

Survey Overview: Entrepreneurial Development Targeting Rural Hispanic Immigrants



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Overview of Findings

Entrepreneurial Development Targeting Rural Hispanic Immigrants

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Contents

- 1. **Introduction and Background**1
 - About the Survey.1
 - Survey Area2
 - Survey Results2

- 2. **Demographic Characteristics of Latino Entrepreneurs**4
 - Age4
 - Gender and Ownership5
 - Education and Business Training5
 - Country of Origin and Migration Pattern6
 - Reason for Moving to Arkansas and Reception6
 - Participation in Local Community Organizations and Activities7

- 3. **Characteristics of Latino Immigrant-Owned Businesses**8
 - Ownership Type and Years in Business8
 - Industry Type8
 - Sources of Start-Up Capital10
 - Customer Demographics10

- 4. **Perceived Barriers and Challenges to Business Start-Up**11
 - Start-Up Capital11
 - Understanding Laws, Taxes and Regulatory Systems12
 - Finding and Renting Business Locations12
 - Advertising13

- Appendix**15

Figures

Figure 1. Location of Latino Businesses Surveyed3

Figure 2. Age of Entrepreneurs4

Figure 3. Gender of Owner5

Figure 4. Education of Latino Entrepreneurs in Home Countries6

Figure 5. NAICS Classification of Businesses9

Figure 6. Retail Trade Businesses9

Figure 7. Ethnicity and Race of Customers10

Figure 8. Biggest Barriers11

I. Introduction and Background

The **Entrepreneurial Development Targeting Rural Hispanic Immigrants Project** was funded in 2008 through a three-year grant from the USDA National Research Initiative.

It is a collaborative research and extension project of the **School of Human Environmental Sciences** at the **University of Arkansas in Fayetteville** and the **University of Arkansas Cooperative Extension Service in Little Rock**. The project has two purposes:

- Examine entrepreneurial readiness and constraints among Latino immigrants in rural and urban areas in Arkansas
- Develop educational outreach programs to support entrepreneurial activity among Latino entrepreneurs

This report summarizes findings of a needs assessment conducted in 2009 that delineates characteristics of Latino immigrant entrepreneurs and their businesses along with their perceived barriers to business start-up.

Survey results are being used to develop region-specific training programs for Latino entrepreneurs.

About the Survey

Survey questionnaires were given to **171 participants** in face-to-face interviews in the language of their choice (Spanish or English) from April – December, 2009. Participants represented 220 Latino immigrant-owned businesses in **59 communities in 26 counties in both rural and urban Arkansas**.

Communities surveyed were selected based on the size of their Latino populations and presence of newly arrived immigrants.

Latino entrepreneurs were identified and located with help from county Cooperative Extension Services and Chamber of Commerce personnel—with additional information obtained from the Statewide Food License List (May 2009) provided by the Arkansas Department of Health. This list contains all businesses in Arkansas licensed to sell food as of May 2009. It was used to identify businesses with Spanish language names and those that clearly target Latin American customers.

The questionnaire used 92 questions to gather **demographic data** and elicit information on such **business characteristics** as:

- Sources of start-up capital
- Customer base
- Previous business experience
- Licensing and other regulations
- Community linkages

The questionnaire also requested that participants indicate the *biggest problems* faced when trying to start their businesses in Arkansas and what *information* would have helped them.

Survey Area

Fifty-nine communities in 26 Arkansas counties make up the survey area. All communities included in the survey are classified as rural except for five—Fayetteville, Fort Smith, Rogers, Springdale and Van Buren—which are classified as urban.¹ **Communities** surveyed and their counties are listed in the Appendix. The map in **Figure 1** shows the region surveyed.

Survey Results

According to our survey, male and female Latino entrepreneurs in Arkansas are generally between 40 and 65 years of age and from urban communities in their home countries. They have at least nine years of schooling—equivalent to a high-school diploma in the U.S.

Most lived elsewhere in the U.S. before moving to Arkansas. Most have had little formal business training before opening their businesses, although 30% had previous employment experience in a similar business. And most—an overwhelming 94% of all respondents—feel “at home” in the state. This is especially so among rural entrepreneurs.

The survey obtained extensive demographic and business data on Latino immigrant entrepreneurs in Arkansas, and the following pages outline:

- Demographic characteristics of Latino entrepreneurs in Arkansas
- Business characteristics of Latino immigrant-owned businesses in Arkansas
- Perceived barriers and challenges faced during business start-up

¹Communities have been classified as rural or urban using the Rural-Urban Commuting Area (RUCA) codes established by the Economic Research Service of the USDA. See <http://www.ers.usda.gov/data/ruralurbanarea/commutingcodes/>.

