

Capital Access Temp Check

This month, we take a look at the number one challenge facing every small business owner right now: access to capital. Seeking funding and financing opportunities remains a persistent obstacle that presents barriers to growth for all entrepreneurs, and especially for woman- and minority-owned businesses, which together comprise the majority of the Hello Alice community.

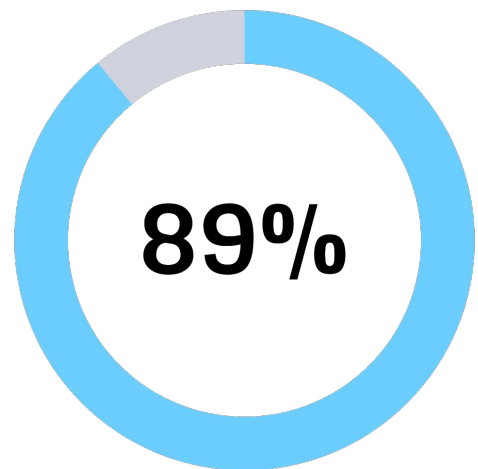
More than anything else owners need capital to grow their businesses, stay afloat, and navigate the ever-changing shifts of a pandemic-era market.

Lack of Capital Limits Growth

Though owners remain optimistic about growth in 2022, the limitations caused by lack of capital access are clear: **89% of owners claim access to capital is limiting their business growth potential**, with 91% of Black owners and 93% of Multi-Racial owners claiming this.

These barriers don't just threaten long-term success, but exacerbate the daily challenge of survival: **78% of owners claim access to capital is limiting their ability to manage their day-to-day operations**. 84% of Black owners and 82% of Multi-Racial owners claim this as well.

Compounding these challenges, **38% of owners report having outstanding debt**.



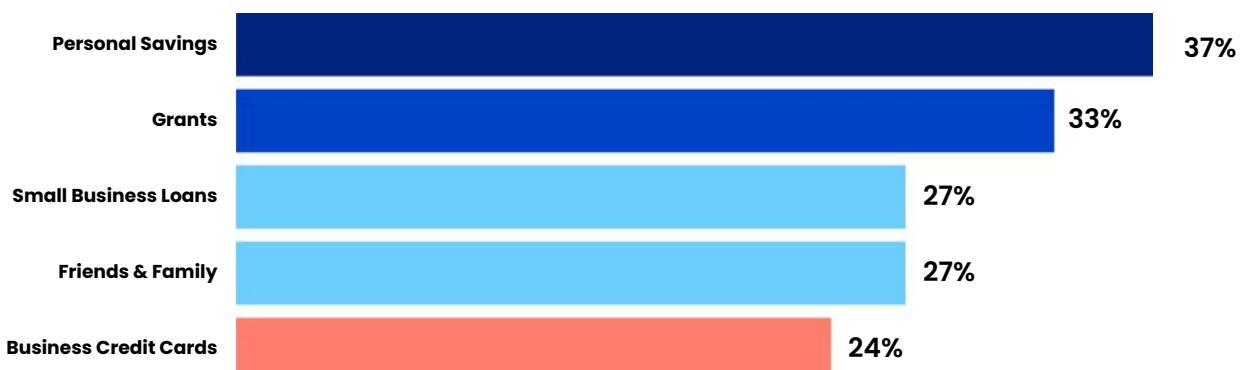
Owners who claim access to capital is limiting their business growth potential

Small Business Owners Rely on Their Personal Savings

So how are owners funding their businesses? Just as they were during the height of the pandemic, owners are turning to personal savings and grants as the most popular means of accessing capital: **37% of owners surveyed report they've used personal savings to fund their business and 33% reported using a grant**.

This shows that owners are deeply invested in the success of their business, but also indicates a limited runway without access to credit or flexibility – they have what they have.

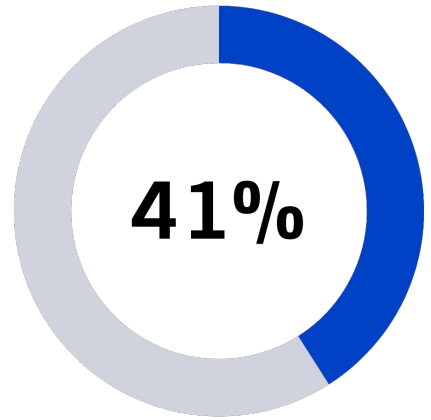
Owners are also relying on these common funding sources: 27% reported funding their businesses with **small business loans**; 27% turned to friends and family for funding; and 24% funded it through **business credit cards**.



