GALLUP | JPMorganChase

Scaling to One Million

The Complicated Role of Capital

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Executive Summary

Owning a business is something many Americans aspire to do. It offers independence, autonomy and the opportunity to accumulate wealth and build a strong financial foundation for families. Yet many business owners are no better off than traditional employees in terms of income, wealth or wellbeing because their businesses have limited revenue, no growth and no employees.

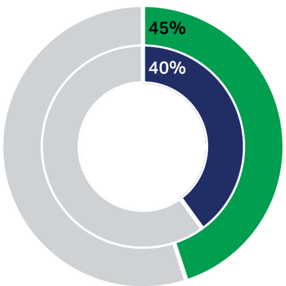
The situation is different for business owners who employ others. Many of these owner-employers have already accumulated significant wealth or are on a clear path to doing so. Owner-employers are also more likely than non-employer owners to have succession plans — such as selling their business or transferring it to a family member — creating potential for intergenerational wealth, as recent work has shown.[1]

Several of these insights were established from Year 1 of the Gallup Pathways to Wealth project, supported by JPMorganChase and the Ewing Marion Kauffman Foundation. One year later, we returned to U.S. workers and business owners to find out why more adults do not become entrepreneurs, better understand the barriers owners face in raising capital, investigate the role of credit history and examine which kinds of government and nonprofit support business owners are utilizing.

Findings

Individuals who do not own businesses report that their primary barrier to entrepreneurship is a lack of capital.

Many aspiring entrepreneurs possess the personality traits associated with entrepreneurial success but are held back by financial constraints.



The Pathways to Wealth Survey reveals that **45% of all non-owners** cite a lack of capital as a reason for not starting a business, while another **40%** say they are **not wealthy enough**.

Lack of capital is the dominant reason for non-owners who have seriously considered starting a business, whereas personality traits and not having a business idea are more important among those who have never seriously considered starting a business.

Poor credit history is linked to poor business performance.

Non-employer owners and minority owners, particularly those who are Black or Hispanic, report worse credit history, including higher default rates and lower self-reported creditworthiness, compared to their White counterparts.

Lower creditworthiness predicts greater difficulty obtaining loans and worse business performance, as measured by revenue, profits and recent growth.

Among current business owners, few sought capital in the past year, and many regard it as unnecessary.

In 2023, only 10% of business owners sought capital and just 3% applied for a loan. Black and Hispanic business owners are no less likely than White owners to seek capital. However, owner-employers are far more likely than non-employer owners to do so; **24% of business owners who hired at least one worker in the last 12 months sought capital, compared to 8% who did not hire.**

When business owners were asked why they did not seek capital, the most common responses referenced not wanting to take on debt or a lack of need based on revenue and expenses. For some, taking on debt may undermine the autonomy they hoped to achieve as business owners, according to qualitative findings that complement the survey data.

Support from regional governments and local organizations predicts revenue growth.

Direct financial support through loans and grants, networking events and opportunities to pitch to investors are some of the services and supports provided to business owners by state and local governments, as well as local nonprofit organizations. Each of these forms of support is associated with higher revenue growth. **Direct financial support is relatively uncommon but has the strongest association with growth.** Although Black owners are somewhat more likely than Hispanic or White owners to report receiving these supports, few owners across all groups report receiving these forms of support or participating in public pitch events.

Background

While it is well-established that young and small businesses drive economic growth and household wealth, there are important differences between types of businesses.[2] Previous Gallup research found large differences between owner-employers and non-employer owners when it comes to wellbeing, income and wealth.[3] Owner-employers, for example, hold assets valued four times larger than the assets of non-employer owners, and owner-employers are much more likely to report they are thriving in wellbeing. Across economic and wellbeing measures, non-employer owners are hardly better off than employees. Yet only a small share of the working population (around 2%) owns a business that employs other people, whereas approximately 26% work for a business they own.[4] Moreover, there are large differences across race and ethnicity in the rate of business owners who employ others.

These were some of the insights from Year 1 of the Gallup Pathways to Wealth project, which received funding from JPMorganChase and the Ewing Marion Kauffman Foundation. In the fall of 2023, the Year 1 survey collected data from nearly 10,000 U.S. working adults and over 3,000 business owners. One year later, we have data from over 6,000 previous respondents, as well as other new employees and business owners, for a total of nearly 12,000 working adults and roughly 3,500 business owners.

The data come at a time when many leaders are worried about the macro-economic implications of recent inflation, trade disputes and disruption from artificial intelligence. Less media attention has been given to a longstanding issue: the decline in the number of new businesses with employees over the past 40 years.[5] Even as the workforce has grown, the number of new owner-employer firms has stagnated since the late 1980s.[6] If rates of entrepreneurship since 2010 matched 1980s rates, more than 167,000 additional firms would exist today. Applications for new businesses surged during the COVID-19 pandemic, but few of those businesses have hired workers.[7]

Previous Gallup research, using data from Year 1 of this project, found that entrepreneurs and aspiring entrepreneurs are more likely to possess certain personality traits, such as self-efficacy and confidence around business-like tasks. Yet many people who exhibit these traits, especially many Black and Hispanic employees, are not business owners. Academic research suggests that the large wealth gap between Black and White adults partly explains differing rates of entrepreneurship, since access to capital is useful for starting and expanding a business. That wealth gap is reinforced by a lack of business income.[8]

Some of the research questions guiding Year 2 of the Pathways to Wealth project are: What is holding people back from becoming entrepreneurs? What challenges do entrepreneurs face in raising capital and growing their businesses? What role do past financial decisions and circumstances play in obtaining capital, and what kinds of support are useful to entrepreneurs? How important is capital in starting and running a business? The following sections address these questions.

DEFINING OWNERSHIP STATUS

To answer our research questions, we considered five categories of workers:

1. **Employee only:** These adults are solely employees, the largest and most conventional category of workers.
2. **Mostly employee with other arrangements:** These employees do not file taxes as independent contractors or sole proprietors but do some work for their own self-employed businesses.
3. **Self-employed:** These individuals are mostly or entirely self-employed. Self-employment includes independent contractors, independent consultants and freelance workers who work for themselves and provide services directly to customers on a per-contract basis.
4. **Non-employer owner:** These adults do not indicate that they are self-employed and mostly work as a business owner or landlord, but they employ no one.
5. **Owner-employer:** Employers who primarily work as a business owner or landlord and employ at least one other person.

Business owners, or just owners, fall into all but the employee only category when referred to generally. Throughout the report, results are shown for non-employer owners and owner-employers. Such results exclude self-employed workers and those who mostly work as employees.

Results

Finding 1. Individuals who do not own businesses report that their primary barrier to entrepreneurship is a lack of capital.

In the Year 2 survey, Gallup asked: "What are some of the reasons why you haven't started a business?" Respondents could select from 13 reasons or add their own if they felt it was missing from the list. Ninety-six percent of respondents selected one of the reasons given.

