

**Kauffman Compilation:
Research on Race and Entrepreneurship**

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INTRODUCTION

While entrepreneurial startup activity is on the rise, entrepreneurs of color remain underrepresented and continue to have lower rates of entrepreneurship than their white counterparts do. As the United States moves closer to becoming a more racially diverse country, a continued disparity in entrepreneurial rates among people of color will lead to missed opportunities.

The Kauffman Foundation has a large body of work that examines this area of research.

In this volume, we have assembled an assortment of Kauffman's work on entrepreneurs of color. The compilation that follows highlights a range of Kauffman resources that discuss entrepreneurs of color, the particular challenges facing these demographics, and the practical and policy ideas to address them.

For additional information on race and entrepreneur-related research beyond this compilation:

- [Learn more about the Kauffman Inclusion Challenge](#), which is designed to find, understand, and grant funds to nonprofit entrepreneur-support organizations that can help female entrepreneurs and entrepreneurs of color achieve higher rates of success.
- Scan Kauffman's policy digest on [Entrepreneurs of Color](#).
- Explore Kauffman's work related to [entrepreneur demographics](#).

THE STATE OF RACE AND ENTREPRENEURSHIP RESEARCH

A summary of race research from State of the Field, which presents the latest research on a range of entrepreneurship topics, including race, edited by leaders in the field.

Contributors: William D. Bradford and Naranchimeg Mijid

The racial categories of persons in the United States owning business can be broadly grouped into African American (“Black”), Asian, Hispanic, and White. Black-owned and Hispanic-owned firms have higher failure rates than do White-owned and Asian-owned firms. Studies find that large racial/ethnic gaps exist both in self-employment rates and business performance.

Minority entrepreneurs, especially Black and Hispanic business owners, are still underrepresented among U.S. business owners, and they also underperform compared to non-minority owners. According to the Small Business Administration, as of 2013, Black-owned firms represent 7 percent of all U.S. businesses, Asian-owned firms represent only 4.3 percent, and Hispanic-owned firms’ share is only 10.6 percent. We know there is still a substantial racial and ethnic gap, and inequality persists among entrepreneurs with different racial backgrounds.

The sources of the gaps in the performance of minority firms can be examined through four key factors for successful small-business ownership:

1. The leadership of sufficiently skilled and capable entrepreneurs (“**management**”)
2. Having sufficient financial capital to buffer losses, achieve efficient scale, and exploit business opportunities (“**money**”), and
3. Awareness of and access to markets in which to successfully sell the firm’s products (“**markets**”).

Management: Large racial/ethnic gaps exist with the characteristics of minority owners.

- Prior family business ownership is less frequent among Black and Hispanic entrepreneurs than among Asian and White entrepreneurs.
- Black and Hispanic entrepreneurs also have lower education levels and fewer years of managerial experience than Asian and White entrepreneurs do.
- These traits result in lower success at starting new businesses, greater propensity to enter business lines with low entry barriers (thus higher failure rates), and lower business survival rates.
- Black and Hispanic potential entrepreneurs have made recent increases in educational attainment and business experience (in both large and small firms). These factors might reduce the gaps in the performance of new Black and Hispanic startups.

Money: Racial and ethnic gaps persist in access to credit.


- Black and Hispanic families have lower wealth levels than White families do, which results in the lower equity levels of new Black and Hispanic businesses compared to White businesses.
- Black-owned and Hispanic-owned businesses experience less favorable loan application outcomes than do White-owned and Asian-owned businesses after controlling for firm- and owner-specific characteristics.
- As a result, Black and Hispanic entrepreneurs enter industries with low capital requirements and high failure, which weakens their firms’ abilities to buffer losses and financial growth if they survive in early stages.

Markets: Minority-owned businesses are disproportionately located in urban areas and disproportionately serve ethnic retail markets.

