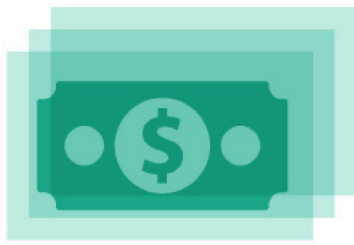


# Capital Access

## Why it matters to startups:



Access to capital is perhaps the most critical barrier startups face when launching. Most startups launch with a combination of limited amounts of funding, often cobbled together from a mix of personal loans and family savings. Even the average seed stage startup only has roughly \$55,000 a month in resources, which, after payroll and expenses, leaves little room to cover extras. And only an estimated 1 percent of startups even receive venture capital. Founders of different backgrounds—including race, gender, and geographical location—often face greater barriers across the board in accessing the capital they need, from friends and family rounds, to business loans, to venture capital.

## Key takeaways:

- Most startups rely on a patchwork of funding sources outside of traditional venture capital.
- Policies should make it easier for startups to access capital and open up capital markets to allow more people to participate in funding early-stage companies.
- Difficulties with accessing capital are especially relevant to underrepresented founders, including women and founders of color.

## What policymakers can do:

Policymakers must continue to improve the regulatory environment in which startups operate to raise capital, especially amidst expected efforts by the SEC, to, for example, limit the definition of accredited investor and would make capital access more difficult. Policymakers can also address capital access issues with federal funds, including streamlining federal grant processes which can be slow and poorly suited to the startup lifecycle, addressing accessibility of federal programs, directing federal funds to incubators and accelerators, and supporting organizations that provide valuable support, resources, and programming for startups. And government should specifically prioritize equalizing access to capital for underrepresented founders, including through incentivizing venture capital funds to be allocated to diverse founders, ensuring access to Small Business Administration resources, and identifying and rectifying discrimination in bank lending. Policymakers should undertake efforts to bring diversity to the investment community, including through the Small Business Investment Company (SBIC) program, to encourage the SBA to license smaller funds (which are more likely to be diverse) as SBICs and would be more likely to invest in underrepresented founders.

### Startup Spotlight

#### Ahdere Gear

(Portland, OR)

Robert Buchanan, Founder & CEO

Adhere Gear uses Internet-connected technology to make cargo shipping operations and logistics more efficient.

“I’ve seen a lot of great ideas that really only needed \$10,000 or \$15,000 to prove that they’ve got a worthy product. Investors never even take a look at those types of opportunities, and I think that’s where the government can step in. So between the challenges of applying for government programs or getting in the door to access [venture capital] funding, it’s incredibly hard to get the funding to build a business that will make so many systems work better.”