



STATEMENT FOR THE RECORD

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Before the U.S. House Committee on Small Business

Hearing: "AI on Main Street: How AI Is Shaping the Future of Small Business"

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The Association for Enterprise Opportunity (AEO) respectfully submits this statement for the record of the Committee's hearing on how artificial intelligence is shaping the future of small business.

AEO's central message is straightforward: the smallest businesses may have the most to gain from AI—and face the greatest constraints to making it work.

At a time when policymakers are considering how artificial intelligence will shape America's economic future, it is essential that the conversation include the millions of entrepreneurs who collectively comprise the overwhelming majority of U.S. businesses.

America's smallest firms have always had to do more with less. A corner shop, home-based childcare provider, restaurant owner, independent contractor, or solo operator may handle customers, marketing, compliance, finances, and operations with little or no staff support. Generative AI can help draft communications, prepare documents, analyze information, support planning, and reduce time spent on repetitive administrative work. For an owner already stretched across every business function, even modest gains in time and capacity can matter.

But access to a tool is not the same as the capacity to use it effectively. The businesses for which AI could function as the greatest capacity multiplier often have the least time to experiment, the weakest digital infrastructure, and the fewest opportunities to receive hands-on guidance. Whether AI narrows or widens gaps on Main Street may therefore depend less on the technology itself than on how effectively the small business support ecosystem helps owners put it to work.

About AEO and the Research

For more than 30 years, AEO and its member and partner organizations have worked to expand opportunity for underserved entrepreneurs and microbusinesses. AEO conducts research to understand the experiences of nonemployer, small, and microbusiness owners and to improve the flow of capital and services to the entrepreneurs who are most likely to be overlooked.

This statement draws on AEO's analysis of the 2025 Entrepreneurship in the Population Survey (EPOP:2025), conducted by NORC at the University of Chicago. EPOP:2025 is a nationally

representative, probability-based survey of U.S. business ownership. AEO developed and funded survey items on generative AI use, use cases, perceived impacts, and digital confidence. The analysis focuses on owners of businesses with fewer than 10 employees—the Main Street layer that represents 96.5 percent of all U.S. firms.

The survey measures whether owners knowingly report that their businesses are currently using generative AI. It does not attempt to count every AI-enabled feature embedded in software such as email, accounting, or writing platforms. The estimates should therefore be read as a measure of intentional, conscious use of generative AI and likely represent a floor rather than a ceiling.

AI Is Reaching Main Street, but Unevenly

About one in eight microbusiness owners—13.5 percent—reported currently using generative AI in 2025. Among very small employer firms, adoption doubled in one year, rising from 9.5 percent in 2024 to 20 percent in 2025. This growth shows that AI is no longer confined to large or technology-intensive businesses.

Yet the headline number conceals a sharper divide. Only 8.4 percent of solo operators reported current use, compared with 20 percent of firms with one to nine employees. The difference remains after accounting for demographic and business characteristics. This matters because solo operators are not a marginal group: they represent 83.7 percent of all U.S. businesses.

The largest layer of Main Street is therefore also the least likely to have crossed the threshold into AI adoption.

The Main Barrier Is Relevance, Not General Technical Confidence

The solo-operator gap does not appear to be driven primarily by a lack of interest or by greater difficulty keeping up with technology. Among nonusers, plans to adopt AI within the next year are also similar across solo and employer firms.

What most clearly separates the groups is perceived relevance. Nearly one in three solo operators—32 percent—say AI is not relevant to their work, compared with 21 percent of small employer firms. The practical challenge is therefore not simply persuading owners that AI is important. It is helping them see where the technology fits into work they already do.

Use patterns reinforce this point. Among current AI users, small employer firms are far more likely than solo operators to use AI for internal operations and administration—89 percent versus 51 percent—while the two groups report much more similar use for communications, marketing, creative work, and design. Solo operators are using AI, but not always in the areas where it may have the greatest potential to relieve administrative burden.

This is why generic awareness campaigns are unlikely to be enough. A solo contractor may not recognize the relevance of a broad demonstration about content generation, but may see immediate value in a workflow that helps prepare customer follow-up, organize tax documentation, summarize notes, draft estimates, or maintain recurring administrative processes.