- Minority-owned firms that focus on co-ethnic retail markets do not perform as well as those that do not focus on co-ethnic retail markets.
- Studies found that minority-owned businesses that cater to government markets achieve increased sales through government procurement programs; however, we still don't know the long-term effect of preferential minority business procurement programs on the viability of minority businesses. On the question of whether such programs have been positive or negative for individual firms, there is mixed evidence.

KAUFFMAN INDEX SHOWS RACIAL BREAKDOWN IN STARTUP ACTIVITY

According to the 2016 Kauffman Index of Startup Activity, the Rate of New Entrepreneurs is highest among Latinos and lowest among African Americans.



startup activity

2016 THE KAUFFMAN INDEX

United States of America Entrepreneurial Demographics

Race Of New Entrepreneurs

Change in the Composition of New Entrepreneurs

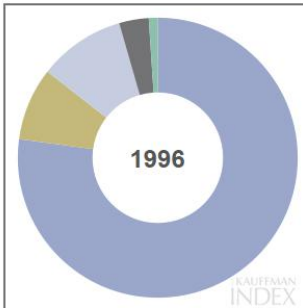
Measures the share of all new entrepreneurs comprised by demographic group.

Race

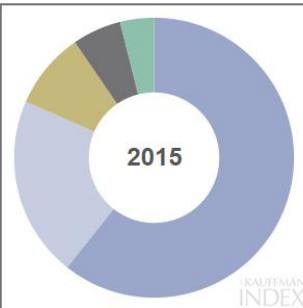
- White
- Black
- Latino
- Asian
- Other

Source: Author calculations from CPS.

Change in the Composition of New Entrepreneurs



1996



2015

Rate of New Entrepreneurs

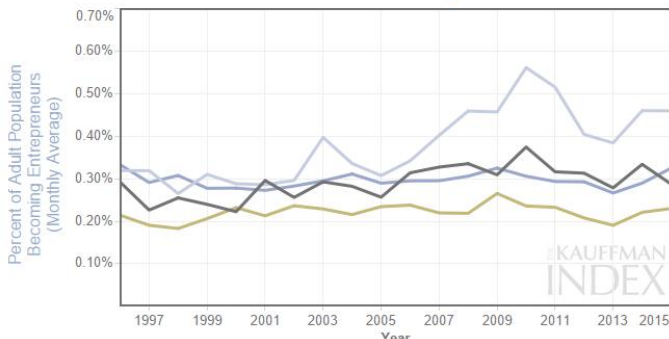
Early and broad measure of business ownership. Measures the percent of the adult population of an area that became entrepreneurs in a given month.

Race

- White
- Black
- Latino
- Asian
- Other

Source: Author calculations from CPS. Yearly measure.

Rate of New Entrepreneurs

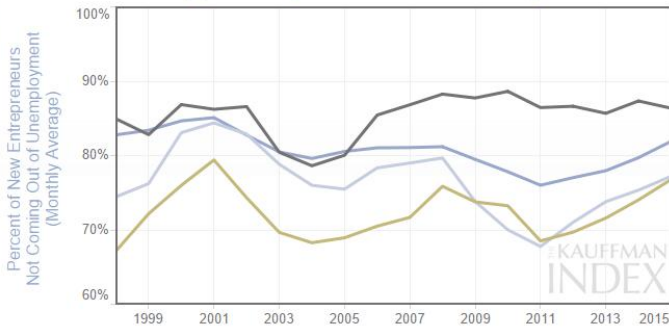


Opportunity Share of New Entrepreneurs

percent of new entrepreneurs starting businesses because they saw market opportunities. Measures the percent of new entrepreneurs who were not unemployed before starting their businesses.

Source: Author calculations from CPS. 3-year moving average.

Opportunity Share of New Entrepreneurs



www.kauffmanindex.org

Ewing Marion KAUFFMAN Foundation

fostering economic independence by advancing education and entrepreneurship

INCLUDING PEOPLE OF COLOR IN THE PROMISE OF ENTREPRENEURSHIP

Policy recommendations related to entrepreneurs of color from a Kauffman Entrepreneurship Policy Digest

Increase Exposure to Entrepreneurship

- Create internships and apprenticeships to help young people of color learn more about entrepreneurship. Programs like Louisville's SummerWorks that teach high schools students about starting and managing a business during the summer months of high school, can be an effective way to increase entrepreneurship among people of color.