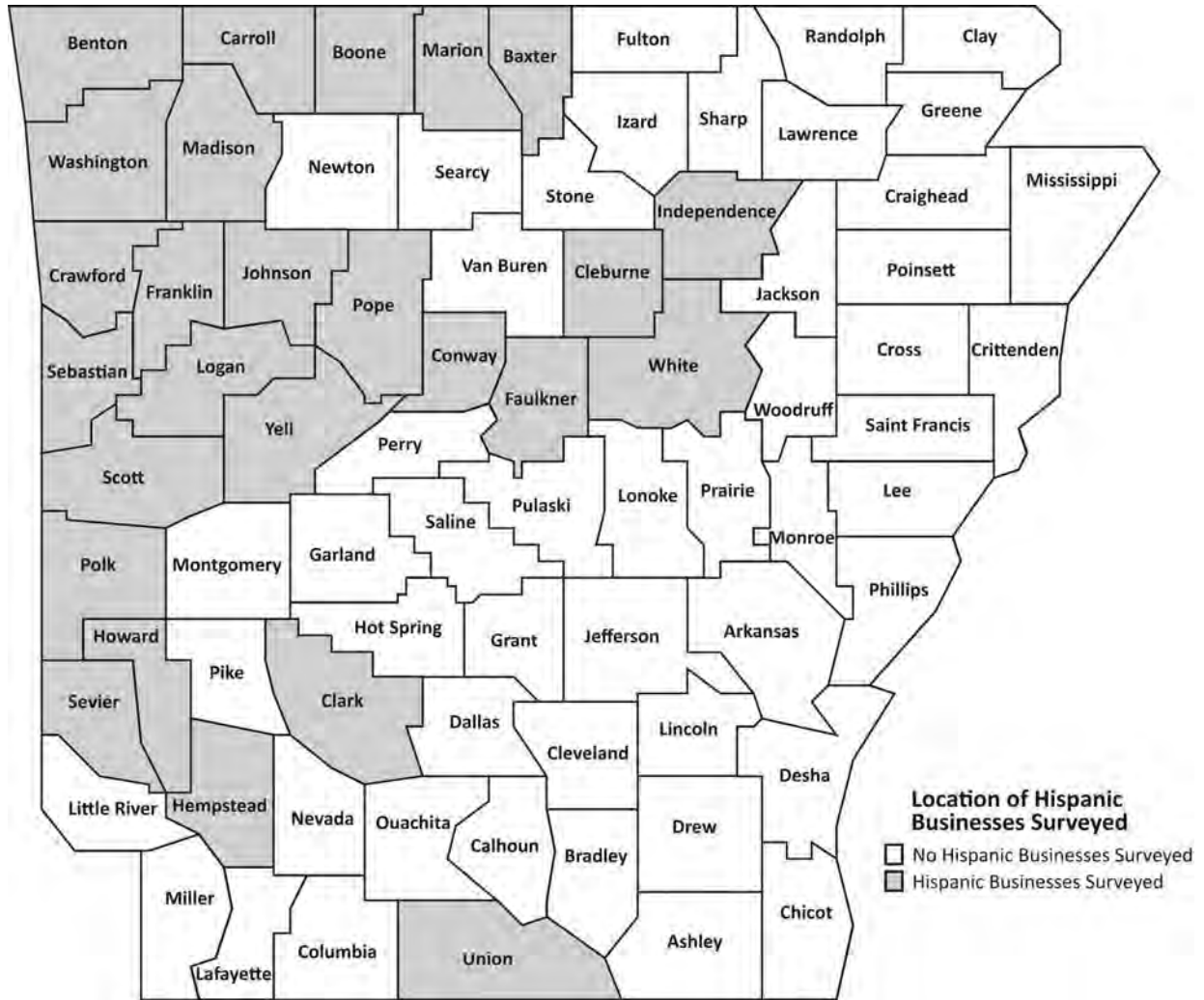


Figure 1. Location of Latino Businesses Surveyed

2. Demographic Characteristics of Latino Entrepreneurs

Survey results for the following key demographics are presented below²:

- Age
- Gender and ownership
- Education and business training
- Country of origin and migration pattern
- Reasons for moving to Arkansas and reception
- Participation in local community organizations and activities

Age

- 61% of Latino entrepreneurs surveyed are between 40 and 65 years of age.
- 29% are between 30 and 40 years of age.
- 8% of business owners are less than 30 years of age.

