



A Survey of Small Business Owners in 11 Markets:

Insights into Latino and Immigrant Entrepreneurship

Introduction

The National Association for Latino Community Asset Builders conducted a survey of small business owners in 2016 to develop insights into Latino and immigrant entrepreneurs accessing small business development services through our member network.¹ Data documenting entrepreneur attitudes have been collected through the SBA, U.S. Census, and Federal Reserve, though few data sources speak to the specific habits and aspirations of Latino and immigrant entrepreneurs. Highlights from this survey of the NALCAB network illustrate:

- NALCAB members foster business and job creation in a wide range of industries, including healthcare, retail services, professional services, construction, and manufacturing, among others;
- Surveyed entrepreneurs are strongly oriented towards growth; 74% reported they expect their revenue to increase over the next 12 months;
- Surveyed entrepreneurs are hesitant to take on debt to finance their small business growth. This represents a significant market inefficiency given entrepreneur's immense desire for growth, but lack of quality loan products marketed to Latino and immigrant entrepreneurs.

These findings point to the impact of NALCAB and its member organizations, and suggests Latino and immigrant entrepreneurs present significant untapped potential as economic drivers and job creators.

¹ Data for this survey was collected from entrepreneurs in 11 urban and rural markets where NALCAB members provide small business development services.

It is important to understand the immense potential represented by Latino and immigrant entrepreneurs within the context of the present political reality. Since early 2017, policy changes and increased immigration enforcement have created uncertainty and fear within immigrant communities across the country, and have triggered a significant market disruption. There are grave concerns about how increased enforcement impacts family and social cohesion, and economic impacts are already being felt by entrepreneurs, who have seen a decline in consumption of their goods and services as their customers prioritize remittances to their home countries. Entrepreneurs are also less willing to take on debt or participate in asset building activities for fear of deportation, raising serious concerns about economic vitality in urban and rural communities where immigrants have played a key role in fostering vibrant economies. Asset building organizations are positioned to play a strong role in addressing the social and economic disruptions presented by changes in policy and immigration enforcement.

A Demographic Profile of Survey Respondents

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The NALCAB network consists of over 100 asset building organizations in over 40 states. Member organizations include small business lenders and technical assistance providers, whose culturally relevant services support entrepreneurs in overcoming barriers that would otherwise prevent their businesses from flourishing. One third of entrepreneurs surveyed were born in the United States, and the roughly 72% of immigrants surveyed come from 30 countries, with populations from North and South America, Africa, Europe, and Asia. NALCAB network members provide small business services to entrepreneurs who range in age from 23 to 82, with a median age of 44. Members serve slightly more female entrepreneurs (56%) than male (44%), and the average household surveyed is a family of four, with two adults and two children.

Though NALCAB's mission is to increase assets and build ladders of economic mobility in Latino communities, the impact of member organizations extends well beyond. Ethnically, 79% of survey respondents identify as Hispanic or Latino, and 21% as non-Hispanic or Latino. Racially, 29.9% of respondents identify as white alone, 13.6% identify as African American, 0.6% are American Indian and Alaskan Native, 38.5% are some other race alone, 8.6% two or more races, and 8.8% provided no response. Sixty-four percent of all respondents speak Spanish at home, with 30% speaking English, and

6% speaking Mandinka, French, and Russian or some combination. Within their businesses, entrepreneurs serve their clients primarily in English (52%), Spanish (36%) or a mix of these two (12%), and fewer than 1% speak French.

In many cases, entrepreneurs have an additional source of income to offset the risk of starting a business, though 37% state 100% of their household income comes from their small business. Eleven percent report 50% of their household income comes from their business, and an additional 9% state less than 10% of household income comes from their business. Thirty-two percent of households earn between \$25,000 and \$49,999, 19% earn between \$10,000 and \$24,999 and another 20% earn between \$50,000 and \$74,999. Five percent earn less than \$10,000 in household income, and 24% earn \$75,000 or more. Median revenue for small businesses was \$45,000.

