

Challenges Faced by Latino Immigrant Entrepreneurs

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Introduction

This publication provides an overview of some challenges faced by Latino immigrant entrepreneurs in Arkansas. Information is also provided about the type of businesses owned and some demographics of the entrepreneurs.

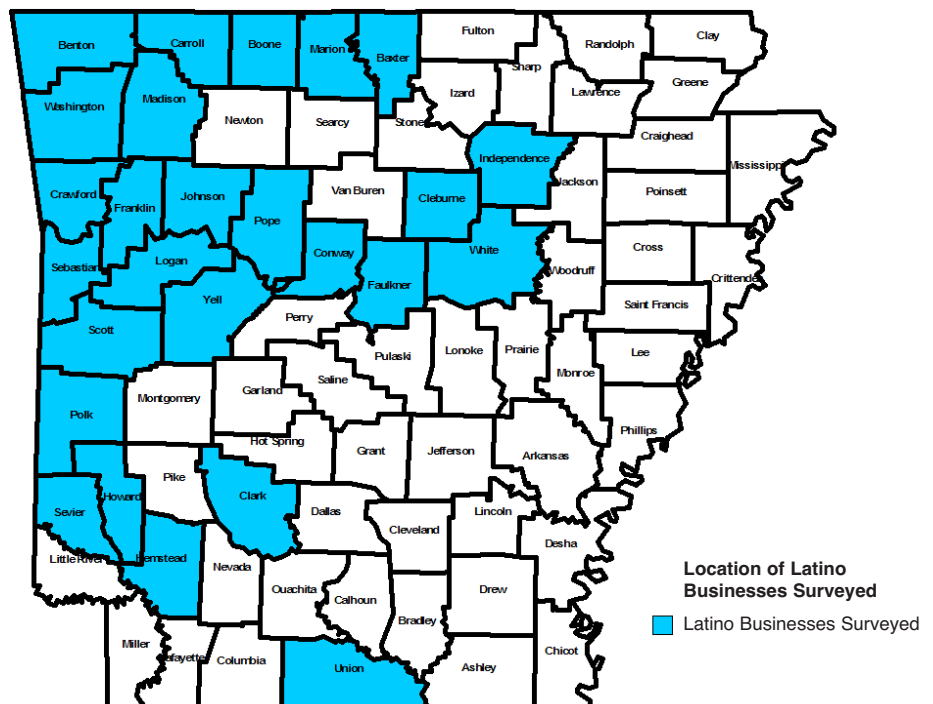
This information comes from a 2009 survey the University of Arkansas conducted among Latino immigrant business owners in 26 counties in western Arkansas. We wanted to determine what barriers they faced

when they opened a business in Arkansas and what additional information entrepreneurs could use to establish and grow their business.

This fact sheet presents some of the findings of the Arkansas Latino immigrant entrepreneurs' survey and describes:

- **Where they are from,** including their country of origin, rural or urban origin in their home country and where they lived in the U.S. before moving to Arkansas.

Figure 1. Location of Latino Businesses Surveyed



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- **Who they are**, including their age, gender and educational background.
- **What kind of business they have**, such as the number and types of businesses they have opened.
- **What challenges they face**, including barriers to entrepreneurship and information gaps.

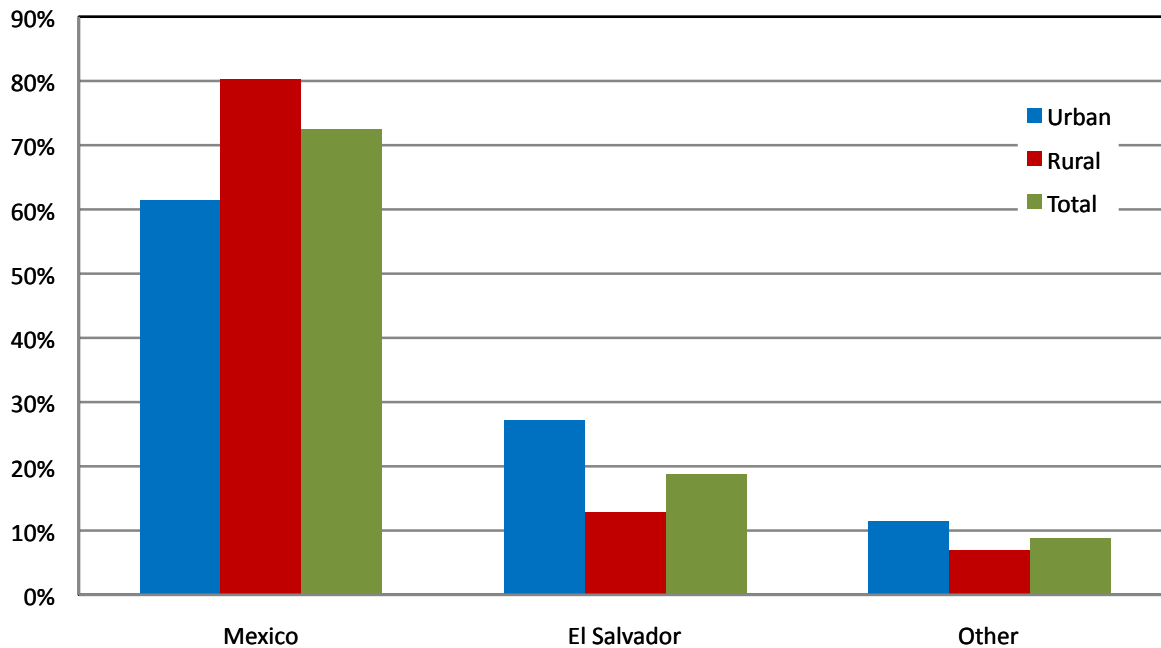
and about 20% are Salvadoran. The remaining participants are from other Central and South American countries.

