Start-Up Capital for U.S. Business Ventures: Evidence from EPOP:2024

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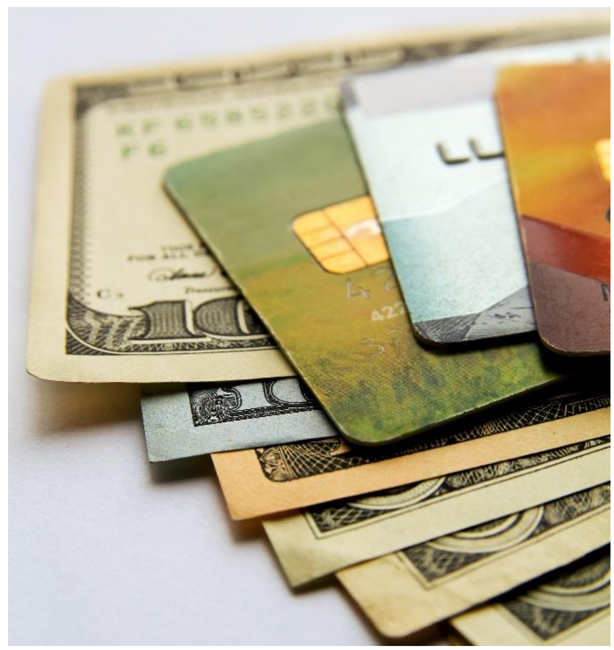
OVERVIEW

Understanding the barriers entrepreneurs face in access to capital, and how to address these barriers, is essential for community leaders and policy makers trying to support and encourage business formation. However, entrepreneurs pursue capital from a variety of sources and their experiences with acquiring capital differs across the business life cycle making it challenging to determine how to better support access to capital and credit.



New data from the 2024 Entrepreneurship in the Population (EPOP:2024) Survey sheds light on experiences in obtaining capital for owners of established, operational businesses as well as aspiring entrepreneurs during their business start-up phase. Using these new data, our analyses first explore the various funding options used by current business owners, including traditional sources like loans and equity investments, as well as emerging alternatives such as crowdfunding and venture debt. These experiences are contrasted with those of "nascent entrepreneurs" who are in the business planning process.

KEY FINDINGS

- ✓ Most business owners (83%) used their own personal assets to fund start-up costs for their business. Using credit cards carrying balances is the second most frequently cited source of capital, with 25% of business owners reporting use of personal credit cards and 16% using business credit cards.
- ✓ Business owners frequently applied for start-up capital through venture capital, grants, or crowdfunding; but few received funding from these sources. For each of these sources, over 20% of business owners reported applying but fewer than 5% actually received funding.

- ✓ Nearly two-thirds (63%) of all start-up funding can be attributed to using personal assets or credit cards, and only 19% of funding comes from loans from banks or government sources. The remainder of funding comes from crowdfunding, venture capital, grants, and loans from family and friends.
- ✓ Overall, nascent entrepreneurs apply for and receive start-up capital similar to current business owners. However, among nascent entrepreneurs, those individuals who have owned a business in the past are more selective in the funding sources they pursue and are less likely to apply for grants, government business loans, and loans through friends and family.

1 INTRODUCTION

Arguably one of the most important steps for the survival and growth of a new business venture is securing start-up capital. It provides the funds to cover initial costs, hire staff, and market products or services, thereby allowing the venture to weather challenges and the entrepreneur to seize opportunities. While adequate capital is crucial for a business's survival and growth, understanding the barriers entrepreneurs face in obtaining capital is complicated by the variety of sources used by business ventures, including personal funds, credit cards, business loans, venture capital, and crowdfunding. Moreover, an entrepreneur's experience with capital funding will likely differ across stages of the entrepreneurial process.

This brief uses data from the EPOP:2024 survey to understand the experiences and challenges of entrepreneurs at different stages of the entrepreneurial process when seeking capital. By providing an overview of business owners' and nascent entrepreneurs' access to the full range of capital sources, these analyses shed light on how entrepreneurs navigate this crucial stage of their business journey.