Reasons for not becoming an entrepreneur can be broadly grouped into practical barriers and personal interests. On the practical side, a plurality of non-owners (45%) cite a lack of capital. Another 40% say they are not wealthy enough. Social rather than financial capital is also a factor: Twenty-two percent say they "don't have the social network needed to be a successful business owner." Another 19% say there are too many rules and regulations. A sizeable share cite the risks of losing healthcare or other benefits, such as retirement, while others cite a lack of time.

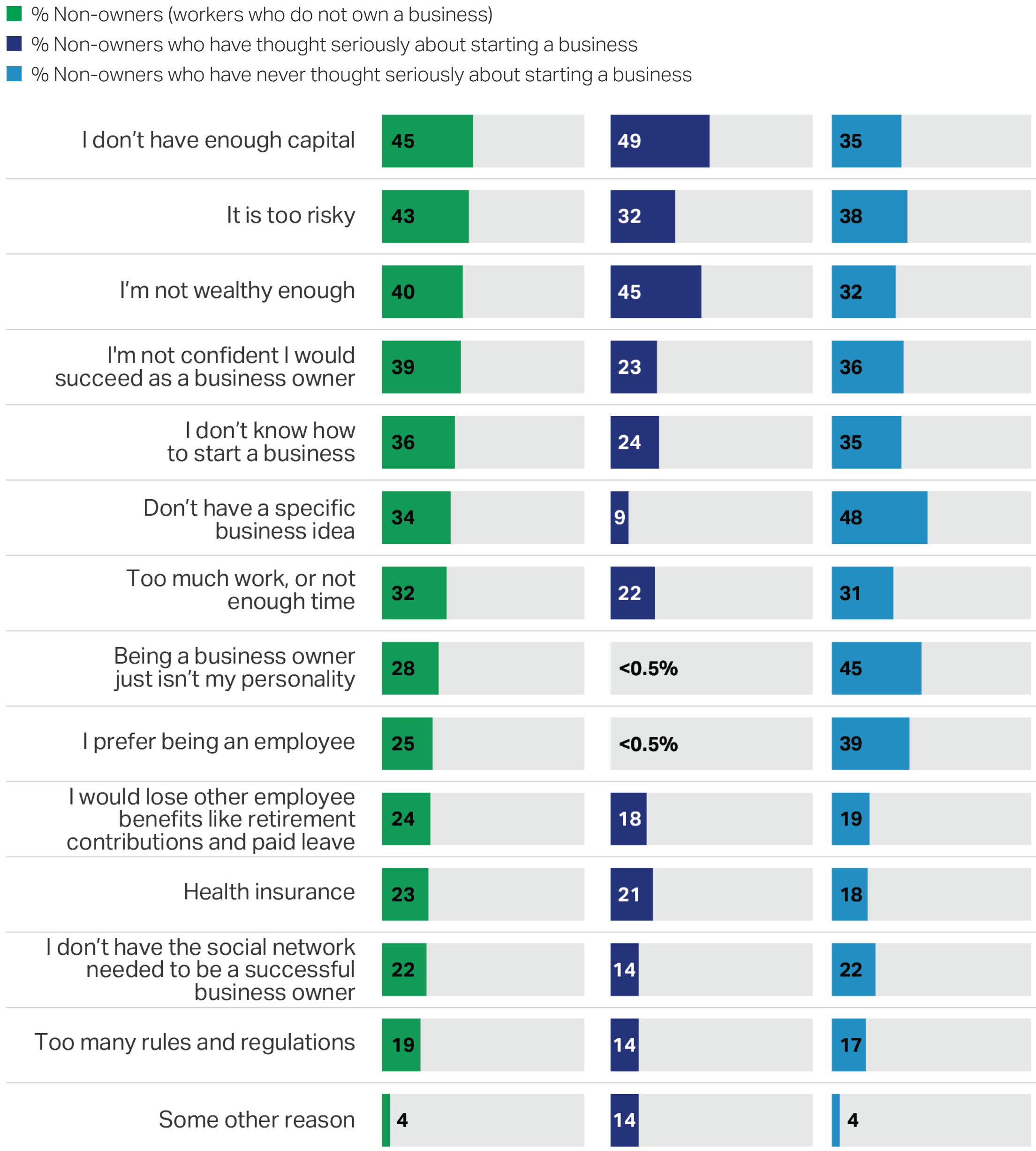
Personal interests are also important, including risk tolerance. Forty-three percent say they are not business owners because it is too risky. Thirty-nine percent say they lack the confidence, while 36% say they don't know how to start a business. Additionally, 34% do not have a specific business idea. A lack of interest is also a principal factor: Twenty-five percent of non-owners say they prefer to be an employee, and a similar share (28%) say "being a business owner just isn't my personality."

Non-owners were also asked how seriously they ever considered starting a business. This variable is closely related to their reasons for not being an owner. Among non-owners who have thought "extremely seriously" about starting a business, less than 0.5% mention personality or preference for employment. Instead, the top reasons are a lack of capital (49%) and a lack of wealth (45%). For those who were never serious at all about starting a business, 48% say they do not have a specific business idea, 45% mention their personality and 39% say they prefer being an employee. A lack of capital was only mentioned by 35% of non-owners who have never thought about starting a business.

CHART 1

Reasons why non-entrepreneurs never started a business

Shows the share indicating a given reason; multiple reasons could be selected



Sample is 6,654 non-owners, of which 270 have been extremely serious about starting a business and 1,665 have never been at all serious.

Finding 2. Among current business owners, few sought capital in the past year, and many regard it as unnecessary.

Given the importance of capital in many non-owners' minds, one might think owners routinely pursue external financing. However, as Gallup found in a publication with The Brookings Institution using Year 1 data from this survey series, few owners (7% of all) report seeking capital.[9] The rate is similar in the Year 2 survey (10%). That said, there are large differences by type of business.

2x **Owner-employer businesses are approximately twice as likely to seek capital as non-employer owner businesses.**

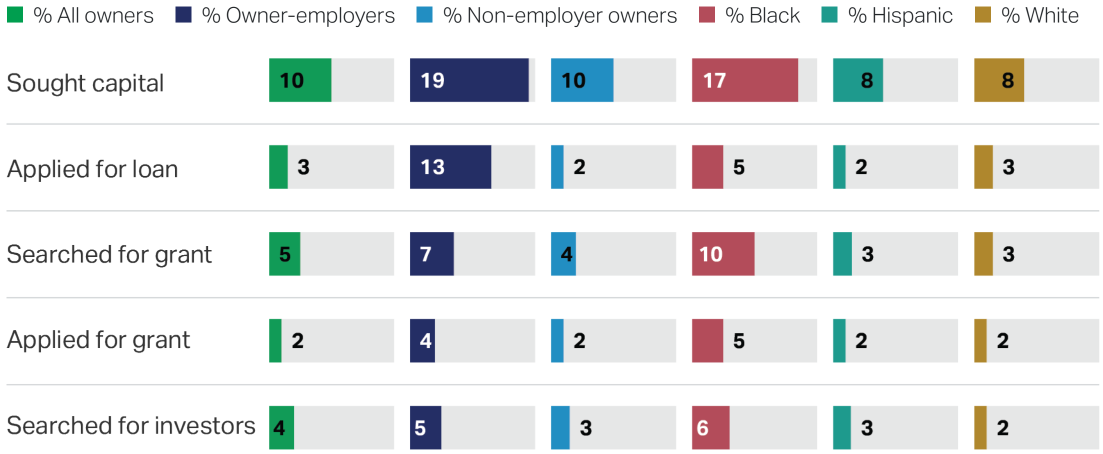
Research consistently shows that access to capital is one of the most frequently cited challenges for small business owners, particularly among women and minority entrepreneurs. The apparent gap between the low rate of capital-seeking in our data and the broader literature may reflect differences in business type, business stage or owner ambition.[10] Our findings, however, still reinforce a well-established body of research showing that access to capital is essential for business growth.

