Overview

The estimated 1.9 million Hispanic women-owned firms in the United States in 2016 made a significant contribution to the economy, employing 550,400 workers and generating $97 billion in revenues. However, if Hispanic women-owned businesses generated employment and revenues proportionate to those of other women entrepreneurs, these figures would increase by 80,000 and $155 billion, respectively. (See Figure 1)

FIGURE 1. HISPANIC WOMEN ENTREPRENEURS HAVE THE POTENTIAL TO CREATE 80,000 JOBS AND GENERATE $155 BILLION MORE REVENUE

Hispanic women are poised to make an even greater contribution to the economy.

- The rate of women entrepreneurs who are Hispanic (5.3 percent) is less than their share of the general population (8.3 percent). If the proportion were commensurate with their share of the population, Hispanic women would own nearly 2.4 million businesses—an increase of 60 percent.
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- The number of Hispanic women small business owners is growing at a faster rate than any other racial or ethnic segment—increasing 137 percent between 2007 and 2016.4 With the U.S. Census Bureau projecting the number of Hispanic women to nearly double by 2050 and for Hispanic people to become the number-one minority group in the United States, the growth rate in the number of Hispanic women-owned businesses is expected to continue to surge.5

FIGURE 2. HISPANIC WOMEN ENTREPRENEURS HAVE THE POTENTIAL TO LAUNCH 2.4 MILLION ADDITIONAL FIRMS

Sources:
Potential to create new firms number: Estimate calculated based on if Hispanic women’s share of business ownership (5.3 percent) were commensurate with their share of the population (8.3 percent).

It is necessary to understand the diversity of Hispanic women entrepreneurs to unlock their economic potential. Hispanic people belong to the most diverse major ethnic group in the U.S., with great variation among individuals in characteristics such as race, country of origin, educational attainment and financial resources.

This report provides the first comprehensive analysis of how that diversity creates both challenges and opportunities for Hispanic women starting and growing their businesses. This report’s findings shed light on how entrepreneurial training programs may improve the success of Hispanic women entrepreneurs. It also makes four recommendations on how to increase government and private support for Hispanic women entrepreneurs.

This report will be valuable to any player—policy maker, member of the media, entrepreneurial supporter or practitioner—seeking to promote the growth and success of Hispanic women-owned businesses.
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The Socio-Demographics of Hispanics in the U.S.

Understanding the diversity within the Hispanic population is essential for evaluating challenges and opportunities for the growth of these women-owned firms.

**Hispanics are the fastest growing minority in the U.S.** By 2012, the U.S. population was 309.1 million people. Non-Hispanic Whites represented 63.7 percent (196.9 million), Hispanics 16.3 percent (50.5 million), and non-Hispanic Blacks 12.2 percent (37.7 million) of that total. An estimated 50.5 percent of Hispanics were men and 49.4 percent were women. The number of Hispanics living in the U.S. is on track to increase from 14.7 million in 1980 to 88.1 million in 2045.

The 2012 Survey of Business Owners and Self-Employed Persons (SBO) shows that Hispanic women owned 5.3 percent of all privately held U.S. firms (1.5 million). If Hispanic women’s share of business ownership (5.3 percent) were commensurate with their share of the population (8.3 percent), Hispanic women would own nearly 2.4 million businesses — an increase of 60 percent.

**FIGURE 3. PERCENT OF U.S. POPULATION VS. PERCENT OF US PRIVATELY HELD FIRMS, BY GENDER AND RACE OR ETHNICITY IN 2012**

![Percent of US Population vs. Percent of US Private Firms](image)

Source: Adaptation based on 2012 Survey of Business Owners and Self-Employed Persons (SBO) and “Annual Estimates of the Resident Population by Sex, Age, Race, and Hispanic Origin for the United States and States: April 1, 2010 to July 1, 2012” from the U.S. Census Bureau.

Note: It was not possible to identify firms owned by only Non-Hispanic White women or men because SBO tables only present Non-Hispanic Whites for total population that includes both women- and men-owned firms.
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Foreign-born individuals contribute strongly to the economic growth of the U.S. by starting new businesses. According to the SBO, in 2012 there were 325,236 foreign-born Hispanic women entrepreneurs in the U.S. Foreign-born Hispanic women pursue entrepreneurship approximately twice as frequently as native-born Hispanic women: 3.4 versus 1.9 percent, respectively.