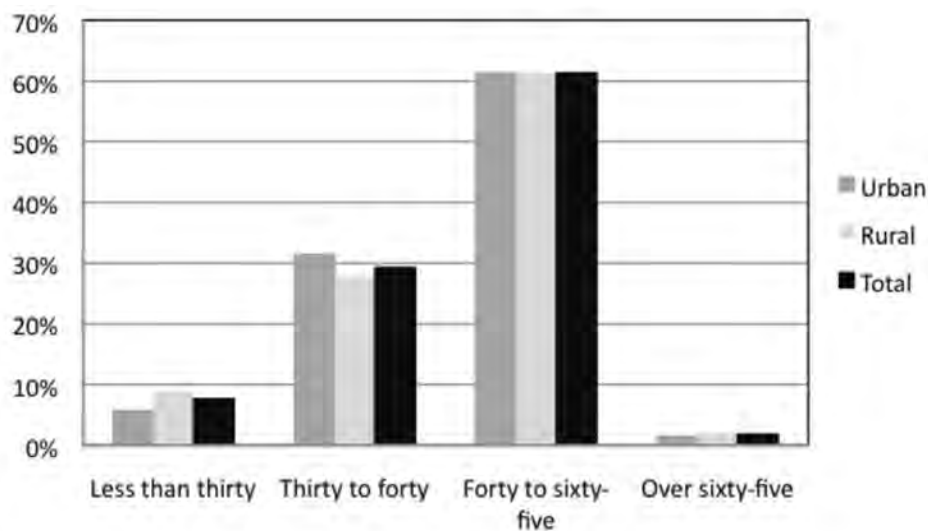


Figure 2. Age of Entrepreneurs

²Percentages have been rounded to the nearest decimal.

Gender and Ownership

- Males own 33% of businesses surveyed.
- Females own 27% of businesses surveyed.
- 23% are owned by married couples.

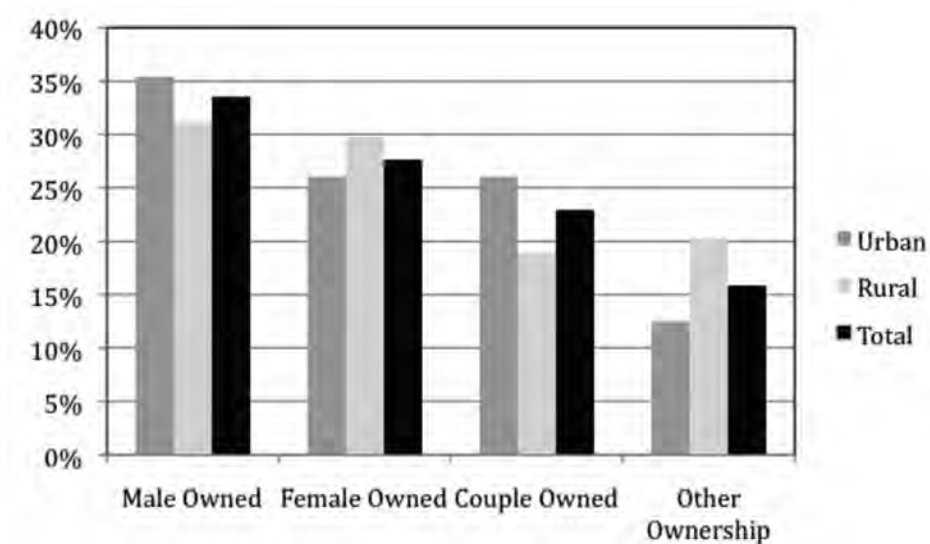


Figure 3. Gender of Owner

Education and Business Training

- 27% of business owners surveyed have completed six or fewer years of primary school in their countries of origin. (14% actually completed grade 6 as their highest level of formal education.)
- 27% have completed from seven to nine years of education in their home countries. Secondary school is from the 7th to the 9th grade when formal schooling ends and students are awarded completion diplomas. (21% actually completed grade 9 as their highest level of formal education.)
- 28% have at least some preparatory schooling (10th through 12th grades)—the equivalent of specialized college or vocational technical training. (17% actually completed grade 12 as their highest level of formal education.)
- 17% have at least some university education in their home countries.
- 41% of Latino immigrant entrepreneurs report learning their businesses from family members. Only 12% reported receiving any formal entrepreneurial training prior to opening their businesses in Arkansas.
- Only 29% report entrepreneurial experience in their countries of origin before immigrating to the U.S., or in another part of the U.S. before opening businesses in Arkansas.

- Nearly two-thirds or 65% of businesses surveyed have been in operation for five years or less, and for rural businesses this increases to 68%.

