

# 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 by comparing them with the results of businesses owned by Latino males and women of other racial/ethnic groups. We also examine the relationship between startup funding types and business survivability. Previous literature suggests that businesses that lack formal funds at startup have a greater difficulty surviving. The study samples 4,815 businesses at the baseline year (2004). Overall, the results of the analysis suggest the following: (1) Latinos are younger and have fewer years of work experience, on average, compared to White men, while Latinas do not significantly differ when compared to White women; (2) Latina-owned businesses represent a larger percentage of businesses within the lower technology sector 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 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.