

# Capital Access for Underrepresented Founders

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

April 30, 2021

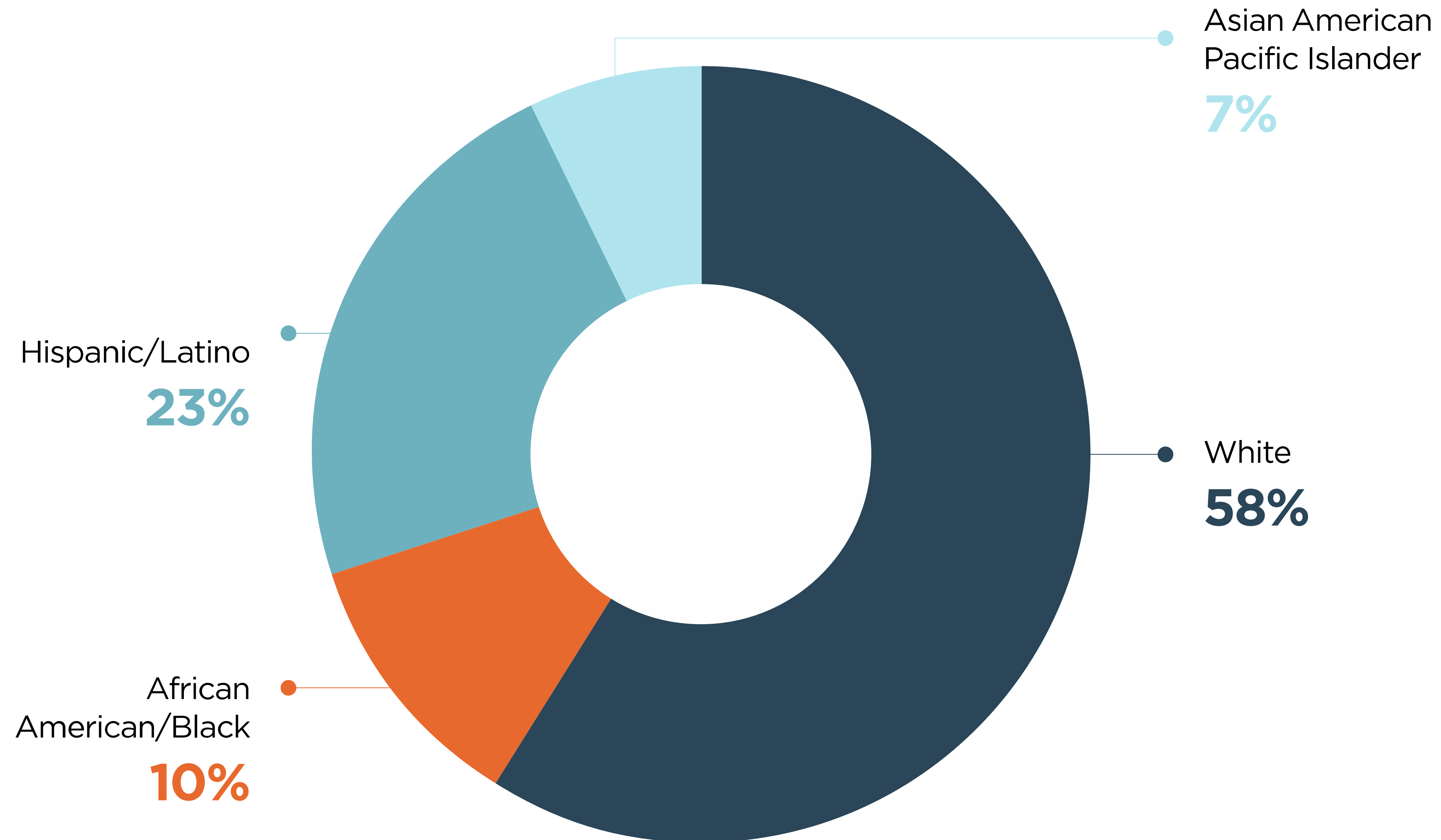


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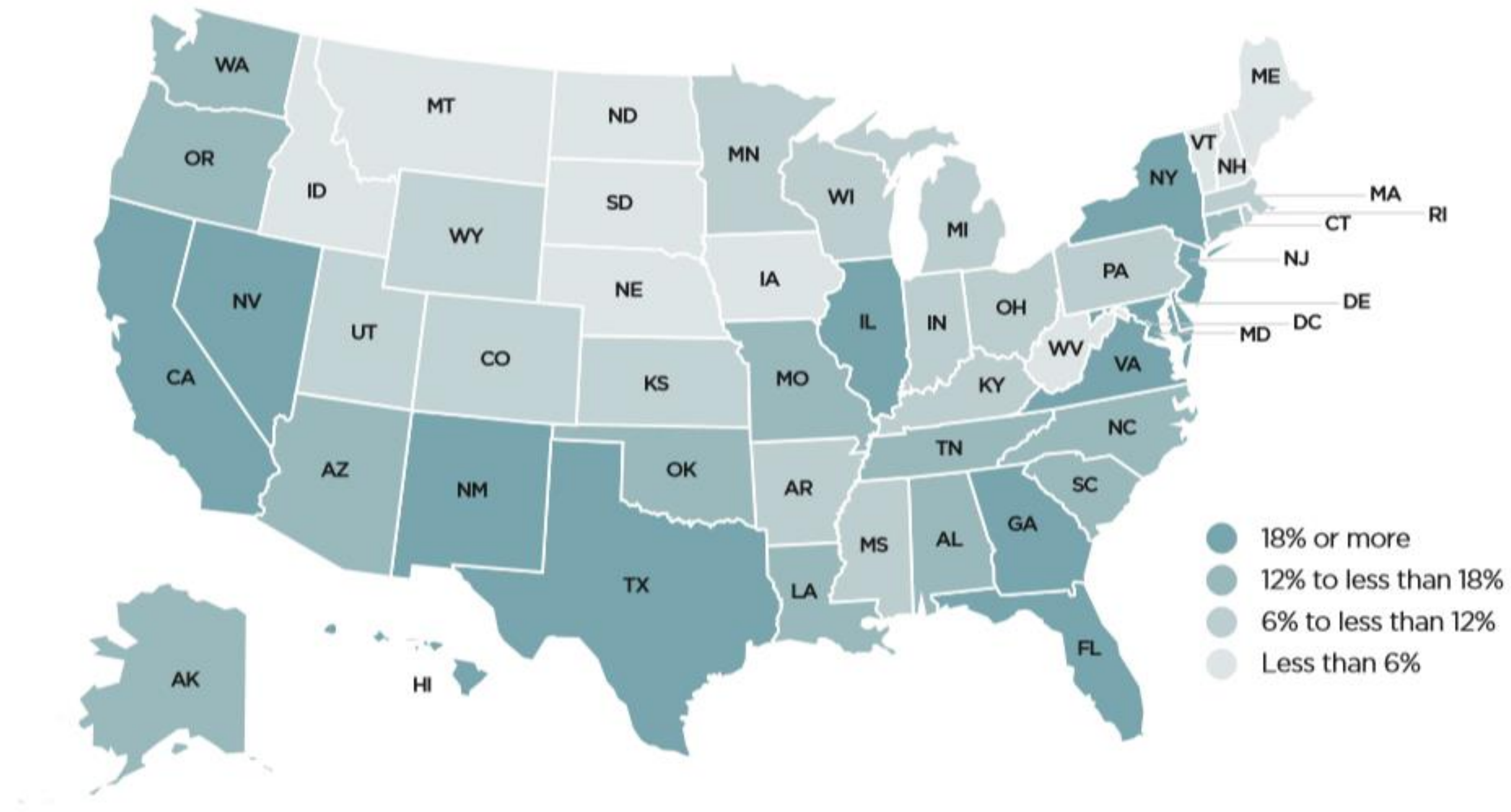
# Underrepresented Founders