The higher likelihood of owner-employers to pursue capital is found across all forms of financing, and the gap is particularly large when it comes to loans. Among owner-employers, 13% applied for a loan in 2023, compared to 2% of non-employers.

Across the largest racial and ethnic groups, Black owners stand out as being the most likely to seek capital. Seventeen percent of Black owners sought capital, compared to only 8% of Hispanic and White owners. **Black owners show a greater likelihood of pursuing across all forms of capital, but are especially likely to search for and apply for grants.**

CHART 2

Percent of owners seeking capital in various forms by type of owner

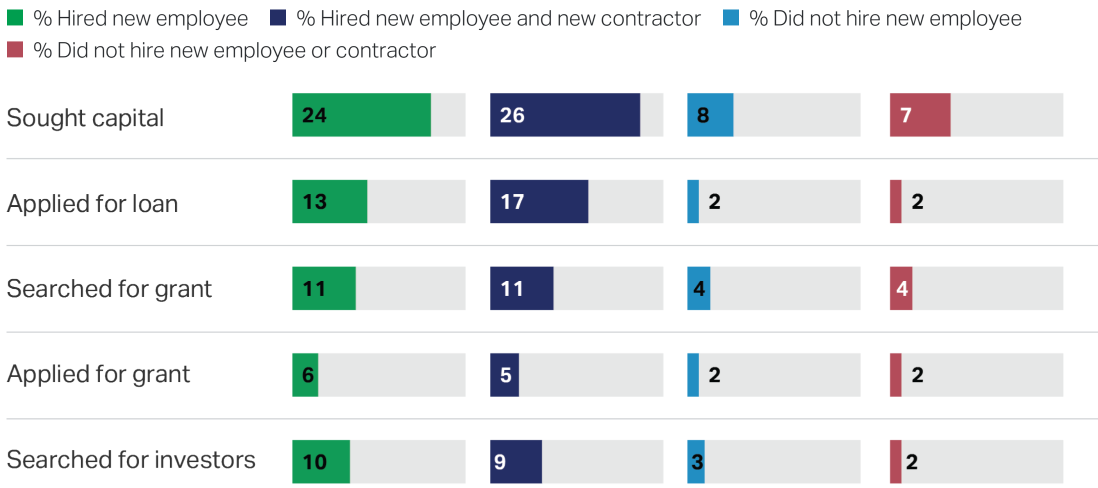


Data are from 3,489 owners. Among these, 838 are employers and 617 are non-employers. The rest are self-employed or mostly work for an employer.

Not surprisingly, efforts to secure capital in all forms are more common among business owners who hired an employee within the past 12 months. Owners who hired recently are three times more likely to have sought capital and six times more likely to have applied for a loan than those who did not hire recently. Owners expanding a non-employee business with contractors also sought capital with greater frequency. Only 7% of owners who did not hire employees or initiate deals with new contractors sought capital, and just 2% applied for a loan.

CHART 3

Percent of owners seeking capital in various forms by recent hiring activity



Since the majority of owners did not seek capital, the Year 2 survey asked why. The most commonly cited reason, selected by 47% of owners, is that they did not want to acquire debt.

> **This response is common across business types and racial demographics. In a qualitative interview, one owner-employer told us:**
>
> "If you start with a loan, you're working for the bank. You're not working for yourself."

Likewise, high interest rates are a commonly cited reason, selected by 20% of owners.

The second most common reason, selected by 45% of owners, is, "I can meet the expenses of my business without external funding," which suggests either revenue or personal wealth may be enough. Owners who do not need external funding may also be able to draw upon close friends or family members for capital. A closely related reason is, "My business's revenue is sufficient to pay expenses" — 25% of owners selected this reason. The difference in response rates suggests many owners rely on internal sources beyond revenue to sustain their business.

For both items, there are notable gaps across business types and owner demographics. Owner-employers are much more likely to cover their business expenses with internal funding or revenue. This is not surprising, since a recent Gallup news article using these data shows that median profit margins are much higher for owner-employer businesses compared to non-employer owner businesses.[11] Median annual profits are also higher among White owners ($8,000), compared to Black ($1,500) or Hispanic ($5,000) owners.[12]

With lower household wealth and business profits, Black and Hispanic owners are more likely than White owners to cite fears about not being able to repay the loan and poor credit history as reasons they have not attempted to raise capital.

Joel, a Black owner-employer, described this concern in an interview:

“It scares me when I think about loans … especially when you don’t have 100% grasp of the direction the business will take … (If) things change and you cannot afford to pay the loan, I don’t know what that looks like.”

As for other potential reasons, few owners, regardless of race, say they are worried that their application will be unfairly evaluated. Four percent of all owners selected this reason; however, Black owners are significantly more likely than White owners to say they are worried their application would be unfairly evaluated (9% vs. 3%).

This sentiment is reflected in qualitative interviews. Isaiah, a Black business owner and employer, told Gallup:

“A few times when I was going to banks, and my businesses were doing well and I was making good money, I definitely felt race had something to do with it. I just didn’t understand why I wasn’t getting funded … It’s a perception of who they think is going to be able to pay them back. It’s human nature, there’s racial bias there.”

For some owners, the lending process had unfair elements related to the administrative burden. When talking about U.S. Small Business Administration (SBA) loans in particular, Darryl told us:

“The challenge I’ve found with (SBA loans) is there’s too much paperwork to do, and I’m trying to run a business here. I don’t have the time. There are hundreds of requirements they want. For me to access (SBA loans), I’d have to hire someone familiar with that process and help me walk through it.”

For Tanya, the administrative burden was related to trying to prove her status as a Black woman to the SBA:

“I felt from that first conversation with my case manager that it was more (about) quotas hit than anything else, and her going through the motions. I think if I didn’t have all my ducks in a row, she wouldn’t have moved me to the next step.

“She was like, ‘Are you a woman-owned business?’ We belong to a minority-status organization, so I was like, ‘Yes, I already proved that I am African American. I’ve already proved that I am a woman because I am a member of this organization.’ She said, ‘What is the criteria for being in that organization?’ I’m wondering, what does this actually have to do with the fact that I want you to give me money?