Make Entrepreneurial Support Organizations More Inclusive

- Encourage entrepreneurship support organizations, particularly when receiving government funding, to develop metrics to track entrance and retention rates of entrepreneurs of color. This data can help identify challenges to address.

DOES RACIAL WEALTH DISPARITY HINDER ENTREPRENEURSHIP?

A Growthology blog post

By Emily Fetsch

Entrepreneurs of color are underrepresented and continue to have lower rates of entrepreneurship than their white counterparts do. As race plays a large factor in wealth inequality, does this put potential entrepreneurs of color at a disadvantage related to starting a new business?

A paper by Ross Levine and Yona Rubinstein examines the unique traits of entrepreneurs to help answer the question of who becomes an entrepreneur. The paper shows that entrepreneurs tend to be “white, male, and come from higher-income families.” But why does family wealth contribute to an individual’s likelihood to become an entrepreneur? The answer: capital.

A 2011 Pew Research Center study shows “the median wealth of white households is twenty times that of black households and eighteen times that of Hispanic households.” Another study by the Institute on Assets and Social Policy (IASP) suggests that two of the primary sources of wealth disparity found in the Pew Research Center study include homeownership and “inheritance, financial supports by families or friends, and preexisting family wealth.”

Capital matters for those starting businesses for a variety of reasons. A business that starts from a strong financial position is more likely to be able to adapt to challenges and scale based on opportunities that arise. Startups with more initial funding are also more likely to receive additional sources of funding during financing rounds. For many Americans, capital is created through homeownership and family assets.

Homeownership

The IASP study shows homeownership is a factor in racial wealth inequality in several ways. First, through family contributions, as whites are more likely to receive inheritances or other monetary support from family for down payments. While “almost half of white Americans got money from a family source for a home down payment,” nine in ten black Americans have no family financial assistance for their down payments. As a result, “white families buy homes and start acquiring equity an average eight years earlier than black families.” Due to the family monetary contributions, white homeowners can contribute a larger down payment, which lowers interest rates.

Second, through homeownership rates. “Due to historic differences in access to credit, typically lower incomes, and factors such as residential segregation, the homeownership rate for white families is 28.4 percent higher than the homeownership rate for black families.” While people of color tend to have lower rates of homeownership, it remains a bigger proportion of their wealth compared to their white counterparts (53 percent for people of color compared to 39 percent for whites).

Family Contributions

The disparity in family contributions exacerbates wealth disparity. Millennials have been delayed in securing full-time employment and being financially self-sufficient compared to previous

generations. During the downward trend, white millennials, in particular, are more likely to receive family monetary assistance in the form of formal gifts, like inheritance, and informal gifts, like parents paying for their children's health insurance or phone bills. Meanwhile, millennials of color, who have less accumulated wealth, are more likely to share their savings with their family members, diminishing even further their amassed wealth.

- Whites are more than five times as likely to receive an inheritance as blacks are (36 percent vs. 7 percent). For those "receiving an inheritance, whites received about ten times more wealth than African Americans."
- In the IASP study, which followed families over a twenty-five-year period, white families were more likely to be able to use their inheritance to continue to amass wealth. The study showed "each inherited dollar contributed to ninety-one cents of wealth for white families compared with twenty cents for African American families." This is due to a variety of factors, including white families not needing to dip into the inheritance money in emergencies, due to their larger initial wealth.
- An article in *The Atlantic* sheds light on a study from the *Journal of Economic Perspectives* that shows that "as much as 20 percent of wealth can be attributed to formal and informal gifts from family members."
- *The Atlantic* article highlights that white millennials are more likely to receive financial assistance from their families. In contrast, nearly "80 percent of black parents and 70 percent of Hispanic parents expect to be supported" by their children. A main reason "why people of color are unable to save as adults is because they give financial support to close family."