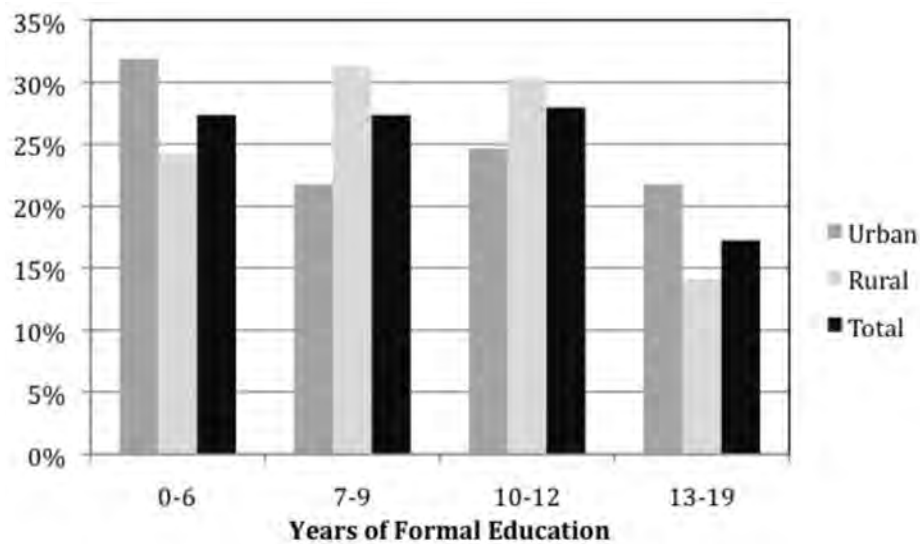


Figure 4. Education of Latino Entrepreneurs in Home Countries

Country of Origin and Migration Pattern

Mexico and El Salvador are the primary home countries for Latino business owners.

- 72% immigrated to the U.S. from Mexico—and Mexicans own 80% of businesses in rural areas and 61% of businesses in urban areas.
- 19% of Latino business owners immigrated to the U.S. from El Salvador.
- 9% are from nine other Central and South American countries—Argentina, Brazil, Colombia, Guatemala, Honduras, Panama, Peru, Puerto Rica and Venezuela.

Most (77%) Latino business owners lived elsewhere in the U.S. before coming to Arkansas, with no statistical difference between those migrating to rural or urban communities. Of these:

- 55% migrated to Arkansas from California.
- 18% migrated from Texas.
- 27% migrated from about 21 other states.

Reason for Moving to Arkansas and Reception

Latino business owners migrate to Arkansas for four main reasons:

- Most (68%) immigrated to be near family or friends.
- 17% stated they liked the area.
- 13% moved to Arkansas for specific employment.
- 7% stated that the area was recommended to them.

94% of business owners stated they felt accepted in Arkansas, with rural business owners expressing more positive feelings about acceptance than urban business owners.

Participation in Local Community Organizations and Activities

- 21% of Latino business owners reported belonging to Chambers of Commerce or other business associations in their communities.
- 19% reported belonging to community churches.
- 58% reported not participating in or supporting community sports teams, tournaments, parades and other community events.

When asked reasons for lack of participation in business organizations, Latino entrepreneurs surveyed who responded stated they had not been asked to participate or did not understand the advantages or purpose in joining business organizations.

3. Characteristics of Latino Immigrant-Owned Businesses

This section summarizes results for the following key business characteristics:

- Ownership type and years in business
- Industry type (NAICS category)
- Source of start-up capital and location of lending institution
- Customer demographics

Ownership Types and Years in Business

- 78% of businesses surveyed are sole proprietorships.
- 9% are partnerships, 10% are corporations and 2% are franchises.
- There are no major differences in type of ownership between rural and urban areas.
- 12% have been in business less than one year.
- 53% have been in business from one to five years. This rises to 60% for rural businesses.
- 35% of businesses surveyed have been in operation five years or longer.

Industry Type

Latino immigrant-owned businesses were classified using the official U.S. government **North American Industry Classification System (NAICS)** based on survey participants' descriptions of types of businesses they owned and products or services offered to the public.

- 70% of businesses surveyed fall into two NAICS categories of Retail Trade (RT) and Accommodation and Food Services (AFS); 41% are RT and 29% are AFS.
- 63% of the Retail Trade businesses fall into the Food and Beverage subcategory. Of these, most are grocery stores.
- Over half (55%) of the businesses surveyed are food related; 33% of those in urban and 70% in rural areas.
- Latino-owned businesses in Arkansas also include many non-food related stores in retail trade, construction, information and educational services (see Figure 5 on page 9).

