

Trust & Access to Capital

May 19, 2022

REIMAGINE MAIN STREET



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Small businesses and their workers must rebound from the COVID-19 crisis so that communities thrive and the benefits ripple throughout the economy. We are a multi-stakeholder, cross-sector initiative focused on advancing and uplifting innovative solutions via dialogue and data to ensure that MLK Boulevards, Cesar Chavez Ways, Chinatowns and Main Streets are at the center of our recovery.

Reimagine Main Street is a project of the Public Private Strategies Institute.

Our Partners

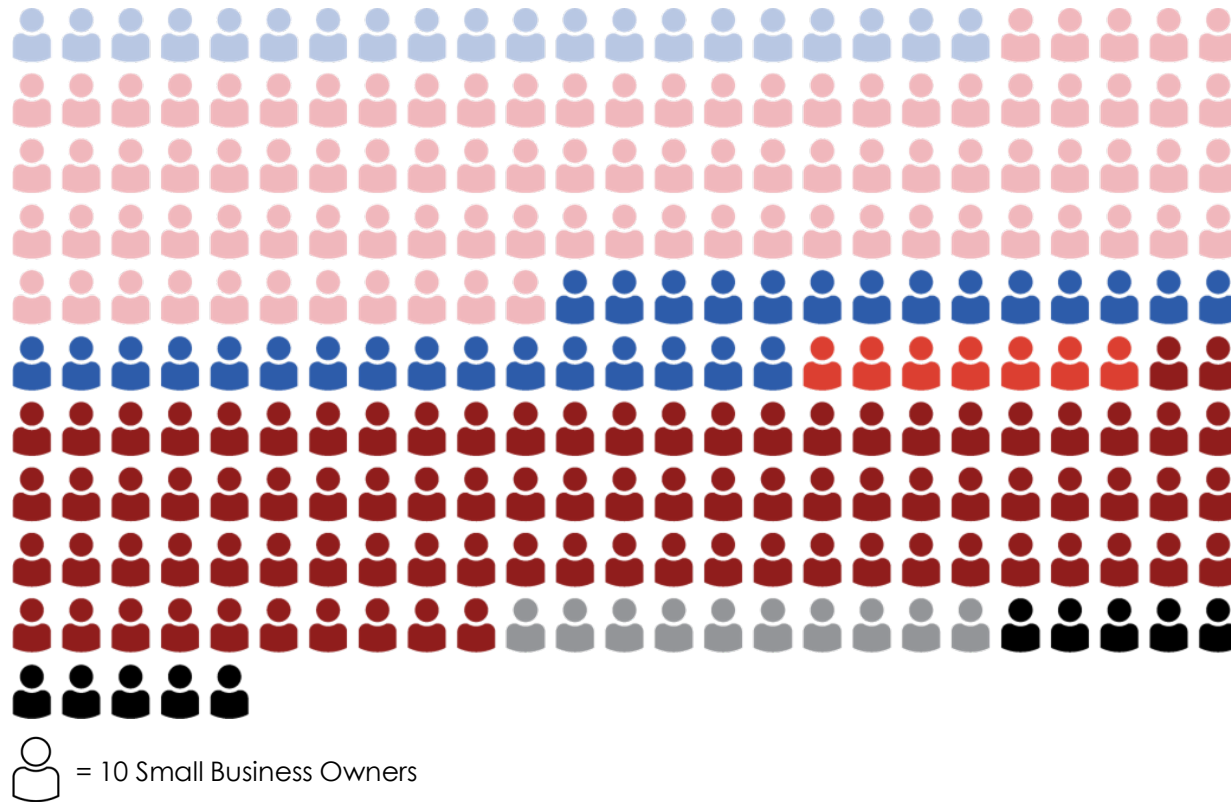


Context for this Survey

- The last two years have taken a tremendous toll on small businesses and challenges persist for many entrepreneurs. Small businesses that do not have a financial cushion or a source of external financing remain at risk.
- Against this backdrop, we sought to better understand capital needs of small business owners and to assess confidence in their ability to meet those needs. We also wanted to take a pulse on attitudes toward a range of institutions where they might turn for capital.
- Reimagine Main Street and its partners fielded a national survey from April 7 - April 28, 2022 to generate insights into needs and attitudes small business owners, including AAPI-, Black-, Hispanic- and Native-owned small businesses.

Large and Diverse Sample

$n = 2,570$



AAPI	201
Black	913
Latino/a	307
Native	67
White	873
Multi-race / Other	102
Prefer not to Say	107



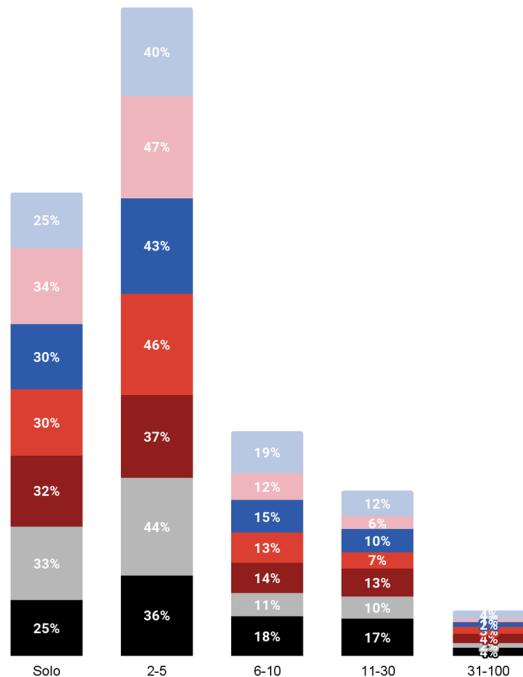
Mix of Solopreneurs and Small Employers

Distribution by Number of Employees

% of respondents

n= 2,570

AAPI (n=201) Black, African or African American (n=913) Latino(a) (n=307)
Native (n=67) White (n=873) Multiracial or Other (n=102)
Did Not Disclose (n=107)

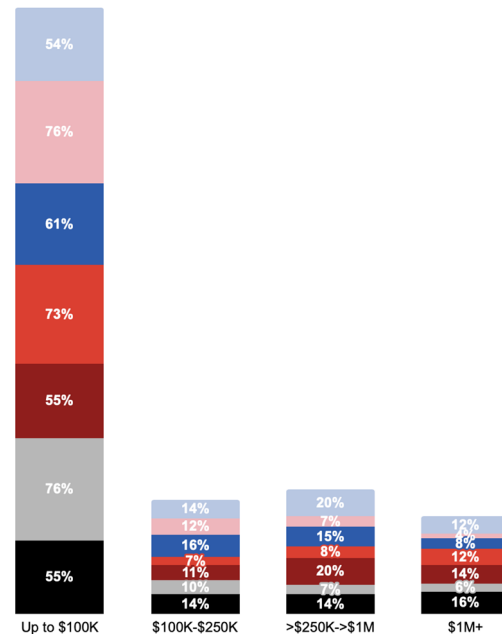


Distribution by 2021 Revenue

% of respondents

n= 2,570

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Executive Summary

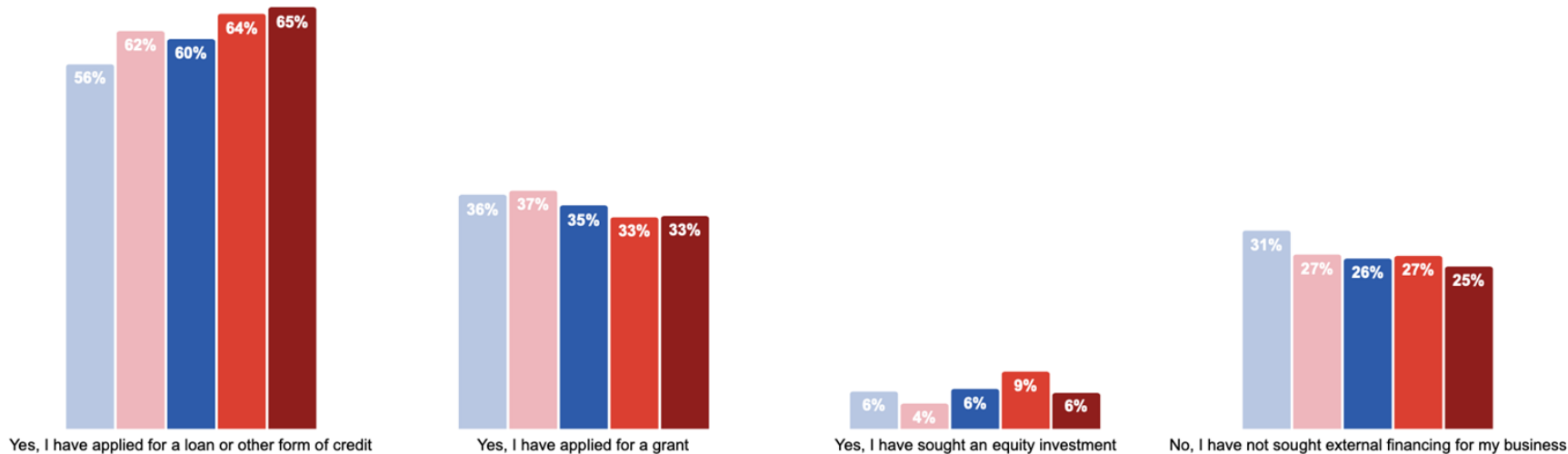
- Most entrepreneurs of color lack confidence they could finance unexpected operating expenses or go after growth opportunities including contracts, marketing campaigns, or hiring additional workers.
- The capital needs of these entrepreneurs could be met by Community Financial Institutions (e.g. CDFIs and Minority Depository Institutions) and responsible FinTech lenders, but these sources of capital and guidance are not familiar to most entrepreneurs of color.
- The SBA should use its new-found position of trust among business owners to connect business owners to private sector resources including Community Financial Institutions, responsible FinTech lenders, and banks that can meet their needs.

Survey Takeaways

- **Demand is High for Low Dollar Amounts:** Most (79%) respondents applied for a loan or other form of credit in the last twelve months. Of those who did, 83% were seeking less than \$250,000 and 69% applied for less than \$100,000.
- **Low Confidence in Meeting Common Financing Needs**
 - Nearly half (45%) of respondents lack confidence to fund an unplanned \$5K business expense. More AAPI, Black, and Latino/a entrepreneurs do not think they could fund an unexpected \$5K than believe they could.
 - Most respondents lack confidence that they could fund a marketing campaign, increase payroll or purchase property or equipment.
 - Most entrepreneurs of color lack confidence they could finance a purchase order or contract or get a volume discount on an inventory purchase.
- **Trust in Unexpected Places:** At a time when trust in government is waning, most respondents know, like, and trust the US Small Business Administration. Three in four (76%) Black, Latino/a, and White respondents say they trust the SBA, rising to 81% of AAPI respondents but falling to 46% of Native respondents.
- **Opportunities to Increase Awareness of Financing Options:** While banks and credit unions are well-known, almost half of respondents do not know about Community Development Financial Institutions (CDFIs) or Minority Depository Institutions (MDIs) and 41% of respondents are not familiar with online lenders.