Wealth accumulation serves two purposes for potential entrepreneurs. First, they are able to use their wealth to finance their startup ventures. Second, it impacts their risk assessment.

Startup Funding

For most entrepreneurs, funding is seen as a critical component to the success or failure of their startups. More than two-thirds of entrepreneurs use personal savings as a source of funding and more than one in five rely on family for funding. For millennials, 22 percent say they used "a financial gift or loan from their family to fund their start up" and 10 percent used a "financial gift or loan from their family to run their business after the launch phase." With the large racial gaps related to the ability of an aspiring entrepreneur to rely on personal savings or family to supplement startup funding, potential entrepreneurs of color are at a disadvantage in being able to fund their ventures.

Reducing Risk

White entrepreneurs also have more financial padding to take a risk, like starting a new business. As mentioned in a previous Growthology post, "one way to support entrepreneurship is to provide a social safety net that can help an entrepreneur take the risk of starting a new business." According to The Atlantic article, "95 percent of African American and 87 percent of Latino middle-class families do not have enough net assets to meet most of their essential living expenses for even three months if their source of income were to disappear." People of color do not have the assets to take the risk of entrepreneurship, to quit their jobs, and bet on a new idea.

Another paper by Erik G. Hurst and Benjamin W. Pugsley suggests that people who own businesses often make less than they would if they were externally employed, but choose to

own their own businesses because of non-pecuniary factors, including wanting to be their own boss, flexibility, and following their passions. Therefore, “owning a business [could be considered]...a relative luxury good.” Because choosing to start your own business might mean lower career earnings, those with less wealth accumulated may be dissuaded from starting their own businesses. Their priorities can be more focused on career choices that weigh pecuniary advantages over lifestyle ones.

Research suggests a variety of reasons why different racial groups become entrepreneurs at different rates. Some researchers cite the continuing impact of slavery on black Americans’ ability to accumulate wealth. One paper by Vicki Bogan and William Darity, Jr. proposes that “many immigrants have resources (not available to native non-Whites) that facilitate entrepreneurship.” In fact, the authors conclude that, during the period of time they studied (1910–2000), black immigrants “maintain higher rates of self-employment than native Blacks.”

Wealth accumulation has been shown to impact who becomes an entrepreneur, primarily due to the importance of startup funding. As we continue to encourage underrepresented groups, including people of color, to become entrepreneurs, it is important to better understand and mitigate the underlying economic factors that make it harder for them to enter and compete in the entrepreneurial landscape.

INVESTING IN MINORITY ENTREPRENEURS: AN ECONOMIC IMPERATIVE FOR THE UNITED STATES

A Growthology blog post

By Melissa Bradley

The presence of minority businesses is no small data point.

According to the National Minority Supplier Development Council, minority businesses produce more than \$400 billion in annual revenue and actively employ, either directly or indirectly, more than 2.2 million people.

Additionally, minority-owned businesses contribute close to \$49 billion in local, state, and federal tax revenues. This translates to the contribution of more than \$1 billion per day in revenue to the United States.

These business owners have the potential to create more jobs and revitalize distressed communities. The predicted demographic shifts of “minority to majority” will create a need for the ‘new majority’ to be economic drivers to the economy in order to preserve the U.S. standing as a market leader and producer.

The recommended interventions are not based on charity. The need to dramatically increase investment in minority entrepreneurs is vital to the survival of the U.S. economy.



Why Do Minorities Start Businesses?

Many members of minority communities create businesses as a last resort. Locked out of traditional jobs due to the lack of access to social capital, poor educational systems, broken transportation systems, and/or systemic racism, these entrepreneurs create businesses out of necessity.

Whether full-time or part-time entrepreneurs (via “gigs”), these minority business owners see this independent revenue generation opportunity as a primary means of income.

Current State of Minority Enterprises

The positive impact of minority businesses can be seen at the national and local levels. In 2014, Rahm Emanuel noted that “one half of all new businesses [in Chicago] every year are started by immigrants.”