# 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

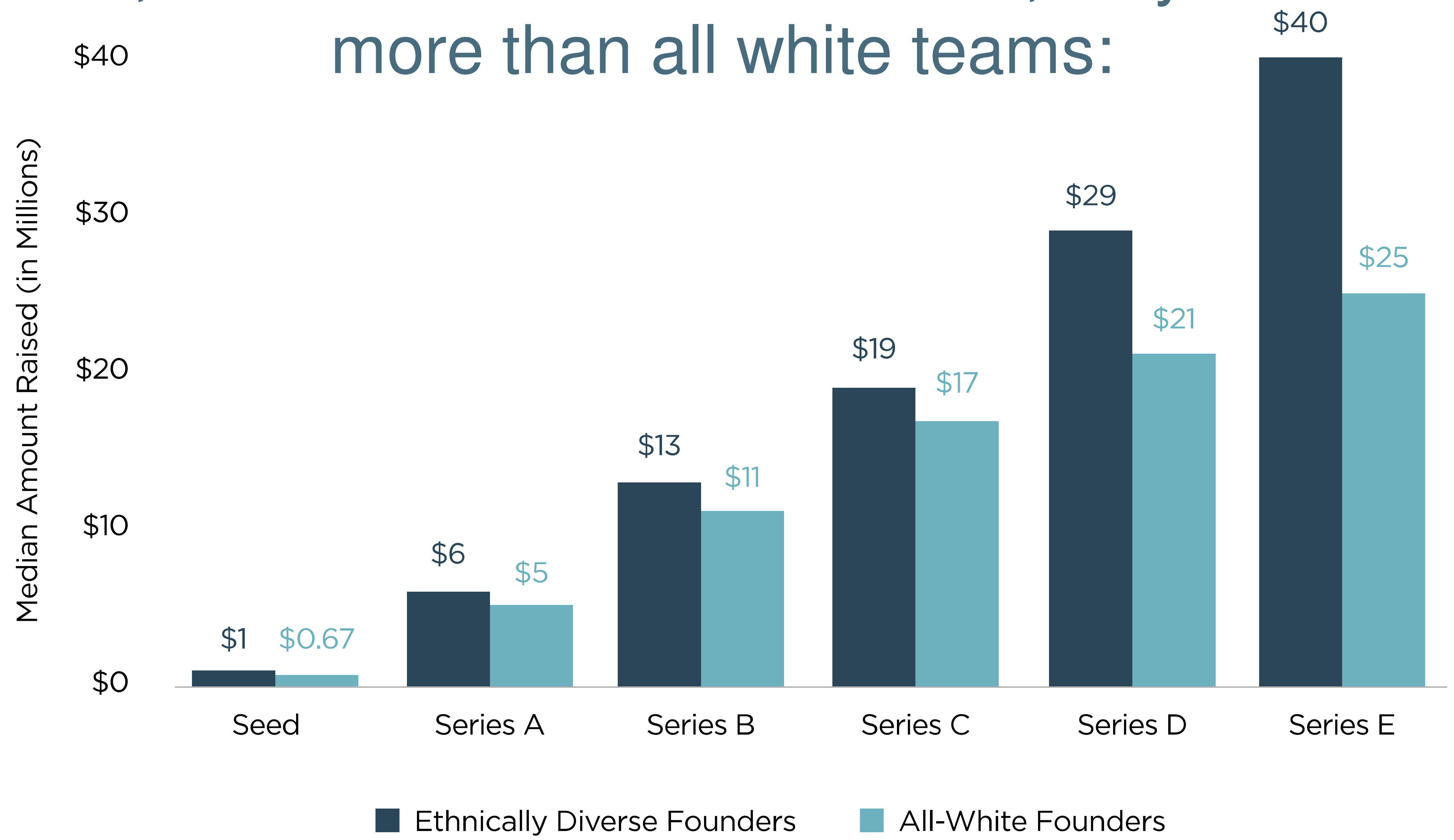


# Minority founders raise less venture capital by headcount



Source: See FY2020 Report p. 55; RateMyInvestor and Diversity VC, "Diversity in U.S. Startups," (Feb. 2019).

