

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 go on to receive venture capital. Founders of different backgrounds—including race, gender, sexual orientation, 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.
- Diversifying the investor pool will allow for more participation in the startup ecosystem and will result in founders from more backgrounds receiving funding.

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, which 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 by expanding the allowed size of angel funds, so that more investors—especially more diverse investors—can participate.



STARTUP SPOTLIGHT

Mycocycle

(Chicago, Ill.)

Joanne Rodriguez, Founder & CEO

Mycocycle is a biotechnology company that harnesses the properties of fungi to detoxify and transform construction waste into new raw materials.

“I must admit that fundraising, especially for female founders, can be challenging in the Midwest. Money is tighter, and investors expect you to have traction, which you can’t have without money...While we have received great support overall, finding local investors in the region has been challenging.”