EPOP:2024 findings show that most current business owners use their own personal assets to fund their start-up. Additionally, business owners are found to rely on forms of debt financing, particularly by using credit cards. Results also highlight the limited success that business owners have in obtaining non-debt-based funding, such as venture capital, crowdfunding, and grants. Examining the experiences of nascent entrepreneurs shows these individuals have similar patterns of capital acquisition to current business owners. Nonetheless, these patterns of capital access differ across nascent entrepreneurs, with those individuals who have owned a business in the past being more selective with what forms of capital they pursue. Notably, more experienced nascent entrepreneurs are less likely to pursue sources of start-up funding that have relatively small funding amounts such as loans from family and friends.

2 The EPOP:2024 Survey

The EPOP:2024 Survey builds on the previous two rounds of the EPOP Survey (EPOP:2022 and EPOP:2023) to provide another snapshot into the entrepreneurial landscape in the U.S. Collected between February 28 and July 8, 2024, EPOP:2024 kept a similar design to the previous two survey administrations. Some of the core similarities include the sample design, which aimed to provide estimates of key entrepreneurial activities at the state and MSA level for the 50 most populous metropolitan statistical areas. Some key improvements to survey content implemented in EPOP:2023 were continued in EPOP:2024, including an expanded survey screener for measuring "withdrawn entrepreneurs" and improvements to the series of questions asking about sources of capital.[1]

[1] For further discussion of these changes, refer to Brummet and Johnson (2023).

While much of the design and content of the EPOP:2024 survey remained consistent with the two previous rounds, the 2024 survey included additional content. One key new addition was the inclusion of new questions on respondent-reported disabilities to enable researchers to study the unique experiences of entrepreneurs with disabilities. The EPOP:2024 survey also added an item (PE_MOTIVE_1) asking entrepreneurs for their motivations for pursuing new business ventures. A full listing of these changes and the corresponding items may be found in the EPOP:2024 data user guide.[2]

3 MEASUREMENT OF START-UP CAPITAL IN EPOP:2024

The EPOP Survey includes robust measures on access to capital, steps taken to obtain capital, and the challenges faced or reasons why a capital source was not pursued. Start-up capital measures are available in all years of the EPOP data, with small changes year-to-year.[3] Respondents with any past or present entrepreneurial involvement are asked these questions, meaning that in addition to understanding capital for current business owners, EPOP gathers capital information on those planning to start a business, those who at one time planned to start a business (withdrawn entrepreneurs), and former business owners.

FIGURE 1. Start-Up Capital Questions in EPOP:2024

EPOP:2024 collects data on capital in multiple ways, and an overview of data collected as part of the start-up capital module is shown in Figure 1. The start-up capital module provides the primary measure of capital sources, amounts of capital received, and whether the respondent received as much capital as expected. These questions are asked by providing respondents with a grid in which they indicated the amount of capital from various sources (total capital is then calculated by summing funding amounts across sources and confirmed by respondents). Respondents are then asked questions about why they did not pursue specific types of funding.

Beyond collecting detailed information on start-up capital funding sources, entrepreneurs are asked separate modules about the steps they have taken in starting their business and the challenges they have faced starting their business. These questions are asked of nascent and withdrawn entrepreneurs and include challenges

[2] See https://epop.norc.org/content/dam/epop/researchers/pdf/epop-2024-user-guide-v2.pdf
[3] For documentation on changes to the capital module between EPOP:2022 and EPOP:2023 see *Section 3* of the EPOP:2023 User Guide at https://epop.norc.org/content/dam/epop/researchers/pdf/epop-2023-user-guide-v2.pdf.

specific to starting or trying to start their business (including whether the entrepreneur had enough savings for start-up costs or challenges in accessing start-up capital).

Separately, respondents are asked whether they have taken a variety of steps to secure capital for their business venture. This "steps taken" module is given to current business owners, nascent entrepreneurs, and withdrawn entrepreneurs and asks general questions about their financing behaviors before the business opened.

While not all capital sources are relevant for each question, at the most granular level researchers can use the EPOP:2024 data to identify whether entrepreneurs used any of 24 types of capital as shown in Appendix A.

4 SOURCES OF START-UP CAPITAL IN THE U.S.

Turning to an examination of the sources of capital used for business ventures in the U.S., this brief first present results on how current business owners received their start-up capital and then explores how nascent entrepreneurs who are still in the process of planning their business venture are pursuing capital.