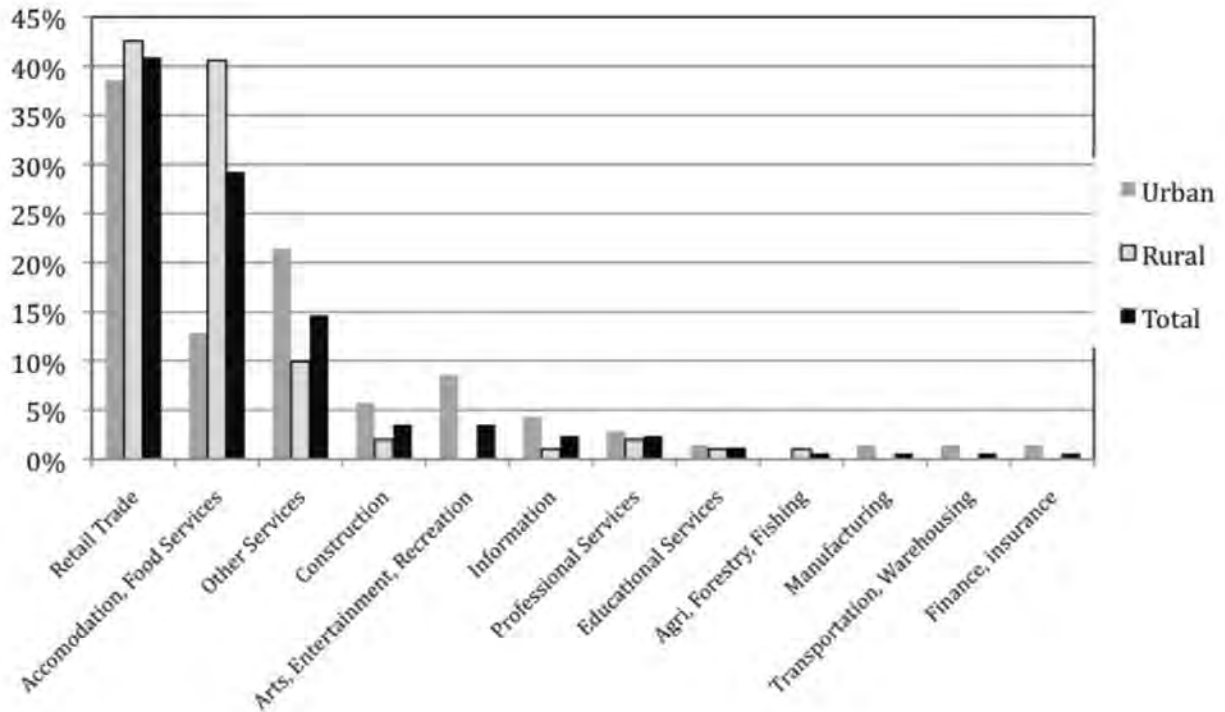


Figure 5. NAICS Classification of Businesses

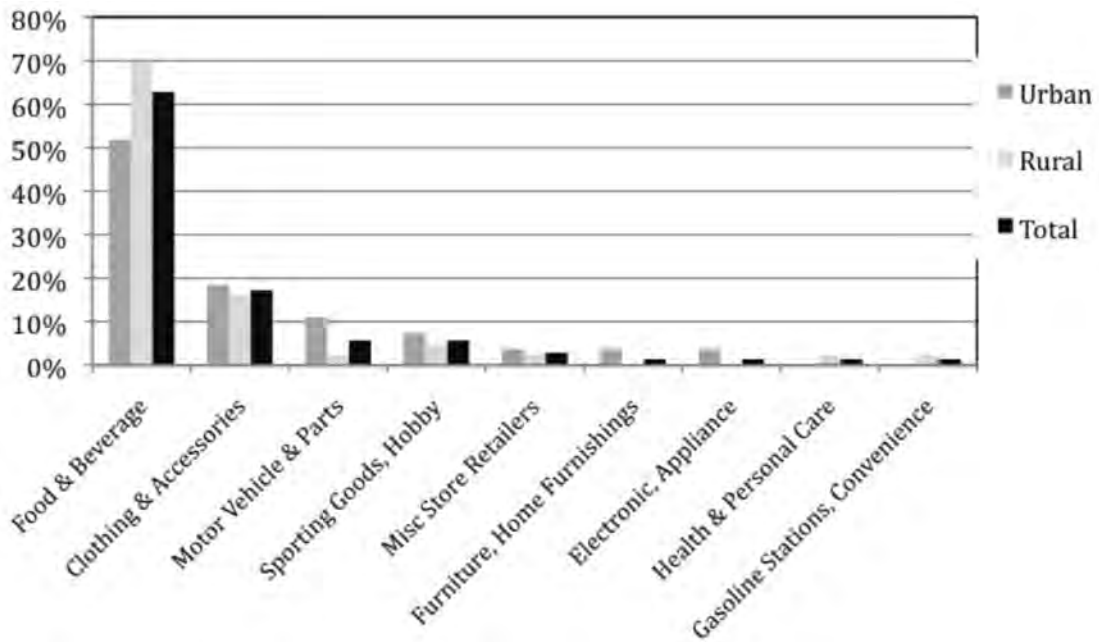


Figure 6. Retail Trade Businesses

Sources of Start-Up Capital

Most business owners surveyed reported using multiple sources of start-up capital.

