Investing in Underrepresented Founders
What We Can Learn from the Data

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Minority-Owned Businesses
Snapshot of Minority Business Ownership

American Indians and Alaska Natives: 272,919
Asian: 1,917,902
Black: 2,584,403
Latinx: 3,305,873
Native Hawaiians and other Pacific Islanders: 54,749

Minority-Owned Businesses Are Growing

Since 2007, there has been a 38% increase in the number of minority-owned businesses

Minority Businesses Face Less Access to Capital

Minority entrepreneurs report profitability is disproportionately impacted by lack of access to capital:

- African American: 22%
- Latinx: 15%
- Asian-American: 13%
- White: 9%

New black-owned businesses start with almost three times less in terms of overall capital compared with new white-owned businesses:

- $35,205
- $106,720

Access to Capital Challenges

Minorities constitute 10.7% of entrepreneurs seeking capital in 2018 and had an investment yield rate of 22% compared to a baseline rate of 23.2%.

Founder Diversity in VC-Backed Businesses

- **18%** Asian
- **2%** Latino
- **2%** Middle Eastern
- **1%** Black
- **77%** White

RateMyInvestor “Diversity in U.S. Startups” (data in the report covered the period from January 2013 to December 2017).
Small Business Investor Diversity

Only 5.3% of angel investors are minorities

VC Investment Positions

Women-Owned Businesses
Women Are Founding More Start-Ups

21.6% of start-ups in 2018

4% of start-ups in 2001

Ewing Marion Kauffman Foundation, “Data Show that Gender-Inclusive Founding Teams Have Greater Success in Fundraising and Innovation” (Oct. 3, 2019).
Research by StartOut found that gender had a far greater effect on startup funding levels than sexual orientation of the founders.

Access to Capital Challenges

Women constituted 25.9% of entrepreneurs seeking capital in 2018...

and had an investment yield rate of 17.5%

compared to a baseline rate of 23.2%

In 2018, women founding teams received less VC funding than their male peers of the approximately $130 billion reportedly invested:

One study found that companies founded or co-founded by women generate more revenue:

Diversity of Small Business Investors

29.5% of angel investors are women

only 11% of VCs across the industry are women

71% of VC firms have no female partners

Decline of Small Businesses February to April 2020

Overall: 15.0 million
- Women-Owned: 5.4 million (36%)
- African-American-Owned: 1.1 million (26%)
- Latinx-Owned: 2.1 million (32%)
- Asian-Owned: 885,000 (26%)

Download a copy of our report to Congress and the Commission:

www.sec.gov/oasb