More specifically, with Hispanics comprising 29 percent of the city’s population, they own about 22,000 businesses, or 9 percent of all businesses in Chicago. In Illinois from 2002 to 2007, Hispanic businesses grew almost four times the rate of all other business owners in the state. This is no small feat.

Barriers to Access

Despite the rise in minority businesses, they still lag significantly when it comes to access to capital.

Minority entrepreneurs made up just 8.5 percent of the people pitching their businesses to angel investors in the first half of 2013, according to a report by the University of New Hampshire’s Center for Venture Research. This lack of access to capital is historical and well documented.

And, while not all businesses can be high growth, this lack of access to capital trickles down to bank loans and lines of credit. Due to lack of locally based financial institutions, good credit, and financial literacy, minority entrepreneurs are locked out of debt and equity capital.

Moreover, without access to well-capitalized social networks, they also are locked out of friends and family rounds, as well. If minority businesses are still having an impact with disinvestment, imagine what can be accomplished with targeted interventions.

Potential Solutions

As a minority entrepreneur and investor, I have seen a few strategies and tactics that work and should be advanced in order to save the economy.

- **Create access to new social networks.** Leveraging technology, but also disrupting traditional networks, institutions need to invest in new social networks. Credit Suisse has created a new business strategy called New Markets. By selecting and supporting women, minority, and LGBT entrepreneurs, they are building internal and external networks among and within marginalized entrepreneur groups to build social capital and goodwill. Credit Suisse recognizes that an investment in these emerging entrepreneurs now will have significant social and financial return as their businesses grow.
- **Pursue alternative credit score models.** To increase access to capital, it is important to help minority entrepreneurs establish credit and “extend credit responsibility.” In April of this year, Equifax Inc. and LexisNexis Risk Solutions announced the provision of alternative data for a new score, including payment history on utility bills, cable bills, and cell phone bills. This new score is expected to affect more than 15 million previously unscorable consumers.
- **Reauthorize and scale existing policy levers.** Currently, historical policy decisions like the Community Reinvestment Act and, more recently, New Market Tax Credits have

been instrumental in unlocking capital for marginalized communities and, in turn, marginalized entrepreneurs. It will be important to make these legislative actions permanent and not be subject to reauthorization and the polarization of politics. If it is working, don't mess with it.

- **Expand the “impact” of impact investing.** As impact investing has become almost the norm, the increased interest often is driven by the successes of investment in the Bottom of the Pyramid (BoP) communities in developing countries. What if impact investing looked the BoP communities in the United States? As the definition of impact becomes concretized and less nebulous, it will be important to include the investment in minority communities as a core part of environmental, social, and corporate governance (ESG) and impact investing metrics.
- **Develop a pipeline for minorities to access professional education programs.** As more women attend MBA programs, we recognize the positive benefit to the female students and to the institutions they attend. As the cost of professional education skyrockets, it will be important to create pipeline opportunities to support communities of color in accessing the intellectual and social capital that exist on elite university campuses, along with access to technology and invaluable team members and co-founders.

Need for Change

Understanding and supporting the needs of minority entrepreneurs is not just a moral imperative, but an economic one as well. According to the U.S. Census Bureau, the minority population is expected to rise to 56 percent of the total population in 2060, compared with 38 percent in 2015. This growth, coupled with the fact that minority-owned businesses have increased more than 50 percent over the last decade, means that the future economic growth of America will include this burgeoning group. Business policies and investments will need to be much more diverse than they are now to support America as an economic leader and driver in a global economy.

LEFT BEHIND? THE NEW GENERATION OF LATINO ENTREPRENEURS

A Growthology blog post

By Emily Fetsch

Latinos are steadily emerging as a growing influence on American society and its economy. Today, one in six people in the United States is Latino. The U.S. Census Bureau estimates that, by 2060, one-third of Americans will be Latino. Accordingly, Latino Americans will play an increasingly important role in the American economy. By 2020, an IHS Global Insight study estimates that Latinos might account for 40 percent of U.S. job growth.

