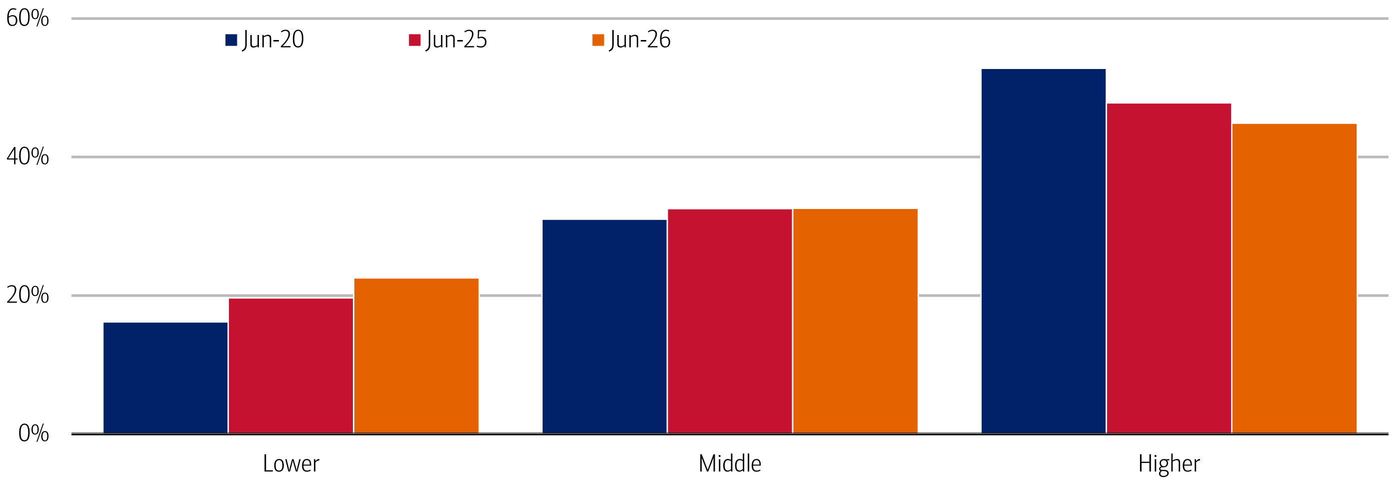
Daily Insights

The share of lower-income entrepreneurs has grown

28 July 2026

Lower-income households now account for one out of every four new business applications
Share of business applications by income (rolling twelve-month sum, %)



Source: Bank of America internal data

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Business formation is picking up, and a growing share of new founders are coming from younger and lower-income households. In fact, lower-income households now account for nearly one in four new business formations, up from just under one in five in June 2020, suggesting entrepreneurship is becoming more broadly distributed across the income spectrum.

One potential explanation is that new businesses may be able to get off the ground with leaner operating models than in the past. As AI becomes embedded in certain tasks, founders may be finding it easier to launch and manage businesses with fewer resources, potentially lowering some of the traditional barriers to entry.

Read more on shifting trends in A new generation of business formation.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and are generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The number of new business formations is proxied using aggregated and anonymized Bank of America payments data based on household debit and credit card data, small business credit card data and check data. Potential business formation activity is identified through customer payments to Secretary of State offices and other entities related to business formation activities (e.g., "Division of Corporations") associated with LLC registration activity during the month. This measure is intended to serve as a proxy for business formation activity and would not necessarily capture all business types or legal structures. This would also not capture any third-party payments towards a new business formation.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

The 2026 Small Business Credit Survey was fielded from September 3 to November 14, 2025. It yielded 6,525 responses from a nationwide convenience sample of small employer firms with 1–499 full- or part-time employees across all 50 states and the District of Columbia. This report includes findings about the performance, challenges, and credit-seeking experiences of businesses across the United States.

Generations, if discussed, are defined as follows: Gen Z, born after 1995; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomer: 1946-1964; Traditionalists: pre-1946.

Additional information about the methodology used to aggregate the data is available upon request.

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Disclosures