Demand For Business Credit is Strong

With supply chain disruptions, the threat of inflation, and new waves of the pandemic popping up over the past year, it's no surprise that **51% of owners applied for financing in the last 12 months**: 52% of owners sought an SBA loan or line of credit, 42% sought PPP loans, 31% sought business loans, 28% sought business lines of credit, and 22% sought personal loans. Another 8% of owners started an application process, but did not complete it.

69% of owners who applied were seeking finances to meet operating expenses. 68% were seeking to expand the business, pursue new opportunities, or acquire business assets. **52% of owners were looking for \$25,000 or less.** When asked what share of their application(s) were approved, 41% claimed none was approved and another 18% claimed only some (less than 50%) was approved –



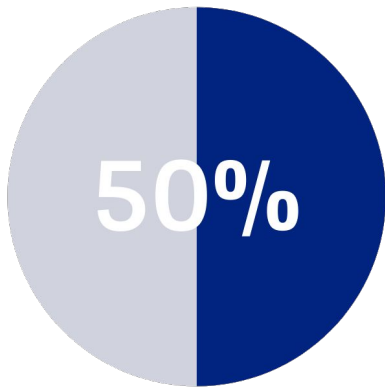
Owners who claim no portion of their application was approved.

49% of Black business owners claimed none of their application(s) was approved, compared to 28% of white owners.

74% of owners also applied for a grant in the last 12 months.

Building Business Credit Remains a Challenge

Most financing options available to small business owners require a personal guarantee, which often means greater personal risk – 73% of owners claim their business relies at least partly on their personal credit score, 48% report using only their personal credit score to grow their business, and 25% report using both personal and business credit score.



Owners who have a personal credit score above 680

Though 50% of Hello Alice owners report a personal credit score above 680 – enough to apply for a business credit card in many cases – this score might still lock many out of business loans, which often require a personal score of at least 720 to qualify.

Our survey results also reveal how bewildering the world of business credit can be even for entrepreneurs: 62% of business owners who rely on a business credit score in some way are unsure of their most recent business credit score.

“ A grant like this is to our business what a good wind is to a sailor at sea. These funds will improve our shop's infrastructure, sustain and educate our staff, and support our innovations in onsite digital programming.

—Elizabeth Daven Ralston, Charm City Books

Expanded Access to Capital Will Boost the Economy

Looking ahead, **62% of owners plan to apply for financing in 2022.** Another 30% are unsure. The majority of owners (84%) want to expand their business, pursue new opportunities, or acquire business assets with this financing. This data aligns with what owners have been telling us since the start of 2022 – that they’re optimistic their business will grow this year. **72% plan to use financing to hire new employees.**

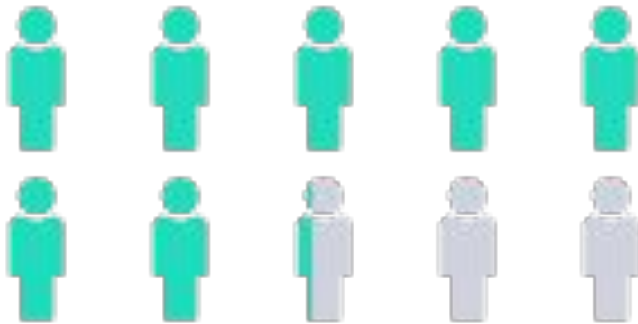
A larger portion of those applying for financing will be seeking more than \$25,000 compared to those applications in the previous 12 months. **72% are seeking \$25K or more.** The most popular financial products they’ll be seeking: 54% of owners will pursue an SBA loan or line of credit, 49% will pursue a business loan, and 47% will pursue a business line of credit.



85% of owners plan to apply for a grant in 2022. 85% of those expect to expand their business with that grant. Those who do not plan to apply for a grant said the primary reason for not applying was they do not know where to apply for a grant – 47% selected this as their primary reason. Another 28% believe they would not be selected for the grant.

Hello Alice Prioritizes Equitable Access to the Capital Continuum

73% of owners are interested in support to help them prepare to apply and successfully use business financing. When asked to **rate their confidence in knowing their business’s financial health score and how to improve it**, only **43% of the population was confident or very confident.**



Owners who are interested in support to help them prepare to apply and successfully use business financing.

Our data shows that the need for equitable access across the capital continuum is more important than ever. Hello Alice will continue to connect owners with access to capital, along with the tools, community, and educational resources needed to fund and grow their businesses.