4.1 BUSINESS OWNERS' SOURCES OF START-UP CAPITAL

EPOP:2024 findings indicate that self-funding through personal assets is the most commonly used method of start-up capital, followed by using credit cards and taking out business loans. Table 1 shows that most business owners (83%) used personal or family savings, assets, or home equity loans to fund their business. Further, nearly 25% used personal credit cards carrying balances.

Table 1 also shows the prevalence of business owners using external sources of funding, including business credit cards, loans, venture capital, crowdfunding, and grants. Results indicate that 16% of business owners used business credit cards carrying balances. Moreover, roughly 14% of current business owners utilized bank business loans, 13% government-guaranteed business loans, 9% business loans from the government, and 6% used loans from family or friends. Overall, 29% of business owners report at least one of these loan types. Less frequently used sources include venture capital, crowdfunding, and grants with 5% of business owners having used venture capital, 3% having used grants, and 2% having used crowdfunding.

The "applied" column of Table 1 shows substantial amounts of business owners applying for capital they do not end up receiving. For example, 34% of business owners report applying for capital from a bank but only 14% received any amount. In addition, roughly a quarter of business owners applied for venture capital or grants, but very few of these individuals received that capital. In addition, across all capital sources business owners who receive capital often report not receiving as much as they requested.

TABLE 1. Sources of Start-Up Capital for Current Business Owners

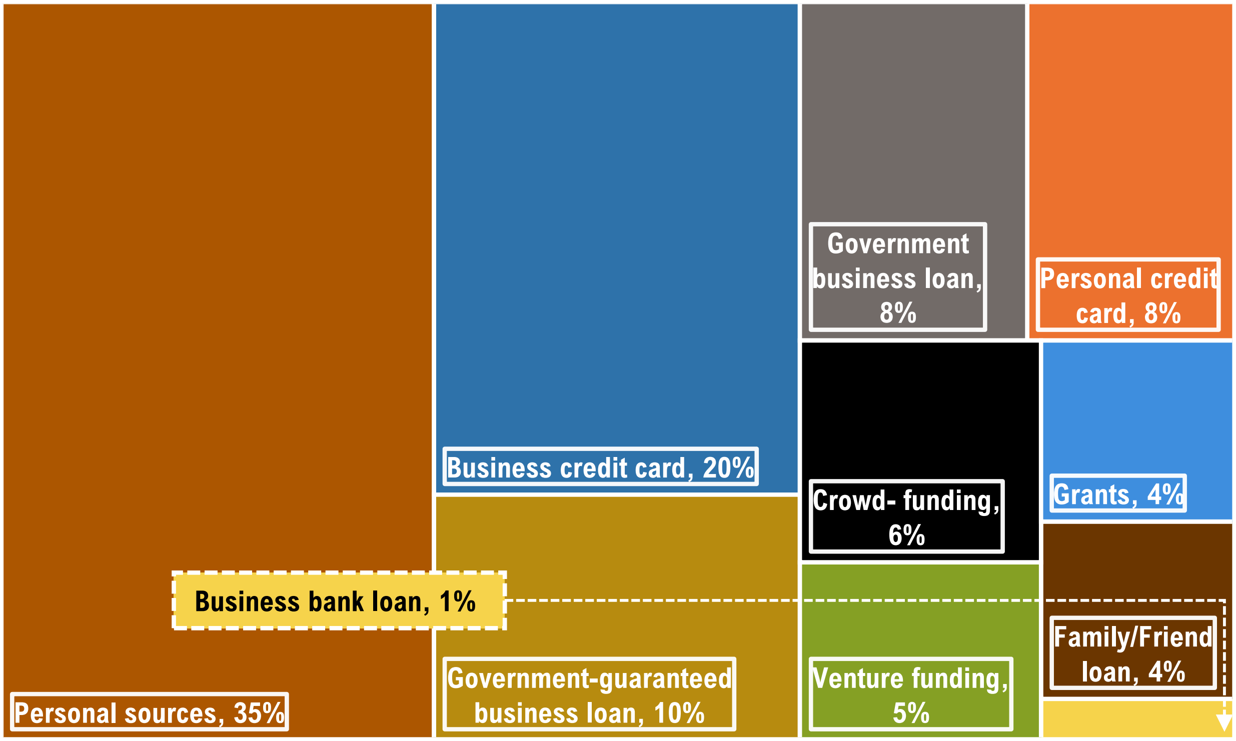
Capital Source	Percent of business owners who…		
	Applied	Received any amount	Received as much as requested
Personal/Family Assets	-	83.1	-
Personal Credit Card (carrying balance)	-	24.5	-
Business Credit Card (carrying balance)	37.3	16.3	13.2
Government-Guaranteed Business Loan	31.0	12.7	9.4
Business Loan from Bank	34.0	13.5	10.8
Business Loan from Government	25.0	8.5	5.6
Business Loan from Family/Friends	29.7	6.4	5.1
Venture Capital	24.3	4.2	3.3
Crowdfunding	20.5	2.2	1.5
Grant	25.9	3.0	2.1