- 60% are from urban areas in their country of origin.
- 23% came to Arkansas directly from their home country and 77% arrived here after living for some time in another U.S. state.
 - More than 50% of the participants who moved to Arkansas from somewhere else in the U.S. came from California.
- Most (68%) immigrated to be near family or friends.

Where Are They From?

Most of the Latino immigrant business owners who participated in our study are from Mexico. A little more than 70% of the participants are Mexican

Figure 2. Country of Origin



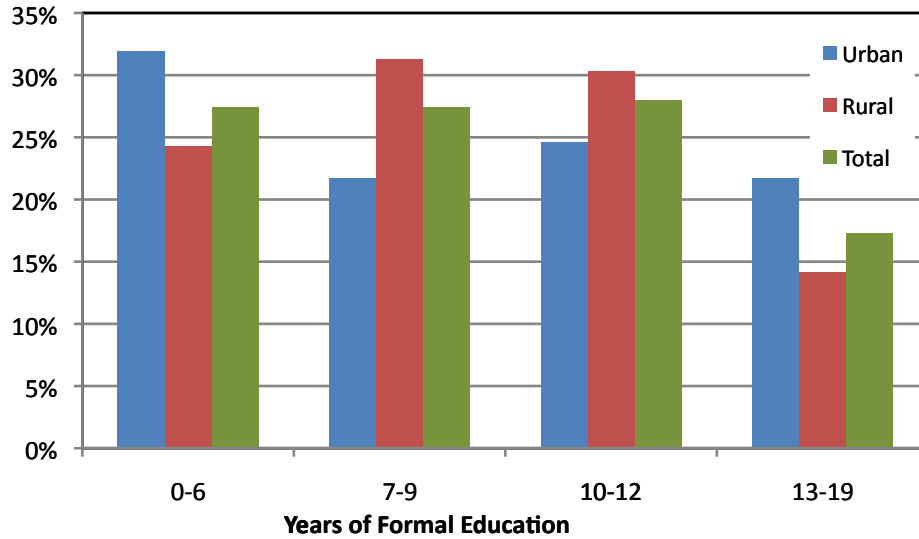
Who Are They?

A typical Latino immigrant entrepreneur from our survey is a male between 40 and 65 years of age with at least 9 years of formal education.

- 61% are between 40 and 65 years of age.
- Two-thirds have completed the U.S. equivalent of a high school education or higher in their home country (Figure 3).
- 17% completed preparatory or vocational training and 17% have some university education.

- Only 29% report entrepreneurial experience before opening their business in Arkansas.
- 41% report learning their business from family members, and only 12% report receiving formal business training.
- 33% of the businesses are owned by males.
- 27% of the businesses are owned by females.
- 23% are owned by married couples.