In 2016, almost 40 percent of the Hispanic-owned businesses that increased their numbers of employees were owned and operated by foreign-born individuals. However, foreign-born Hispanics are more likely than their native-born peers to encounter language barriers or lack of access to networks.

Hispanics are diverse in terms of country of origin. Estimates show that 85.6 percent of Hispanics in the U.S. are originally from Mexico, Puerto Rico, El Salvador and Cuba. The states with the highest concentrations of Hispanics are California, Nevada, Arizona, New Mexico, Texas, Colorado, Florida and New Jersey. With the exception of Colorado, states with the highest concentrations of Hispanics also have among the highest concentrations of women entrepreneurs. In addition, New York and Rhode Island, which do not have the highest proportions of Hispanics, are among the states with the highest proportions of women entrepreneurs.

FIGURE 4. PERCENTAGE OF FIRMS OWNED BY HISPANIC WOMEN IN 2012

Source: Analysis based on 2012 Survey of Business Owners and Self-Employed Persons (SBO)
Hispanic women-owned firms contribute to the economy and are poised to make an even greater contribution. In 2012, Hispanic women-owned firms generated $78.7 billion in total sales. This represents a growth in revenues of 55.8 percent since 2002. Estimates showed revenues of $97 billion for Hispanic women-owned business by 2016.\textsuperscript{14} This represents a growth in revenues of 55.8 percent from 2002 to 2012 and 23.4 percent from 2012 to 2016. Hispanic women-owned businesses generated on average $53,500 in revenue per year compared to their non-Hispanic White women counterparts ($171,000) and businesses owned by White men ($716,000).\textsuperscript{15}

By 2012, Hispanic women-owned firms employed a total of 470,726 individuals, an average of seven employees per employer firm. Likewise, Hispanic women-owned firms had an annual payroll of $13.1 billion by 2012, an average of $27,938 per employee. Estimates suggest that by 2016, Hispanic women entrepreneurs created an additional 80,000 new jobs for a total of 550,726.\textsuperscript{16} Employer firms represented five percent of Hispanic women-owned firms while employer firms represented 12 percent of non-Hispanic White women-owned firms. Firms owned by men of any ethnicity were five times more likely to be employers than were Hispanic women-owned firms.\textsuperscript{17}

Explaining the Diversity of Hispanic Women Entrepreneurs and Their Challenges and Opportunities

High unemployment rates and long-term unemployment can lead Hispanic women to start businesses out of necessity. The 2016 unemployment rate among Hispanic women was 6.3 percent, compared to 4.3 percent among non-Hispanic White women and 4.1 percent among Asian women.\textsuperscript{18} This may explain one of the main reasons Hispanic women’s businesses are growing in numbers but not in revenues or number of employees.

Hispanic women-owned businesses are under-resourced. Access to capital is a key ingredient in every company’s success. Hispanic women who, on average, earn 54.4 percent of the yearly income of a non-Hispanic White man\textsuperscript{19} and have lower levels of wealth,\textsuperscript{20} not only face more barriers in starting and growing businesses using their own money, but also are less likely to be able to collateralize business loans.

Average income, which can serve as a source of savings to fund a business startup, is lower among Hispanic women. U.S.-born Hispanic residents have average incomes 40 percent greater than those of immigrants.\textsuperscript{21} According to the Pew Research Center, in 2013 median personal earnings for foreign-born residents was $25,000 and for U.S.-born residents was $30,000.\textsuperscript{22}

Ethnic enclaves, or small geographies dominated by one ethnic group, demonstrate the potential that Hispanic women entrepreneurs, particularly immigrants, represent for the U.S. economy.\textsuperscript{23} Studies suggest that ethnic enclaves tend to promote immigrant women’s entrepreneurship and provide opportunities to increase revenues, sales and employment.\textsuperscript{24} Close to a quarter of Hispanic-owned businesses with revenue greater than $1 million per firm are located in enclaves.\textsuperscript{25}
Hispanic women are more likely to start a business with little or no money, which limits growth capacity. Both Hispanic and White women are more likely to indicate that they needed no resources to start their businesses. Businesses that identified as not requiring additional external capital had lower sales compared to those financed by family resources (See Figure 5).