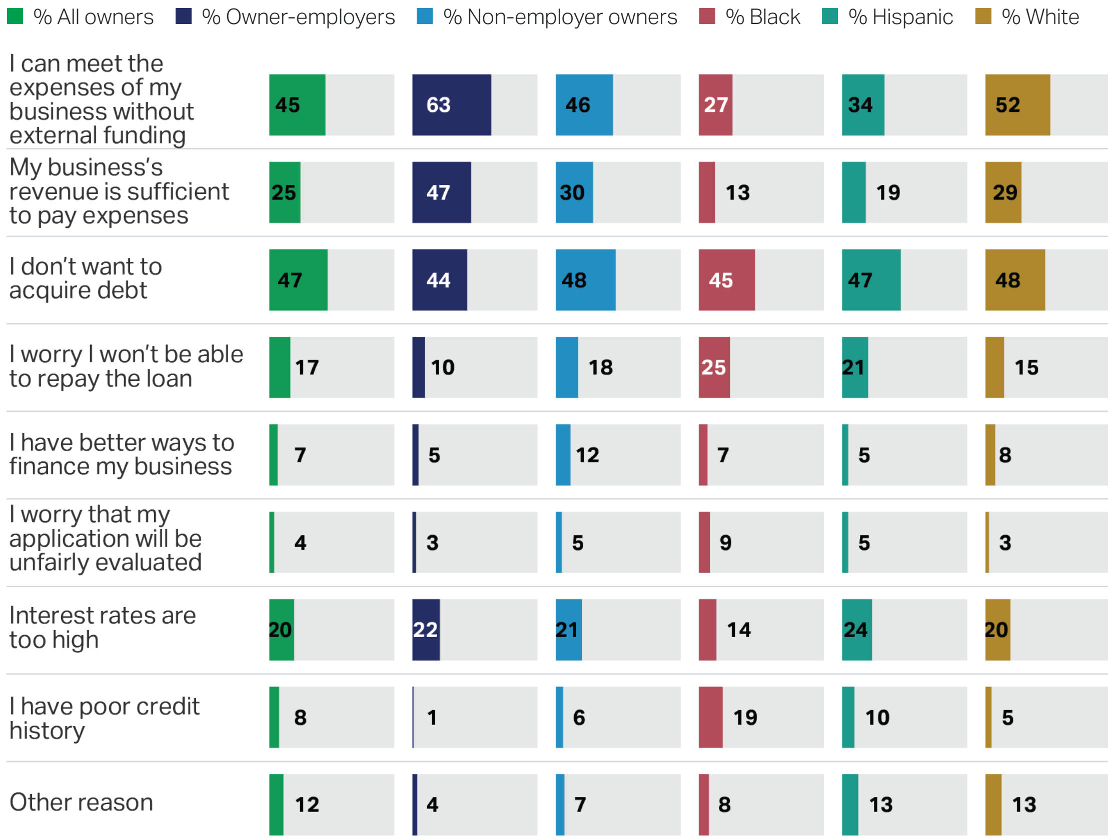
“She called me when I was on vacation and the first three minutes of the telephone conversation was, ‘Why are you not in the office?’ I’m like, ‘Oh my god!’”

Overall, many owners say they do not need external funding to meet expenses and so they have not sought a loan. Among those who need external funding, not wanting to acquire debt, fear of not being able to repay the loan and poor credit history explain why they have not sought capital.

CHART 4

Why owners have not sought capital

Among owners who have not attempted to raise capital in the past 12 months



Sample is 3,276 owners who have not sought capital in the past 12 months.

In prior research using Year 1 data, we found that Black and Hispanic business owners who sought capital in 2022 were much more likely than White owners to report difficulty in obtaining it. The shares reporting difficulty were 72%, 61% and 40%, respectively, for Black, Hispanic and White owners. Year 2 data show a similar but less stark contrast (with respective rates of 62%, 66% and 49%). Slight improvements to the macro-economic climate for lending may explain these changes.

Racial and ethnic gaps in self-reported difficulty in obtaining loans seem largely explained by creditworthiness and history. To collect respondents' perceptions of their creditworthiness, we asked the following:

Given your credit history and how reliably you have paid off loans in recent years, how do you think financial companies would rate your creditworthiness overall? By creditworthiness, we mean the likelihood that you would pay off any debts on time.[13]

Response options were:

1	2	3	4	5
VERY POOR	POOR	NEITHER POOR NOR GOOD	GOOD	EXCELLENT

Responses 1-3 were classified as less than good for the purposes of this report.

Results indicated that those with less than good self-reported creditworthiness are more likely to be non-employer owners, Black or Hispanic, and to report having missed payments on loans, rent or credit cards in the past five years. This supports that self-perceptions of poor credit reflect actual financial histories and may overlap with structural disadvantages that affect an owner's likelihood of applying for credit.

Among owners seeking financing, 44% of those with excellent self-reported creditworthiness report difficulty, compared to 67% of those with less than good self-reported creditworthiness. The sample sizes of business owners seeking capital within each creditworthiness category are too small for direct comparisons across race and credit category, but a regression of difficulty on race finds no significant differences between Black and White owners and Hispanic and White owners after controlling for self-reported creditworthiness.

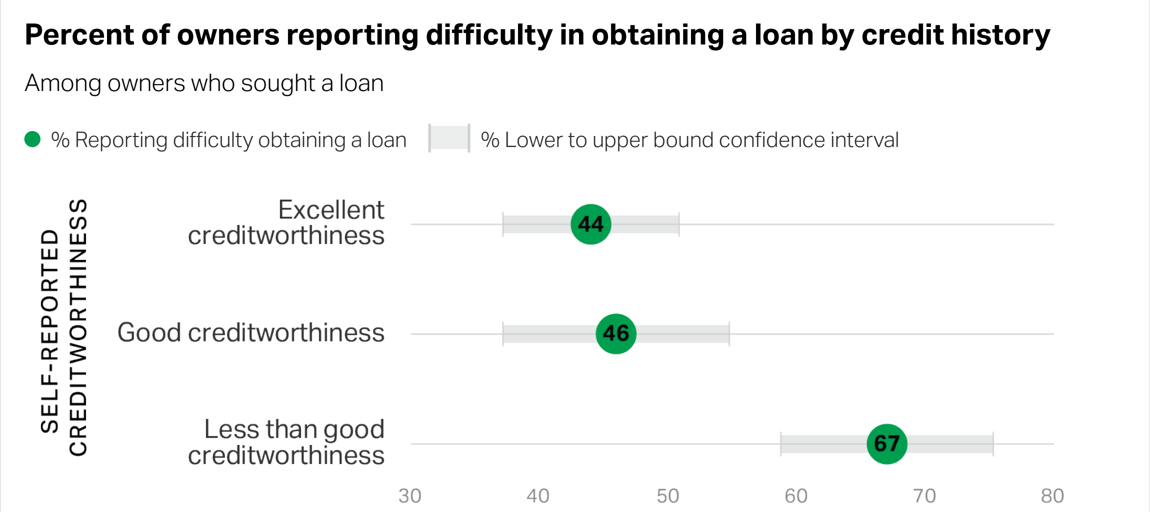
In an interview, Black owner-employer Nicole expressed the importance of credit history in obtaining a loan. As she told Gallup:

"I stress this to anybody. When I go and I'm speaking to high schoolers — you know everyone wants to be an entrepreneur these days — I stress to them the thing they don't understand is your credit. Your credit is major … Getting an SBA loan or any loan at that time (of starting a business), thank God our credit was incredible."

