Enhancing Rural Capacity

Cooperative Extension and Latino Business Development

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REGIONAL RURAL DEVELOPMENT CENTERS
Significant Sources:

- NC Latino Study Roundtable, Perry, Iowa/ Craig Carpenter, MSU Report
- *Status and Development of Latino Businesses in Iowa* (Francisco Hernandez)
- *Focus Group Report* (Federal Reserve Bank of Minneapolis)
- Presentations from National Main Street Conference, National Historic Trust Conference (2011: Borich and Hernandez)
Major Themes

- Market and Business Growth
- Community and Building Design
- Finance Barriers
- Organizational Networks
- Further Study – Further Education
Hispanic Population by State 2010

• California
• Texas
• Florida
• New York
• Illinois
• Arizona
• New Jersey

• 14 million
• 9.4 million
• 4.2 million
• 3.4 million
• 2.0 million
• 1.9 million
• 1.6 million
• (New Mexico (46%)
Latino Population Growth in Midwest 2000-2010
Latino Population Growth in US and Midwest

• By 2050, the Latino population in the US will triple and grow to 30% of total population
• Between 2000 and 2010, the Hispanic population grew by 4%, which was four times the growth in the total population at 10%.
• The Hispanic population increased by 49% in the Midwest. This was more than twelve times the growth of the total population in the Midwest (4%).

Source: 2000/2010 Census Data
Why is there growth in the rural Midwest?

- Iowa faces rural immigration
- Iowa Ag-related Industries NAFTA
- Mexico: Farmers can’t compete with American Agriculture
- Migration
- Migration to rural places (similar lifestyle)
Latino Population in Iowa

- Tends to be concentrated in and around 30+ communities
- Many in rural towns
- Most rapidly growing segment of Iowa’s population
- Three-fourths from Mexico
Other Iowa Latino Population Characteristics

- Projected to grow from less than 3% in 2000 to around 10% in 2030 (Woods and Poole).
- Population is younger with more children than Iowa as a whole.
- A growing number have been in Iowa since early- to mid-1990s.
Hispanic Business Growth (2007 Business Census)

• Number of all businesses in US increased by 18% from 2002–2007
  • Number of Hispanic-owned businesses increased by 46%
Community and Business Design
What’s the Design Issue?

• New Ethnic Groups opening businesses on “Main Street.”
• Growing rapidly in the number of communities that had been in economic and population decline.
• Communities with initial settlement from around 1830 to 1890.
• Culture clashes with Design Codes and Community Programs
The use of space outside the businesses
The clash of the four points

- Organization: Are Latinos represented?
- Promotion: Growing, but not always.
- Design: Who’s design?
- Economic Restructuring: How does this fit with basic cultural change?
The Focus: Who’s Design?

• “Good” color schemes, merchandize layout, signage, storefronts are all socially defined.
• Use of public and “third” places?
• Historical context… who’s?
• What markets or customers are we attracting?
Who “Organizes” the Design

- Little representation
- Parallel social networks
- Separate finance networks
- Problems of communication, trust and language
- Different Heritage
Preservation

Why should preservation organizations be involved with the Hispanic community?

96% of the Latino businesses in Iowa are located in or surrounding business and/or historic districts.
Challenge to Main Street

• Adaptation of “Four Points”
• Balancing new cultures with history
• Social Networks
• Language and trust
Preservation

Latino Businesses

- Retail 62%
- Restaurant 20%
- Car/Mechanics 5%
- Manufacturing 2%
- Communication 1%
- Finances/Insurance/Legal 2%
- Construction 5%
- Other 3%
Preservation Challenges:

- Lack of knowledge of historic background
- Lack of knowledge of incentives (money and community)
- Lack of communication
- Preservation organizations need to promote value for preserving and/or rehabilitation.
Managing Tough Times
Latino Entrepreneurship
Financial Barriers
Barriers to Latino Entrepreneurs

• Language Barrier
• Low levels of human and financial capital
• Latinos often rely on a network of family, friends, and their church
  – Low levels of intergenerational background in business
  – Limited formal business training
• Limited use of and access to credit
Three Reasons for Limited Credit

1. Age: Latino entrepreneurs are younger than their white counterparts
2. Lack of collateral: while Latino business owners often become entrepreneurs because they are excluded from mainstream labor markets, many do not have assets to present as collateral
3. Discrimination: while perhaps not explicit, exclusionary practices are persistent in both the loan approval and interest rate decision-making process

(sources: Rubén Martinez 2010, Mach and Wolken 2006)
Consequences of Non-Formal Credit Use

• Limited investment in businesses and community.
• Informal lenders more volatile than formal lenders
  – Limits ability to form effective business plans and invest
• Use of personal credit cards and payday loans results in high interest rates on investment and credit
  – Limits investment and growth
• These consequences combine into a significant capital constraint, limiting growth and personal wealth
  – In turn, this further limits collateral and use of formal credit sources
• Strong indication that an increase in access to credit or loans would help Latino entrepreneurs

(sources: Rubén Martinez 2010, Mach and Wolken 2006)
Minneapolis Fed Focus Group Findings

(Part of NCRCRD sponsored study: Preliminary Findings)

• Two Focus Groups in Willmar, MN
  – Latino Entrepreneurs
  – Non-profits and other service providers

• Two Focus Groups in Marshall, MN
  – Latino Entrepreneurs
  – Non-profits and other service providers

• Online bankers’ focus group
  – 20 Midwestern Bankers
Common Community Focus Group Summary

- Language Barriers
- Financial Lexicons
- Understanding basic US Business Practices
- Cultural-Specific Resources Lacking
- Technical and Educational Assistance
- Proper Documentation
- Lack of collateral, business history, vision
- Time to attend classes
- Literacy (Spanish and English)
Bankers’ Focus Group Summary

- Language (50% had Spanish Speaking Loan Officers)
- Lack of collateral and credit history
- Problems of Acceptable forms of ID
- