

FROM RESEARCH TO ACTION:

EMPOWERING LATINA ENTREPRENEURS IN MINNESOTA

Survey and Interview Research and Evaluation Findings

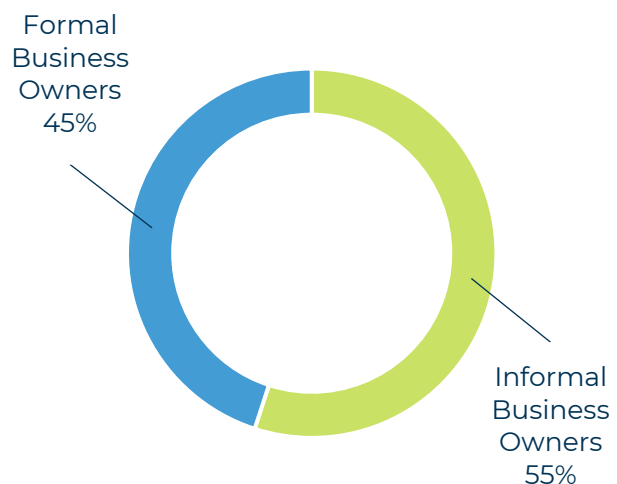
What we did

HACER conducted a survey of Latina entrepreneurs in Minnesota who at one point had an informal business. Half of the respondents currently had informal business while the other half had had an informal business in the past but have since successfully formalized their business. Additionally, HACER conducted interviews with entrepreneurs and experts in the field to identify the skills and resources needed for the business formalization process.

Participant Demographics

Survey

Overall, there were 56 respondents to the survey that were made of Latina entrepreneurs that either had a business which was formal or informal. Of the respondents, 67% were from Mexico followed by 16% being from Venezuela. For the highest level of education of all the respondents, 27% had some college or an associate degree and 27% had a high school diploma or GED, and lastly 74% were between the ages of 35 – 54.



Interviews

HACER conducted 21 key informant interviews with entrepreneurial experts (38%), Latina business owners with formal businesses (33%) and informal businesses (28%).

Experts	<ul style="list-style-type: none"> • 8 interviews • Experts that worked in government, private, and non-profit organizations that worked with entrepreneurs
Formal Business Owners	<ul style="list-style-type: none"> • 7 interviews • Latina entrepreneurs who have formalized their business
Informal Business Owners	<ul style="list-style-type: none"> • 6 interviews • Latina entrepreneurs who have not formalized their business

What we learned

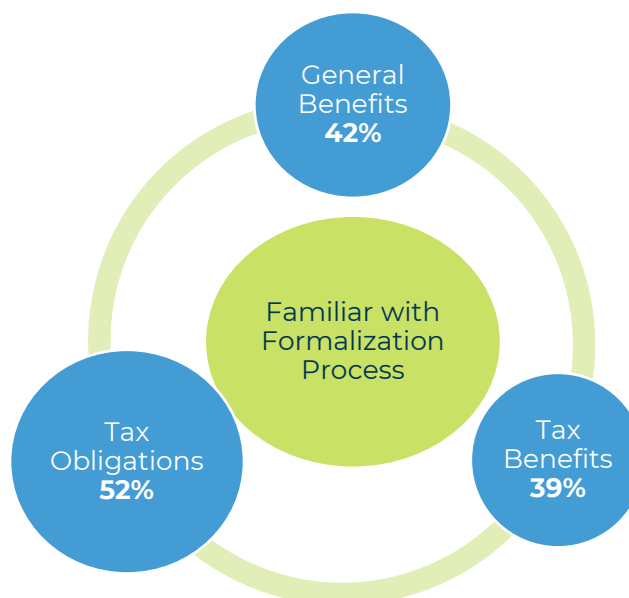
Motivation for Starting a Business

A total of 57% of survey respondents reported that their primary motivation for starting a business was financial independence, compared to 55% who reported starting their business to pursue a passion. However, these motives differ between formalized and non-formalized business owners.