For Joel, one of the owner-employers mentioned previously, a similar theme arose when discussing challenges in obtaining a loan:

"It seems like they (banks) kind of go off of your credit as a person. But your credit is probably full of 'whatever.' There's so much stuff that's already on your credit as a person. So, if they try to go off of that then it's just like, 'Oh, well, we don't know if we can actually give you a loan to support your new business.' Because your business is new, it doesn't have any real credit of its own to stand on. Some of it seems like it's almost rigged against small business owners that want to do stuff unless they have the freedom (to self-finance)."

CHART 5



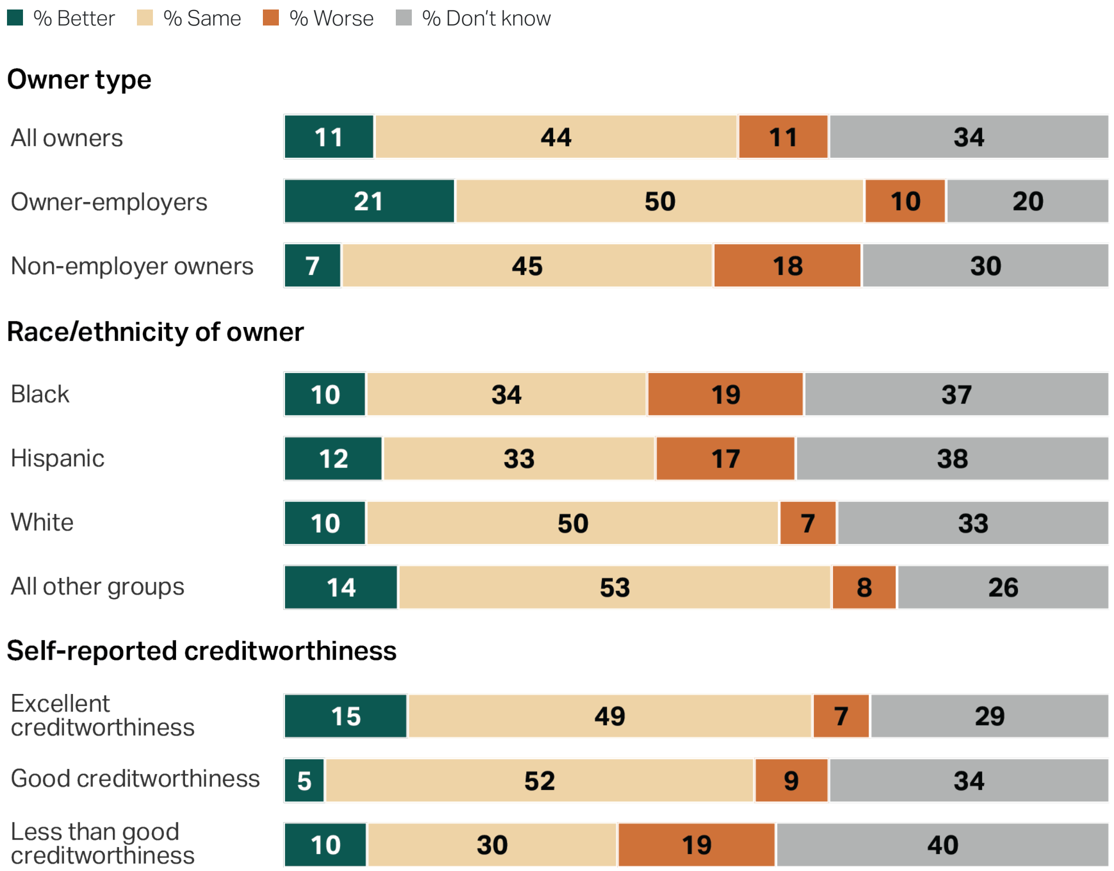
Item asks: "How difficult or easy would you describe getting this financing?" Difficult or very difficult are coded together as difficult.

Self-reported creditworthiness was also found to be connected to self-reported mistreatment of owners during the process of obtaining credit. Owners who applied for a loan last year were asked how they were treated with the intention to evaluate perceived mistreatment as a potential explanation for a lack of funding solicitation or success. The item read, "When it comes to getting a loan for your business, including the likelihood of approval, the amount of the loan, the interest rate and the repayment period, which statement best describes your view?" Answers included, "I have been treated worse than others," or better, or the same. The respondent could also answer "I don't know," which we expect to be a common and valid response, given that it would be hard to know how lenders treat other customers.

CHART 6

Perceived treatment relative to other business owners during loan process when it comes to approval, amount, interest rate and repayment period

Among 1,280 business owners who applied for loans in the last year



Item reads: "When it comes to getting a loan for your business, including the likelihood of approval, the amount of the loan, the interest rate and the repayment period, which statement best describes your view?" Answers included references to others, as in, "I have been treated better than others."

A plurality of owners say they were either treated the same as others or that they do not know. This holds true across business types and owner demographics. Just 11% of all owners report being treated worse. Black and Hispanic owners are more likely than White owners to report being treated worse, but this was only selected by 19% of Black and 17% of Hispanic owners, with some reporting better treatment (10% and 12%, respectively).

Treatment perceptions are correlated with business type and self-reported creditworthiness. Non-employer owners and all owners with less than good self-reported creditworthiness are more likely to report worse treatment than owner-employers or all owners with good self-reported creditworthiness, with 18% and 19% reporting worse treatment, respectively.

28% Even among owners who report difficulty in obtaining a loan, just 28% say they were treated worse than others.

Still, racial disparities in lending terms have been observed even when accounting for business credit risk, with Black, Hispanic and Asian business owners receiving higher interest rates than White-owned firms with similar risk profiles.[14]

Taken together with the earlier findings, fears of potential mistreatment and actual perceptions of mistreatment do not appear to explain patterns in entrepreneurial behavior when seeking capital or difficulty in obtaining loans or good terms. Creditworthiness and business operations are more relevant than race and ethnicity. This sentiment is also reflected in some of the qualitative interviews, in which Black and Hispanic respondents were largely satisfied with the lending process. Among entrepreneurs who need capital, poor perceptions of creditworthiness and a lack of confidence in the business's ability to manage and repay debt are crucial factors deterring owners from seeking loans. These owners are less likely to apply for loans, even when they say their business needs capital, potentially due to expectations of rejection or a belief that unfavorable terms are inevitable. Economic history provides richer context into how these patterns emerged in the first place.[15]

Finding 3. Poor credit history is linked to poor business performance.

