

FROM RESEARCH TO ACTION:

EMPOWERING LATINA ENTREPRENEURS IN MINNESOTA

Financial Planning/Research and Evaluation Findings

What we did

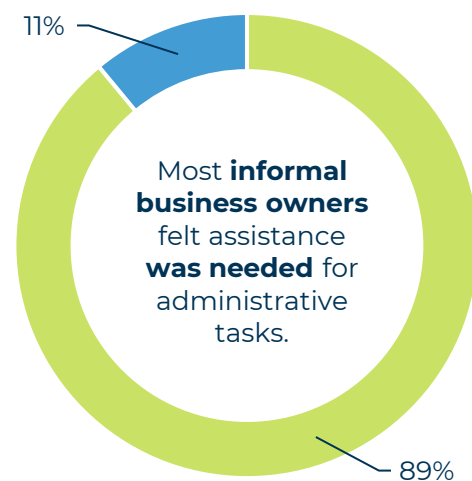
HACER conducted a survey involving 56 Latina entrepreneurs in Minnesota, all of whom had previously operated informal businesses. Half of the respondents were currently running informal businesses, while the other half had transitioned to formal enterprises. To gain deeper insights into the role of financial planning in the formalization process, HACER also conducted interviews with 13 entrepreneurs and 8 industry experts.

What we learned

Administrative Support is Needed

During the survey, informal business owners expressed a need for support and knowledge with administrative tasks such as taxes, payroll, budgeting, and managing business bank accounts. On the other hand, formalized business owners reported feeling more prepared or have already completed these tasks compared to informal business owners.

0% of surveyed informal business owners had completed any administrative work.



During interviews, experts and formalized business owners alike agreed that administration is the biggest challenge in formalizing a business. An expert highlighted the difficulty of navigating administrative systems that are often available only in English. Another expert noticed that some business owners tend to focus more on the operational aspects of their business and neglect critical administrative tasks, such as bookkeeping and payroll. Focusing on daily tasks over business administration can prevent growth and proper formalization.

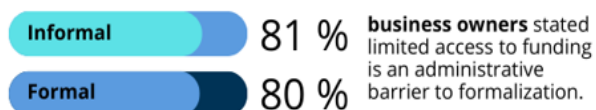
Lack of Funding and Capital

“Having to go through all the administrative hurdles that are, you know, set up in English to get through that process. Not only to understand what those administrative hurdles are, but then to sort of attack the language barrier alongside that, I think is probably the biggest hurdle in formalizing a business.”

– Expert Interview

Survey respondents indicated funding and capital as the main obstacle to formalization. Survey responses by business owners showed that **financial literacy assistance, such as understanding loans and credit, budgeting, and advisory services, were the most beneficial resources for overcoming these barriers.**

In the interviews, business owners also cited the importance and challenge of obtaining capital for growing a business. Several business owners shared their struggles with obtaining financial support, citing issues like the inability to secure loans due to the type of business they own or their immigration status.



“I tried at one of the banks. And so, first of all, the ITIN [individual taxpayer identification number] is limiting. And second, the type of business, they didn’t offer loans for that type of business.”

– Business Owner Interview

One business owner commented, **“There are no loans for an undocumented person. The truth is, there wasn’t”**. Accessing capital is a challenge, particularly for immigrant entrepreneurs who are limited in resources.

An expert that was interviewed emphasized the importance of obtaining an employer identification number (EIN) to separate business finances from personal accounts, which is important in establishing a formal business structure. Many business owners have had to reinvest their earnings constantly into their business without seeing significant profits. It is a challenge to grow a business without external financial support; some business owners shared that they had to rely on family members for financial support.

Need for Financial Literacy

Throughout the interviews with experts and formal business owners, the need for financial literacy was expressed as crucial for navigating the complexities of starting and managing a business. Experts noted that understanding how to register a business, obtain loans, and setting business bank accounts and credit cards are especially important. Many entrepreneurs are eager to start making money and often overlook the need of planning and operationalizing their business plans.

“Most entrepreneurs, and this is just somewhat of a general comment, are so interested in executing and making things happen and getting that first dollar in that they often overlook the importance of creating a plan and taking the time to understand how we're going to execute and understanding how to operationalize the plan.”