Figure 3. Formal Education

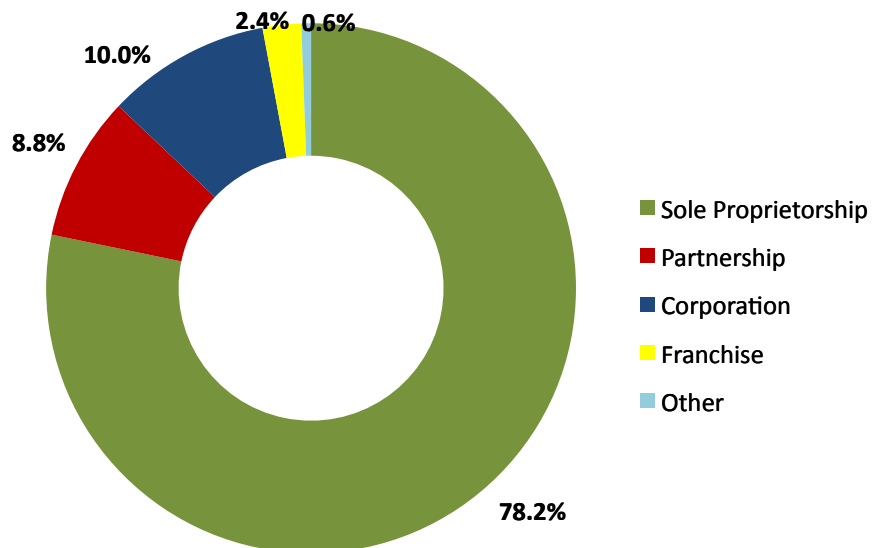


What Kind of Businesses Do They Have?

Our study shows that a typical Latino immigrant entrepreneur in Arkansas owns a privately funded, sole proprietorship and food-related business.

- 78% of businesses surveyed are sole proprietorships (Figure 4).
 - 9% are partnerships.
 - 10% are corporations.
 - 2% are franchises.
- 53% have been in business from 1 to 5 years, and 35% have been in business longer than 5 years.
- 70% of businesses are either retail trade (41%) or accommodation and food services (29%) (Figure 5).
 - 63% of the retail trade businesses are classified as food and beverage stores, and most of these are grocery stores.

Figure 4. Type of Business Ownership



- Over half (55%) of the businesses surveyed are food related (Figure 6).
 - This increases to 70% in rural areas.
- Non-food related businesses include other retail trade, construction, information and educational services, etc.
- 71% of business owners indicate that they service both Latino and Caucasian customers (Figure 7).
 - About an equal number say they serve only Latino (13%) or only Caucasian (13%) customers.