The number of Latino American entrepreneurs has risen substantially in the recent past. In the course of two decades, Latino entrepreneurs have tripled and, by 2012, nearly one in ten Latinos were engaged in entrepreneurship. This resulted in more than 3 million Latinos owning small businesses in 2013. According to the 2013 Kauffman Index of Entrepreneurial Activity, the representation of Latinos as new entrepreneurs is driven by their increasing population, as well as their rising rate of entrepreneurship.

Despite the impressive growth of Latino American entrepreneurs, some problems still affect this growing demographic, including lack of assets, high failure rates, and being more likely to be low-income despite entrepreneurial efforts.

First, Latinos have lower median incomes compared to the median household income of all Americans. In addition, the median family wealth for Latinos is one-tenth of the median wealth for white Americans. The median Latino family has \$13,730 in wealth, compared to \$134,230 for the median white family. Finally, less than half of Latinos are homeowners, while the national average is 65 percent. This lack of capital and assets can impair an entrepreneur's ability to invest in and grow a startup business.

After Latino entrepreneurs overcome the financing barrier to start businesses, they still face additional challenges. First, Latino-owned firms are more likely to have higher failure rates. In addition, they are more likely to be low-income than are entrepreneurs overall. Latinos comprise 17 percent of the low-income population and nearly 24 percent of low-income entrepreneurs. The concentration of low-income entrepreneurs among Latinos results in an income disparity between white and Latino entrepreneurs. In 2012, Latino American entrepreneurs earned 43 percent less than their non-Latino counterparts.

A recent report by the Goldwater Institute discusses the financial disparity between Latino entrepreneurs and entrepreneurs overall:

“Though clearly the second-most-dominant group in terms of total number of low-income entrepreneurs, they are only the third-largest group in the general population. In fact, the share of low-income entrepreneurs that are Hispanic is over 2.5 times the share of Hispanics in the general population. Thus, on average, any public policy that inhibits entrepreneurship opportunities for low-income workers by definition will likely burden Hispanics more heavily than other ethnic or racial categories.”

The concentration of immigrants among Latinos helps explain the propensity toward low-income entrepreneurial ventures. Among U.S. Latinos, 35 percent are immigrants. In 2012, one in ten Mexican immigrants was self-employed which, considering the potential barriers facing the immigrant community, including language barriers and access to financing and capital, is

astounding. A Kauffman study has found that immigrants are almost twice as likely to be entrepreneurs compared to native-born Americans. However, nine in ten immigrant entrepreneurs are low-income entrepreneurs.

Latino American entrepreneurs will help define the entrepreneurial landscape in the decades to come. Entrepreneurship support organizations would benefit from further investigation to better understand what attracts Latino Americans to entrepreneurship. In addition, more examination is needed to address the specific challenges facing Latino American entrepreneurs, including the lack of capital, high failure rates, and the likelihood of being low-income entrepreneurs.

EXPANDING LATINO ENTREPRENEURSHIP RESEARCH

A [Growthology blog post](#)

By Derek Ozkal

Latino entrepreneurship is a vastly understudied area, but one that my colleague Emily Fetsch has looked at [previously](#). Earlier this spring, I was fortunate to attend the first [Stanford Latino Entrepreneurship Initiative](#) (SLEI) Academic Conference. The SLEI, a collaboration between the [Latino Business Action Network](#) (LBAN) and Stanford University, says Latino entrepreneurship covers a very diverse set of individuals and firm types. Backgrounds, business models and available financing vary greatly—as do the challenges and opportunities of Latino entrepreneurs depending on geographic location. These insights are key as we think about the level, focus and scope of appropriate government economic policy to strengthen Latino entrepreneurship.

Diverse topic and research

Toward this goal, SLEI convened a group of prominent Latino entrepreneurship researchers to discuss the components that help create successful Latino businesses. The researchers approached the topic from a wide variety of perspectives. Some looked at Latino entrepreneurship from a national perspective, while others focused on in-depth case studies of specific locations such as Florida or Texas.