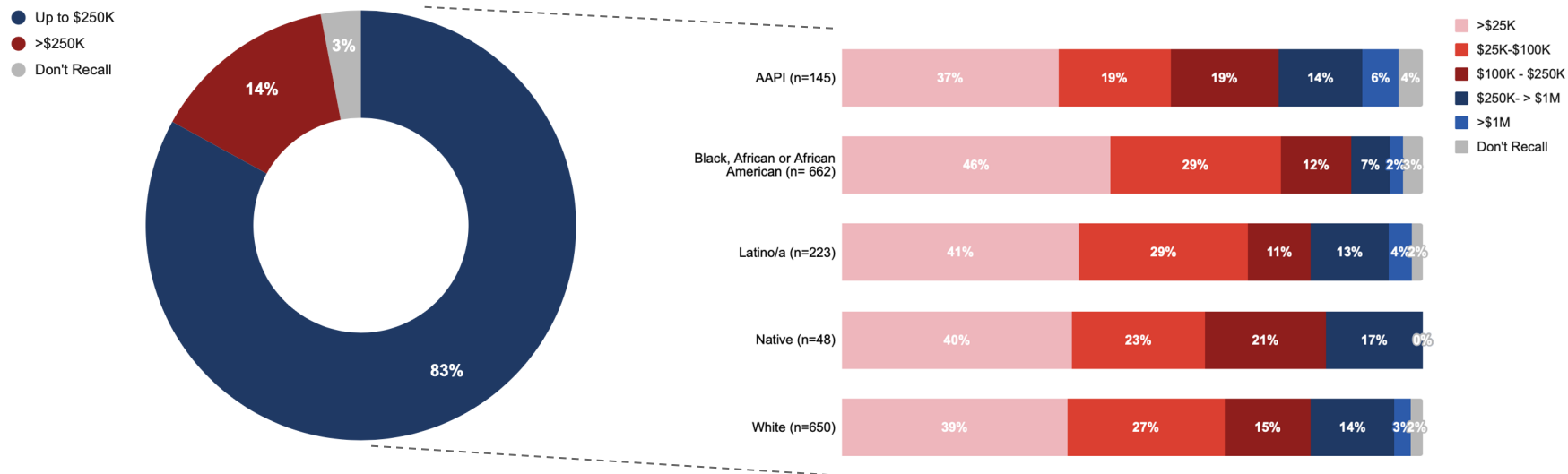
Majority Sought Financing in the Last Year, Mostly Debt

■ AAPI (n=201) ■ Black, African or African American (n= 912) ■ Latino/a (n=307) ■ Native (n=67) ■ White (n=871)

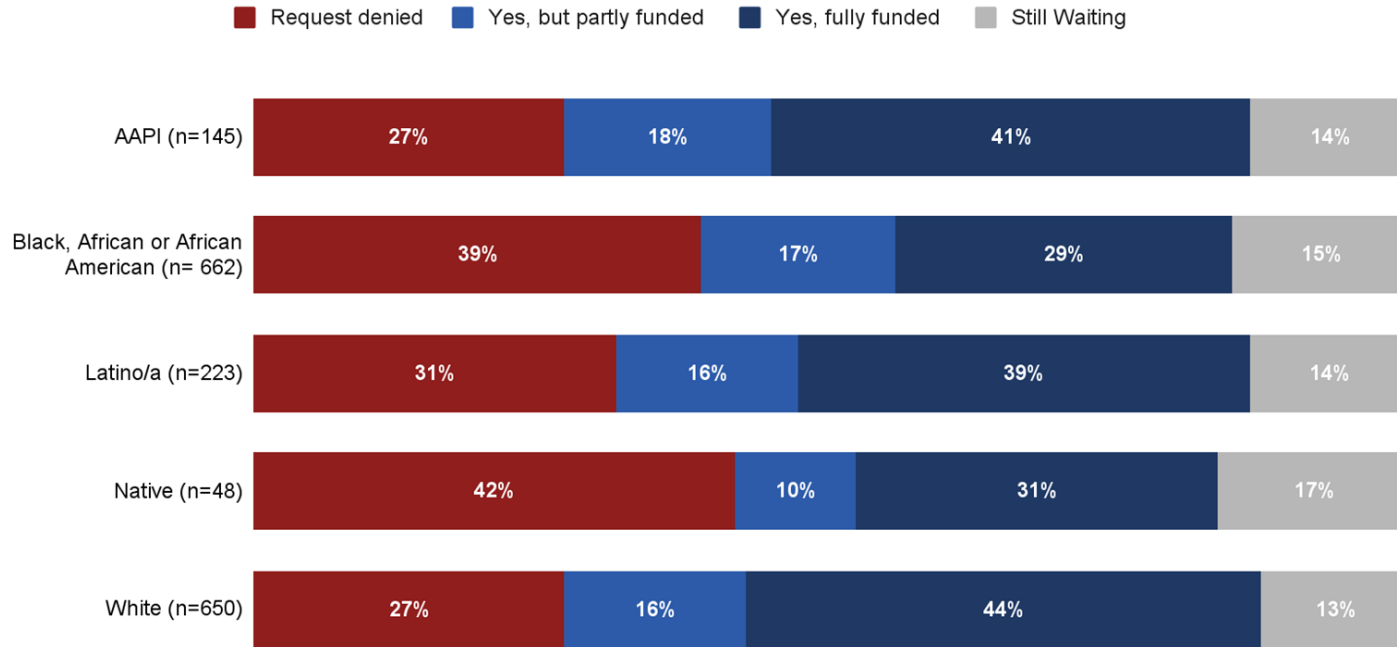


Demand is Highest for Low Dollar Amounts

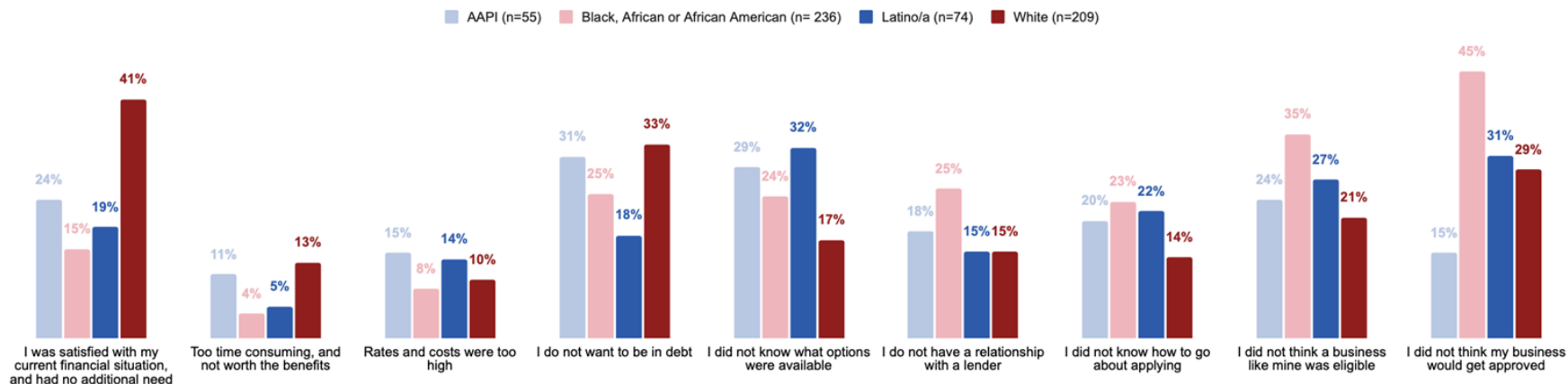
Range of Dollar Amounts Requested Among Respondents who Applied for a Loan or Other Form of Credit in Last 12 Months



Funding Success Rates Vary



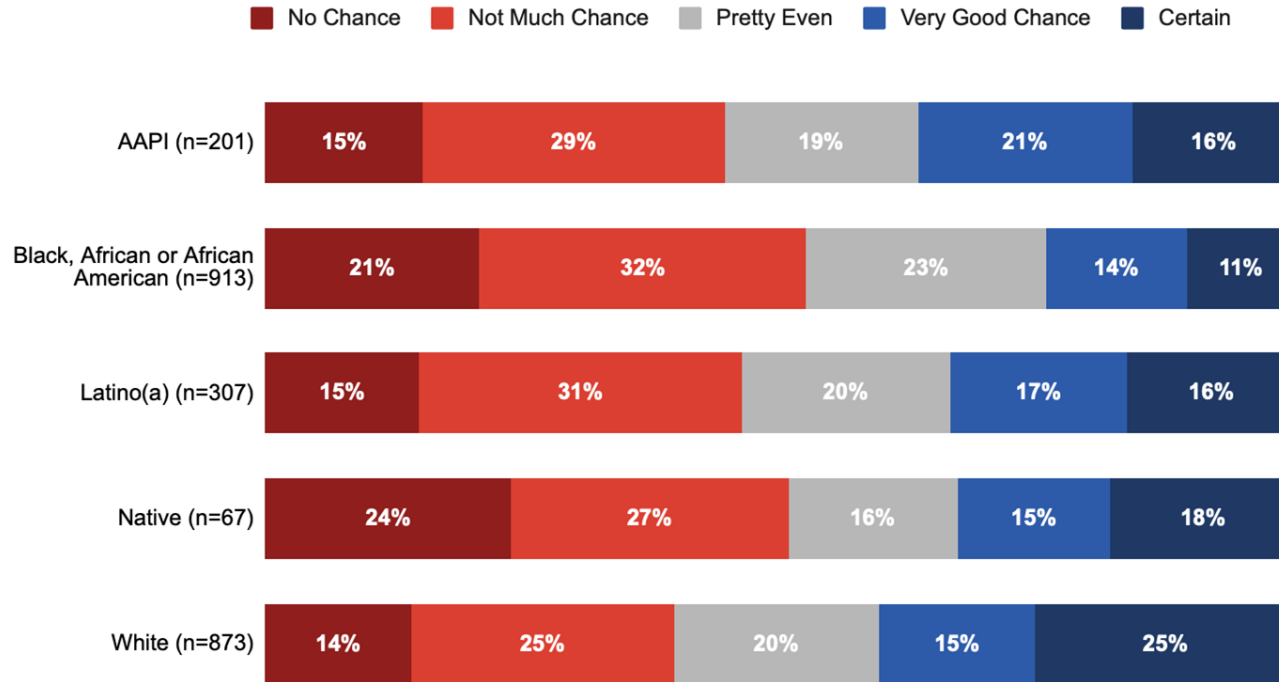
Reasons Vary Among Those Who Did NOT Not Seek External Financing



Takeaways

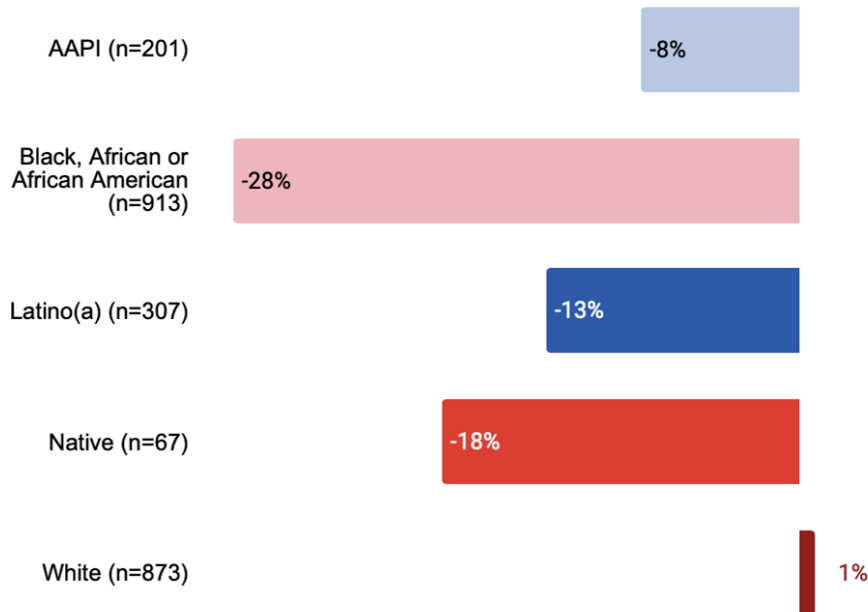
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More than 4 in 10 Respondents Lack Confidence to Fund an Unexpected \$5K Business Expense