Perception of Formalization

Of informal business owners, the general knowledge and understanding of the formalization process was measured as *familiarization* with the process. Fifty-two percent of informal business owner survey respondents reported familiarization with tax obligations, in comparison to 42% who reported being familiar with the general benefits of business formalization, and



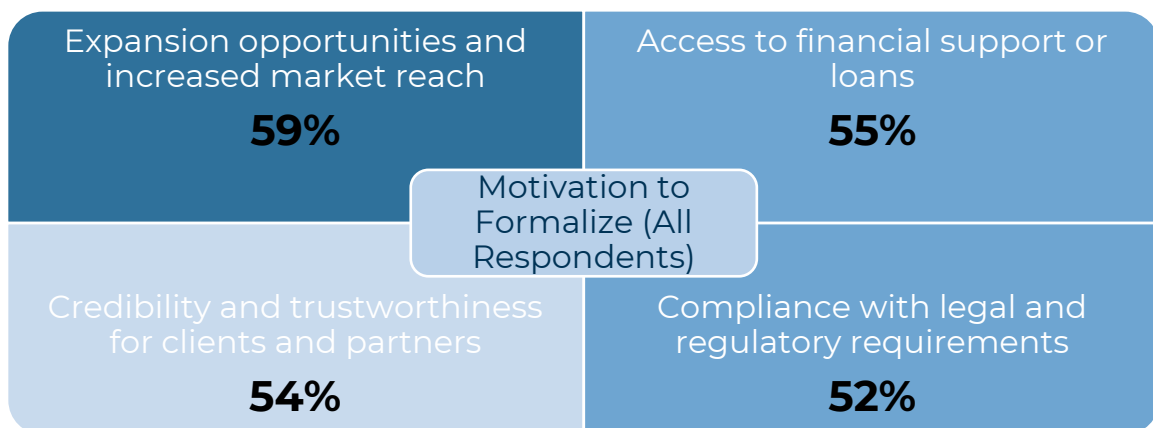
only 39% who were familiar with the tax benefits of formalization.

Likelihood of Formalization

Of the 31 survey respondents that had an informal business, 58% said they were somewhat or very likely to formalize their business in the next year. However, 35% said that they almost have enough, but do not quite generate enough revenue to formalize their business and 35% said they do not generate enough revenue to formalize.

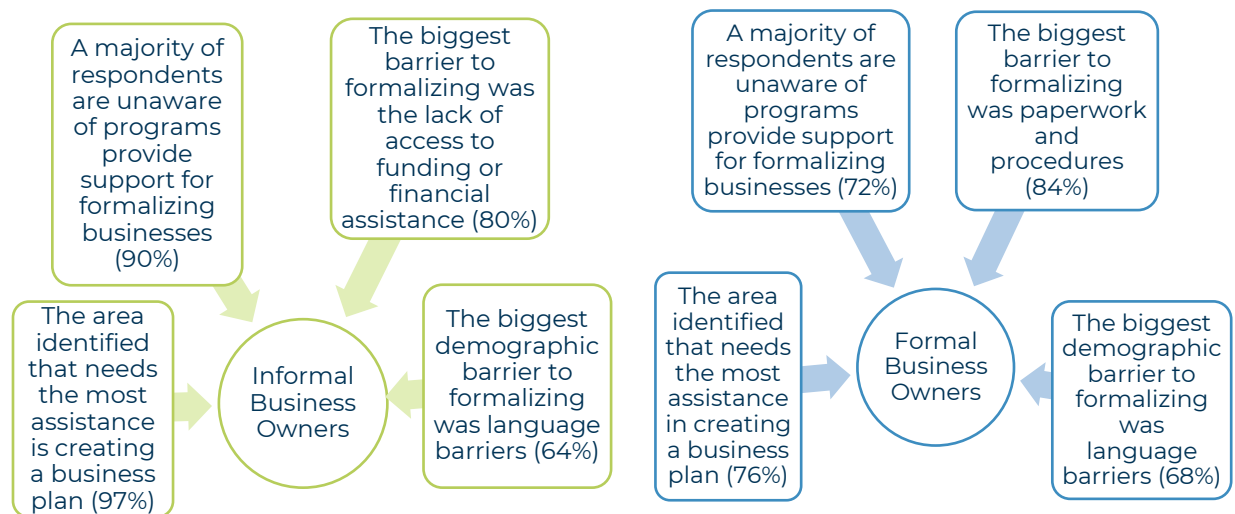
Motivation for Formalization

Over 50% of all survey respondents had similar motivation to formalize their business, with expansion opportunities and increased market reach being the most reported motivation. Sixty-four percent of informal and 71% of formal business owner respondents said expansion opportunities and increased market reach and credibility and trustworthiness for clients and partners was their motivation to formalize.