The data in this survey show entrepreneurship is a choice available across a range of education levels. Forty-two percent of entrepreneurs surveyed hold either a college or advanced degree, 19% are high school graduates, and an additional 19% have some college experience but no degree. The remaining 20% have either some high school, but no diploma, or left formal education after middle or elementary school.

What Kinds of Small Businesses do Our Members Support?

There is pervasive assumption that Latino-owned businesses are either restaurants or construction contractors. This survey shows entrepreneurs defy stereotypes and establish businesses in a broad range of industries, including: healthcare, retail services, professional services, construction, and manufacturing, among others.

NALCAB members support small business owners who are integral contributors to place-making and the economic vitality of urban and rural communities. Thirty-two percent of all business owners surveyed are in brick and mortar locations along commercial corridors or a designated business district, with an additional 16% in shopping centers, mercados, farmer's markets, or in retail incubators. The remaining 52% either work from home, meet clients on-site, or operate online. The median age of small businesses reported in this survey is 5-years in business.

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The entrepreneurs surveyed are significant job creators, with respondents reporting a median of two full or part-time employees other than the owner. Respondents generally (54%) had the same number of full- and part-time employees over the last year, with roughly 34% reporting more employees than the year prior.

How do Entrepreneurs Think About Growth?

Perhaps the most stunning finding in this survey was entrepreneurs' immense expectations for growth. Forty-seven percent of business owners estimated their revenue had increased over the past year, and when asked about the coming year, the proportion of entrepreneurs anticipating increasing revenue shot up to 74%, with 88% indicating they plan to grow some aspect of their business. Most said specifically they hoped to increase sales, though many would also like to increase the number of products offer and hire additional employees.

While a desire for growth is clear, expectations for how to finance this growth are ambiguous. When asked whether the same entrepreneurs planned to seek financing over the next year, only 46% responded in the affirmative. There is a clear market inefficiency presented by business owners' immense desire to grow, and the hesitation to take on debt. Lack of formal credit, limited language skills, immigration status, and limited geographic accessibility to non-predatory lenders are all potential barriers to entrepreneurs seeking commercial loans. The small business development service providers and lenders in the NALCAB network play a significant role in mitigating the effects of these barriers and opening channels to higher volumes of accessible and affordable capital in immigrant and Latino communities.

Roughly 50% of entrepreneurs applied for financing the year prior. Most attempted to obtain business loans, with slightly fewer pursuing credit cards and business lines of credit. Intended uses of these funds included purchase of inventory and materials, purchase of equipment or vehicles, increasing cash flow, with slightly fewer respondents listing real estate purchase, rehab or construction, increasing employees, and paying down debt. Of denied applications, most entrepreneurs speculated a low credit score, a lack of credit history, weak business performance, or a lack of collateral as possible reasons for the denial.

Forty-seven percent of business owners estimated their revenue had increased over the past year, with 41% reporting a profit, and 39% break-even.



One of the principal ways NALCAB seeks to execute the goal of building ladders of economic mobility is to increase the flow of affordable capital to Latino communities.

How Can NALCAB Continue to Innovate to Support its Members?

Small Business Development is a pillar of NALCAB's programmatic work, and one of the principal ways NALCAB seeks to execute the goal of building ladders of economic mobility is to increase the flow of affordable capital to Latino communities. Small business development organizations in the NALCAB network serve a dual role in this process, providing loans to entrepreneurs, and development services to prepare clients to take on debt from traditional lenders. The low demand for financing reported by respondents to this survey, given their clear ambition toward growth is striking. There is clearly room to correct the market inefficiency this presents, and NALCAB members are particularly well-positioned to do so given the unique cultural barriers Latinos and immigrants face in establishing businesses and accessing capital. Moreover, in the current political environment Latino and immigrant serving organizations are anchors in their communities, and well situated to provide support hand in glove with asset building services with the broader goal of fostering small business and job creation in a wide range of industries, and economic vitality in communities across the country.