As other studies on small businesses have found, the previous findings point to the importance of credit history and creditworthiness as issues affecting whether owners attempt to obtain a loan, how well they are treated in seeking a loan and the degree of difficulty they report.[16]

As noted earlier, self-reported creditworthiness varies significantly across types of business ownership and demographic groups. To evaluate respondents' broader credit history, we also captured respondents' default and payment histories. For the purposes of this study, we defined default as failing to make a minimum payment for six months or longer on an outstanding obligation any time within the past five years. We asked respondents whether this was the case for credit cards, mortgage, rent, a business loan or an automobile loan. For a timelier measure, we also asked respondents who use a credit card whether they fully paid off their monthly balance on all their cards last month.

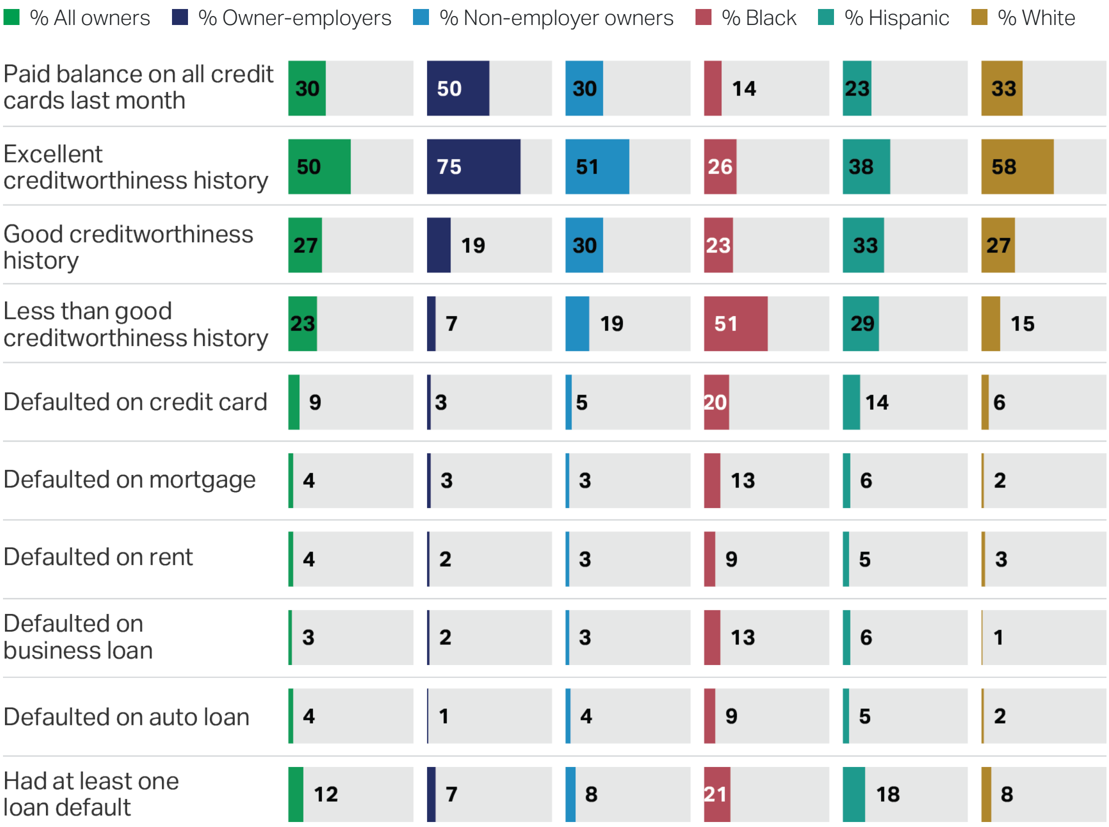
As shown on the next page, default probability, maintenance of a credit card balance last month and self-reported creditworthiness all look considerably worse for non-employer owners compared to owner-employers. Half of owner-employers paid the balance on all their credit cards last month, compared to 30% of non-employer owners. Seventy-five percent of owner-employers report excellent credit history, compared to 51% of non-employer owners, and loan default rates are lower on every asset class, albeit only slightly.

The disparities in credit history are more pronounced when comparing owners across race and ethnicity. Fifty-one percent of Black owners and 29% of Hispanic owners report poor or less than good creditworthiness, compared to only 15% of White owners. Just 14% of Black owners and 23% of Hispanic owners paid the balance on all their credit cards last month, compared to 33% of White owners. Default rates are also much higher for Black and Hispanic owners, including on business loans.

CHART 7

Credit history by owner type and race/ethnicity

Among 3,589 business owners

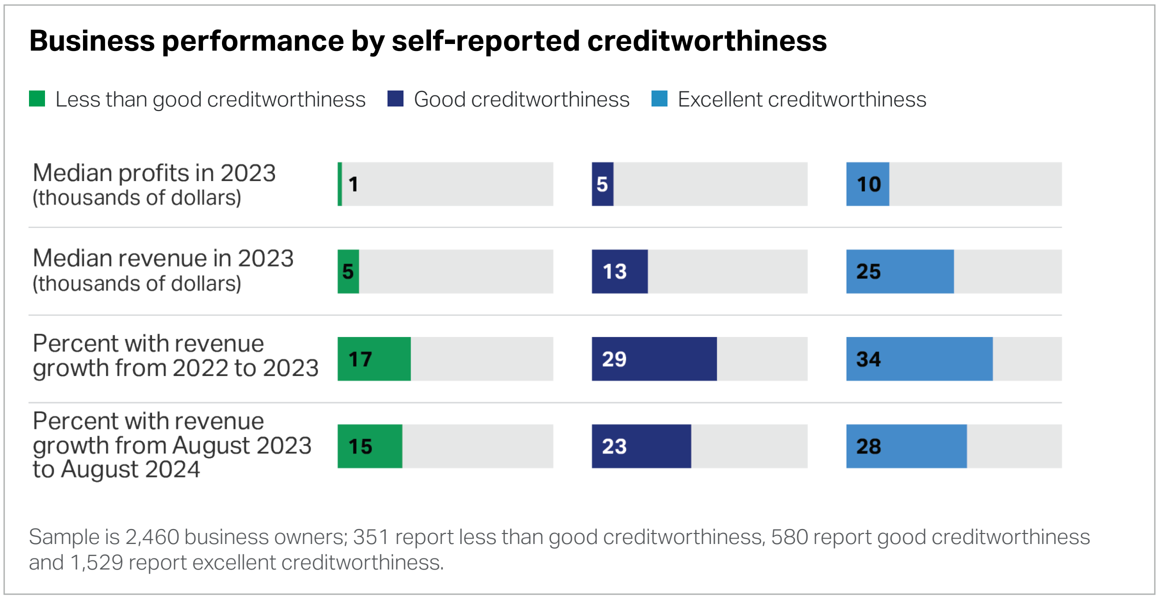


The self-reported creditworthiness item reads, "Given your credit history and how reliably you have paid off loans in recent years, how do you think financial companies would rate your creditworthiness overall? By creditworthiness, we mean the likelihood that you would pay off any debts on time. Default is defined as going six months or longer without making a payment on an outstanding loan."