The Road to Formalization

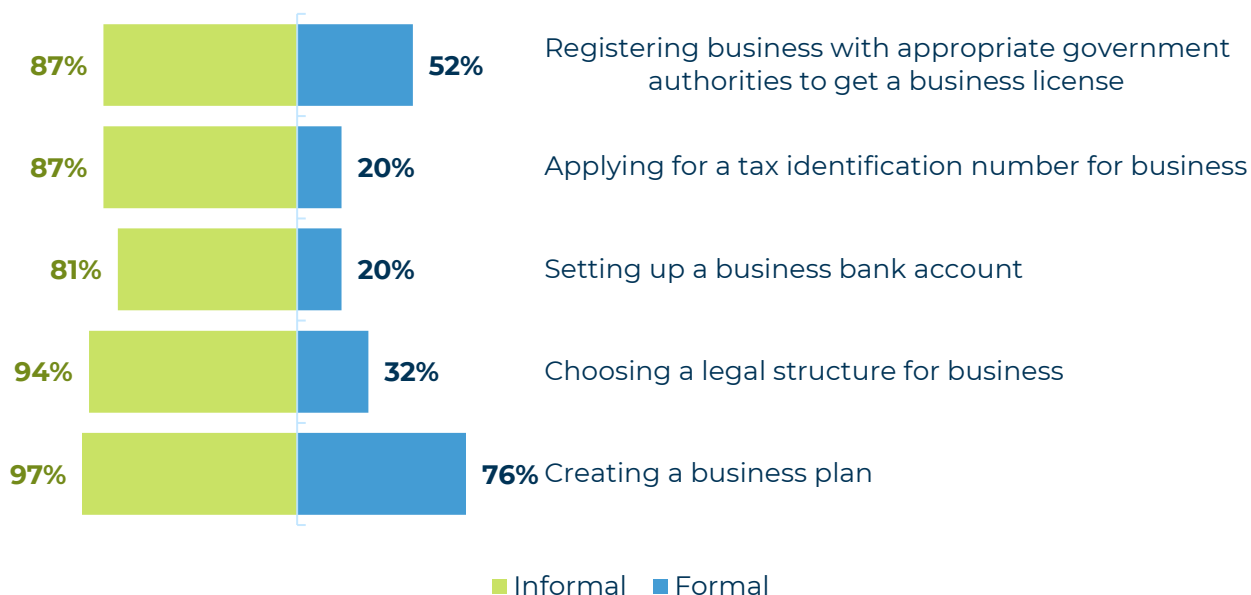
Survey responses highlight different perspectives on barriers and assistance needed for formalization between respondents with informal businesses compared to formal businesses. For instance, the percentage of business owners unaware of support programs was higher among informal business owners compared to formal business owners. The biggest barrier to formalization identified by informal business owners was lack of access to funding or financial assistance. The biggest barrier reported by formal business owners was the paperwork and procedures.