- 73% relied on personal savings to start their businesses—with 79% of urban businesses established using private savings and about 68% of rural businesses using private savings.
- 22% also obtained bank loans for start-up capital. Of these bank loans, 83% were administered through lending institutions located in the same town as the Latino-owned business and 20% were almost equally divided between out of town (10%) and out of state (8%) banks. 25% of rural area businesses used bank loans for start-up capital as compared to 19% of urban area businesses.
- 14% of business owners received family loans to acquire start-up capital, with 17% of rural area businesses and about 10% of urban area businesses using family loans.

Customer Demographics

Business owners were asked to identify customer race and ethnicity from a list of response categories including “other.” With the exception “Latino only,” multiple selections were allowed.

- 71% of business owners indicated they serve both Latino and Caucasian customers.
- 13% indicated they serve only Latino customers.
- 13% indicated they serve only Caucasian customers.

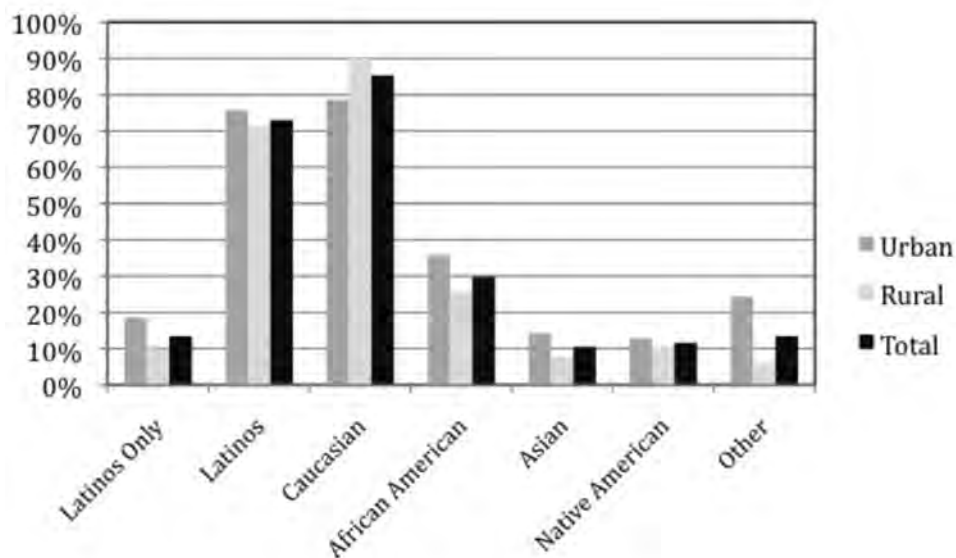


Figure 7. Ethnicity and Race of Customers

4. Perceived Barriers and Challenges to Business Start-Up

Latino immigrant entrepreneurs face the same barriers and challenges all entrepreneurs face when establishing and operating businesses. As shown in **Figure 8**, these challenges fall into several interconnected categories:

- Start-up capital
- Understanding laws, taxes and regulatory systems
- Finding and renting business locations
- Advertising

These are discussed below.