**FIGURE 5. PERCENT OF FIRMS BY SOURCES OF BUSINESS STARTUP CAPITAL IN 2012**

Educational attainment, often lower among Hispanic women than other groups, is a key predictor of entrepreneurs’ success. Mathematical skills and reading comprehension are two factors related to the success, expansion and profitability of any entrepreneurial undertaking. In addition, individuals with college degrees are more likely to grow their businesses, increase profits and hire employees than those with only a high school diploma or those who did not complete high school. Data shows that 28.1 percent of Hispanic women business owners have a bachelor’s degree, while 46.1 percent of non-Hispanic White women business owners hold the same diploma or higher.

Financial literacy, financial inclusion and financial assets are key components for the success of Hispanic women as entrepreneurs and their integration into the larger economic community. Many entrepreneurs rely on their own personal resources, such as savings and home equity, to fund their businesses, especially during the startup phase when external sources of capital are more limited. Evidence from The National Financial Capability Study (NFCS) shows that Hispanics were less likely than Whites to have checking, savings and retirement accounts. In 2013, 17.9 percent of Hispanics were “unbanked,” which is defined as not having a...
checking or savings account. Women lag behind men and Hispanics lag behind Whites in wealth building. Only 46 percent of Hispanics were homeowners compared to 73 percent of Whites in 2007. The same trend holds true for financial assets: only 23 percent of Hispanics reported owning stocks, bonds and other financial assets, compared to 45 percent of Whites.

**Language proficiency and effective communication skills can be key determinants of the economic performance of Hispanic women-owned businesses.** Surveys estimate that by 2014, 68.4 percent of all Hispanics were proficient in English; this included 89.4 percent of native-born Hispanics and 34.4 percent of those who were foreign born. This represents an increase over 1990 levels, when only 30.7 percent of foreign-born Hispanics reported being English proficient. Gender, nativity status and educational attainment also affect English fluency. In 2013, 57 percent of all Hispanics who reported not speaking any English were women, 75 percent had less than a high school diploma and 93 percent were foreign born.

**Improving the Success of Hispanic Women Entrepreneurs Through Entrepreneurial Training**

Training improves performance and can help close the gap in skills, mindset and access to capital. Whether entrepreneurs are necessity- or opportunity- driven, high-quality training and access to capital promote further job creation and revenue growth and boost entrepreneurs’ contribution to the economy. For example, one study suggests that micro enterprises, which employ five people or fewer, generated an average of 3.9 jobs after owners participated in a training program.

Training programs also need to provide access to capital, one of the greatest challenges women face, especially Hispanic women. Importantly, programs need to prepare women for the fundraising process to increase their likelihood of succeeding at it. The process of raising money varies dramatically depending on the funding source. While training programs are very familiar with different debt options, they may be less familiar with newer forms of fundraising such as crowdfunding and may need to learn how to train entrepreneurs.
The report "Entrepreneurship Education and Training Programs Around the World" provides a framework to understand what it takes to develop effective programs for entrepreneurs. This framework can be applied to the diversity of Hispanic women entrepreneurs given their financial resources, educational attainment, financial literacy and language proficiency. The framework can also take into account the different stages of a company including idea, launch and growth, as well as the woman’s ambitions, and includes:

- **Design and content**, encompassing entrepreneurial capability, mindset, status and performance. Below are examples of how programs might be tailored to diverse Hispanic women entrepreneurs:
  - Hispanic immigrant women who are not proficient in English may need English-as-a-second-language classes.
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- Foreign-born entrepreneurs may not have a credit score in the U.S. and may need referrals to programs that help immigrants establish credit scores quickly. Other entrepreneurs may need help with credit repair.

- If their businesses target corporations and government agencies, women entrepreneurs may need training in how to become a certified as a minority- and women-owned business and how to target these opportunities.

- **Follow-up or wrap-around services.** As the above examples highlight, entrepreneurs may have multiple needs and these needs change over time. Whether the program provider offers the additional support itself or through others, follow-up or wrap-around services are often needed. It is essential that providers establish relationships with complementary organizations.

- **Mentoring.** Evidence shows that programs that combine training with mentoring services have higher impacts than simple training programs. Typically, mentoring services are provided by successful entrepreneurs who understand from firsthand experience what the entrepreneur is going through. Mentors also become role models to mentees.

- **Monitoring and evaluation.** Evidence suggests that conducting evaluations and monitoring program effectiveness are essential to the success of a program. Evaluations allow providers to improve the program and to monitor and follow their clients’ performance so they can recommend additional services.