Assistance Needed

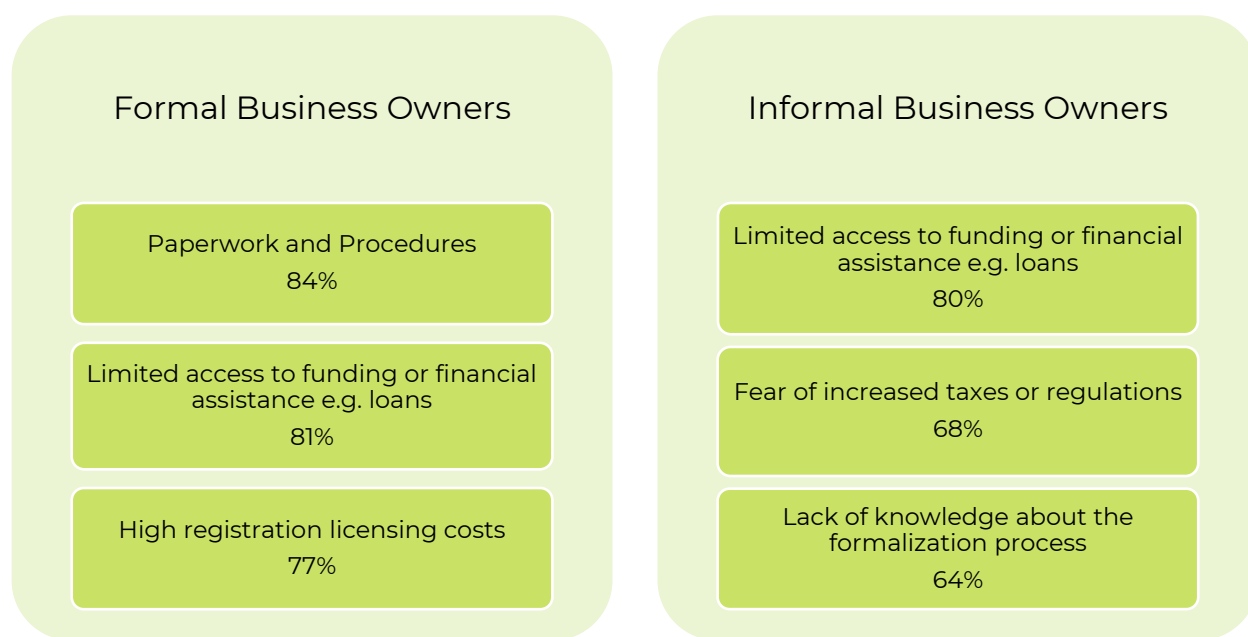
Current assistance needed is identified more for survey respondents with informal business with the creating a business plan (97%) and choosing a legal structure for business (94%). Whereas those who have formalized did identify creating a business plan (76%), but not as high as non-formalized. Lastly, 82% of respondents are not aware of any government or non-profit programs that provide support for formalizing businesses.

Current Assistance Needed, N=56



Barriers to Formalization

Barriers to formalization were identified in both survey responses and interviews. Limited access to funding or financial assistance was reported on the surveys as a barrier to formalization by both formal and informal business owners. Likewise, fear of increased taxes or regulations was also reported in the survey responses by informal business owners.



Interviews provide key context for how funding and financial assistance affects business formalization. Both formal and informal business owner interviews highlight the importance of business income for livelihood and the impact of financial barriers.

“So when I entered the country, I was practically unable to generate any income, I couldn’t work under my name, I couldn’t take checks – only cash.”

– Informal Business Owner

“My husband was working. On some occasions the first months were very difficult, so usually his salary was what kept us afloat here and what kept us out of zeros because there was the business and the home. Then with the little sales that there... it was what we paid, what we already owed from what we had invested, from what we had been given credit.”

– Formal Business Owner

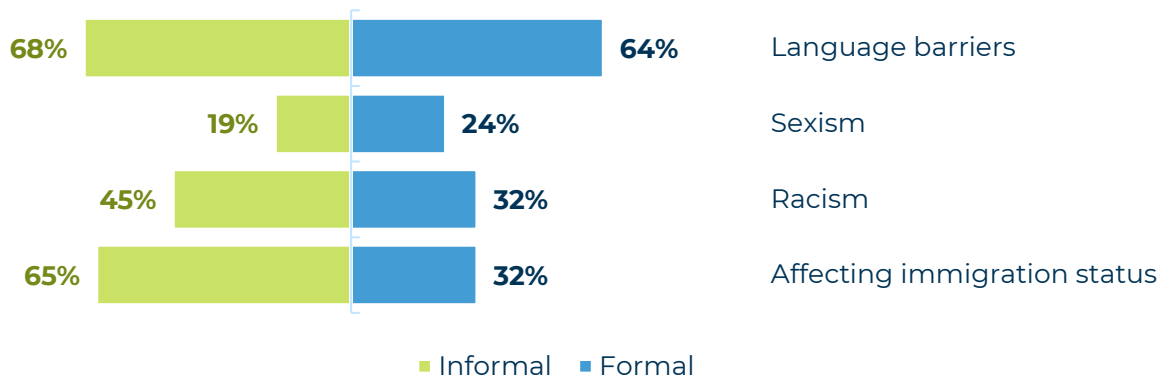
An expert interview provides additional context into the systemic barriers in banking that create barriers to business development for informal businesses.