Note: For all cells, the denominator is number of current business owners who reported needing start-up funds for their business (n=3,894) and respondents with any missing data are excluded from calculations; for received capital, R's who said they received capital but then later reported receiving $0 on the worksheet are not counted as receiving the capital type.

Source: NORC, Entrepreneurship in the Population Survey: 2024.

Examining not just whether an entrepreneur received capital, but instead the value of the capital they received paints a slightly different picture. Figure 2 shows the distribution of the amount of capital obtained by current business owners in the form of a tree map where the rectangle size corresponds to the relative percentage of that source's contribution to total start-up funding received by business owners in the U.S. These results show that roughly one-third of start-up capital comes from personal sources, not including credit cards (35%). Because 83% of business owners reported using personal assets to fund their start-up costs, this suggests the amount of funds invested in the business from personal assets may be relatively low compared to other funding sources. Another 20% of start-up funds come from business credit cards. Government and government guaranteed business loans combined constitute 18% of start-up capital. Infrequently used sources such as crowdfunding, venture funding, and grants constitute 6%, 5%, and 4% of all start-up capital, respectively. Notably, while Table 1 showed that 14% of business owners used business bank loans, these results in Figure 2 indicate that the total amount from bank loans was only about 1% of the total start up amount.

FIGURE 2. Start-Up Capital Dollar Amount by Source



Percentages correspond to the total amount of all start-up capital financing that comes from a given source.
Source: NORC, Entrepreneurship in the Population Survey: 2024.

4.2 WHERE ARE NASCENT ENTREPRENEURS LOOKING FOR CAPITAL?

To understand the landscape of capital access for entrepreneurs, it is important to understand the experiences of not only individuals who currently own business but also those individuals who are currently in the process of planning a business. These "nascent entrepreneurs" must obtain start-up funds to successfully launch a business, and knowing the experiences and the challenges of these potential business owners during start-up provides insight for those trying to support and foster business formation.

Because prior business ownership may shape how entrepreneurs pursue funding, Table 2 shows capital sources applied to and received for two groups of nascent entrepreneurs. Panel A presents results for nascent entrepreneurs establishing a business for the first time, while Panel B presents results from nascent entrepreneurs who formerly owned a business.

For first time nascent entrepreneurs, almost a third (32%) report having applied for a business credit card. Loans are the second most frequently applied for source, with roughly equal amounts of respondents having applied for bank business loans, government-guaranteed business loans, and loans from family or friends (28-30%). Overall, the percentage of nascent entrepreneurs who have received funding is only slightly lower than funding from current business owners and suggests that patterns of capital acquisition are similar between nascent entrepreneurs as well as current business owners.

Comparing different groups of nascent entrepreneurs, those with prior business ownership experience appear to be more selective in the funding sources for which they apply. While 22% of first-time nascent entrepreneurs applied for government business loans, only 14% of experienced nascent entrepreneurs pursued this source. Similarly, experienced nascent entrepreneurs were less likely to pursue loans from family or friends and grants. These trends could be due to the low likelihood of receiving substantial amounts of funding from these sources or differences the perceived likelihood of acquiring capital from these sources based on experience with business ownership.