-Expert Interview

This lack of knowledge can lead to issues such as failing to comply with sales tax requirements causing financial setbacks. Business owners also reported difficulties understanding the different tax obligations and administering their business finances.

“It's one of the challenges because I didn't know or wasn't very familiar with the topic, especially taxes. Specifically, understanding which types of taxes apply to your type of business or legal structure, and also the ability to do it.”

– Business Owner Interview

Community-informed workshops

Aims	Objectives
The workshop aimed to equip participants with practical and applicable financial knowledge that can be implemented in their businesses. It also sought to increase participants' comprehension of credit scores and their relevance to small business operations, and to foster a strong connection between financial literacy and entrepreneurial success.	Effective financial planning and management
	Encompassing budgeting and record-keeping
	Identifying funding options and understanding the basics of business funding

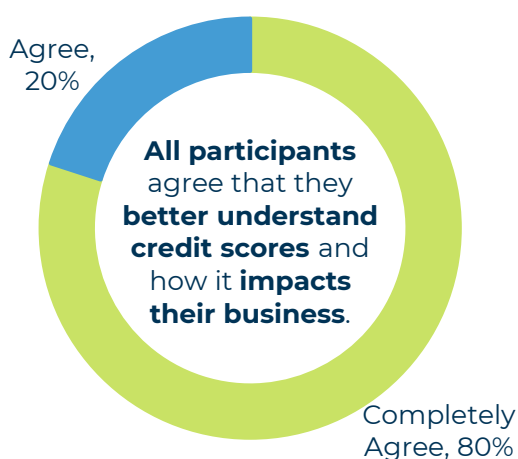
Workshop Content

The workshop addressed possible cultural misconceptions about “credit” as something negative or to avoid and explained how to set up and manage their credit score. Participants learned about the fundamental role of their **personal credit** as the basis of **business credit**, basic financial management and tax obligations, the **foundations of accounting** necessary to set up their businesses, and the concepts of **cash flow and forecasting**. The workshops also discussed the basics of **bookkeeping**, which is fundamental for business success, and how to **engage with an accountant**. Additionally, participants learned about their **tax obligations** to feel prepared to work with a tax preparation company. They also identified common methods to fund a business and **obtain capital**, the advantages, and risks of obtaining a loan, **non-traditional funding** options such as scholarships and grants, and signs of potential scams.

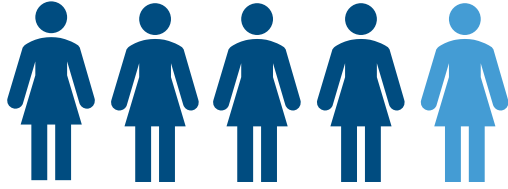
Outcomes from participating in the workshops

When evaluating the workshop, participants were asked about their knowledge and preparedness for financially planning their business. The workshops appeared to be highly effective in increasing the participants' readiness.

All participants reported greater awareness of different funding options for their business. Additionally, all participants completely agreed or agreed that they better understand credit scores and their impact on business operations.

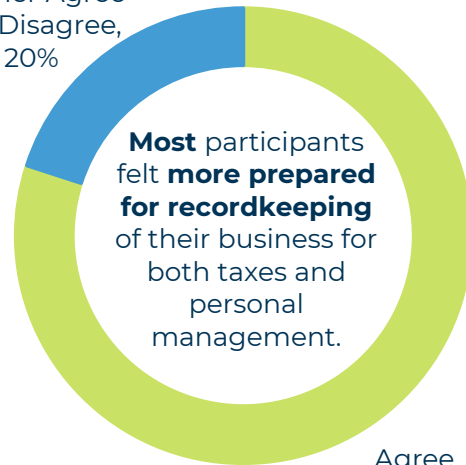


Five out of five participants were more aware of the different types of funding options for their business after the financial planning workshops.



Four out of five participants felt more prepared for recordkeeping related to their business taxes and personal management. 1 out of 5 neither agreed nor disagreed with that statement.

Neither Agree
Nor Disagree,
20%



Agree, 80%

Open-ended responses also highlighted financial knowledge gained. When asked to provide examples of practical financial skills gained and how they will use it in their business, participants shared responses emphasizing key themes such as budgeting, expenses, income, and bank accounts.