- **Grant awards and access to capital.** Because Hispanic women have lower earnings levels and are less likely to own assets, obtaining grants is particular important to this group. Few programs provide grants directly, instead making entrepreneurs aware of grant opportunities and introducing them to the appropriate funding source, which might be
  - a traditional bank,
  - a Community Development Financial Institution (CDFI) or other micro lending institutions (which provide affordable loans to low-income women entrepreneurs),
  - rewards-based (such as Indiegogo and Kickstarter) and investment crowdfunding platforms (such as AngelList, StartEngine, SeedInvest), or
  - accredited angel investors and venture capitalists.
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FIGURE 7. IDEAL FUNDAMENTAL AREAS FOR ENTREPRENEURSHIP PROGRAMS

DIMENSIONS

Program Context
Contextual influences shown to impact the likelihood of a program’s capacity to generate outcomes.
Examples:
- Economic, political and cultural

Participant’s Characteristics
Profile, education, experience, interest, intentions and behavior
Examples:
- Individual’s profile
- Basic demographic
- Education
- Interest and intentions
- Behaviors while enrolled within the program

Program Characteristics
Program design, trainers and delivery, content and curriculum, wrap-around services
Examples:
- Program design
- Trainers and delivery
- Content and curriculum
- Wrap-up services

DESIGN AND CONTENT

Entrepreneurial Capability
Competences, knowledge and technical skills
Examples:
- Financial literacy
- Management
- Accounting
- Marketing
- Negotiation
- Technical knowledge

Entrepreneurial Mindset
Socio-emotional skills, awareness of entrepreneurship and future success
Examples:
- Self-confidence
- Self-efficacy
- Creativity
- Resilience
- Risk propensity
- Motivation
- Leadership

Entrepreneurial Status
The temporary state of program’s beneficiary
Examples:
- Pre-Incorporation
- Start-up achieving higher income
- Becoming an employer or becoming employed

Entrepreneurial Performance
Indicators of a venture’s performance
Examples:
- Higher profits
- Increased sales
- Greater employment of others
- Higher survival rates

Source: Adaptation based on Alexandria Valerio, Brent Parton and Alicia Robb, “Entrepreneurship Education and Training Programs around the World.”

Hispanic Women Entrepreneurship: Understanding Diversity Among Hispanic Women Entrepreneurs

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Tailored programs can help Hispanic women entrepreneurs overcome the additional structural barriers that may inhibit their ability to grow and scale their businesses and ultimately become employers. There is no one-size-fits-all approach. The full report provides examples of five effectively designed entrepreneurship programs.

Conclusion and Recommendations

Targeting the untapped potential of Hispanic women entrepreneurs can accelerate U.S. economic growth. The key to unleashing this potential is tailoring entrepreneurial training programs to the different needs of diverse Hispanic women entrepreneurs. Based on this analysis, this report offers four recommendations:

1. **Increase funding provided by the federal government to Small Business Administration Women’s Business Centers.** These provide training to low-income Hispanic women entrepreneurs, especially women who do not speak English. Despite the growth in the number of women entrepreneurs and their economic impact, grant size has not increased since 1988.

2. **Spread the word about entrepreneurial training programs and funding.** Many Hispanic women are not aware that these programs exist and that specific institutions provide affordable financing. Local, state and federal governments, the media and ecosystem players (such as the National Association of Women Business Owners, U.S. Hispanic Chamber of Commerce and Women Impacting Public Policy) have a dual role: helping to spread the word that entrepreneurial training programs are available and insuring these programs are funded. Elevating awareness among these players of the economic impact of Hispanic women entrepreneurs will encourage them to disseminate information about programs, advocate effectively and/or approve funding.

3. **Expand and make permanent the New Market Tax Credit.** Lack of access to financing for people with low credit scores and/or lack of financial literacy can impede the growth potential of Hispanic women-owned businesses. To close this financing gap, the federal government can increase corporate, foundation and individual funding by enlarging and making permanent the New Market Tax Credit program that encourages investment in Community Development Financial Institutions (CDFI). CDFIs provide loans to segments of small business owners who are disinvested, such as Hispanic women-owned businesses.

