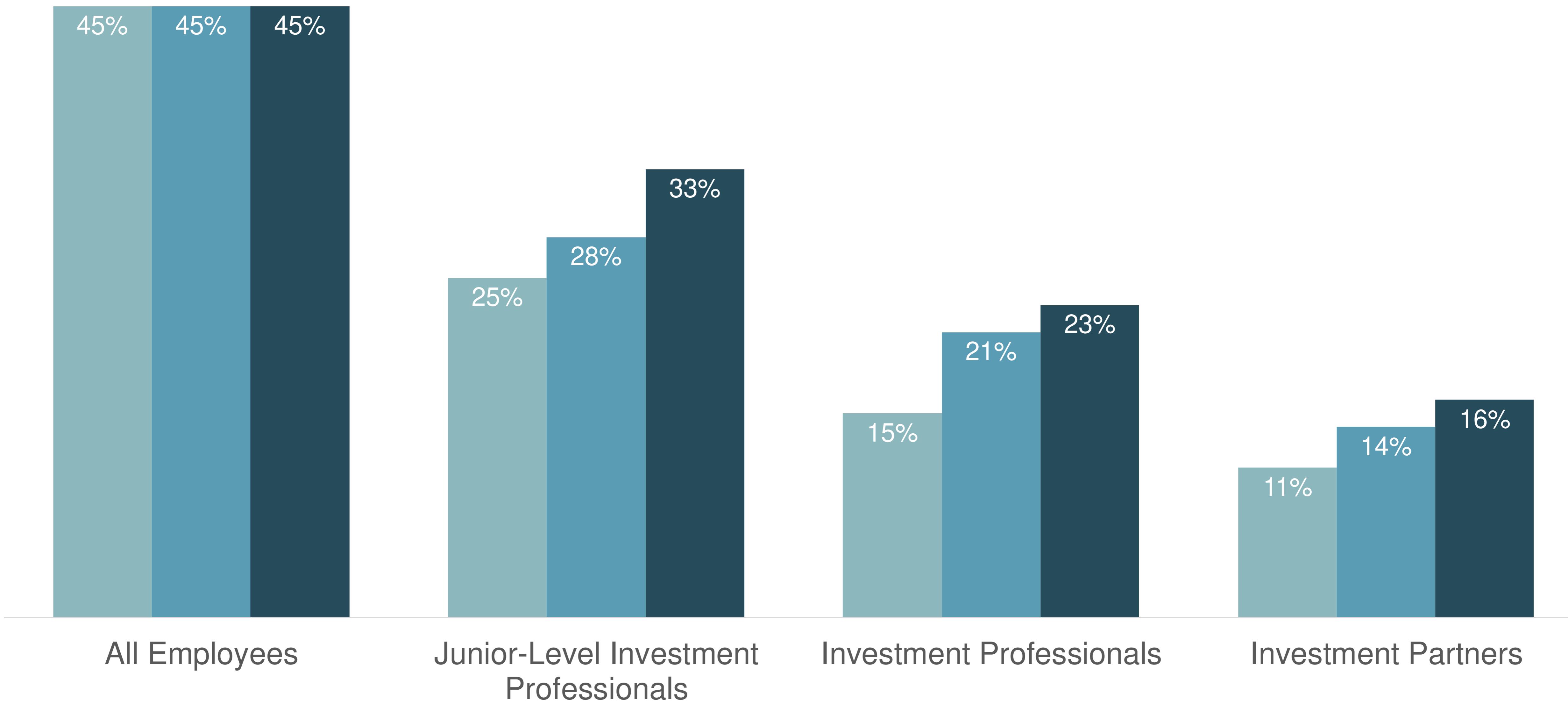


Source: See NVCA and Deloitte, "Human Capital Survey," (2021).

2018 2020

Gender diversity in VC firms

Representation of Women Professionals



Source: See NVCA and Deloitte, "Human Capital Survey," (2021).

2016 2018 2020