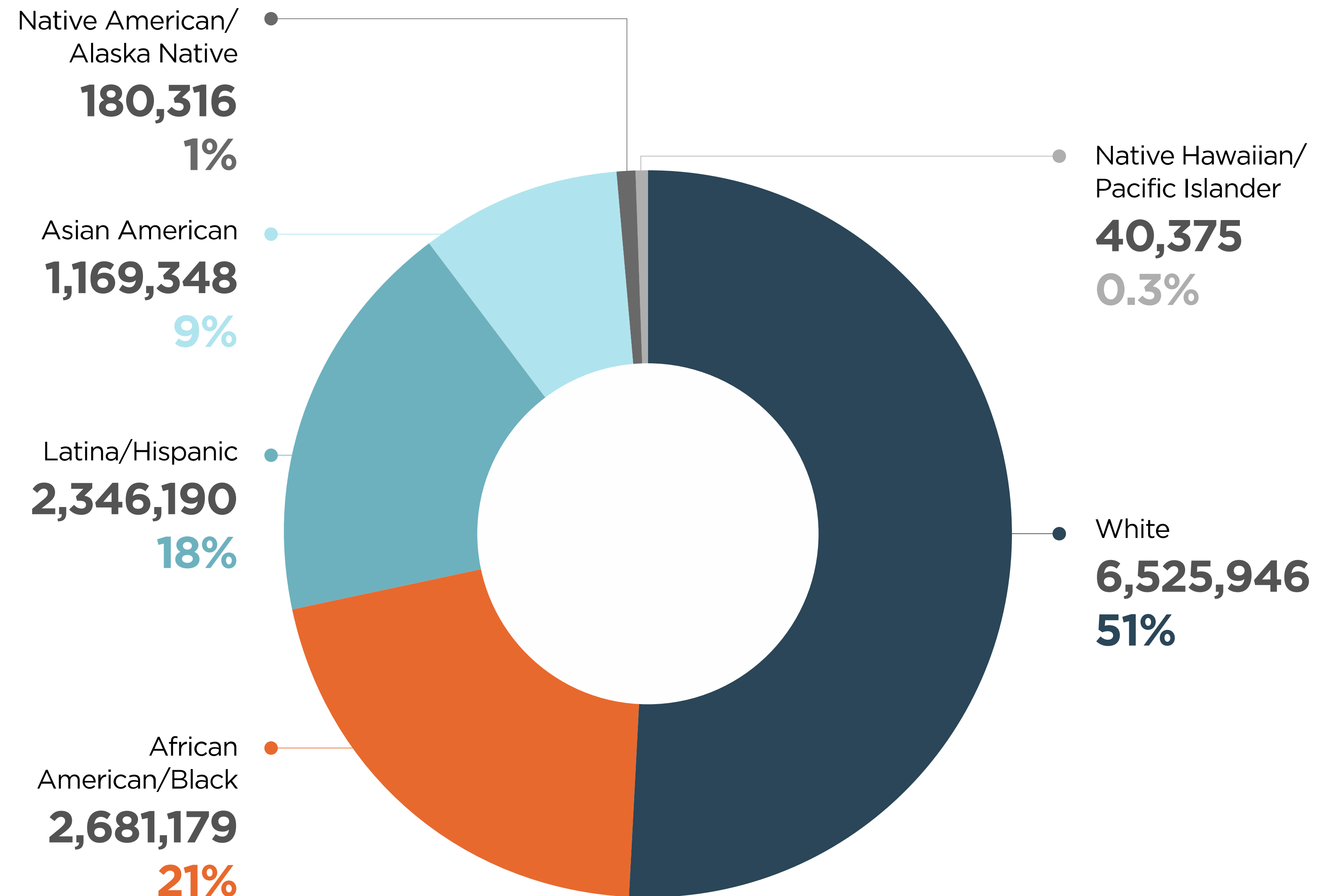
However, when diverse teams do raise, they tend to raise more than all white teams:



Source: See FY2020 Report p. 55; Marlon Nichols et al., “Deconstructing the Pipeline Myth and the Case for More Diverse Fund Manager,” Kauffman Fellows and MaC Venture Capital, (Feb. 2020).



