States With the Most Successful Entrepreneurs

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Being your own boss can be exhilarating — and risky. An entrepreneur is defined as a solo business owner, which means you reap most of the rewards if successful but shoulder all the downside if your startup fails to get off the ground.

It's a high-wire act, and one that requires significant capital. Yet entrepreneurs have access to money streams beside their own liquidity. Partners, venture capital and angel investors, hedge funds, crowdfunding, and bank loans can provide the seed funding. Small business loans through the Small Business Administration are also available.

A Cato Institute report notes startup formation declined in 2020 as the pandemic slammed many small and upstart businesses. Yet the decline in startups has been on a downward trajectory since the early 1980s. The startup rate dropped from more than 10% in the early 1980s to 8% in 2018. In 2020, small business revenues and the number of small businesses operating slumped by 30% compared to the previous year.

The report argues states should ease up on regulations to boost entrepreneurial startups. It lists Georgia, South Dakota, North Dakota, Colorado, New Hampshire, Kansas, Indiana, Wyoming, Utah, and Ohio as most welcoming to entrepreneurs. Conversely, Rhode Island, Oregon, Nevada, New York, West Virginia, Washington, Hawaii, California, New Jersey, and Connecticut put up the highest barriers. (Here's how every state ranks for starting a business in 2021.)

To identify the states with the most successful entrepreneurs, 24/7 Wall St. developed an index based on several indicators measuring venture capital activity, patent activity, and earnings for self-employed workers, using data from PitchBook-National Venture Capital Association Venture Monitor third quarter report, the U.S. Patent and Trademark Office, and the Census Bureau.

Despite the Cato Institute's citing California as a high-barrier state, the Golden State ranks as No. 1 on the list as the state with the most successful entrepreneurs. The average venture capital deal hit a whopping $22 million, with state's entrepreneurs granted the most patents.

This is likely not surprising considering California is home to Silicon valley among other tech and business centers. Entrepreneurs are apparently willing to navigate the state's regulatory hoops and ladders to gain access to its technology hubs, large workforce, and consumer base. (<u>These are large cities where starting a business is worth the risk</u>.)

Similarly, It is not surprising to find Massachusetts, a biotech hub, and Washington – home to Amazon, Microsoft, and more – in the top five. Nor is it surprising to find New York, which boasts the world's financial capital in New York City, and New Jersey – home to several giant pharmaceuticals like Johnson & Johnson, Pfizer, and Merck – in the top 10. Often, large companies encourage innovation and entrepreneurial spirit and themselves invest in startups.