Figure 5. Business Classifications

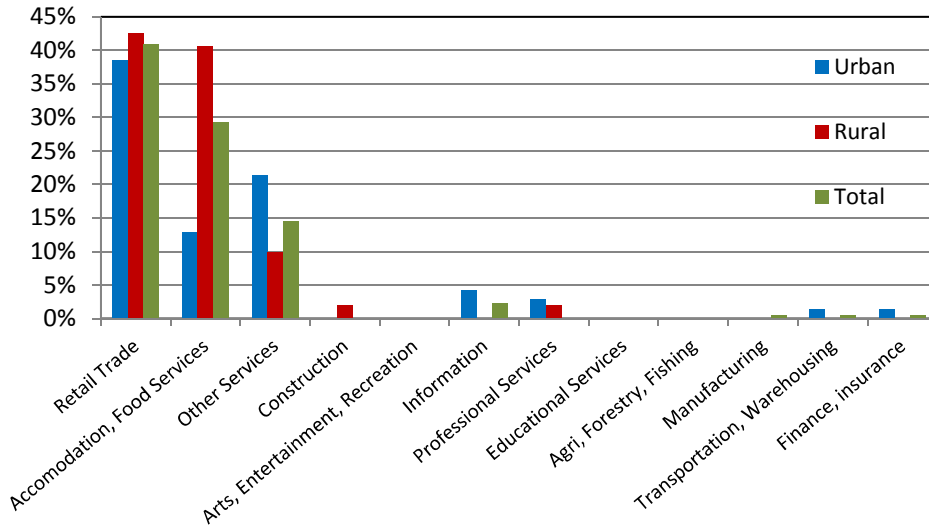


Figure 6. Retail Trade Businesses

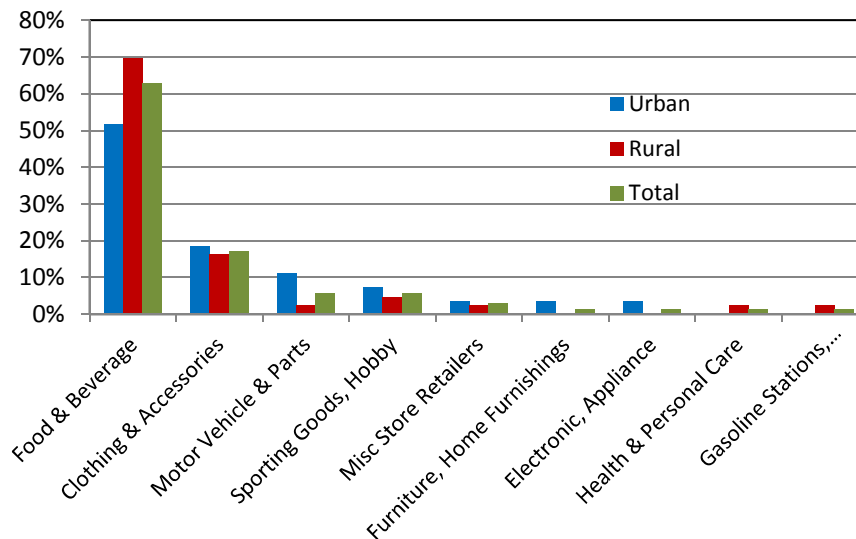
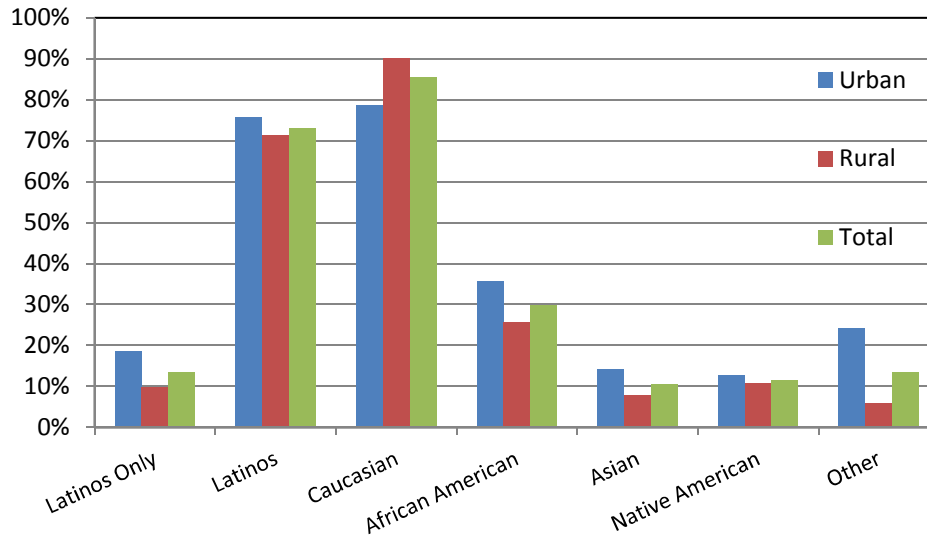


Figure 7. Customers



What Challenges Do They Face?

Latino immigrant entrepreneurs encounter some of the same barriers and challenges that everyone else does when establishing and operating a business. Insufficient start-up capital, understanding regulations, finding an appropriate location and advertising are the four major barriers identified by the entrepreneurs (Table 1). It is not surprising that 58% said that having insufficient start-up capital was a major barrier in starting their business (Figure 8). Most entrepreneurs (73%) used private savings to start their business, and only 22% obtained some of their start-up capital from bank loans (Figure 9).

The second major barrier was the lack of knowledge and understanding of the laws, taxes

and regulations pertinent to starting their business. Nearly one-third of the entrepreneurs (31%) indicated that this was either the first or second barrier. Finding an appropriate building in the right location and advertising were identified as major barriers by slightly more than one-fourth of the entrepreneurs interviewed.

One-half of the entrepreneurs indicated that they would have liked assistance in writing a business plan and understanding the licensing and the regulatory process (Table 2). One-third would like assistance in applying for loans, and almost one-fourth said they would like language classes or assistance.

Table 1. Barriers to Entrepreneurship

Barriers to entrepreneurship	No. 1 listed challenge	No. 2 listed challenge
Having enough start-up capital	42%	16%
Understanding laws, taxes and regulations	15%	16%
Finding and renting a location	12%	14%
Advertising	14%	13%