TABLE 2. Sources of Start-Up Capital for Nascent Entrepreneurs

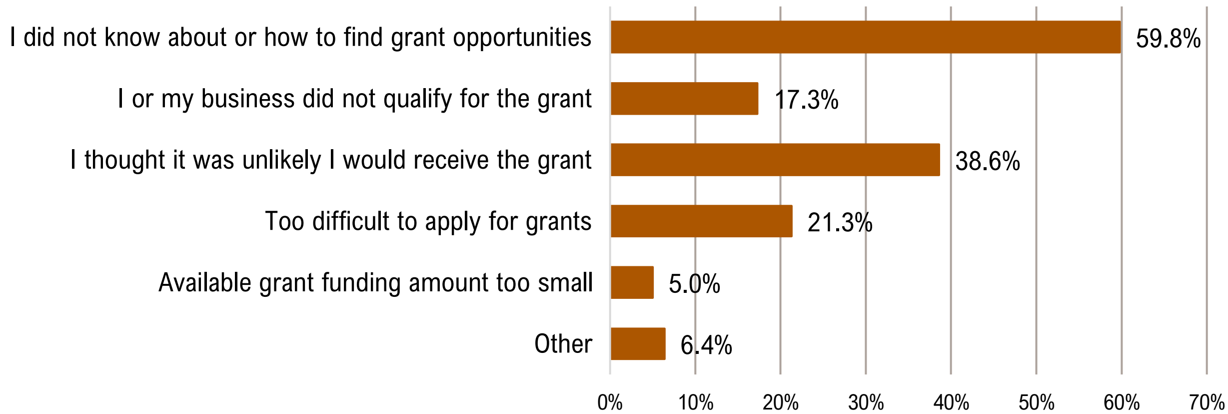
	Panel A. Percent of "First-Time" Nascent Entrepreneurs who have…		Panel B. Percent of "Experienced" Nascent Entrepreneurs who have…	
Capital Source	**Applied**	**Received any amount**	**Applied**	**Received any amount**
Business Credit Card (carrying balance)	32.1	10.5	29.2	11.8
Government-Guaranteed Business Loan	26.7	9.3	27.1	11.8
Bank Business Loan	28.4	11.6	25.7	9.8
Government Business Loan	22.4	8.1	14.1	3.2
Family/Friends Loan	29.8	7.5	19.0	5.4
Venture Capital	16.7	3.3	13.5	5.0
Crowdfunding	15.2	2.6	15.6	2
Grants	19.1	3.9	16	3.7
N	864		257	
Weighted N	6,637,801		2,212,199	

Note: Results limited to nascent entrepreneurs, omits those who report not needing start-up funds.
Source: NORC, Entrepreneurship in the Population Survey: 2024.

4.3 REASONS NASCENT ENTREPRENEURS DO NOT APPLY FOR CAPITAL

To investigate further why nascent entrepreneurs do not pursue some sources of capital, Figure 3 shows the reasons given for not pursuing grants. The primary reason given was that respondents did not know how to find grant opportunities, with 60% of nascent entrepreneurs citing this. Additionally, 39% cited unlikeliness of receiving the grant and 21% cited difficultly applying. This may suggest that more information related to grant funding opportunities could expand the number of nascent entrepreneurs applying for these opportunities.