Digital Readiness Is the Clearest Pathway to Adoption

The strongest adoption divide identified in AEO's analysis is not demographic. It is whether a business has any online presence at all.

Only 2.8 percent of microbusiness owners with no website or social media presence reported currently using AI, compared with 19.3 percent of those with an online presence—a nearly sevenfold difference. The gap persists after accounting for education, geography, industry, income, demographics, and digital confidence. Among otherwise comparable owners, predicted adoption probabilities are 8.3 percent for businesses without an online presence and 23.2 percent for digitally connected businesses.

The divide extends across the adoption pipeline. Among current nonusers, 14.8 percent of owners with an online presence plan to adopt AI within the next year, compared with only 4.3 percent of owners without one. Businesses that lack basic digital infrastructure are also more likely to say AI does not apply to them.

This finding has direct implications for federal policy. AI readiness builds on digital readiness. For many businesses, the route to effective AI adoption begins with foundational capabilities such as establishing an online presence, digitizing records, using electronic payment and accounting tools, and developing basic cybersecurity practices. Treating AI assistance as separate from this broader foundation risks concentrating the benefits among firms that are already digitally connected.

When Owners Put AI to Work, Most Report Positive Results

Among microbusiness owners already using AI, 78.1 percent report a positive effect on the efficiency of their business processes, while fewer than 1 percent report a negative one. Fifty-five percent report increased productivity, and roughly one-quarter report decreased workload.

The benefits are especially concentrated among solo operators. Ninety-two percent of solo AI users report a positive impact, compared with approximately seven in ten employer firms. For an owner with no one else to share the load, AI may function less like an incremental productivity tool and more like a first source of additional capacity.

These findings do not mean that every tool is appropriate for every task, or that AI can substitute for professional expertise, employees, financing, or trusted human advisors. They do show that owners who find relevant use cases are often obtaining meaningful value.

Early Adopters Are Often the Most Stretched, Not the Most Comfortable

A common assumption is that early technology adopters are the firms with the most resources and the fewest constraints. AEO's findings suggest a more complicated pattern.

AI users report greater operational challenges than nonusers across several domains. They are more likely to report difficulty doing taxes, establishing an online presence, finding customers, and accessing capital. Yet users and nonusers report nearly identical average confidence across a composite of 12 digital technologies—2.26 versus 2.19 on a three-point scale.

This is not a portrait of owners adopting AI from a position of comfort. Many appear to be operating under pressure and searching for practical ways to extend capacity. The tasks where use concentrates—documentation, content creation, planning, and data analysis—map closely onto services that very small firms often cannot afford to hire out.

The demographic profile also complicates a simple story in which the most advantaged owners move first. Latino microbusiness owners reported current AI use at 24.8 percent, compared with 10.3 percent among white owners, and the difference persisted after accounting for education, income, online presence, industry, and other business characteristics. Black owners showed a similar directional pattern, although subgroup estimates should be interpreted cautiously. These findings underscore that underserved entrepreneurs should not be approached only through a deficit lens; some are already leading experimentation and can help shape peer-based models of adoption.

Priorities for Congress and the Small Business Support Ecosystem

The appropriate policy response is not simply to increase AI awareness. It is to help owners move from curiosity to practical application, especially in the operational areas where limited time and capacity are most acute. AEO recommends six priorities.

1. Prioritize operational use cases over generic AI education. Federal small business initiatives should begin with concrete business problems—customer communications, business planning, tax preparation, compliance, documentation, and recurring administrative workflows. Demonstrations should show how AI applies to the work owners already perform, not merely introduce popular tools.

2. Treat digital readiness as the foundation for AI readiness. Investments in websites, social media presence, digital records, accounting and payment systems, and cybersecurity remain among the highest-leverage AI interventions available. AI programs should connect to, rather than bypass, the foundational digital-capacity work already undertaken by business support organizations.