# 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

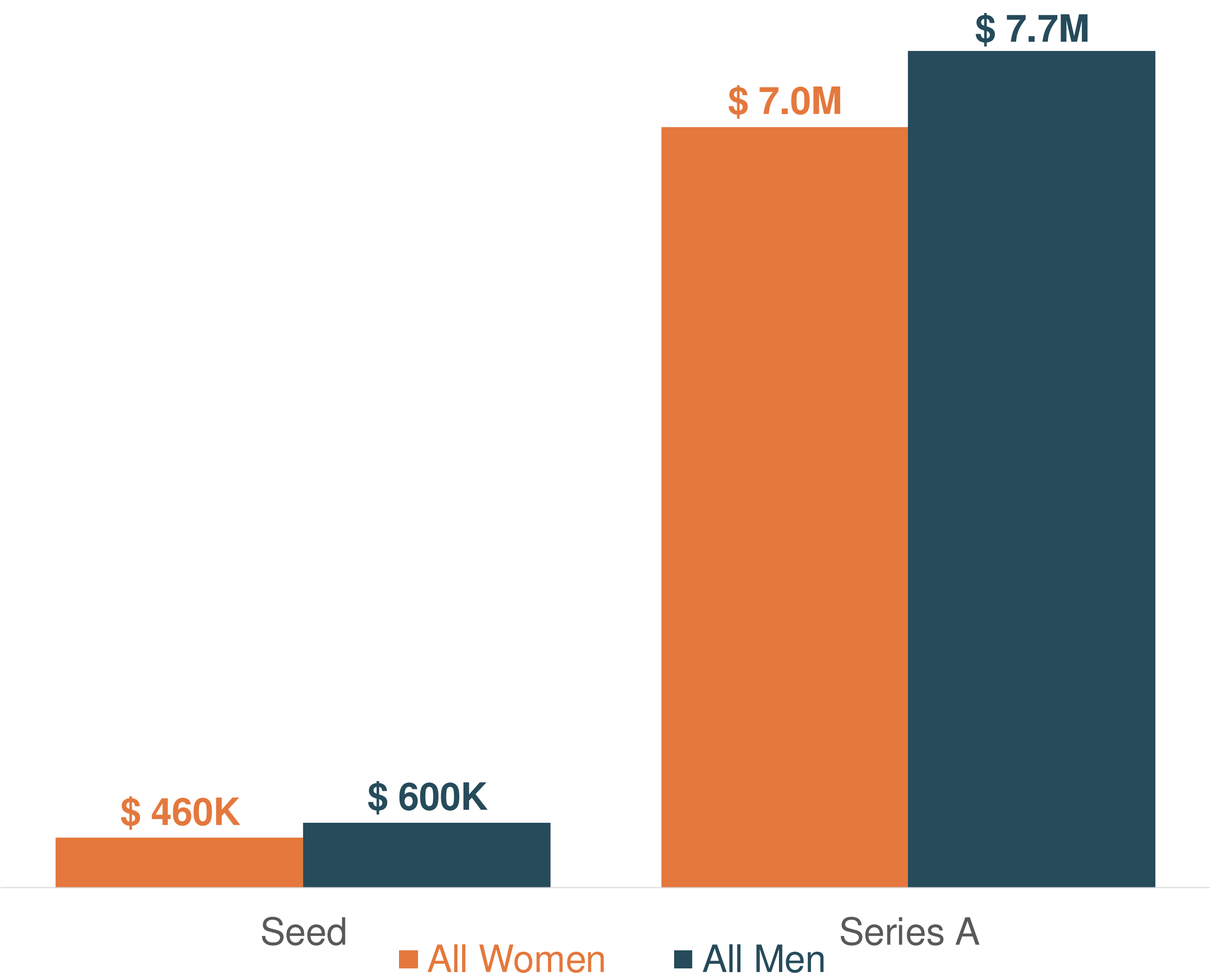


**3%** of dollars went to women-only founding teams,  
and **9%** went to women/men co-founding teams.

# Women-led founding teams raise less than their male peers



Lower median VC pre-money valuations in 2019



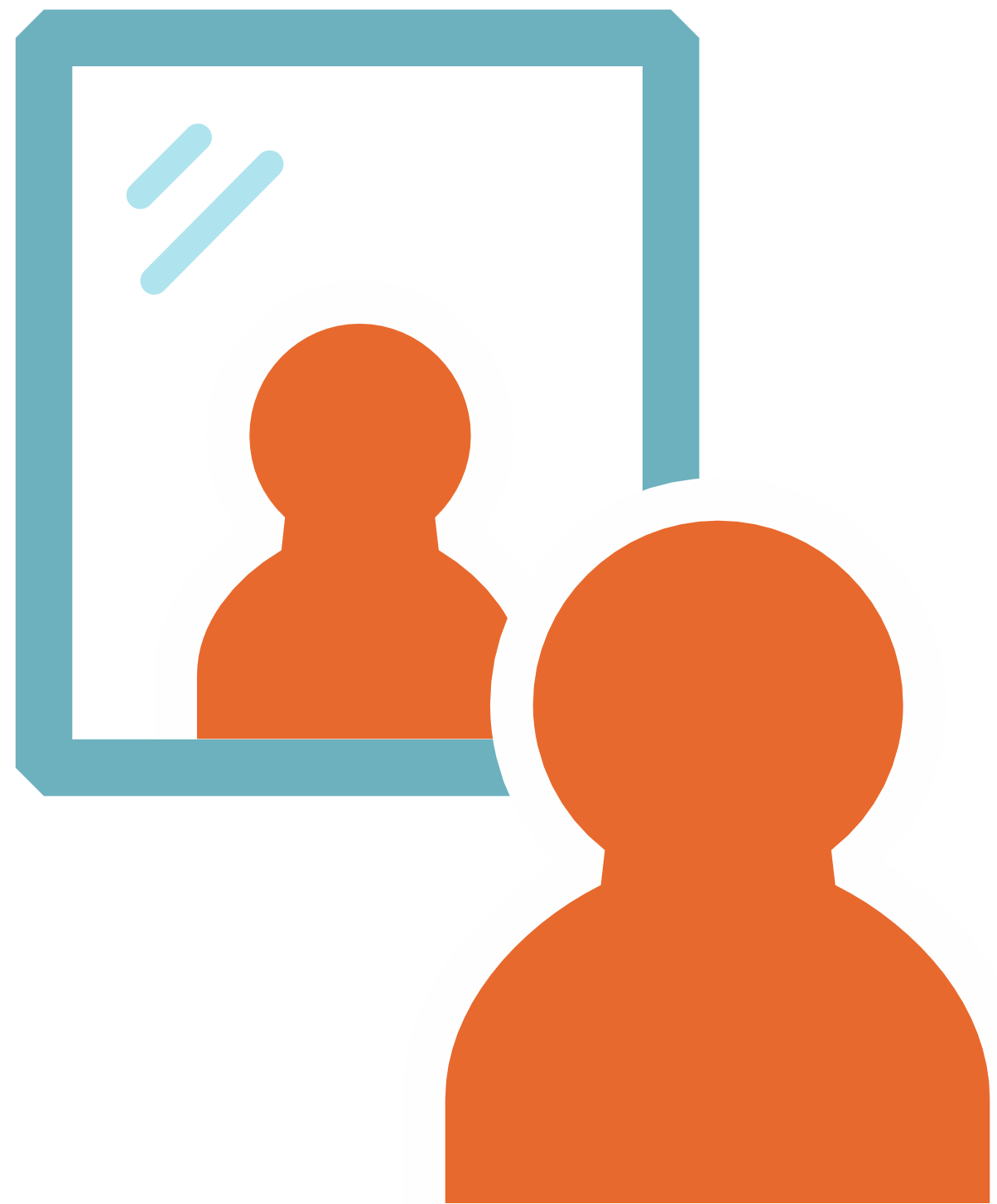
Lower median funding rounds in 2019

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

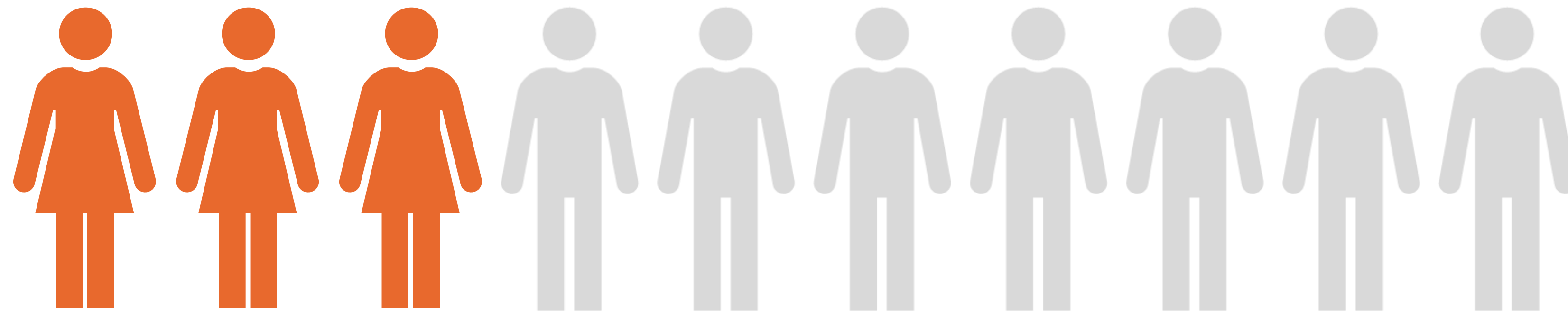
# Artificial boundaries between investors and businesses reinforce pattern matching



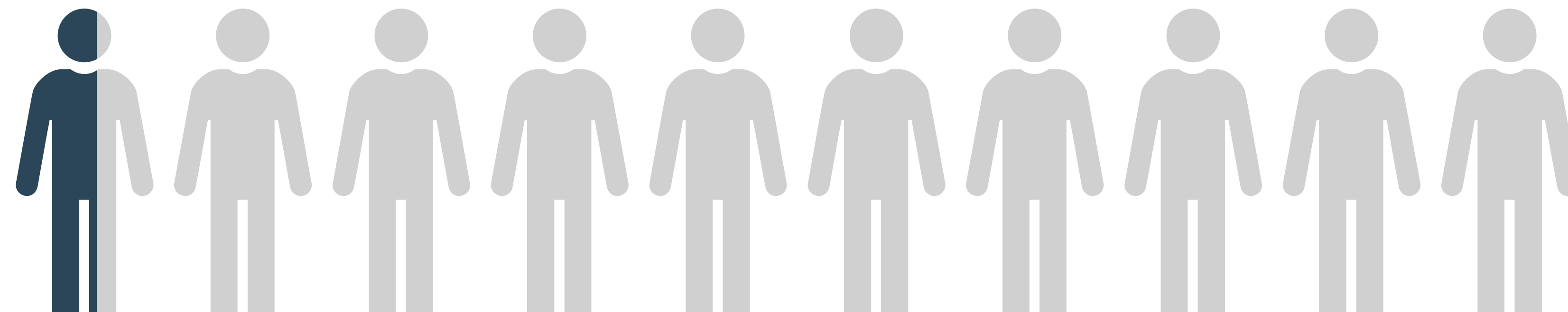
Founders are **21%** more likely to be funded by an investor of the same ethnicity than of a different ethnicity.