FIGURE 3. Reasons for Not Requesting Grant Funding

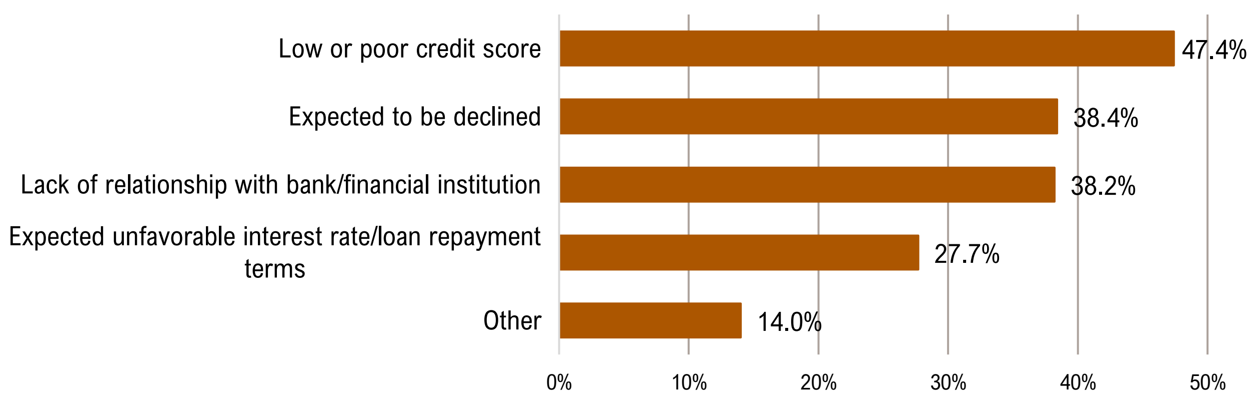


Notes: Results limited to nascent entrepreneurs who did not request grants. Results also exclude respondents who reported not needing grant funding. N = 725.

Source: NORC, Entrepreneurship in the Population Survey: 2024.

Reasons for not applying for bank loans, shown in Figure 4, vary more than reasons for not applying for grant funding. Forty-seven percent of nascent entrepreneurs reported not applying for bank loans because of poor credit, 38% did not apply because they expected that they would be declined, another 38% cited lacking a relationship with a financial institution, and 28% reported that they expected unfavorable loan terms. In sum, nascent entrepreneurs have multiple reasons for not pursuing bank loans, but poor credit does appear to be an important barrier for these individuals pursing funding from banks.

FIGURE 4. Reasons for Not Requesting Funding from a Bank



Notes: Results limited to nascent entrepreneurs who did not request bank funding. Results also exclude respondents who reported not needing bank funding. N = 467.

Source: NORC, Entrepreneurship in the Population Survey: 2024.

5 CONCLUSIONS

Access to capital is essential to the early-stage growth of business ventures and understanding how entrepreneurs use capital requires investigating patterns of capital access across the business life cycle for different groups of entrepreneurs. This brief uses newly released data from EPOP:2024 to shed light on how entrepreneurs obtain funding. Findings show that personal sources of funding are a key source of capital for entrepreneurs in the U.S. with most current business owners (83%) using their own personal assets to fund start-up costs and nearly two-thirds (63%) of all start-up funding being sourced from personal assets or credit cards. Considering nascent entrepreneurs who are currently trying to start a business, EPOP:2024 finds differences in the types of start-up capital entrepreneurs apply for based on previous experience with business ownership, but on the whole, patterns of capital access among nascent entrepreneurs are qualitatively similar to those for current business owners.

Outside of the results in this brief, these newly released EPOP data open up multiple avenues for future exploration, including examining the challenges reported by current business owners related to capital access and comparing trends in how entrepreneurs access capital over years. In addition, the detailed geographic coverage of EPOP allow for comparisons across areas based on differing policies and economic conditions. More information on how to access and use EPOP data, as well as new changes to the survey for EPOP:2024, may be found at EPOP.norc.org.

REFERENCES

Brummet, Quentin and Katie Johnson. 2023. “Entrepreneurial Background and the Path to Business Ownership: Evidence from EPOP:2023.” https://epop.norc.org/content/dam/epop/media/publications/pdf/epop-2023-brief-entrepreneurial-background.pdf

ABOUT THE EPOP SURVEY

EPOP Survey Project Overview

The EPOP Survey aims to fully understand entrepreneurship in the U.S. economy across the varied pathways people take towards business ownership. Thus, the EPOP Survey considers the experiences not only of current business owners but also individuals in the process of starting a business, as well as those who are no longer business owners. The project conducts an annual survey of approximately 30,000 individuals to represent the non-institutionalized adult population in the U.S. by state and major metropolitan area. This report is based on the 2024 survey. Subsequent annual surveys are planned through 2026, with the final 2026 round focused on reinterviewing previous EPOP respondents to provide longitudinal information for data users. The survey estimates the prevalence of current business owners, contractors, and freelancers, individuals planning to start a business, former business owners, and withdrawn business owners who at one point took steps towards business ownership. Of those who are or who have engaged in entrepreneurial activity, the EPOP Survey asks about business formation steps and support, challenges and obstacles, and capital investments.

Survey Design and Methodology (2024)

A complete methodology report is available on the EPOP Survey website.

Target Population. All non-institutionalized adults 18 years or older in the United States.