“I am going to speak for the majority of the banks, and I would say there is minimal chances that a traditional banking will be able to lend money to a business that has not been formalized. Neither to a business owner whose immigrant status is not current.”

– Expert

Survey responses also highlighted socioeconomic barriers that made it more challenging to formalize; the distribution of responses differs between formal and informal business owners.

Socioeconomic Barriers to Formalization (N=56)



The biggest barrier identified by both formal and informal Latina entrepreneur survey respondents was language barrier, which was also a barrier discussed in the interviews. Interviews with experts, formal and informal business owners all identified language as a barrier to formalization as well.

“I think the big thing is that there's a language barrier often. And so having to go through all the administrative hurdles that are...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

One business owner compared their experience between Oregon and Minnesota in addressing language barriers, which provides important context about state-to-state variance in resources and assistance available.

“Well, the language was something that has been difficult for me, for example in Oregon, in the counties, there were people who could help you fill out forms and all that.”

– Formal Business Owner

The second largest barrier to formalization reported by informal entrepreneur survey respondents was immigration status, which was also identified as a barrier through interviews with both informal business owners and experts. On the survey, formal respondents ranked both immigration status and racism equally as the second largest demographic barrier for formalization, yet neither of these barriers were mentioned in any interviews conducted.

Additional barriers to formalization were also reported through interviews that were not identified in the surveys. Interviews with experts, formal and informal business owners reveal that lack of knowledge of the formalization process is another major barrier to formalization.

“I think it's understanding the environment. Understanding how to register, how to get a business going. Who do I talk to about getting a business loan? Who do I talk to about establishing a business checking account? Who do I talk to you about establishing a business credit card?”

– Expert

Informal and formal business owner interviews reveal the stress and overwhelming nature of lacking the knowledge necessary to formalize their business.

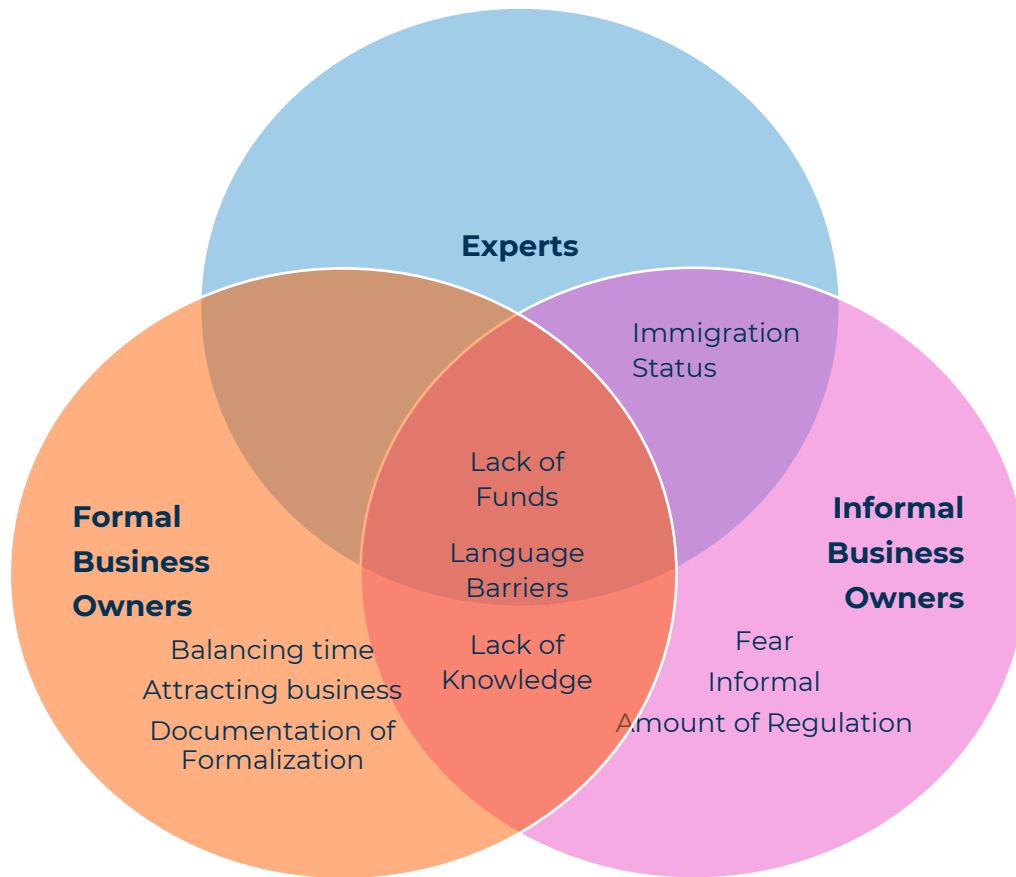
“I don't know what I should nor what I have to do. I don't even know what to say.”