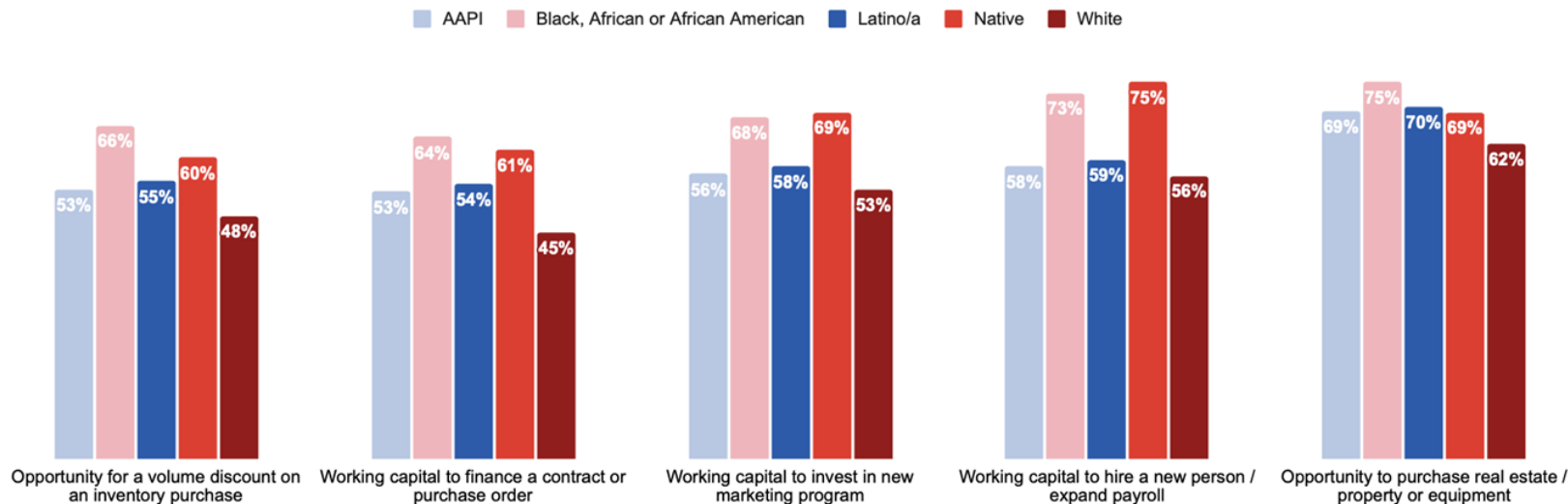
Most Entrepreneurs of Color Lack Confidence to Fund an Unexpected \$5K Business Expense

Net Confidence Among Respondents with Opinions on Odds



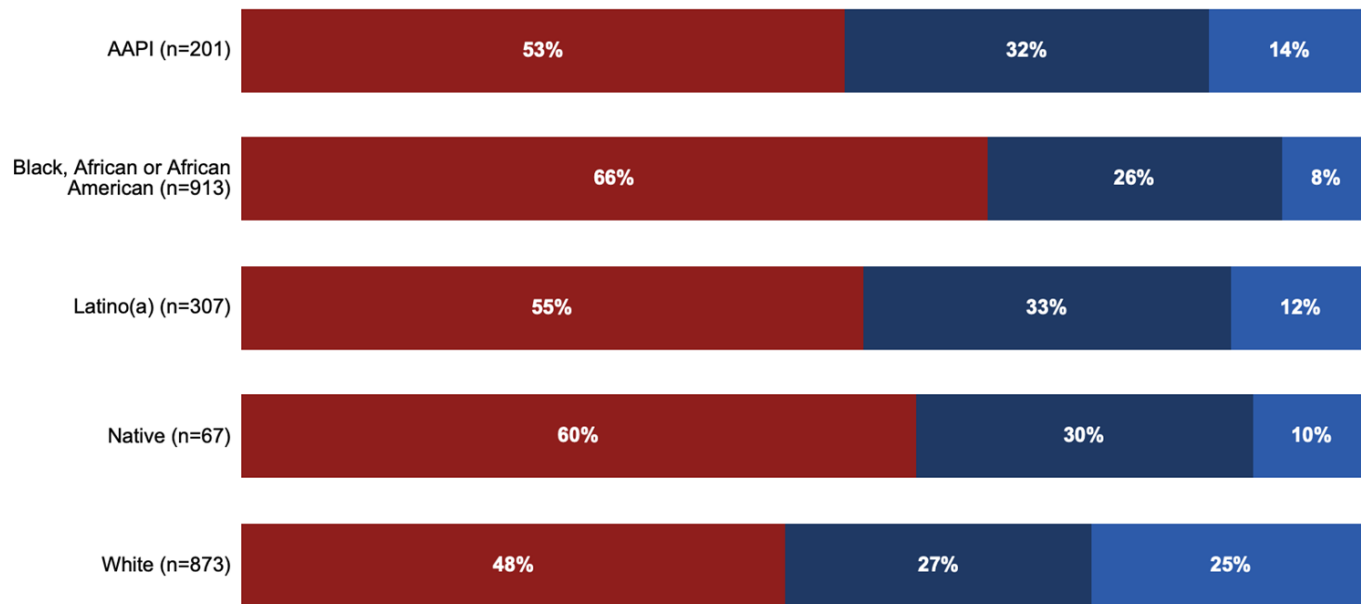
Entrepreneurs of Color Least Confident They Could Fund Common Needs or Opportunities

% Unlikely to Be Able to Finance*



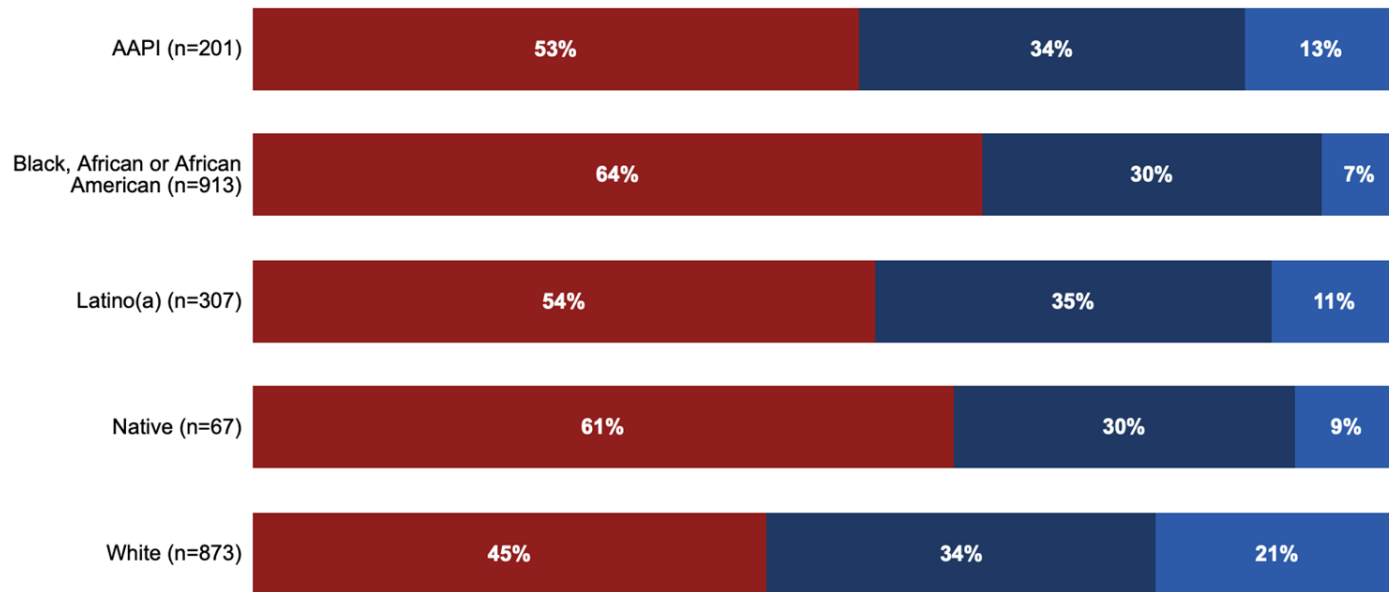
Most Entrepreneurs of Color Lack Confidence They Could Get a Volume Discount on an Inventory Purchase

■ Unlikely to be Able to Finance ■ Confident I could get Financing On Time ■ Sufficient Capital on Hand to Fund



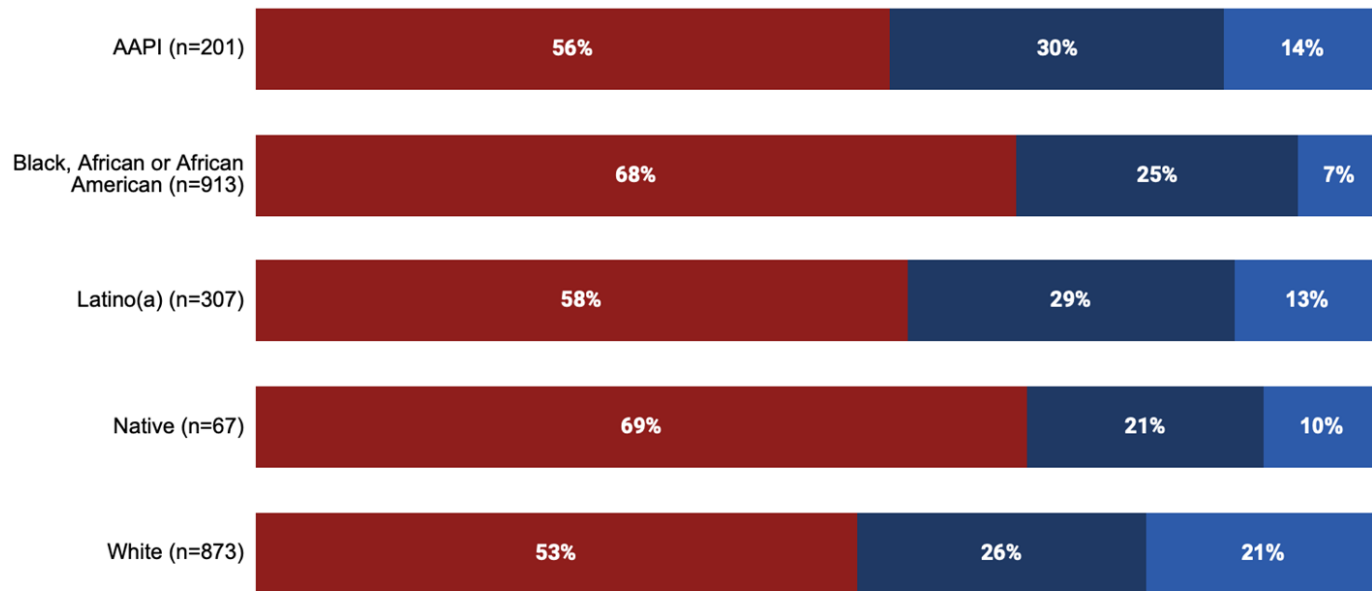
Most Entrepreneurs of Color Lack Confidence They Could Finance a Contract or Purchase Order

■ Unlikely to be Able to Finance ■ Confident I could get Financing On Time ■ Sufficient Capital on Hand to Fund