These credit outcomes are correlated with business performance, as measured by revenue and profits. It is unclear to what extent poor credit history weakens the business and hinders performance. It may also be the case that poor business performance results in the inability to pay off loans. Likely, credit history and business performance reinforce and contribute to each other.

In any case, median annual profits were $10,000 for owners with excellent self-reported creditworthiness, compared to just $5,000 for owners with good self-reported creditworthiness and $1,000 for owners with less than good self-reported creditworthiness. Likewise, revenue is five times higher for owners with excellent self-reported creditworthiness, compared to those with less than good self-reported creditworthiness. Excellent self-reported creditworthiness also predicts higher revenue growth from 2022 to 2023 and from August 2023 to August 2024, with the likelihood of reporting growth increasing as creditworthiness increases.

CHART 8



Finding 4. Support from regional governments and local organizations predicts revenue growth.

Given the financial and business performance challenges facing many business owners, public and nonprofit organizations may play a key role in offering support. To assess opportunities and access to various forms of support, the latest survey asked about three types. First, owners were asked if they received any support from state or local governments in the form of a grant or subsidized loans since 2023. Second, owners were asked if they received support from a local government, chamber of commerce or local nonprofit association in the form of **a)** access to networking events, **b)** access to suppliers or business partners, **c)** advertising campaigns, **d)** tax breaks, **e)** business coaching or **f)** management coaching. Third, owners were asked whether they ever pitched their business to potential investors at a public event or presented their business to a group of other owners. These sorts of events may be organized by business incubators or interested pro-development organizations, though the question did not specify.

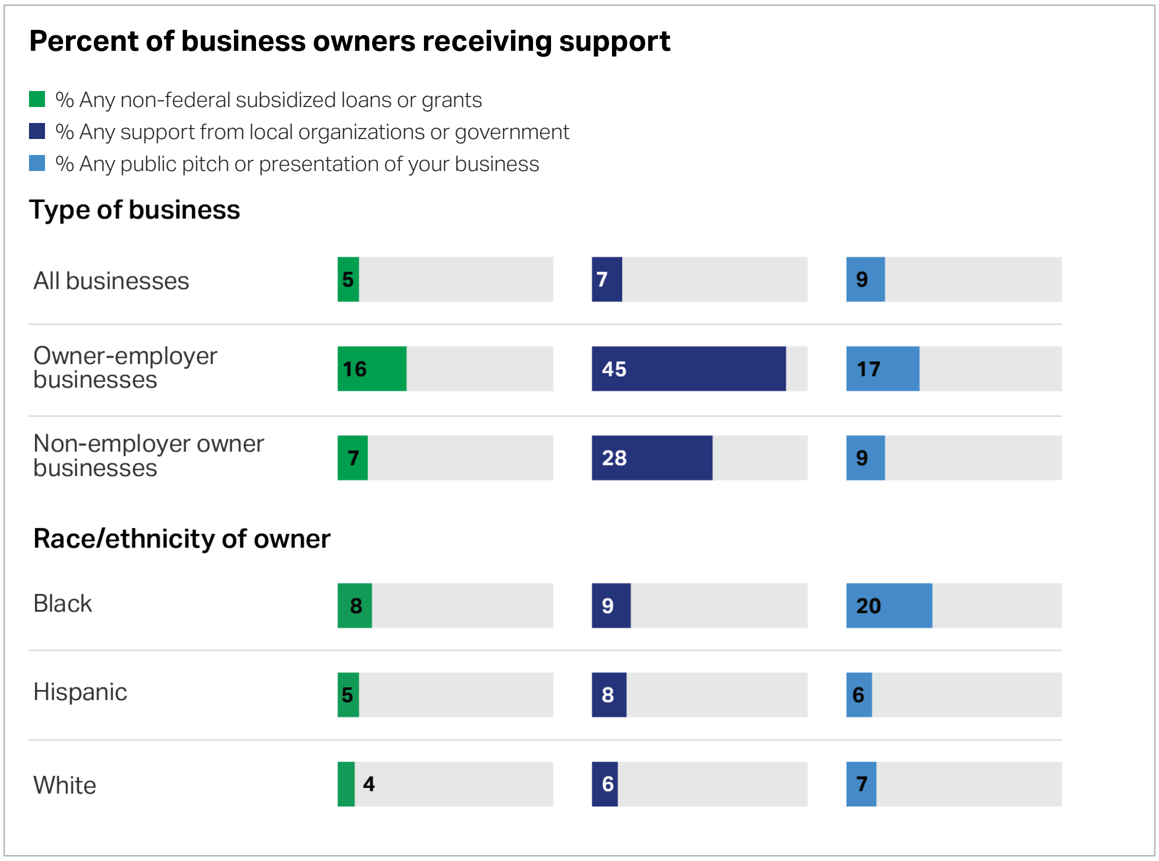
Overall, direct financial support (i.e., grants and loans) is much less commonly received by owners than other forms of support, including opportunities to pitch or present their business and opportunities to benefit from local events, coaching and marketing campaigns.

Among all owners, including those who are mostly employees with other arrangements, only 5% say they received a loan or grant from a non-federal government source. Rates are substantially higher for owner-employer businesses (16%) and slightly higher for non-employer owner businesses (7%). Rates do not differ much by race, but Black owners are more likely than others to report support of this kind.

A large fraction of owner-employers (45%) report non-financial support from a local organization or government. This is also reported by 28% of non-employer owners, but just 7% of all businesses. To be defined as a non-employer owner in this analysis, the owner had to report mostly working for their own business. Thus, owners who merely supplement their primary employee income are much less likely to report support than those who primarily work for their own business, whether or not they have employees of their own. Black owners are slightly more likely than Hispanic or White owners to report receiving this kind of local support.

Finally, just 9% of owners and non-employer owners report having pitched or presented their business at a public event or before potential investors. Not surprisingly, this is higher for owner-employers. This experience is also much more common among Black owners than other racial or ethnic groups.[17]

CHART 9

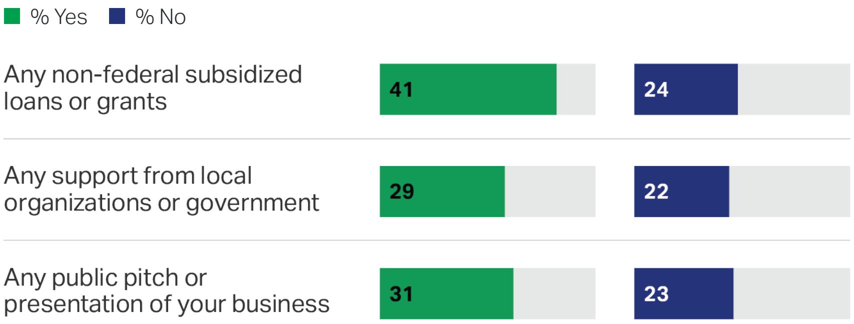


It is unclear how helpful these forms of support are to business owners, but to better understand potential benefits, we examined whether these experiences are correlated with revenue growth. We asked owners if their year-to-date revenue growth was positive (measured from August 2023 to August 2024). Each form of support is associated with a higher probability of revenue growth.

