

# Does Formal Institutional Access to Startup Funds Matter for the Survivability of Latina Owned Firms?

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## ABSTRACT

Using the Kauffman Firm Survey (2004-2009) data, this study examines the type of funding sources Latina-owned businesses utilized during their first year of operation, compares the results with businesses owned by Latinos and women of other racial/ethnic groups, and examines the association of type of startup funds with business survivability. Previous literature suggests that businesses that lack formal funds at startup have more difficulty surviving in the long run. The study sample consists of 4,815 businesses at the baseline year (2004). Overall, the results of the analysis suggest that: (1) Latinos are significantly younger and have fewer years of work experience, on average, compared to White men, while Latinas do not significantly differ compared to White women; (2) Latina-owned businesses represent a larger percentage of businesses within the low technology sector and a smaller percentage of businesses within the medium and high technology sectors compared to White women, while Latinos do not significantly differ compared to White men; (3) Latinos use significantly more informal funds compared to White men, while Latinas do not significantly differ in their use of any type of startup funds compared to White women; and (4) Latino- and Latina-owned businesses are significantly more likely to go out of business compared to White male and female-owned businesses, regardless of the type of startup funds they utilize. This analysis also provides factors at both the owner and firm levels affecting business success. Implications for future research and policy recommendations are discussed.

## 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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