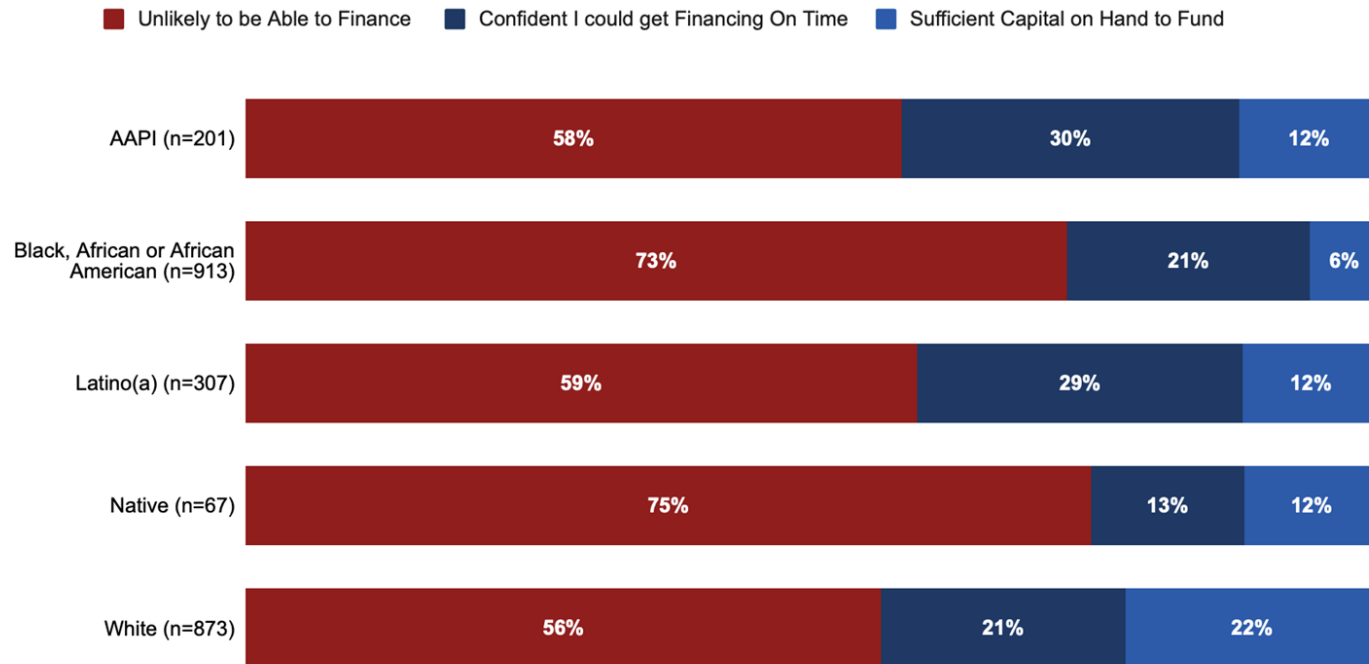


Most Respondents Lack Confidence to They Could Fund a New Marketing Program

Unlikely to be Able to Finance Confident I could get Financing On Time Sufficient Capital on Hand to Fund

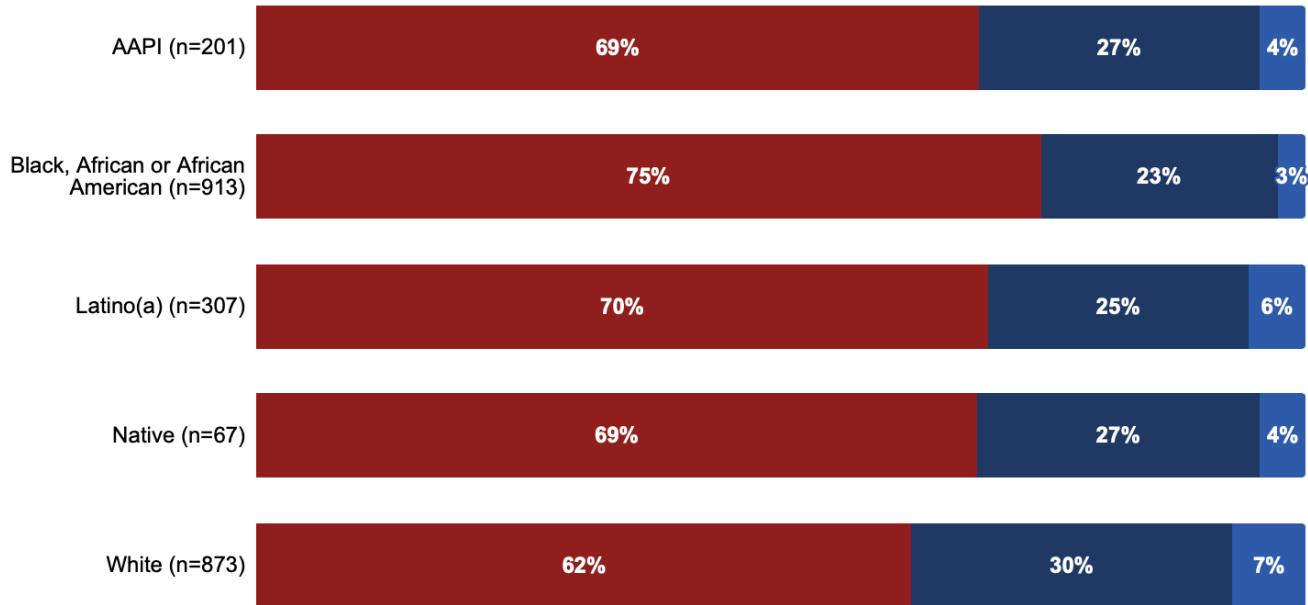


Most Respondents Lack Confidence They Could Fund a New Hire / Expand Payroll



Most Respondents Lack Confidence They Could Purchase Real Estate/Property or Equipment

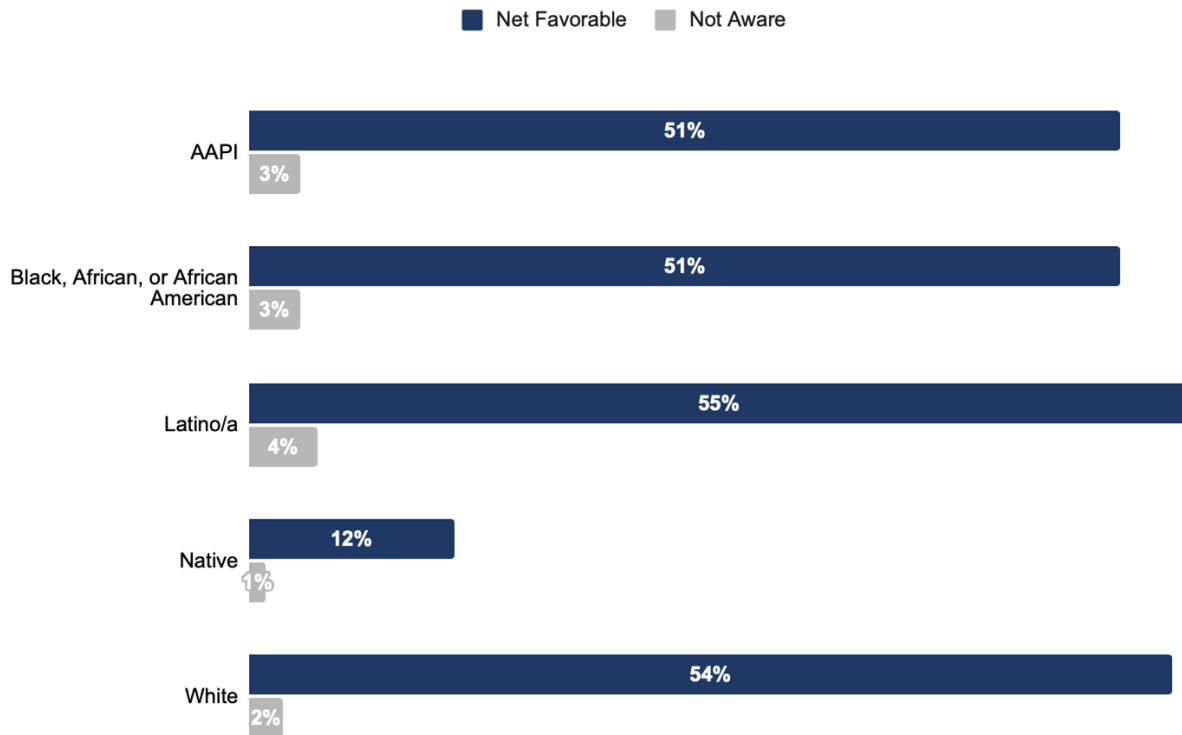
■ Unlikely to be able to finance it ■ Confident I could get financing in time ■ Sufficient capital on hand to fund



Takeaways

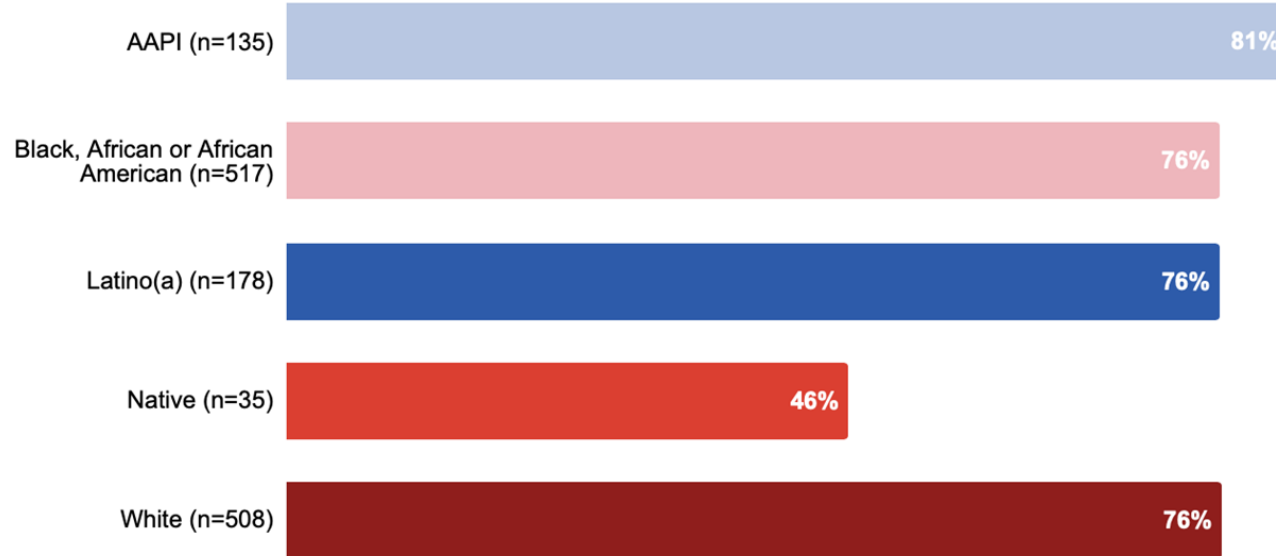
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Most Respondents Know and Like the SBA