Forty-one percent of owners who received a loan or grant report positive growth, compared to 24% of owners who do not.
Margins are not as wide — but still positive — for the other two forms of support.

CHART 10

Percent of businesses experiencing positive revenue growth from August 2023 to August 2024 by support



Sample is 3,461 businesses experiencing growth.

Conclusion

Limited access to capital is a major factor holding back Americans from becoming entrepreneurs, according to responses from many workers who do not own a business. This barrier is especially significant for individuals who have the skills, personality traits and motivation to become an entrepreneur, but have not done so.

Yet the perceived importance of capital to non-owners contradicts the actual experiences of entrepreneurs. In last year's report, we found that most business owners said they did not need financing to launch their business; those who did reported relying on personal savings.[18] In this year's report, we find that few owners pursue external capital. Capital is more important for those who hired an employee over the last 12 months — sought by 24% compared to 8% of owners who did not hire — but even a majority of those expanding firms did not seek it. Many owners say they did not need capital, and a notable share — particularly among Black and Hispanic owners — express reluctance to take on debt, citing concerns about repayment and their credit history.

Few owners of any race report concerns about unfairness or mistreatment during the lending process, regardless of whether they have sought a loan. However, among owners who did experience difficulty obtaining a loan, Black owners are somewhat more likely to express concerns about unfair treatment than White owners. Creditworthiness is closely associated with access to financing: Most owners who self-report that they have excellent creditworthiness, whether Black or White, do not report difficulty obtaining a loan, while most owners who say they have less than good creditworthiness do report difficulty, regardless of race. Overall creditworthiness is also closely related to firm performance.

Finally, most businesses have not received support from state or local governments or nonprofit organizations and have not participated in public events, such as pitches in front of investors. Yet owners who have done these things are more likely to have experienced revenue growth over the most recent 12-month period.

While many aspiring business owners report being held back by a lack of capital, some may benefit from knowing that starting a business often does not require large upfront costs. Requirements will vary widely by industry, service type and product line, but most entrepreneurs report they don't need financing at the time of launch. Once a business is operating, revenue can often cover ongoing expenses. External capital is more commonly pursued by owner-employer firms — those that hire workers or are looking to expand. Since having an owner-employer firm is a key pathway to wealth creation, external capital can be a critical resource. For these owners, maintaining strong credit is essential to securing desired financing.

Methodology

Research design and survey execution

The methodology closely follows that used for the Year 1 Pathways to Wealth Survey, except that it includes previous Year 1 survey participants who provided recontact permission.[19] The goal was to get a representative sample of owners but still meet minimum reporting thresholds by race of owner for Black, Hispanic and White owners and for Kansas City metropolitan area residents.

Members of the Gallup Panel™ provided the largest source of data for Year 1 (9,279 responses). They had previously agreed to be part of Gallup surveys and provided their email addresses. Of these, 6,711 participated in the Year 2 survey. Additionally, Gallup recruited participants in Year 1 through mail sent to Paycheck Protection Program (PPP) funding recipients. Of the 549 total respondents recruited through this mechanism, 368 agreed to recontact and provided their email addresses. Of these, 104 participated in Year 2.

To increase the sample size for Year 2, Gallup recruited another 4,813 respondents from the Gallup Panel (based on 10,000 invitations) and 367 from mail-based surveys to recipients of SBA funding (based on roughly 16,000 mail invitations).

Gallup also used the PPP and SBA databases to oversample mid-sized businesses. Of the 3,589 respondents with their own businesses, 287 had 10 or more employees, with 140 of these coming from the SBA database, which over-sampled businesses with 10 or more employees. These business owners were awarded $50 for participation, whereas all other owners from these databases were given $15. Gallup Panel members were generally offered $10 if they owned a business and $5 if they did not, but to get enough sample to report for the Kansas City metropolitan area and for each of the two largest minority racial/ethnic groups (Black and Hispanic), respondents in those categories were offered $10.

The final sample consisted of 11,891 working U.S. adults and included 3,589 "owners," defined as anyone who did some work for a business they own during the prior month. Among these owners, 2,004 identified as White, 676 as Hispanic and 522 as Black. Of the owners, 1,149 reported that they employed at least one employee other than themselves. Surveys were completed between Sept. 20 and Oct. 28, 2024, almost exactly one year after the Year 1 survey.

Gallup then weighted this final pool of respondents to be representative of working employer-business owners and non-owners of employer businesses among the U.S. employed adult population.
This was done using the 2022 Annual Business Survey (ABS), which is only based on owners of employer-businesses operating during the year 2021, and the 2021 American Community Survey (ACS).[20] Using both datasets, Gallup calculated the number of U.S. adults based on owner-employer status, educational attainment, age group, race/ethnicity, sex and residence in the Kansas City metropolitan area. The number of owners with these characteristics was calculated using the ABS, and non-owners were estimated by subtracting the number of owners from the total population (from the ACS). The final weight makes the respondents representative of the U.S. working population based on those characteristics.

Qualitative research methodology

Qualitative insights featured in this report were captured in a series of 24 virtual, hour-long, in-depth interviews with business owners. Gallup randomly drew the primary sample for this study from the database of respondents of the Year 1 Pathways to Wealth Survey who agreed to be recontacted for additional research. Participants were recruited via email and were invited to participate if they met the eligibility criteria. Eligibility for qualitative research required participants to:

1. currently own a business and work there full-time (30 hours a week or more)
2. identify as Black or Hispanic OR reside in the Kansas City metropolitan area

Nineteen participants were recruited through recontact after completing the Pathways to Wealth Survey. An additional five participants were identified through a list of business owners in the Kansas City metropolitan area provided by the Ewing Marion Kauffman Foundation and recruited via email.

Participants included both business owners who employ others and business owners who do not employ others.

Gallup researchers conducted interviews in English from December 2024 to January 2025. Verbal consent was collected at the start of each interview. Researchers used a semi-structured interview guide, informed by existing findings from Pathways to Wealth surveys and reporting.

All qualitative insights featured in this report are intended to supplement quantitative findings but are not designed or intended to be representative of a single population, including U.S. business owners.

About Us

ABOUT EWING MARION KAUFFMAN FOUNDATION

The Ewing Marion Kauffman Foundation is a private, nonpartisan foundation that provides access to opportunities that help people achieve financial stability, upward mobility, and economic prosperity – regardless of race, gender, or geography. The Kansas City, Mo.-based foundation uses its grantmaking, research, programs, and initiatives to support the start and growth of new businesses, a more prepared workforce, and stronger communities. For more information, visit www.kauffman.org.

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Endnotes

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12 These data include all owners. For employers only, median 2023 business profits were $75,000 for White owners and $31,000 for Black or Hispanic owners combined (because of small sample sizes). Median profits for all non-White employers were $100,000.

13 This creditworthiness item showed good content validity in that its correlation with self-reported default on a credit card was 0.49.

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