# Women and minorities are underrepresented among angel investors

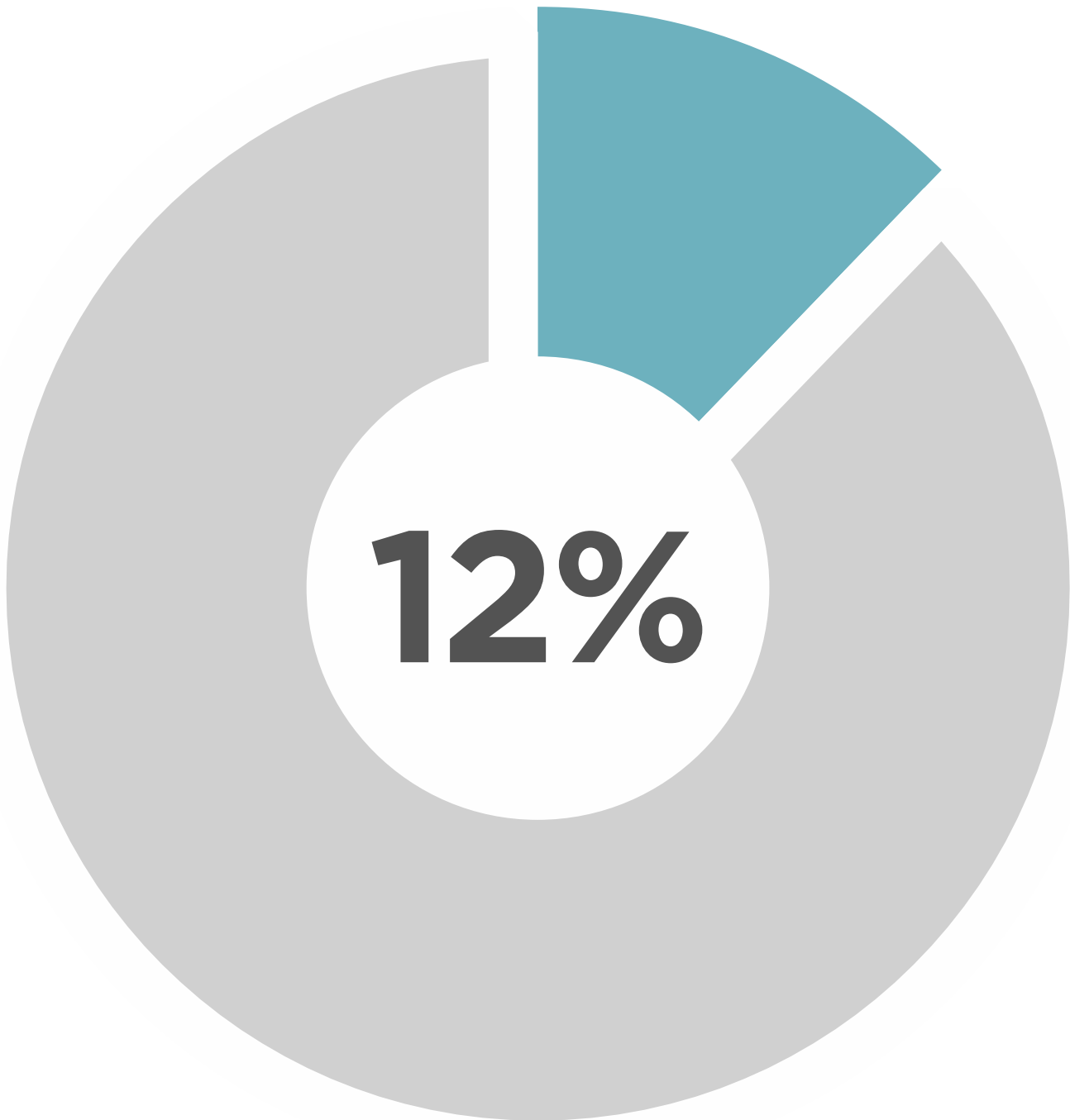


29% of angel investors in 2019 were women

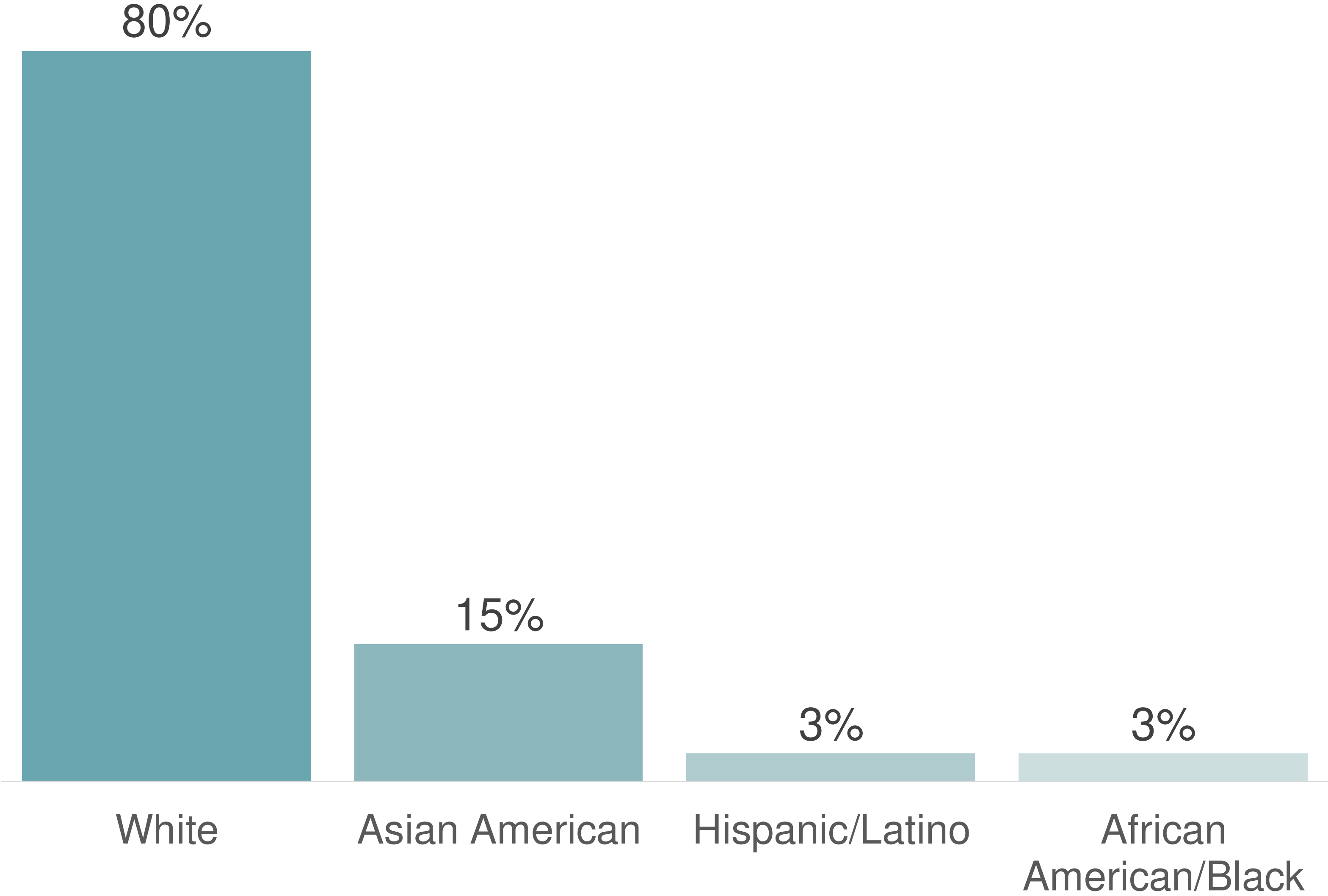