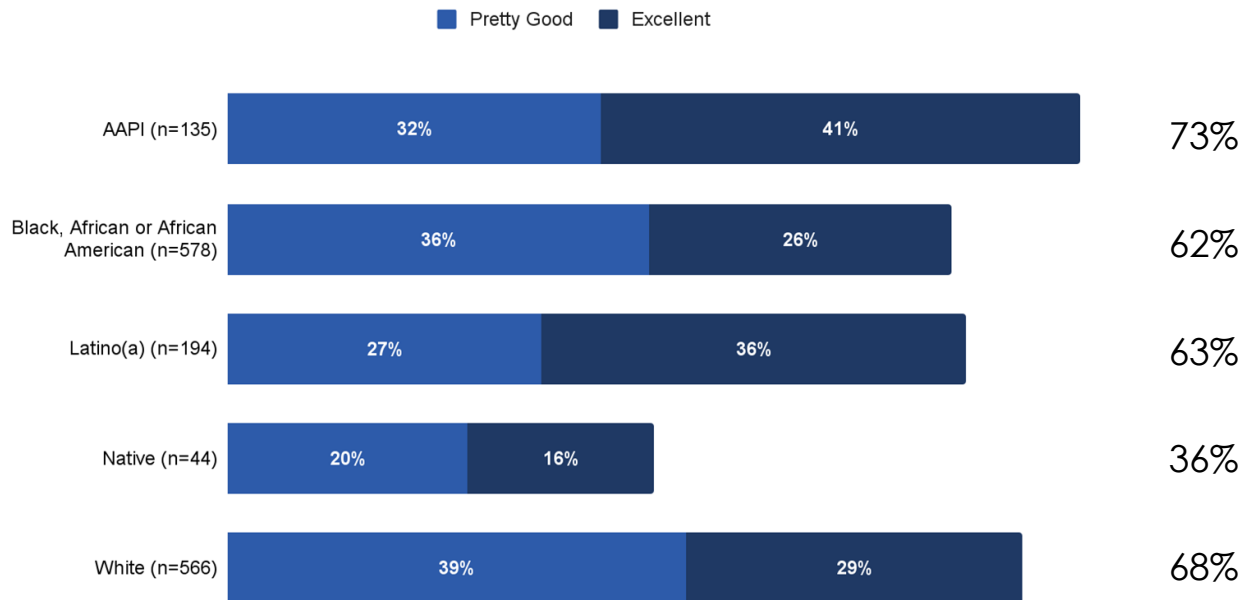


Most Respondents Trust the SBA

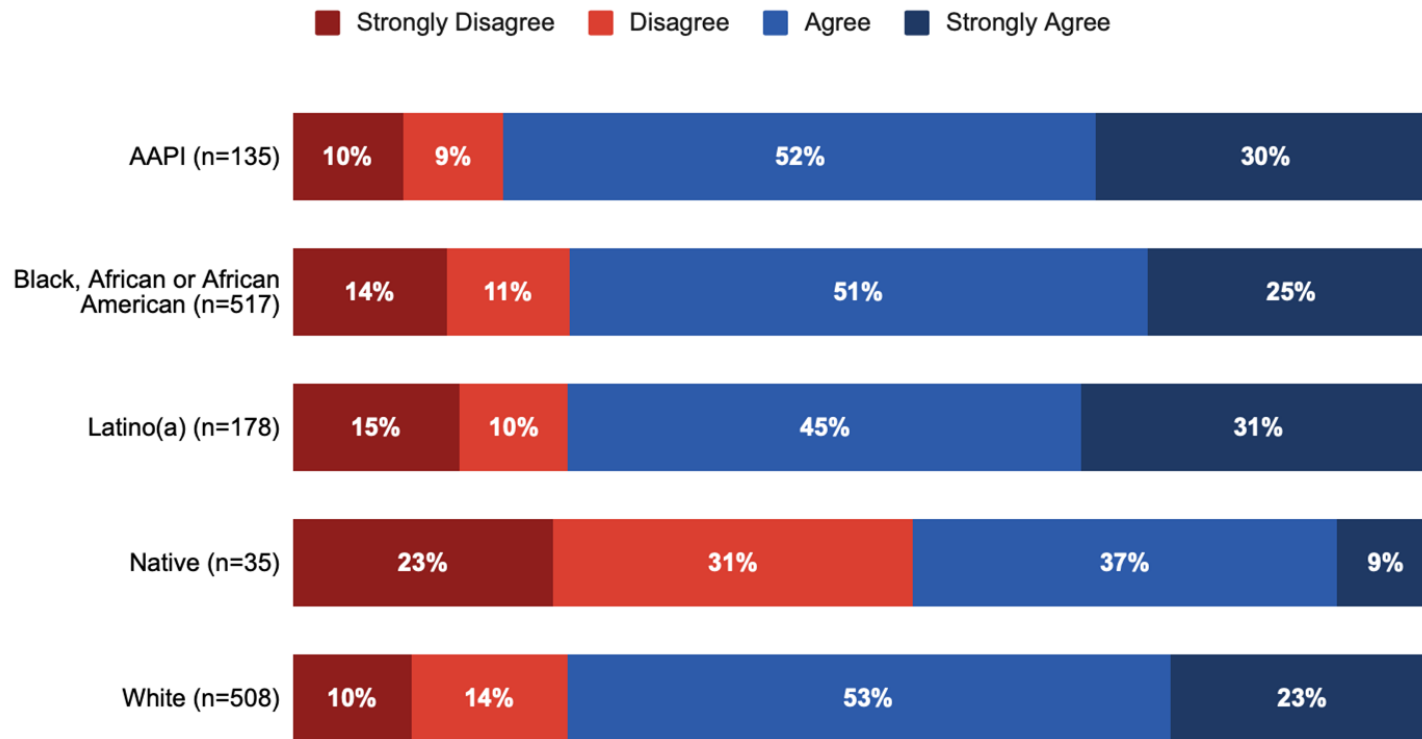
% Agree or Strongly Agree with statement, "I trust the Small Business Administration (SBA)."



Most Respondents Report Give High Marks to Experience with the SBA



Trust in SBA Generally Strong, Varies by Race & Ethnicity

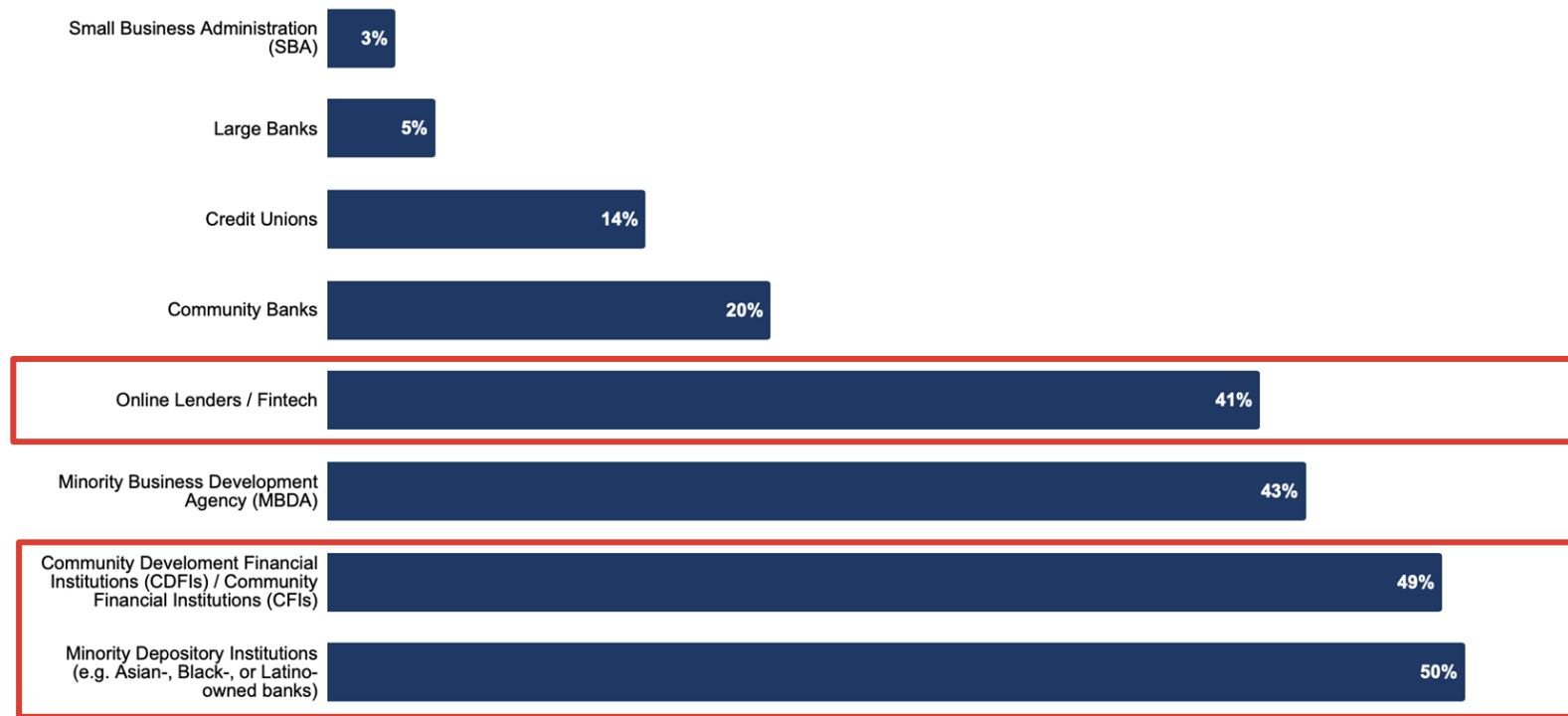


Takeaways

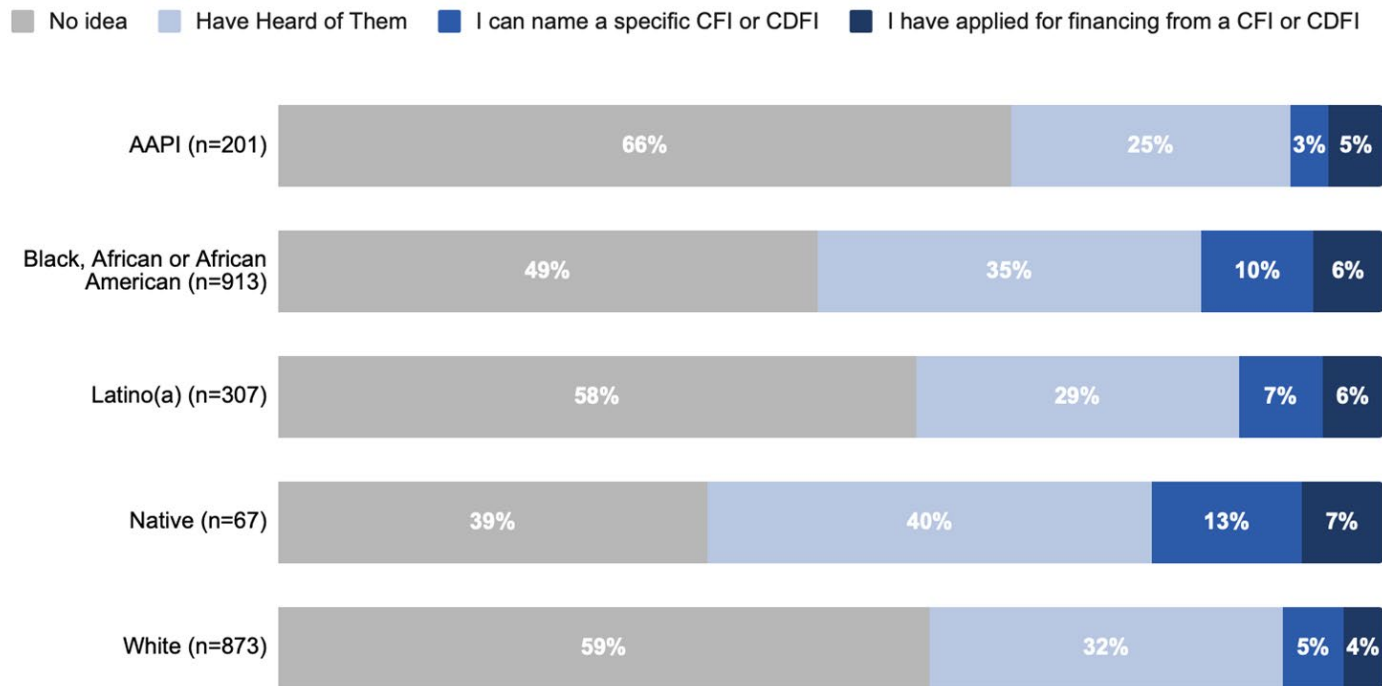
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Few Respondents Aware of Community Financial Institutions or FinTech Lenders