State of Latino Entrepreneurship Report

In order to capture the current state of Latino entrepreneurship and research on the topic, the SLEI created the [State of Latino Entrepreneurship Report](#) using a cleaned database of more than 1.4 million Latino-owned businesses (LOBs). This database was carefully constructed using several commercial databases to create a robust dataset.

From this list, an initial group of business owners agreed to be surveyed. The two survey panels (1,831 and 368 Latino business owners) represent one of the largest statistically significant panels on LOBs to date. The whole report is worth a read, but I want to summarize just a few of the key findings below:

- As the Latino population rapidly grows, this translates into a similar growth in LOBs.
- Sales for LOBs are typically much less than non-Latino owned businesses. If all sales were equal, then \$1.38 billion would have been added to the economy.
- LOBs have diverse customers and operate in a wide range of industries.
- Market opportunity is not a key motivation for most Latino entrepreneurs surveyed. Instead, most are motivated by internal, non-economic factors.
- The report cites awareness of capital and financing options (such as the Small Business Administration) as an area for improvement.

I encourage you to learn more about this topic by connecting with the [SLEI here](#).

FOUR WAYS TO SPUR NATIVE AMERICAN ENTREPRENEURSHIP

A Growthology blog post

By Emily Fetsch

This is the final blog post in a series on Native American entrepreneurship: the background, the challenges, and the potential solutions. Review the previous posts, which outline the background and the challenges, including the challenge of financing.

Entrepreneurship is a challenging venture with numerous obstacles. As outlined in previous posts, Native American entrepreneurs face many of the barriers encountered by entrepreneurs on a broad scale.

But research suggests that, for Native Americans, especially on reservations, “the challenges to starting a business may be greater by virtue of their more-isolated geographic locations and the associated lack of available resources.”

However, research has helped shed light on areas where changes could be made to create an environment where entrepreneurship can be more successful for the Native American population.

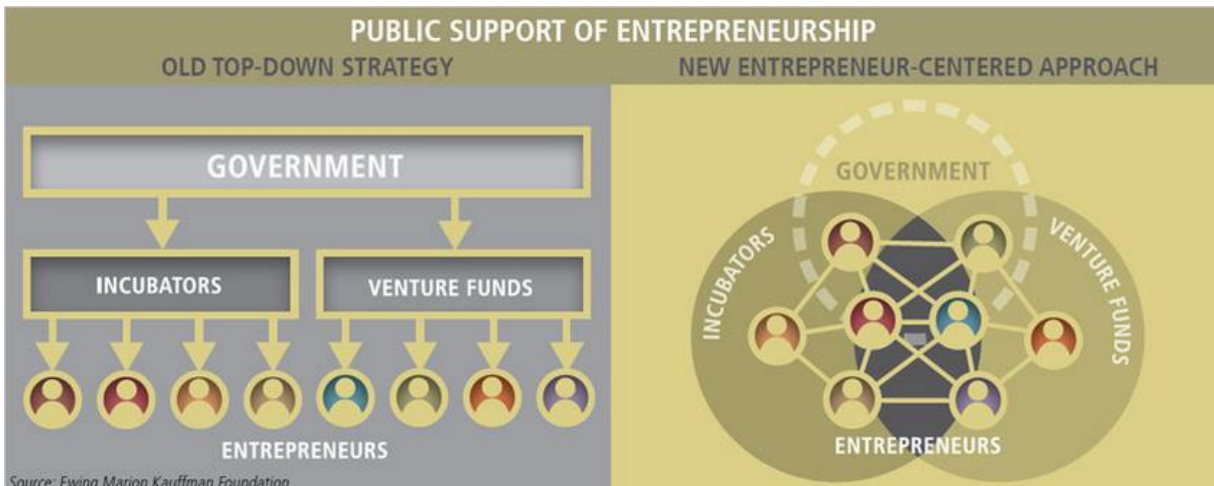
Independent Management for Entrepreneurial Ventures

Research has shown that political sovereignty increases the chances of successful economic development on reservations. In fact, research has shown that sustainable economic development is not “dependent...on economic factors such as education or natural resources or location.”