Sample Design and Frame. The study sample is selected from three frame sources: (1) NORC's AmeriSpeak® Panel, (2) an addressed-based sample (ABS) frame built from the U.S. Postal Service Delivery Sequence (DSF) file; and a sample from opt-in panels. Samples selected from the AmeriSpeak® Panel and the ABS frame are probability samples with explicit stratification and known sample selection probabilities, while the sample selected from the opt-in panels is a nonprobability sample with unknown frame coverage and unknown selection probabilities.

Data Collection. EPOP:2024 data collection started on February 28,2024, with the release of the AmeriSpeak® sample. NORC mailed ABS advanced letters approximately 9 days later on March 8, 2024. Data collection for both ABS and AmeriSpeak® samples officially ended on July 8, 2024. Data were also collected from a non-probability sample between May 30 and July 8, 2024. Data were primarily collected via an online survey; computer-assisted telephone interviewing was a secondary mode and available upon request. The survey was available in both English and Spanish. All participants were compensated for their participation.

Data Processing. The raw data file was reviewed and compared to the programmed survey specifications to identify data irregularities and develop any necessary code to transform raw data for consistency. Complete and partial survey records were all reviewed for data integrity (e.g., to identify respondents who completed the survey too quickly to have read question text and respondents who straight-lined responses) and those that were in violation were discarded. For a small number of cases where the data could not be repaired, the case was discarded. Similarly, cases were evaluated for item nonresponse. Those with high item nonresponse or missing critical pathway information were dropped from the final data set.

Estimation. Complete surveys from the three sample sources were combined using NORC's TrueNorth® weighting method to generate a set of combined sample weights to support estimation.

About NORC

The EPOP Survey Project is designed and conducted by NORC at the University of Chicago. NORC is an independent research institution that delivers reliable data and rigorous analysis to guide critical programmatic, business, and policy decisions. NORC conducts objective, non-partisan research to help inform people in government, nonprofits, and businesses making decisions on key issues of the day. Our research addresses important issues like employment, education, and health care. Since 1941, NORC has conducted groundbreaking studies, created and applied innovative methods and tools, and advanced principles of scientific integrity and collaboration. Today, government, corporate, and nonprofit clients around the world partner with NORC to transform increasingly complex information into useful knowledge. For more information, visit NORC.org and connect with us at linkedin.com/company/norc and facebook.com/NORCatUofC.

About the Ewing Marion Kauffman Foundation

The EPOP Survey Project is both guided and funded by the Ewing Marion Kauffman Foundation a private, nonpartisan foundation based in Kansas City, Mo., which seeks to build inclusive prosperity through a prepared workforce and entrepreneur-focused economic development. The Foundation uses its $3 billion in assets to change conditions, address root causes, and break down systemic barriers so that all people – regardless of race, gender, or geography – have the opportunity to achieve economic stability, mobility, and prosperity. For more information, visit kauffman.org and connect with us at x.com/kauffmanfdn and facebook.com/kauffmanfdn.

Acknowledgements

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APPENDIX A. TYPES OF CAPITAL MEASURED IN EPOP:2024

1. Personal/family savings of owner(s)
2. Personal/family assets other than savings of owner(s)
3. Personal/family home equity loan
4. Personal credit card(s) carrying balances
5. Business credit card(s) carrying balances
6. Business loan or government-guaranteed business loan from a small local bank
7. Business loan or government-guaranteed business loan from a large national bank
8. Business loan or government-guaranteed business loan from a financial services company
9. Business loan or government-guaranteed business loan from an online lender of fintech lender
10. Business loan or government-guaranteed business loan from a credit union
11. Business loan or government-guaranteed business loan from a finance company
12. Business loan or government-guaranteed business loan from an alternative financial source
13. Business loan or government-guaranteed business loan from a community development financial institution (CDFI)
14. Business loan or government -guaranteed business loan from other institution(s)
15. Business loan from a bank or financial institution (including online lenders)
16. Business loan from a federal, state, or local government
17. Business loan/investment from family/friend(s)
18. Investment by venture capitalist(s)/angel investor(s)
19. Crowdfunding
20. Grant from government source
21. Grant from private institution
22. Grant from non-profit organization
23. Grant from other source(s)
24. Other capital source(s)