% of Respondents who Lacked Familiarity



Few Respondents Have Applied for Financing from a CFI or CDFI

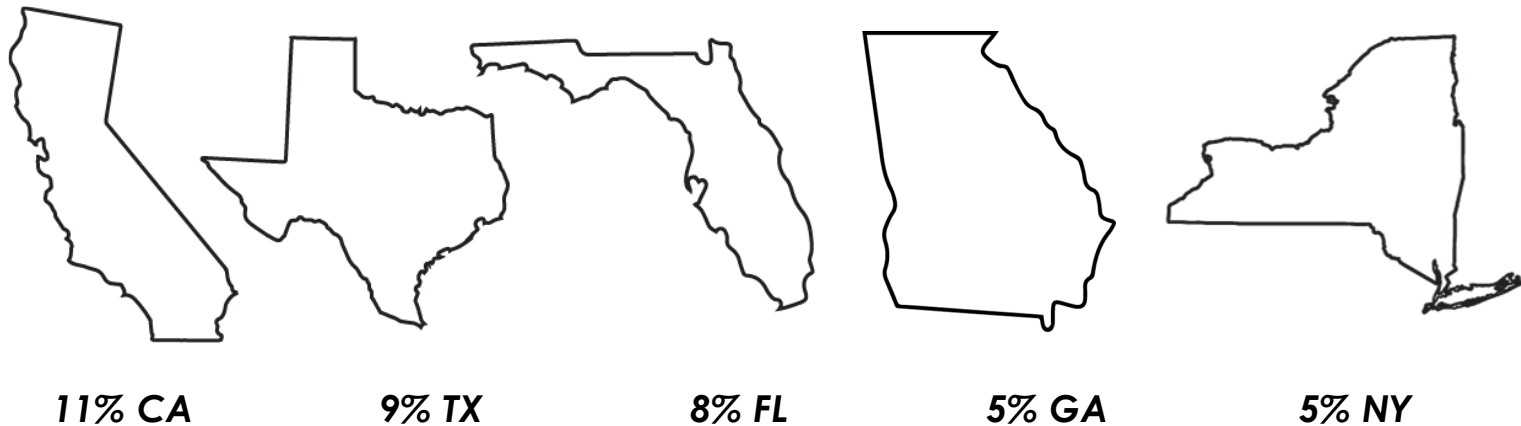




About the Sample

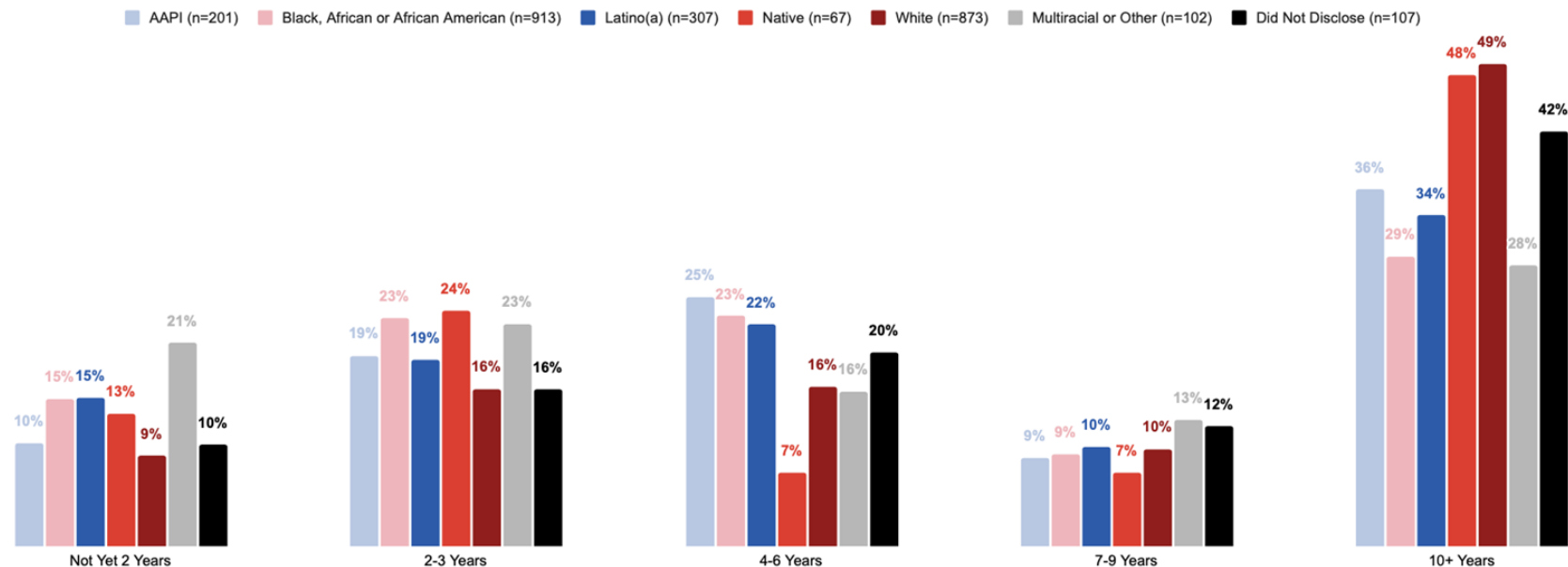
Survey Respondents in all 50 States + DC + Puerto Rico