3. Pair demonstrations with hands-on workflow integration. How AI is used may matter as much as whether it is used. Owners need assistance turning one-time experimentation into repeatable, reviewed workflows. Congress should support the capacity of trusted intermediaries—including CDFIs, Small Business Development Centers, Women's Business Centers, Minority Business Development Agency Business Centers, chambers of commerce, and nonprofit entrepreneurial support organizations—to provide one-on-one implementation assistance, not only webinars or static resource libraries.

4. Target solo operators and businesses without an online presence. These groups represent both the largest adoption gaps and a large share of the U.S. business population. Broad, untargeted programs are likely to reach the businesses already closest to adoption. Future investments should intentionally include firms that are least digitally connected and most likely to view AI as irrelevant.



5. Scale peer-led demonstrations and practical safeguards. Because perceived relevance is a central barrier, examples from similar businesses may be more persuasive than expert instruction alone. Peer networks should be paired with clear guidance on human review, accuracy, confidential business information, data privacy, and when a task should not be delegated to an AI system.

6. Measure adoption, use, and outcomes over time. Success should not be measured only by the number of trainings delivered or accounts created. Programs should track whether owners save time, reduce administrative burden, improve customer service, strengthen decision-making, or achieve other durable business outcomes. Continued representative data collection is also essential because both the technology and the adoption landscape are changing rapidly.

Conclusion

The policy question is not whether AI will reach Main Street. It is whether the smallest businesses will be left to navigate the transition alone or will have the digital foundations, trusted support, practical guidance, and basic safeguards necessary to benefit.

The smallest firms do not need simplified versions of broad claims about AI. They need help connecting the technology to real business problems, determining where it adds value, and building workflows that preserve human judgment. With the right support, AI can extend the capacity of businesses that have historically operated with the fewest resources. Without it, AI adoption may reinforce existing differences in infrastructure and opportunity.

AEO appreciates the Committee's attention to this issue and urges Congress to place microbusinesses, solo operators, and underserved entrepreneurs at the center of the nation's small business AI strategy.

On behalf of AEO's national membership and the millions of entrepreneurs they serve, thank you for the opportunity to provide this statement for the record.

Respectfully submitted,

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Source Notes

1. Association for Enterprise Opportunity, The Main Street AI Paradox: The Smallest Businesses May Have the Most to Gain from AI—and Face the Greatest Constraints to Making It Work (2026). https://aeoworks.org/wp-content/uploads/2026/07/AEO_Main-Street-AI-Paradox_Brief_FINAL_DRAFT.pdf
2. All EPOP estimates cited in this statement reflect AEO's analysis of the Entrepreneurship in the Population Survey Project Restricted Use Data Files: 2025 and 2024, NORC at the University of Chicago, with survey weights applied. The analysis defines microbusinesses as businesses with fewer than 10 employees.

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3. AI adoption was measured by asking, “Is your business currently using generative AI?” Respondents were shown a definition of generative AI and could answer Yes, No, or Unsure. Unsure responses were treated as nonadoption. Because the measure captures intentional, self-reported use, it may not include AI embedded in other software that owners do not recognize as generative AI.
 4. The estimates that 96.5 percent of U.S. businesses have fewer than 10 employees and 83.7 percent are solo operators are AEO calculations using the 2023 U.S. Census Bureau Annual Business Survey and Nonemployer Statistics.
 5. The 12-point difference in current AI use between solo operators and small employer firms is statistically significant and persists in multivariate analysis. The difference in the share saying AI is not relevant—32 percent versus 21 percent—is also statistically significant ($p = 0.015$).
 6. Digital-readiness estimates compare businesses with any website or social media presence with those reporting neither. Adjusted probabilities account for demographics, education, geography, industry, income, and digital confidence.
 7. Latino owners’ adjusted probability of current AI use was estimated to be 11.4 percentage points higher than that of otherwise comparable white owners ($p = 0.049$; $n = 526$). Estimates for Black owners were directionally similar but less precise in the full model and should be interpreted with caution.
 8. The EPOP survey instrument and public-use documentation were developed and administered by NORC at the University of Chicago. AEO developed and funded the microbusiness survey items on generative AI use, use cases, business impacts, and digital confidence.