

Latino-Owned Businesses: Startup Fund Sources and Implications in Comparison to Other Racial/Ethnic Groups

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ABSTRACT

Using the Kauffman Firm Survey (KFS) longitudinal dataset (2004-2009), this study examined the type of startup funding sources that Latino business owners utilized in their first year of operation, compared the results with businesses owned by other races/ethnicities, and explored the impact on firm survivability. Based on previous literature that suggests that formal (bank and financial institution) funds are vital to long term business success, we explored this hypothesis using a sample of 4,815 businesses at the baseline year (2004) with n=244 Latino-owned businesses. Overall, our results suggested that Latinos utilized a significantly ($p > .05$) larger percentage of informal funds as compared to Whites and a smaller percentage of formal funds and that Latino-owned businesses are at greater risk of going out of business compared to White-owned businesses regardless of startup fund type.

ABOUT THE AUTHOR

Dr. Rubén Martinez is the director of JSRI at Michigan State University. He is a nationally known scholar with expertise in the areas of higher education, race, and ethnic relations and diversity leadership. His areas of specialization include leadership and institutional change, education and ethnic minorities, youth development, and environmental justice.

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Dr. Olga Santiago received her Ph.D. in Kinesiology from Michigan State University in 2010. She is an Extension Specialist with the MSU-Extension Office of Health and Nutrition.

Dr. Jennifer Tello Buntin received her Ph.D. in Sociology from the University of Chicago in 2010. In her research, she examines the ways that receiving community institutions transform in response to the presence of a transnational immigrant population. Her work investigates the ways that assimilation and transnationalism may occur simultaneously and the implications of this for both immigrant and non-immigrant residents.