Top 5 States of Respondents

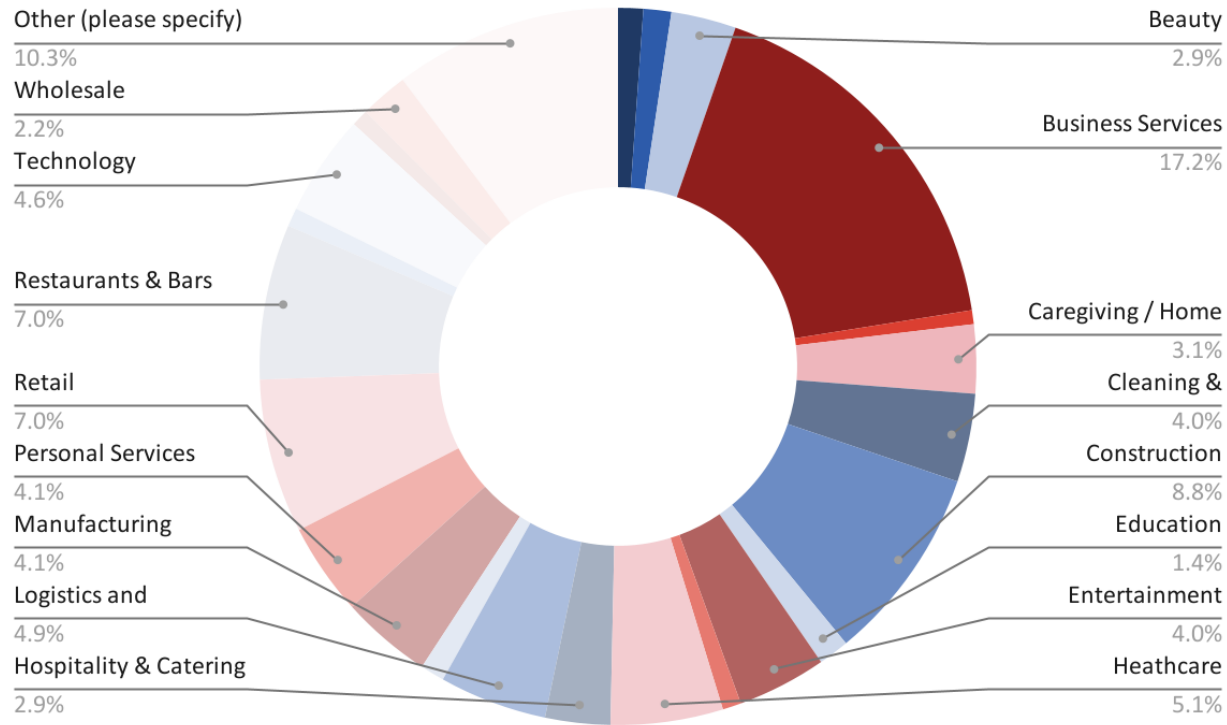


Mix of Recently Formed and Long Established Small Businesses

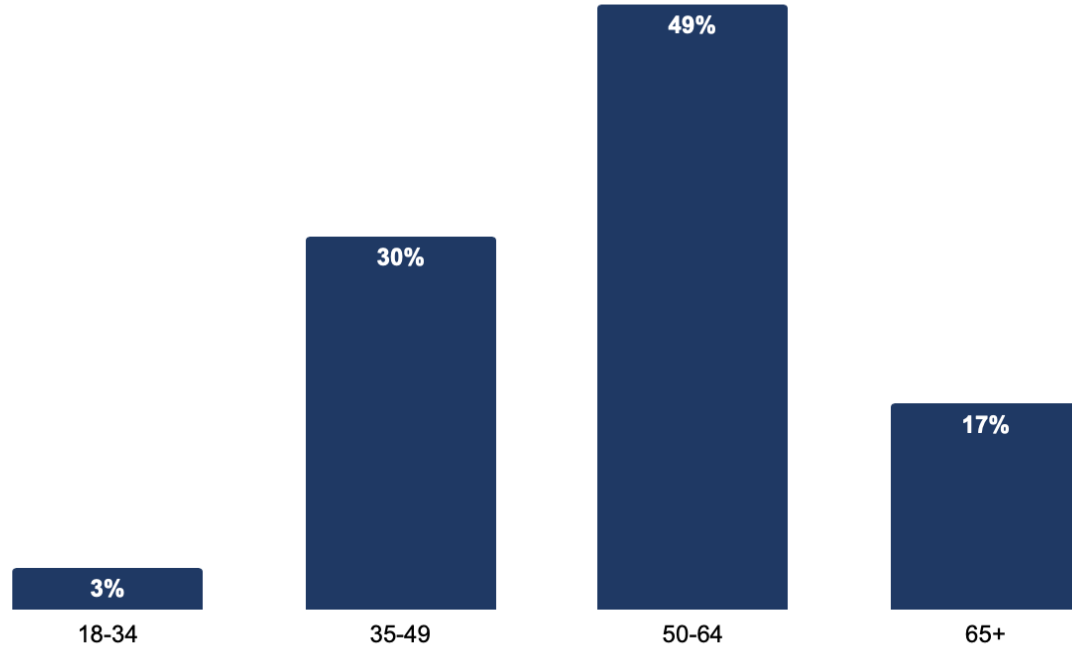
% of Respondents
n=2,570



Industry

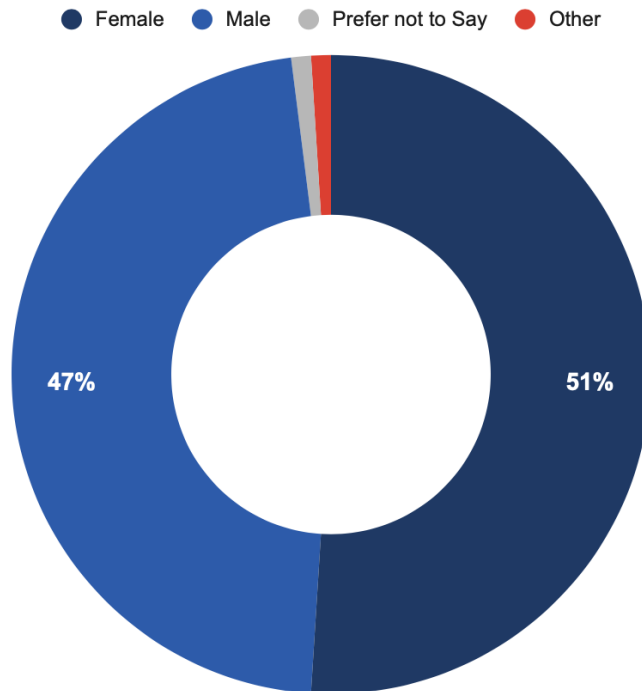


Age of Respondents

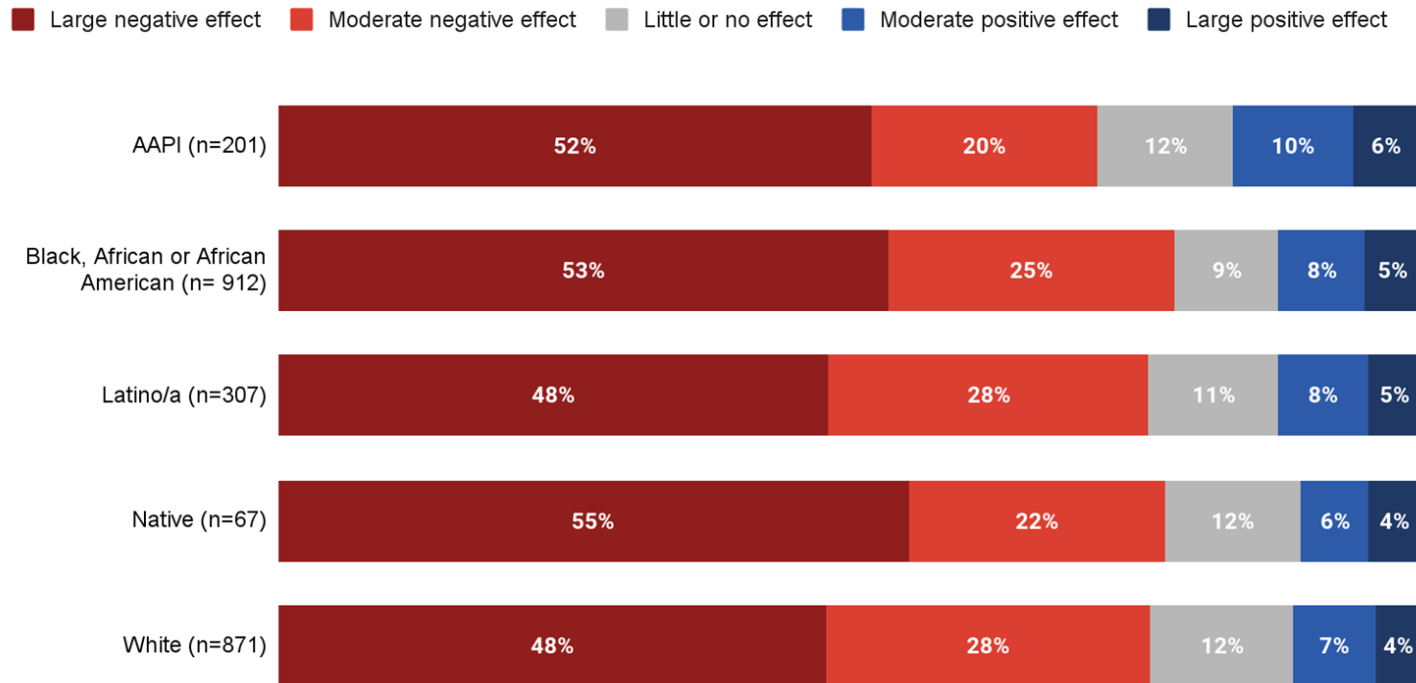


Sample Skews Slightly Female

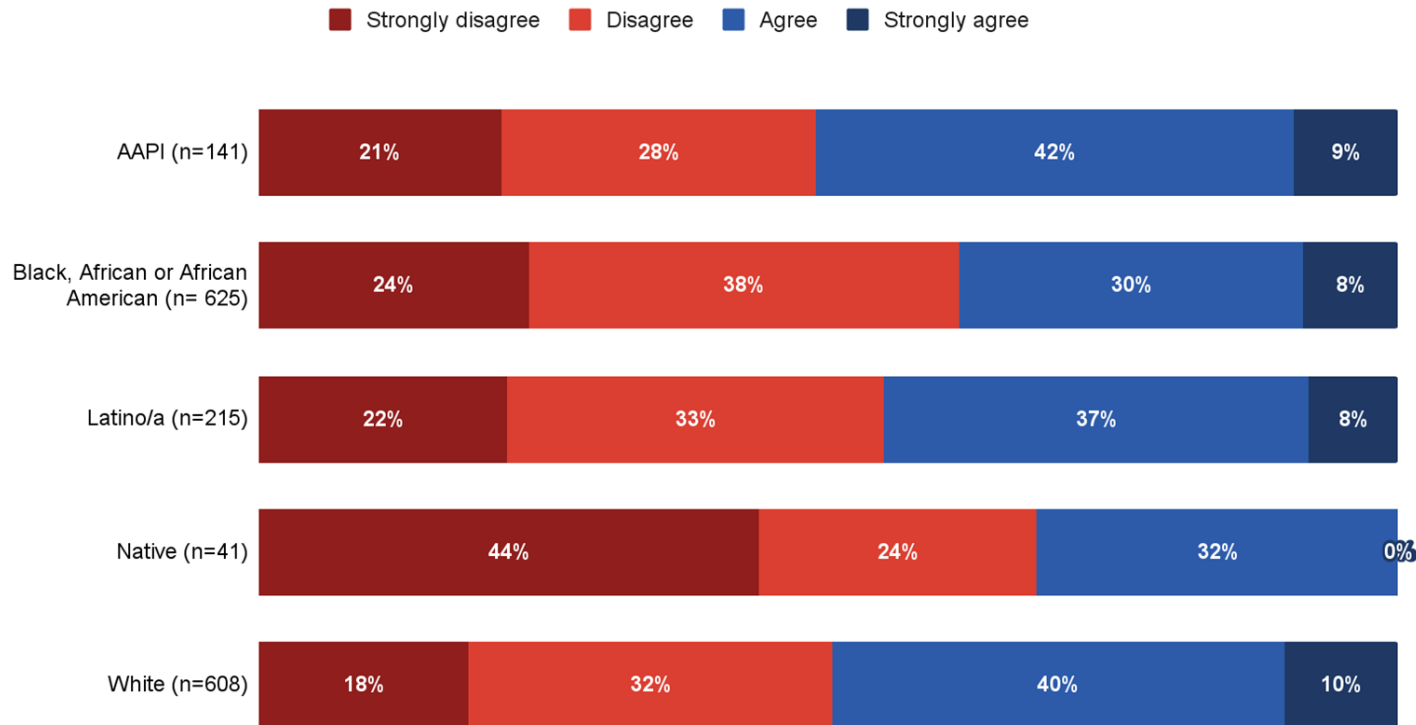
$n = 2,540$



Majority of the Sample Hard Hit by COVID-19



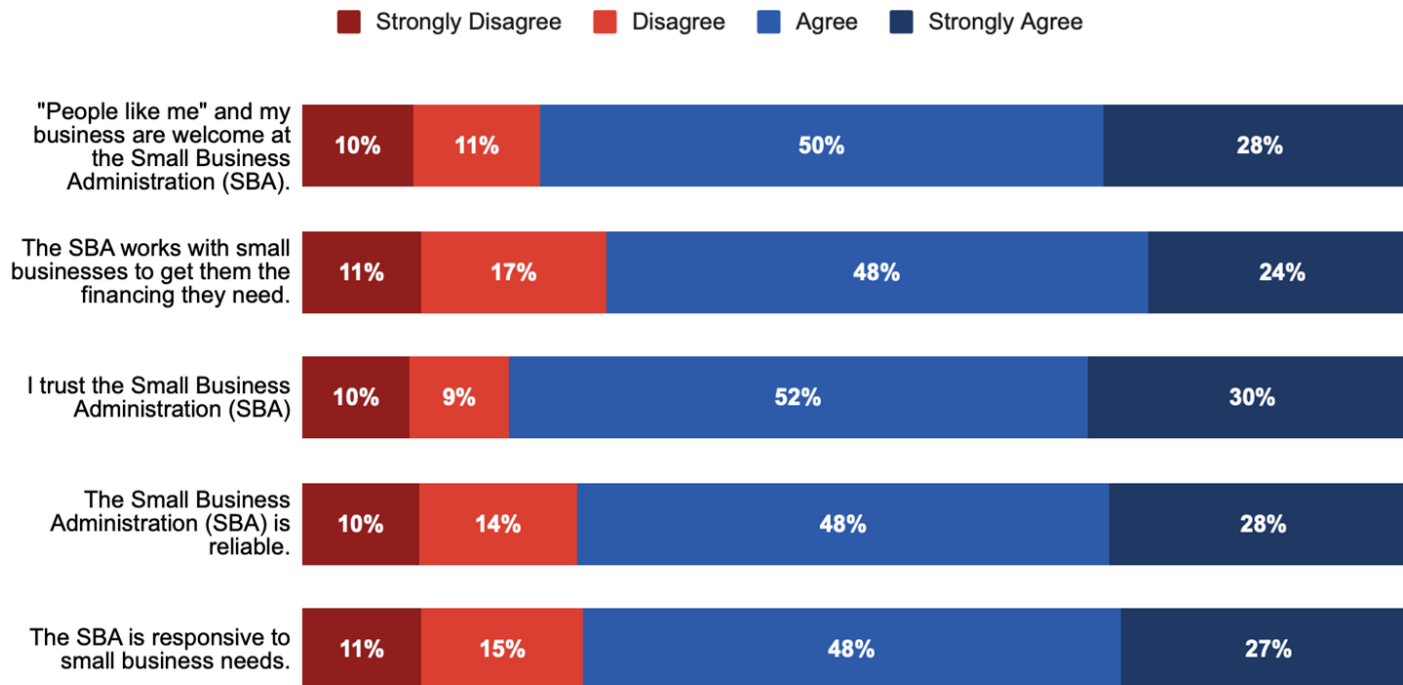
Business Not Back for About Half of Respondents