7% of angel investors in 2019 were minorities

# Women and minorities are also underrepresented among VC investment partners



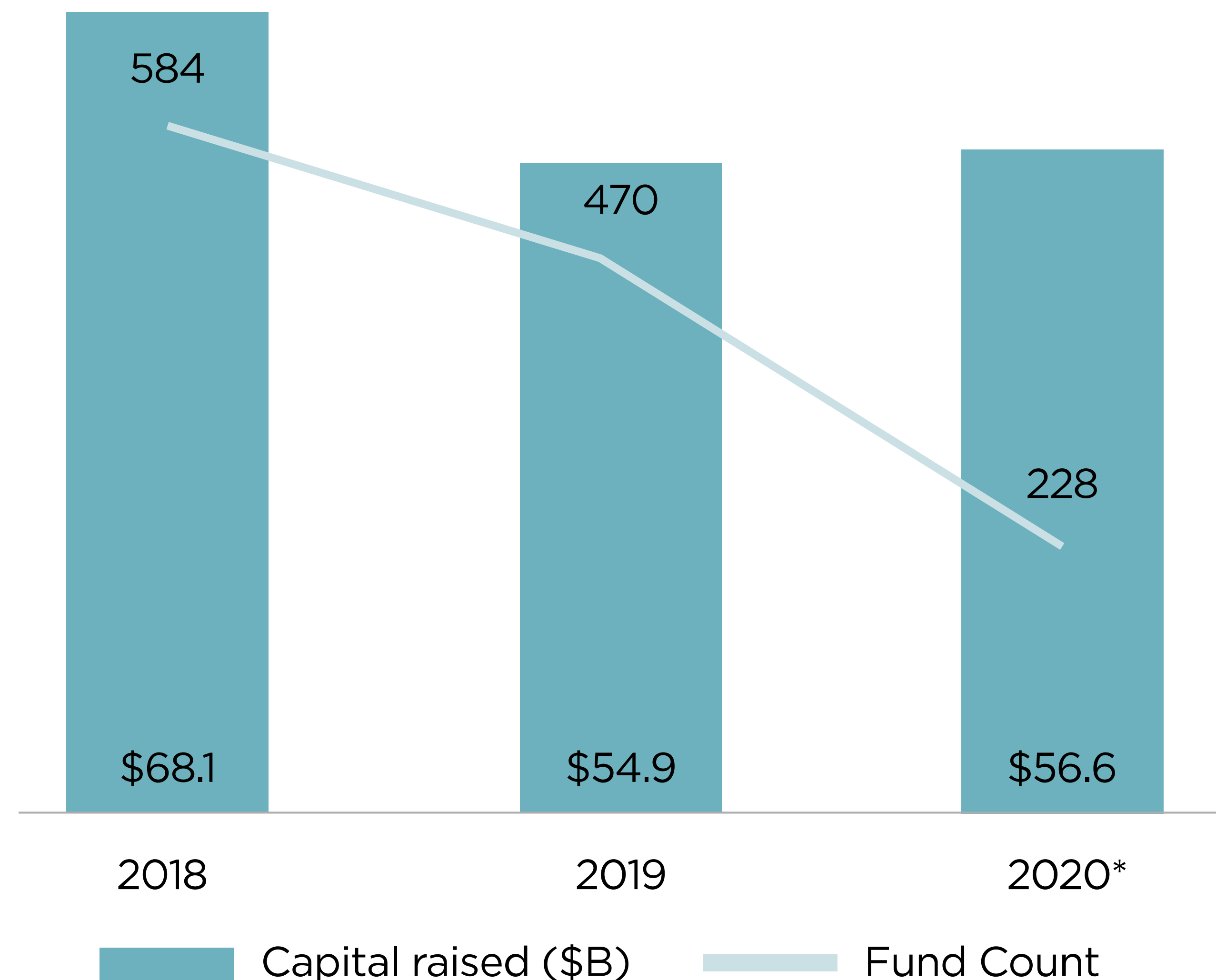
of decision-makers in VC firms are women.