– Informal Business Owner

“It was a stress to get all those permits and I did not know... I didn't even know about all these organizations that help Hispanics... and as I could I did, and then I started to take out all the licenses and everything to make [my business] formal.”

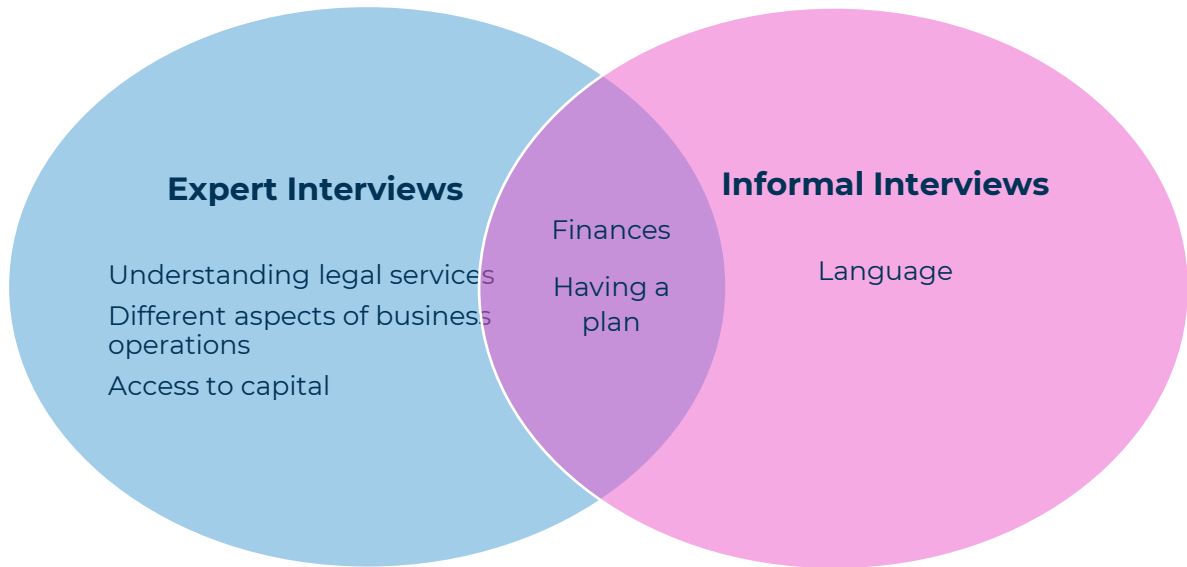
–Formal Business Owner

Overall, interview results show that some barriers to formalization were consistent across all three groups, such as language barriers, lack of funds, and lack of knowledge. However, some barriers to formalization were not reported by all groups, highlighting the variance of experiences and perceptions about the formalization process between informal business owners, formal business owners, and experts.



Areas for Further Study

Areas that require further information are based on frequently asked questions, common mistakes, and failures reported by expert interviews and informal interview participants sharing the areas for which they need assistance.



"I think in a general sense, a lot of people think it's just easy to start a business and it's really not. There's a lot that goes into it and you really have to organize yourself. And the business plan is important, and some entities are going to ask for money or loans. Entities are going to want to see that. So, you have to have articles of incorporation. You have to have proper papers, something that shows that you're registered, that you're licensed."

– Expert

"... The information about [starting up] and all of that and obviously the financial support. Both are very important."

– Informal Business Owner

"And also in terms of education, how can I do my taxes that can help me with my taxes, the financial part? Bookkeeping?"

- Expert