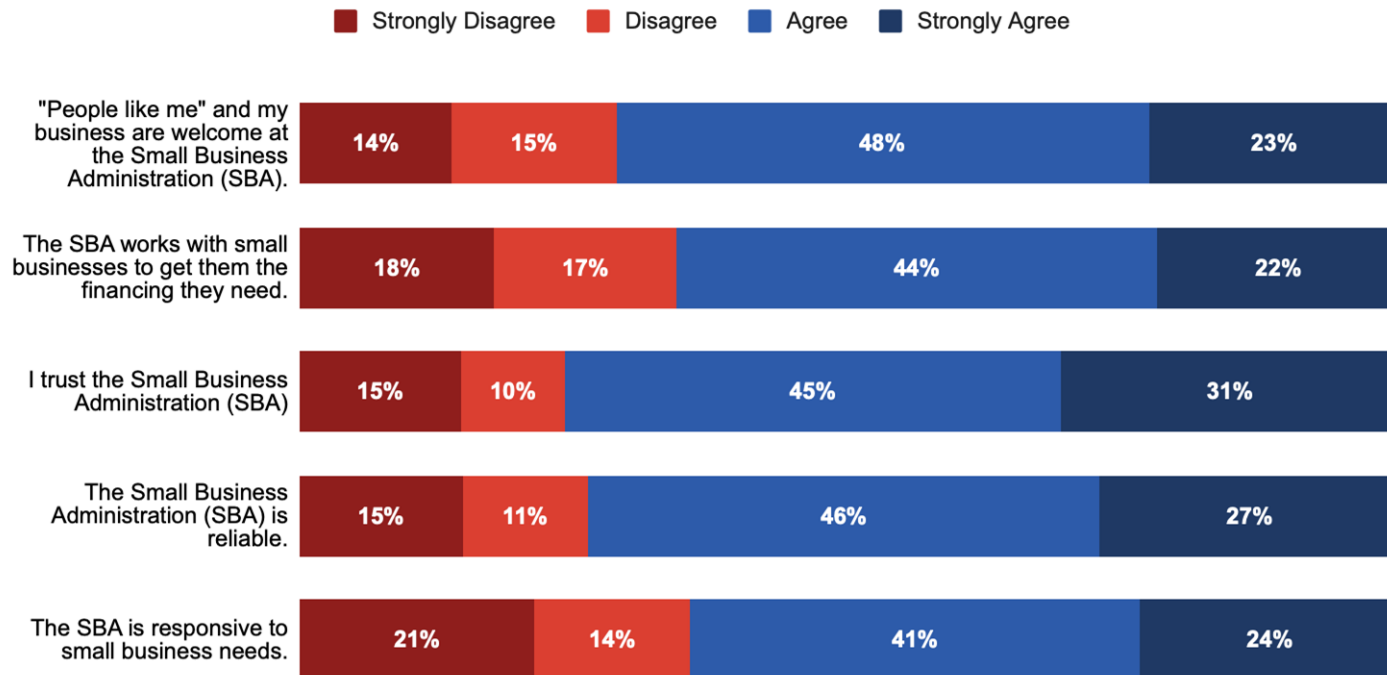


SBA

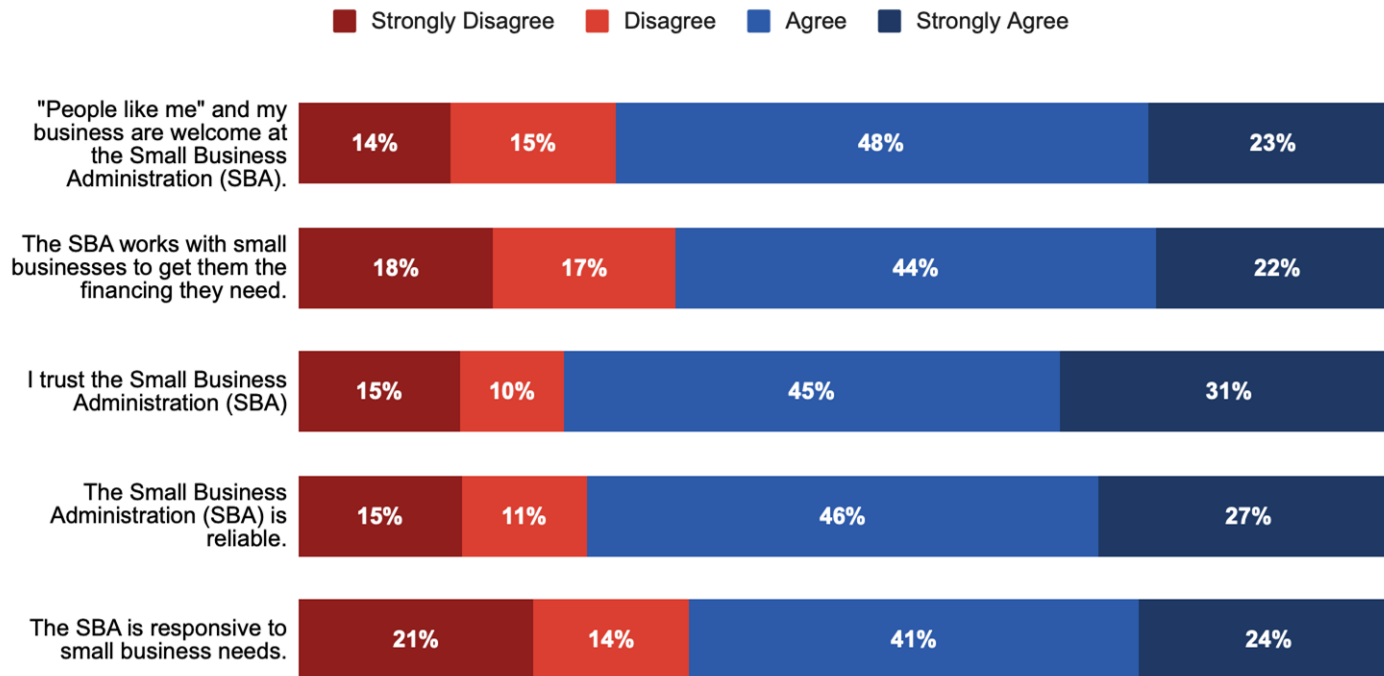
AAPI Respondents with Opinions - Views of SBA



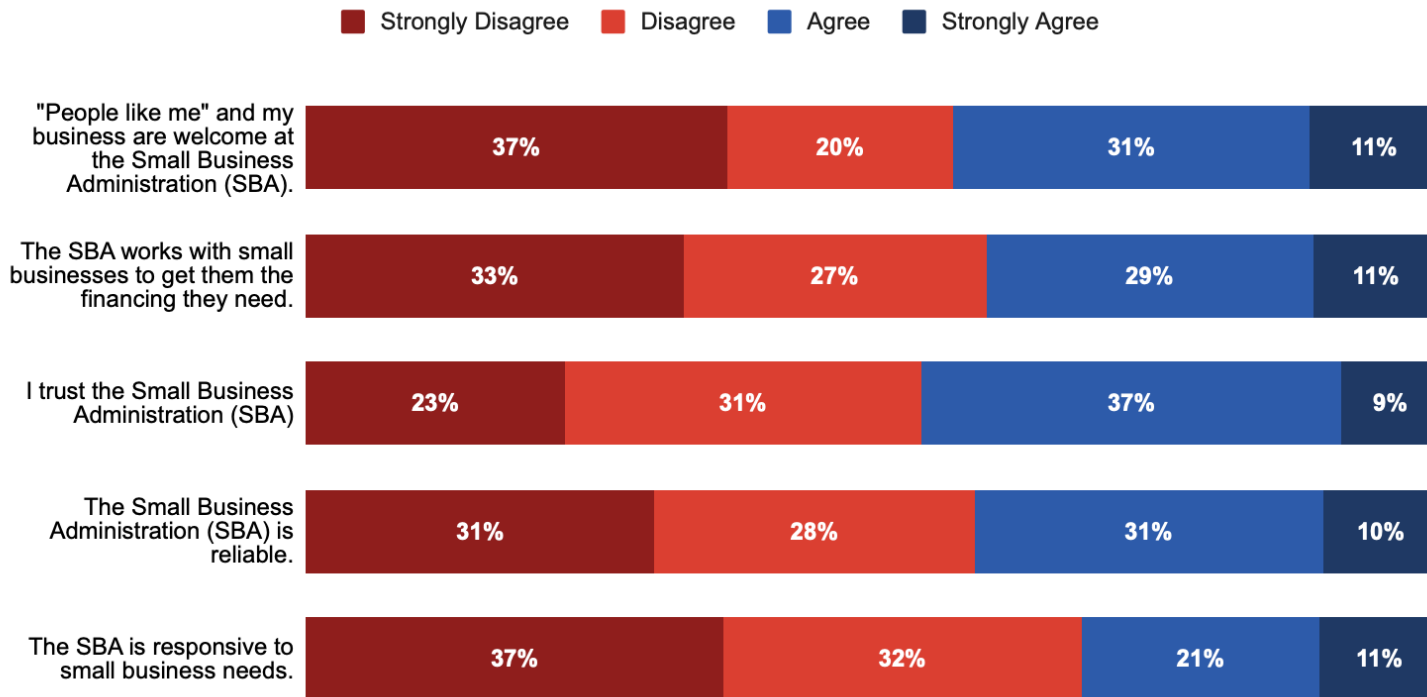
Black, African-American or African Respondents with Opinions - Views of SBA



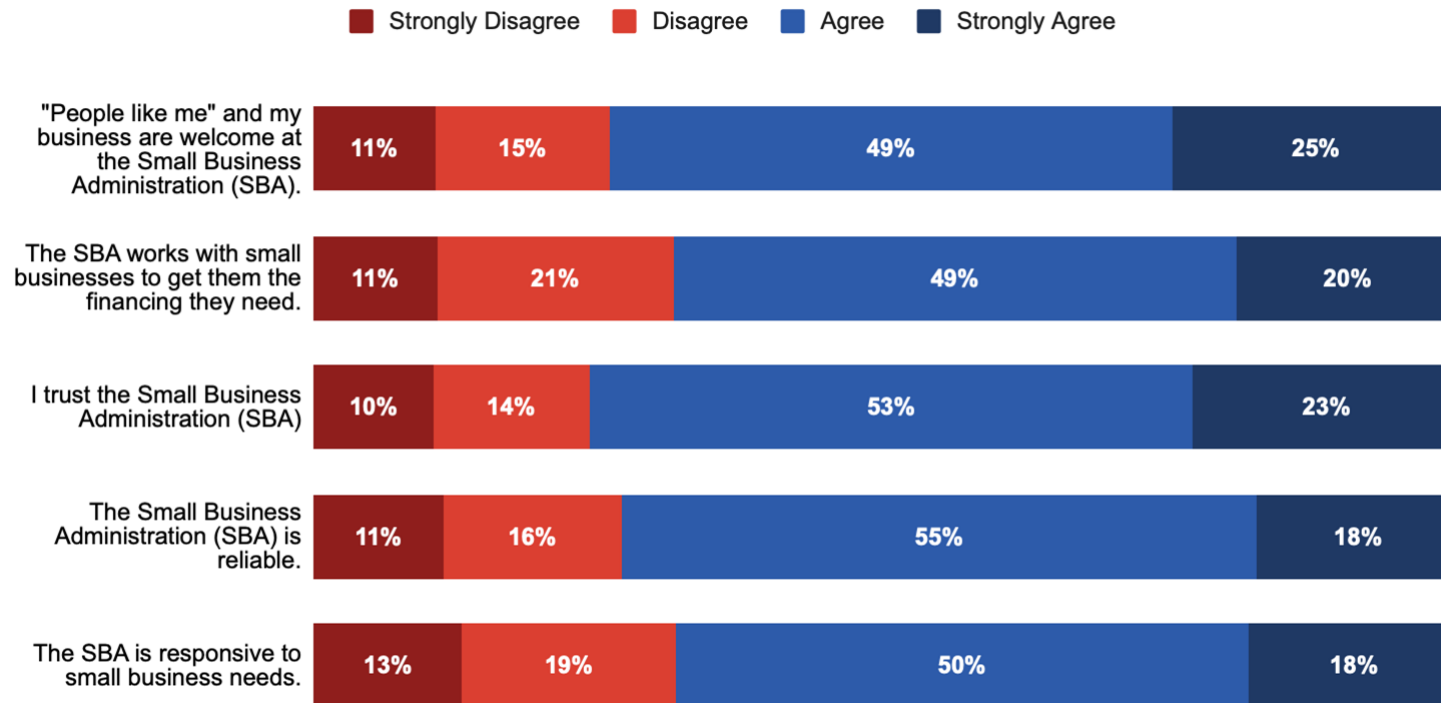
Latino/a Respondents with Opinions - Views of SBA



Native Respondents with Opinions - Views of SBA



All White Respondents with Opinions - Views of SBA





Questions?

Please email us
survey@reimaginemainstreet.com