4. **Use federal pension funds to catalyze change by investing a portion of such funds with emerging manager programs.** One reason venture capitalist so rarely fund women-owned businesses (only five percent of venture dollars are invested in companies with women chief executive officers41) is that so few women are investment decision makers.42 Investment firms with minority and women decision makers are more likely to invest in companies with women at the helm.43

Investments in venture capital funds have become an important asset class for large pension funds looking for long-term, attractive returns and diversification. To allow new talent—particularly those who are underrepresented in the industry such as minority- and woman-owned firms—to gain access to this important source of capital, pension funds have developed emerging managers programs. Emerging manager programs generate attractive investment returns that are on par with, or superior to, industry norms and are owned by minorities and women. A growing number of cities and states are doing this.44
**CDFI:** Community Development Financial Institutions provide affordable loans to low-income, low-wealth small businesses whose owners are from underrepresented segments such as women and minorities. Many CDFIs complement their loans with training and technical assistance. Their funding comes from the federal government, foundations, faith-based organizations and commercial banks.

**NMTC:** The New Markets Tax Credit Program stimulates investment and economic growth in low-income urban and rural communities that lack access to capital needed to support and grow businesses, create jobs and sustain healthy local economies. The NMTC Program attracts investment capital—some not already at the table—to low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income taxes in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). A CDE is an intermediary vehicle that enables CDFIs to receive the NMTCs. The NMTC provides the return on investment sought by institutions and individuals.

**SBA:** The U.S. Small Business Administration was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation.

**SBDCs:** Small Business Development Centers provide an array of technical assistance to small businesses and aspiring entrepreneurs. The SBDCs are made up of a collaboration of SBA federal funds, state and local governments and private sector resources.

**SBO:** Survey of Business Owners and Self-Employed Persons provides the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, ethnicity, race and veteran status. It is undertaken by the U.S. Census Bureau.

**WBCs:** Women’s Business Centers are a national network of more than 100 educational centers throughout the United States and its territories, which are designed to assist women in starting and growing small businesses. The Small Business Administration’s Office of Women’s Business Ownership (OWBO) oversees the WBC network, which provides entrepreneurs (especially women who are economically or socially disadvantaged) comprehensive training and counseling on a variety of topics in several languages.
References

Endnotes

1 These estimates are based on projections. The last official number from the Survey of Business Owners and Self-Employed Persons (SBO) estimates 1.5 million Hispanic women entrepreneurs. The projections and the methodology used to derive them are available in “The 2016 State of Women-Owned Businesses Report,” American Express OPEN and Womenable, 2016.

2 Average employment of non-Hispanic women was determined by multiplying the number of firms by the number of Hispanic women-owned firms to obtain the number of employees, Hispanic women-owned firms would employ if they reached the average employment rate of non-Hispanic women-owned firms. Additional employment equals the number of employees Hispanic women-owned firms would employ minus the number of employees Hispanic women-owned firms already employ.

3 The 2012 Survey of Business Owners and Self-Employed Persons (SBO).


6 Because of the large number of studies and databases used or cited in this study, there is no consistency between the use of the ethnic categories “White” and “non-Hispanic White.” The report relies on the category definitions used by each individual study.


13 Susana Martinez Restrepo and Geri Stengel, “Hispanic Women Entrepreneurship: Understanding Diversity Among Hispanic Women Entrepreneurs,” Figure 3 and Figure 9, National Women’s Business Council, September 2017.


23 Ethnic enclaves are geographic areas with high concentrations of ethnic groups that share a cultural identity and economic activity.


29 Adaptation based on 2012 SBO. It was not possible to identify firms owned by Non-Hispanic White women because SBO tables only present non-Hispanic Whites for total population that includes both women- and men-owned firms.


32 Necessity entrepreneurs start a business because they need a job. Opportunity entrepreneurs start a business in response to a market opportunity or to fulfill a personal interest.

33 “Entrepreneur Data,” EntrepreneurTracker, FIELD at the Aspen Institute, 2015.


35 Ibid.

36 Ibid.


38 Susana Martinez Restrepo and Geri Stengel “Hispanic Women Entrepreneurship: Understanding Diversity Among Hispanic Women Entrepreneurs,” Figure 12, National Women’s Business Council, September 2017.

39 Analysis of data supplied by the U.S. Census Bureau, Center for Community Economic Development and Center for Global Policy Solutions. Note: Data from 2007.


43 Ibid.

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