Instead, sustainable economic development benefits from self-rule, capable institutions of self-governance, cultural match (that institutions “fit indigenous conceptions of how authority should be organized and exercised”), and strategic orientation.

However, entrepreneurial sovereignty also is important to success. Research shows that tribal enterprises are more profitable when they have independent management, rather than council-controlled management. Independent management of tribal enterprises is nearly five times more likely to be profitable than council-controlled tribal enterprises.

Kauffman research has found that top-down approaches do not work best to promote entrepreneurial activity. Instead, an entrepreneur-centered approach is recommended, where the government still plays a supportive role, but avoids dictating specifics.



Consistent Regulation

Along with greater independence among entrepreneurs to begin their entrepreneurial ventures, reservations also should rethink how they regulate businesses. A [survey of small business owners nationwide](#) shows they believe “the keys to a pro-growth environment are ease of compliance with tax and regulatory systems and helpful training programs.” While many local governments vary in their regulatory processes, entrepreneurship benefits when the process is clear, consistent, and streamlined.

As mentioned in a [previous blog post](#), research shows that “small business owners are less likely to start or expand their businesses if they think the rules of the game might change at any moment.” When tribal governments fail to provide consistent, uniform regulatory requirements, they disincentivize prospective entrepreneurs from starting businesses. While all reservations, their governance, and their regulatory environment are unique, reservations can benefit from reworking their regulatory processes to be more entrepreneur-friendly.

Educate Financial Players

In my last [blog post](#), I focused on the specific financing challenges facing Native American entrepreneurs. Some of these challenges are barriers that face entrepreneurs more broadly, while others are specific to the Native American community. Challenges include the lack of assets or credit from which to begin an entrepreneurial venture, the lack of financial institutions both on the reservation and within geographic proximity, and the lack of knowledge about reservation communities among these financial institutions.

In the words of one study, which focuses on [Native American entrepreneurship in South Dakota](#):
 “For relationships between mainstream financial institutions and Native entrepreneurs in reservation communities to develop and expand, it is critical that mainstream financial institutions familiarize themselves with the unique barriers for Native entrepreneurship, the special capital needs of Native entrepreneurs, [and] Tribal business development regulations.”

The paper suggests solutions for how to increase awareness that may improve financial institutions’ ability to transact business with Native Americans entrepreneurs. These include

outreach to improve financial literacy among Native Americans. It also would be beneficial to expand knowledge of the Tribal regulatory environment among financial institutions located near reservations.

Highlight Stories of Successful Native American Entrepreneurs

Finally, the entrepreneurial community should raise up examples of individual Native Americans, as well as reservations that have achieved entrepreneurial success. While Native Americans are less likely than Americans overall to begin entrepreneurial ventures, that does not mean there are not many Native Americans who have started their own businesses or reservations that have developed strong entrepreneurial ecosystems.

Entrepreneurs can teach and learn valuable lessons from each other when they share success stories. Success stories educate people about the entrepreneurial influence of the Native American population. In addition, within the Native American population, hearing stories of fellow Native Americans that have found success through starting their own businesses can help inspire others within the community to consider entrepreneurship as a career path.

As mentioned in a previous blog post, people who know entrepreneurs are more likely to become entrepreneurs. In addition, experienced entrepreneurs serving as mentors are an important part of entrepreneurial success. If more people are aware of successful Native American entrepreneurs, more connections can be made that can build a network to connect mentors to aspiring entrepreneurs.

Entrepreneurship is an inherently risky venture. For certain populations, especially minorities, the many additional economic and social barriers that exist can make starting a business even riskier. For Native Americans in particular, there are unique challenges facing aspiring entrepreneurs. However, there are potential solutions that can help smooth the pathway on their road to entrepreneurship.