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



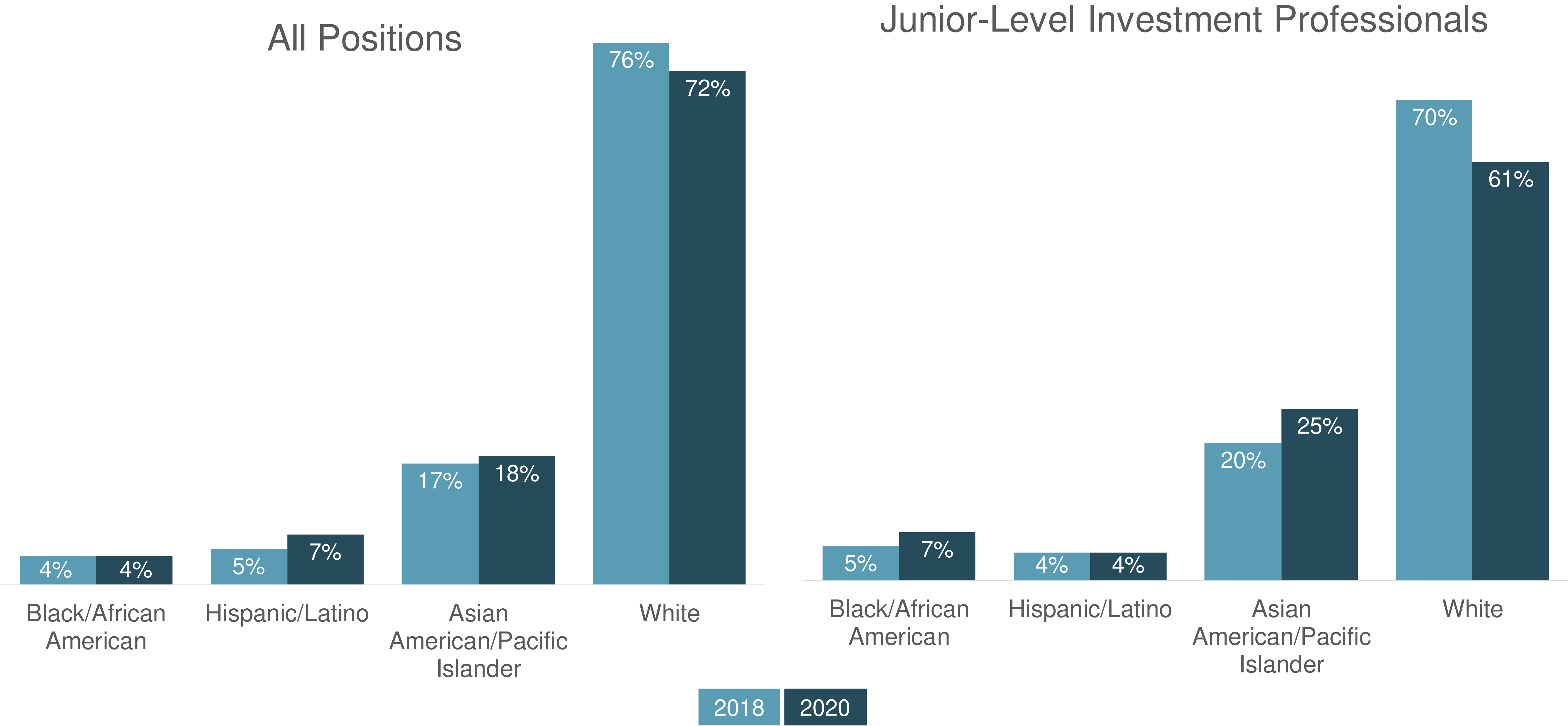
\*Through Q3 2020

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



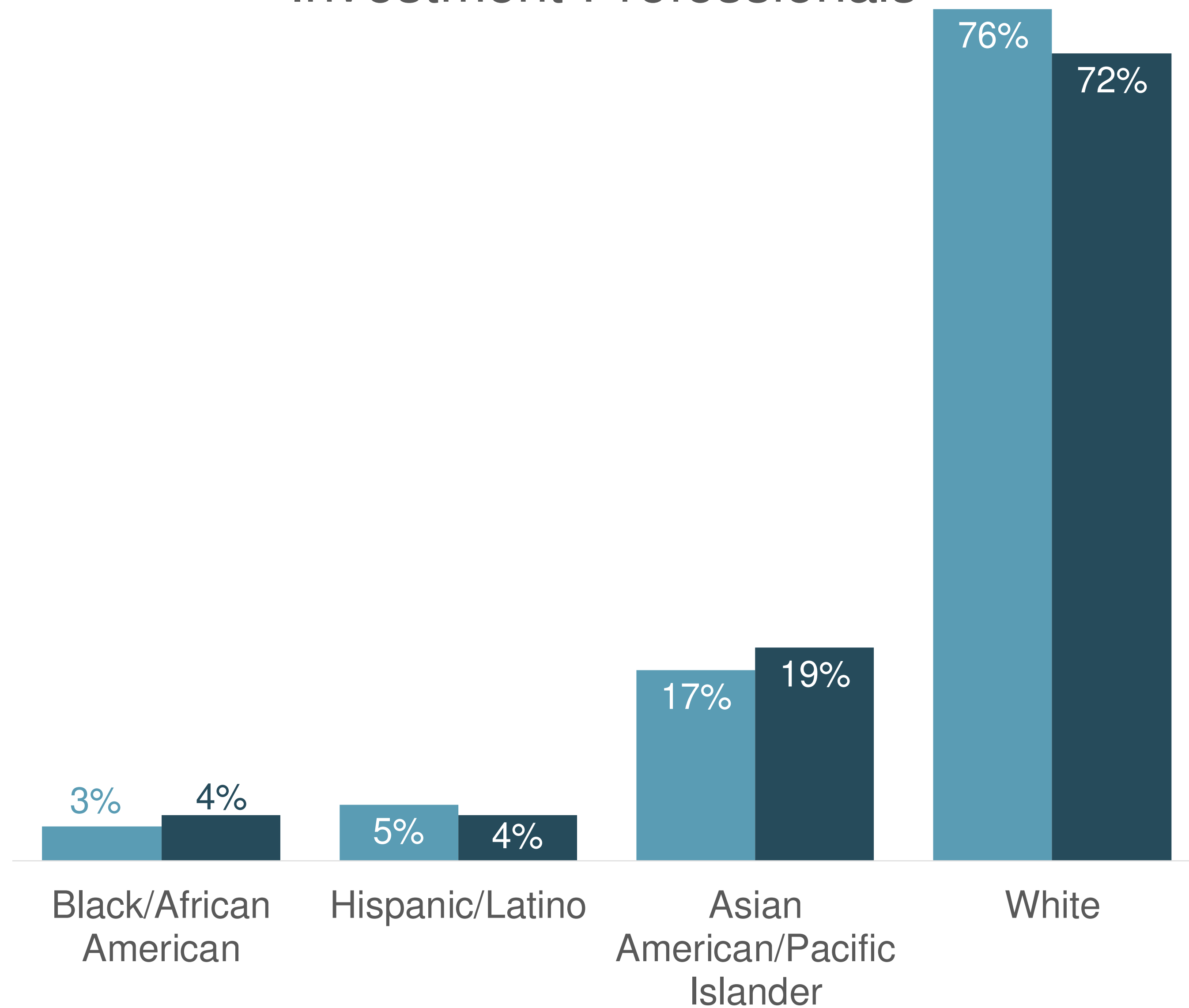
# Racial and ethnic diversity in VC firms