Figure 8. Latino Entrepreneurs' Barriers to Starting Their Business

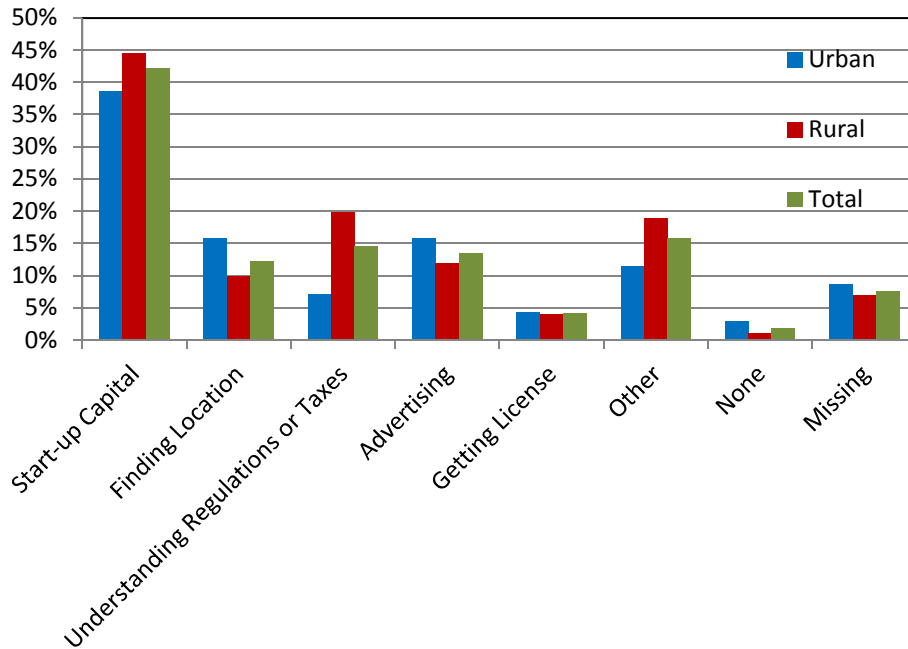


Figure 9. Sources of Start-Up Capital

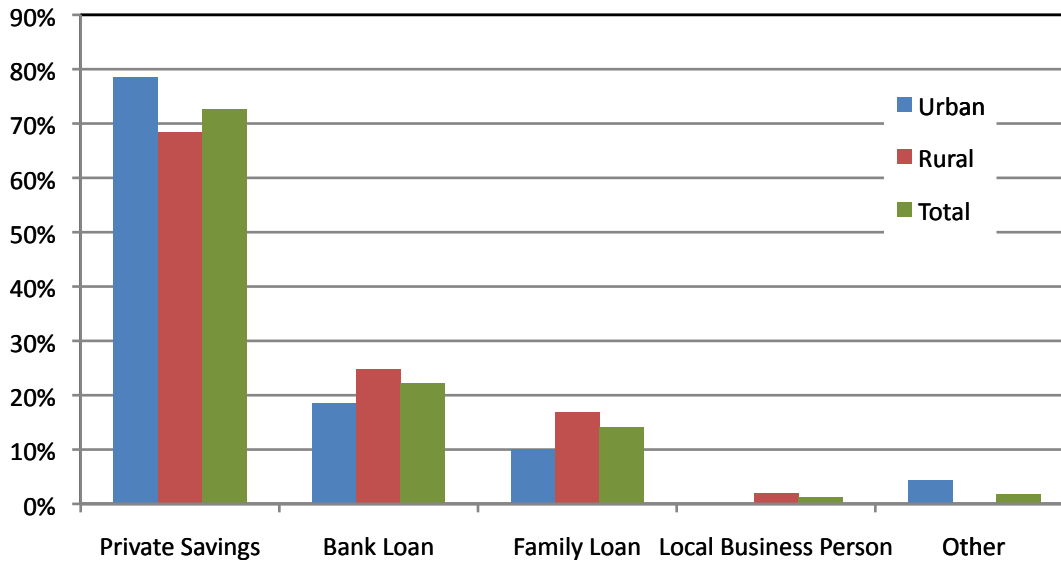


Table 2. Information Requested

Information requested	Entrepreneurs Requesting
How to write a business plan	49%
Help with understanding licensing or regulatory process	50%
How to apply for a loan	33%
Language classes or assistance	23%

Summary

Latino entrepreneurs play a vital role in maintaining and growing the local economy in which they live. They face many of the same barriers in starting and growing their businesses as do most entrepreneurs, which include insufficient start-up capital, complying with regulations, finding the right location and advertising. However, many Latino entrepreneurs also have to learn where to go to obtain the information needed to start a business. In addition to requesting assistance in writing their business plan, one-half of the entrepreneurs want help in understanding the licensing or regulatory process.

Further Reading

A more detailed report of the survey findings and method of data collected are available in the publication "Survey Overview: Entrepreneurial Development Targeting Rural Hispanic Immigrants." This and other Latino entrepreneurship publications are available from the University of Arkansas Extension web site at www.uaex.uada.edu.

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