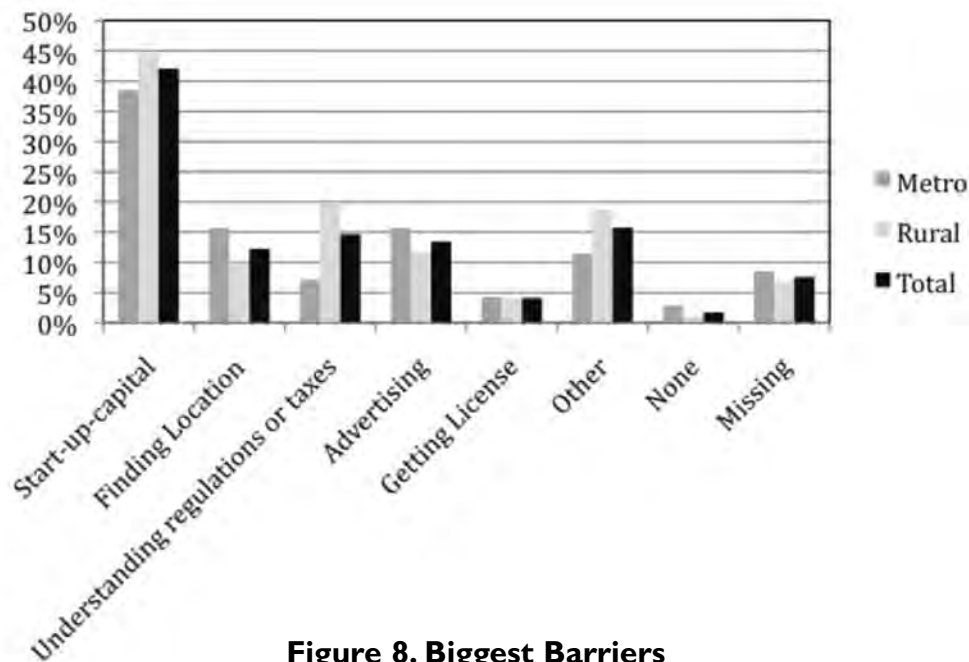


Figure 8. Biggest Barriers

Start-Up Capital

- 42% of Latino entrepreneurs surveyed cited lack of start-up capital as the biggest problem they face when starting their businesses—with another 16% indicating lack of start-up capital as the second biggest difficulty. Lack of start-up capital is a barrier throughout the study area but is more acute in rural areas. Rural business owners state that they have problems understanding lending institutions and the loan process.
- Applying for and receiving loans also seems difficult for Latinos throughout Arkansas. Participants explained they felt ignored, discouraged or rejected at local banks when attempting to speak to loan officers about obtaining business loans.

Latino business owners in both rural and urban areas indicated that information or training in the following areas would have helped them obtain more start-up capital:

- How to write a business plan – 49%
- Assistance with understanding licensing or business regulations – 50%
- How to apply for a loan – 33%

Understanding Laws, Taxes and Regulatory Systems

- 15% of business owners said that understanding laws, regulations or taxes had been their biggest problem in starting businesses in Arkansas, and another 16% stated this had been their second biggest problem.
- Understanding laws, regulations and taxes is a greater barrier in rural areas. 20% of respondents cited this as their greatest obstacle compared to only 7% in urban areas.

In general, information about federal, state, county and local regulations, laws and licensing requirements is difficult to obtain in Arkansas. Latino business owners indicated they encountered the following obstacles when trying to understand regulations, taxes and the licensing process:

- Lack of information about local, county, state and/or federal licensing requirements
- Lack of information about licensing requirements per business/occupation
- Lack of organized (step-by-step) information about the licensing process
- Difficulty obtaining regulatory information from government agents
- Difficulty locating and contacting appropriate regulatory agency staff members and obtaining application forms

Business owners indicated that information or training in the following areas would have helped them understand regulations and taxes and obtain necessary licenses:

- Licensing or business regulations – 50%
- Language classes or language assistance – 23%
- Labor law regulations – 18%
- Tax information – 21%

They also cited a need for checklists (“one piece of paper”) that listed all licenses required for a particular business category, and contact information, regulatory requirements, license costs and application processes for each regulatory agency.

Finding and Renting Business Locations

- 12% of business owners cited finding and renting business locations as their biggest problem when starting businesses in Arkansas, with an additional 14% stating this was their second biggest problem.

- Finding locations is slightly more difficult in urban than in rural areas—with 17% of urban area business owners stating they encountered this difficulty as compared to only 11% of rural business owners. In rural communities where Latinos do have problems finding business locations, it results from a *lack of space* for start-up businesses.

Latino business owners stated that they encounter the following specific difficulties when trying to find and rent a business location in Arkansas:

- Lack of commercial properties
- High cost of commercial properties
- Problems with understanding lease agreements
- Problems with negotiating lease agreements

In the urban areas of northwest Arkansas, finding locations is cited as a major concern for individuals trying to start businesses—with specific problems involving understanding and negotiating lease agreements and understanding rental rates and tenants' rights.

Advertising

- 14% of business owners stated that advertising was their biggest problem when starting businesses in Arkansas, with 13% stating this was their second biggest problem.
- Advertising was a greater problem for urban business owners—with 16% of urban business owners citing advertising as a top barrier as compared to about 9% of rural business owners. Urban business owners rely more heavily on mass media to market products and services while rural entrepreneurs can use word-of-mouth advertising and prominent, or centrally located, establishments to promote their businesses.

Both rural and urban business owners state they encounter two main advertising challenges that prevent them from promoting their businesses:

- Lack of outlet
- Lack of design and development knowledge

In northwest Arkansas, Latino business owners state they feel “relegated” (*relegado*) to advertising only in Spanish language media sources. These venues are insufficient for two main reasons:

- High competition
- Limited customer base

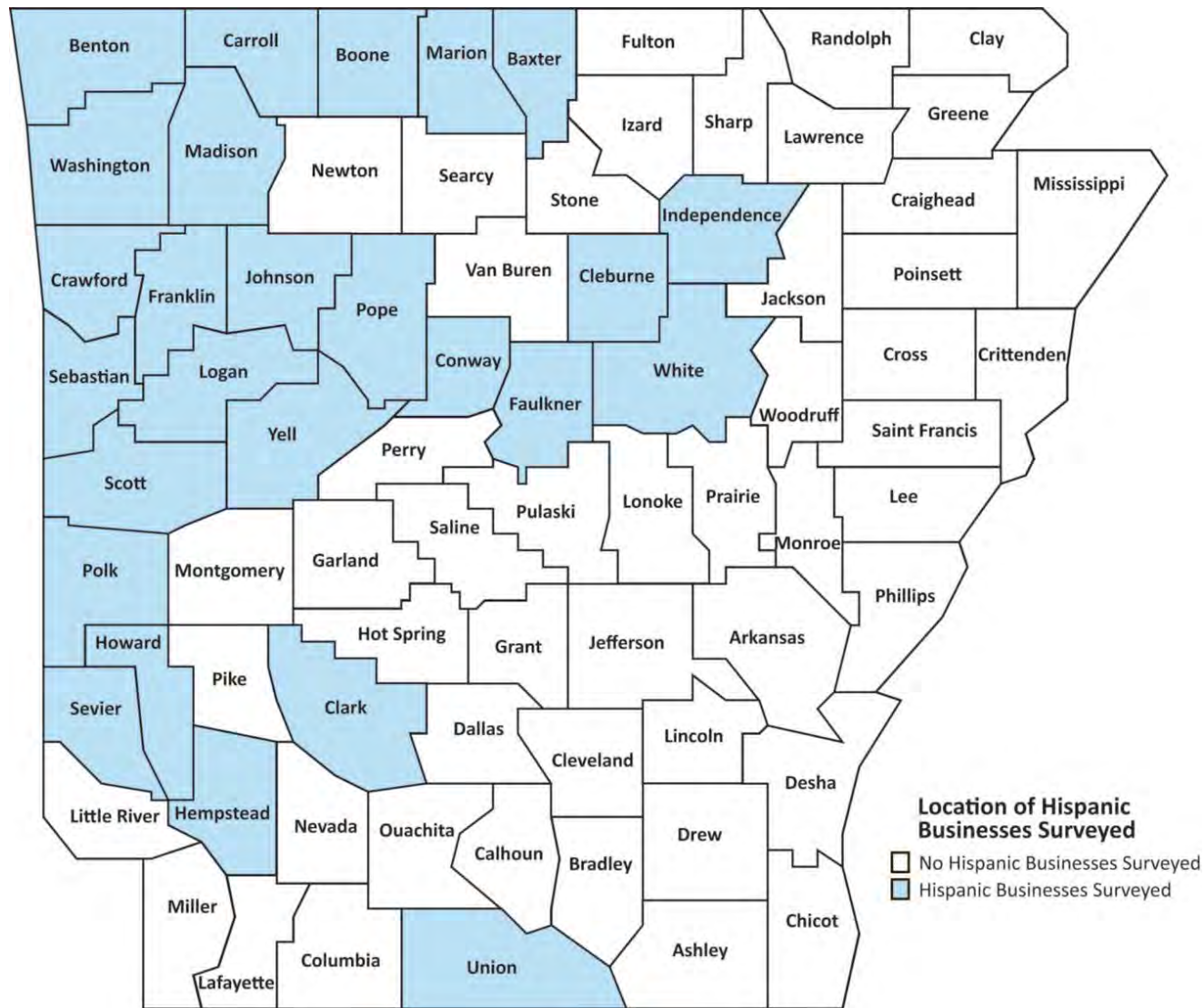
Business owners also stated they felt English language media sources did not seem interested in doing business with them, and when they were solicited to advertise they received no help in creating, formatting and translating their advertisement.

Appendix

Location of Latino Businesses Surveyed

County	Community
Baxter	Gassville
Baxter	Mountain Home
Benton	Bentonville
Benton	Bethel Heights
Benton	Centerton
Benton	Decatur
Benton	Gentry
Benton	Gravette
Benton	Lowell
Benton	Rogers
Benton	Siloam Springs
Boone	Harrison
Carroll	Berryville
Carroll	Eureka Springs
Carroll	Green Forest
Clark	Arkadelphia
Clark	Camden
Cleburne	Greer's Ferry
Cleburne	Heber Springs
Conway	Morrilton
Crawford	Alma
Crawford	Van Buren
Faulkner	Greenbrier
Faulkner	Mayflower
Faulkner	Vilonia
Franklin	Charleston
Franklin	Ozark
Hempstead	Hope

County	Community
Howard	Nashville
Independence	Batesville
Johnson	Clarksville
Logan	Booneville
Logan	Paris
Madison	Huntsville
Marion	Yellville
Polk	Grannis
Polk	Mena
Pope	Russellville
Scott	Waldron
Sebastian	Fort Smith
Sevier	DeQueen
Union	El Dorado
Washington	Elkins
Washington	Elm Springs
Washington	Farmington
Washington	Fayetteville
Washington	Greenland
Washington	Lincoln
Washington	Prairie Grove
Washington	Springdale
Washington	Tontitown
Washington	West Fork
White	Beebe
White	Searcy
Yell	Danville
Yell	Dardanelle



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