

Immigrant Entrepreneurs and Small Business Owners, and their Access to Financial Capital

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Purpose

This study, using data from the 2007 U.S. Survey of Business Owners, attempts to complete the picture on immigrant entrepreneurship and addresses questions such as the following: What hurdles do they face accessing capital? How do they use capital? The importance of immigrant entrepreneurs to the U.S. economy has been very well documented in [Advocacy-sponsored research](#) and elsewhere in the economic literature. They contribute greatly to the economy, have high business formation rates, and create successful businesses that hire employees and export goods and services. Lacking, however, was a thorough look at the financial picture that would complement what we know of them.

Overall Findings

- Immigrants are found to have higher business ownership and formation rates than non-immigrants. Roughly one out of ten immigrant workers owns a business and 620 of 100,000 immigrants (0.62 percent) start a business each month.
- Immigrant-owned businesses start with higher levels of startup capital than non-immigrant-owned businesses. Nearly 20 percent of immigrant-owned businesses started with \$50,000 or more in startup capital, compared with 15.9 percent of non-immigrant-owned businesses.
- Roughly two-thirds of immigrant-owned businesses report that the most common source of startup capital is personal or family savings. Other commonly reported sources of startup capital by immigrant businesses are credit cards, bank loans, personal or family assets, and home equity loans. Overall, the sources of startup capital used by

immigrant businesses do not differ substantially from those used by non-immigrant firms.

Highlights

- Businesses owned by immigrants have an average sales level of \$435,000, roughly 70 percent of the average sales level of non-immigrant firms.
- Immigrant-owned businesses are slightly more likely to hire employees than are non-immigrant-owned firms; however, they tend to hire fewer employees on average.
- Immigrant-owned businesses are more likely to export their goods and services. Among immigrant businesses, 7.1 percent export compared with only 4.4 percent for non-immigrant businesses.
- Entrepreneurship increases with maturity, and married people are more likely to start a business.
- More generally, there is a U-shaped relationship between entrepreneurship and education. Entrepreneurship rates are lower for high school graduates than for high school dropouts, but entrepreneurship rates are similar between those with some college and high school graduates. College graduates have higher rates of entrepreneurship, and those with graduate degrees have the highest rates of entrepreneurship.
- Among immigrants, 52.1 percent owned a home compared with 70.8 percent of non-immigrants.

Scope and Methodology

The 2007 Survey of Business Owners (SBO) and the 1996-2010 Current Population Survey (CPS) are the two sources of data that enabled this study. The analysis of immigrant business finances would not have been possible without the data from the 2007

SBO. Logit regressions are used to determine the probability of entrepreneurship.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research by email at advocacy@sba.gov or by phone at (202) 205-6533.

Ordering Information

Research from the Office of Advocacy is online at www.sba.gov/advocacy/847. Copies are available for purchase from:

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