



OPENING OPPORTUNITIES THROUGH ACCESS TO CAPITAL

KEY TAKEAWAYS

- Among small businesses with employees, two-thirds (66%) have used their own personal savings or funds from family and friends in the last five years, including an overwhelming 83% of newer businesses.¹
- Large businesses receive major capital infusions from federal and state governments through tax subsidies. Small businesses deserve the same consideration through grants that put money into small businesses and our economy—investments that lift them, not debt that ties them down.
- When we grant major chains and corporations tax breaks and deny funding for locally rooted businesses, we rub future generations with innovative, diverse goods and services.

INTRODUCTION

When small business owners—or those who want to be small business owners—can't get access to the capital they need, we all lose. We lose ideas that never come to fruition. We lose innovation. We lose the solutions we need to the problems in our communities because we don't empower those who live there to put their expertise into action.

At Main Street Alliance, we organize small businesses nationwide and prioritize what we define as true small business. True small businesses are sole proprietorships and have less than 50 employees. Today, America's true small business economy faces an access to capital crisis. In one 2023 survey, more than three-quarters of small business owners reported concern about their ability to access capital.² Main Street Alliance is fighting for access to capital for small business owners across the country—because we all win with the right investments.

SMALL BUSINESSES CAN'T GET STARTED WITHOUT ACCESS TO CAPITAL

Among small businesses with employees, two-thirds (66%) have used their own personal savings or funds from family and friends in the last five years, including an overwhelming 83% of newer businesses.³ That makes it much harder for those with less wealth or with student debt to get started. Main Street Alliance member and small business owner Davida Reed explains: “Getting access to capital has not been easy, and I believe that it has not been easy because I don’t have collateral. I don’t have a house that the bank can say she’s reliable; she can pay us back.”

More than one-third (35%) of those who tried to start a small business but did not do so cite a lack of financial resources as a key reason they stopped.⁴ Moreover, when only those with existing personal or family wealth can start small businesses, potential entrepreneurs of color are disproportionately left out in light of profound racial wealth disparities.⁵

SMALL BUSINESSES NEED CAPITAL TO SCALE

Once they get started, small businesses can’t grow and expand without the financing they need. As Reginald Simpson, owner of Capture Studios, put it, “It’s really difficult to get that access, so having that access to capital opens up a lot of doors for small business to be able to build and scale the way they want to scale.” Yet despite that need, half of small business owners who needed capital beyond the start-up stage did not apply it, often because they thought they would be turned down.⁶

When they do apply for credit, nearly half (47%) of all small business owners are either partially or fully turned down.⁷ That has major consequences for expansion and opportunity. Main Street Alliance member John Blunt, owner of JB Window Tinting, has been repeatedly denied funding and struggled. As Blunt notes, “With the lack of financing, it is definitely a lot harder to expand as far as being able to pay employees, to purchase other things. It’s hard just to buy those things, to see whether this will work for my business or not.”

SMALL BUSINESSES NEED CAPITAL TO CREATE JOBS AND COMPETE FOR WORKERS

Davida Reed highlights a struggle many small business owners encounter: “If I had the capital, I would hire a team of people who can help me with what I know that my business needs. But as a single entrepreneur, I’m trying to figure out all these things on my own or make it work. But I know what my business needs, and my business needs a team.” That hurts everyone because, as MSA member Masani Reed, a bookstore owner, asks, “If you don’t support the small businesses, how can you possibly employ the citizens so that the community can grow?”

Moreover, access to capital defines the ability of small businesses to compete with larger employers for workers—or not. Without more investment around access to capital, so people can truly compete, it is harder to hire and retain staff. When big box stores come to town, even if small business owners can stretch their budgets to compete on wages, they often cannot match benefits like paid leave or childcare that big corporations can afford out of pocket. Keeping human capital becomes impossible when you don’t have traditional capital.

KEEPING HUMAN CAPITAL BECOMES IMPOSSIBLE WHEN YOU DON'T HAVE TRADITIONAL CAPITAL

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RACIAL DISPARITIES IN ACCESS TO CAPITAL CREATE BARRIERS FOR BLACK AND BROWN ENTREPRENEURS

Small business owners of color face profound disadvantages in access to capital as compared to white small business owners. Nearly half of white-owned small businesses have their capital needs met, compared to about a quarter of Hispanic and Asian-owned businesses and just one-sixth of Black-owned small businesses.⁸ When they apply for credit, Black business owners are nearly twice as likely as white business owners to be partially or wholly declined, while Asian and Hispanic business owners also face powerful disparities.⁹ As a result, it is not surprising that Black entrepreneurs are three times more likely than white entrepreneurs to report that they did not apply for a loan for fear of having it denied.¹⁰

When the pandemic's economic effects were at their harshest, business owners of color were as likely to apply for credit as white business owners, and when they did, they were much less likely to be approved for the full amount they sought.¹¹ Particularly troublingly, business owners of color were more likely to report that they were seeking credit to pay operating expenses—cash to keep their lights on and their doors open.¹² As the economy recovers, rates of full approval for credit for white business owners are much closer to 2019 levels than those for Black business owners, widening, rather than closing, the gap.¹³

CREDIT IS NOT ENOUGH—SMALL BUSINESS OWNERS NEED GRANTS, NOT JUST MORE DEBT

Ensuring broader and more equitable access to credit is an important and necessary step toward the future small businesses need. At the same time, reliance on credit financing means putting small business owners into debt, which they may struggle to repay. Nearly a third (32%) of small business owners report difficulties in making payments on existing debt.¹⁴

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CONCLUSION

At Main Street Alliance, we want to build communities that are not reliant on one or two big box stores. We all deserve vibrant communities with multiple kinds of businesses that can sustain themselves—and us. That vision can only become a reality with access to capital. Therefore, when we grant tax forgiveness to large corporations when they enter our communities, we demand that the same grants or investments be provided for small businesses, especially those in rural and communities of color. We must look at the issue of equity. When we grant major chains and corporations tax breaks and deny funding for locally rooted businesses, we rub future generations with innovative, diverse goods and services.



MSA IS THE NATION'S LEADING ORGANIZATION FOR TRUE SMALL BUSINESSES.

We support local communities to push grassroots initiatives that work to create a more just economy and inclusive society. Visit our [website to learn more](#).

REFERENCES

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6 Id. at 15.

7 Corcoran et al, supra note 2, at ii.

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12 Id.

13 Corcoran et al, supra note 2, at 18.

14 Id. at 7.

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