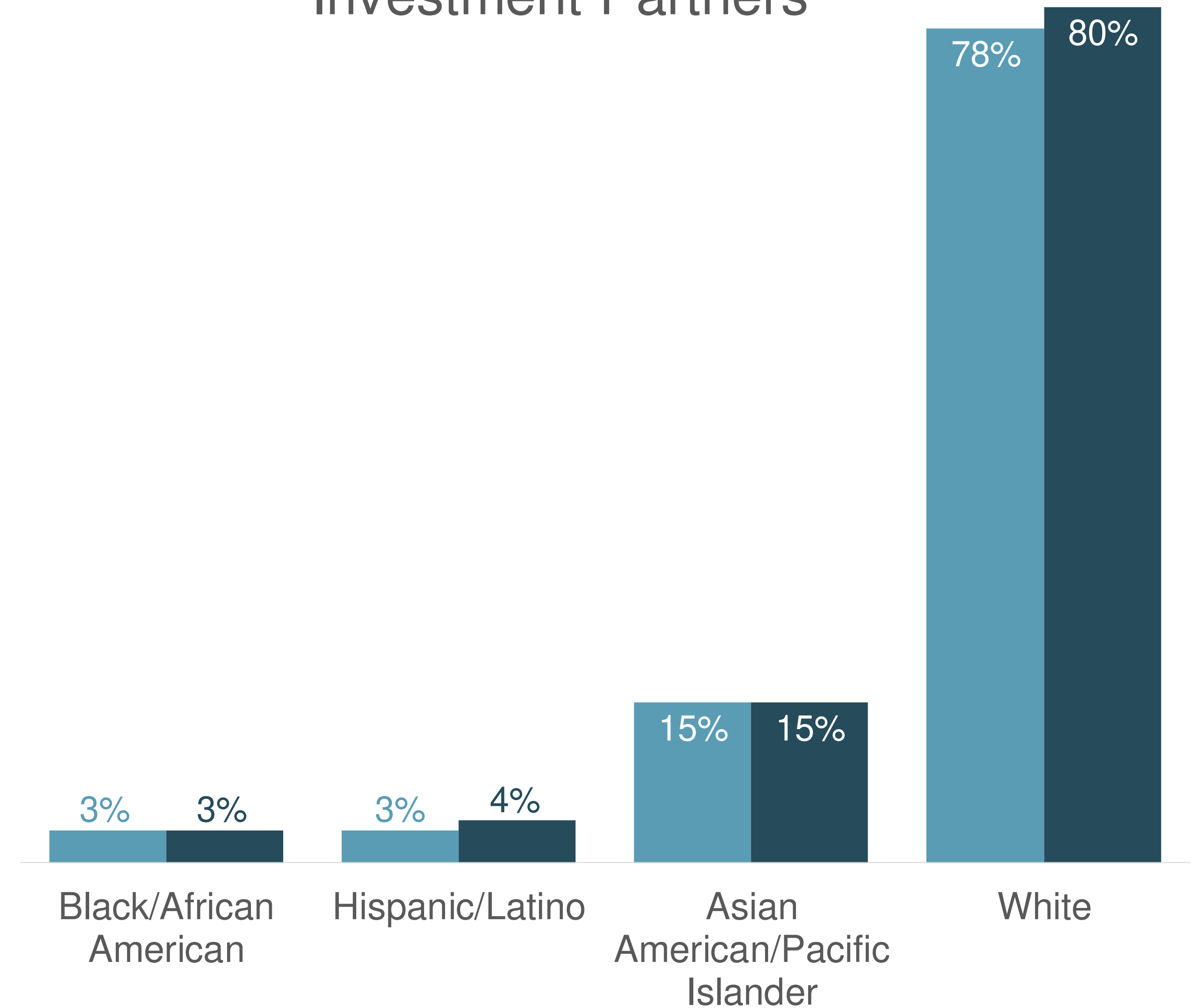
Source: See NVCA and Deloitte, “Human Capital Survey,” (2021).

# Racial and ethnic diversity in VC firms

Investment Professionals



Investment Partners



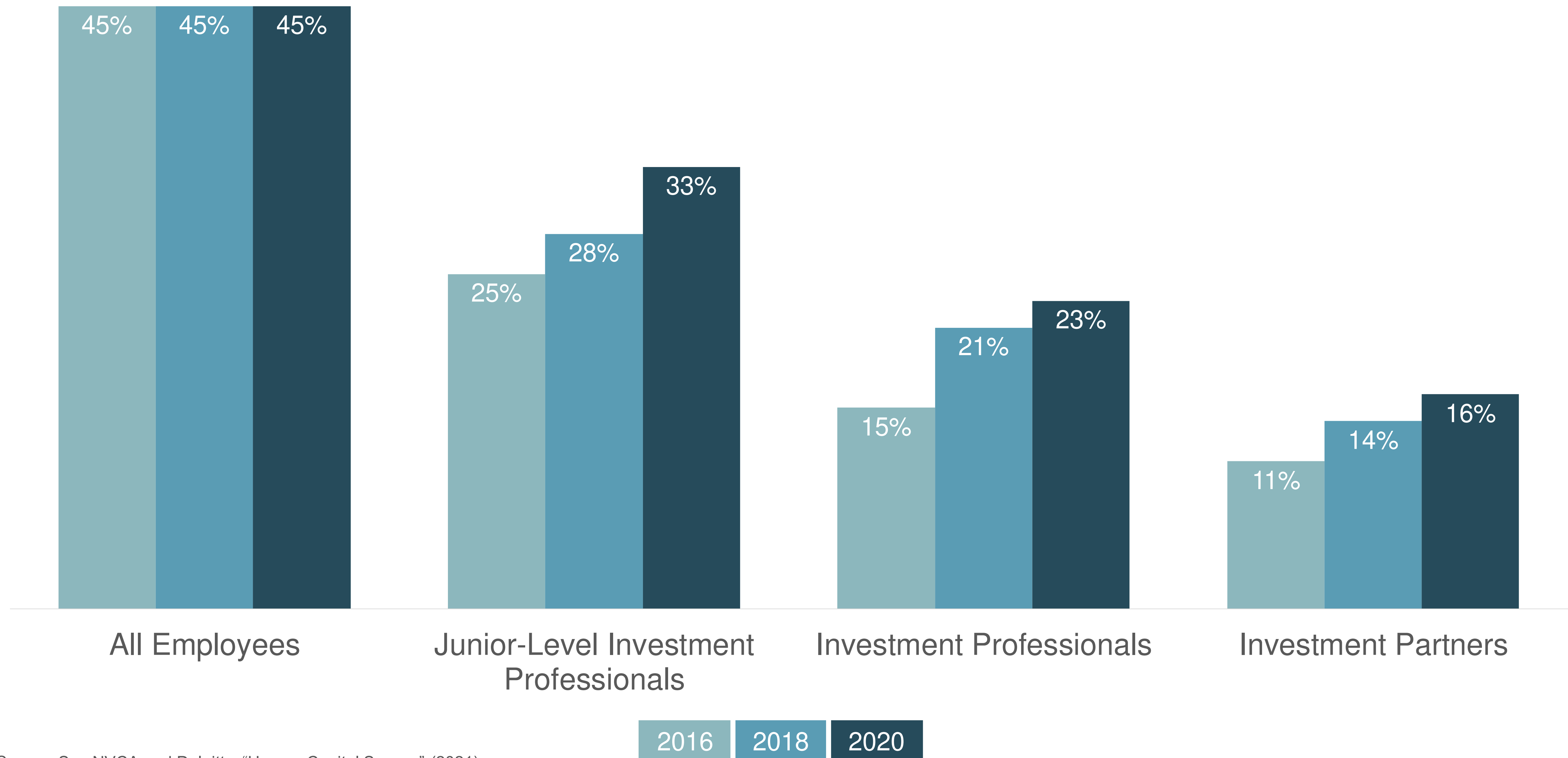
2018

2020

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

# Gender diversity in VC firms

## Representation of Women Professionals



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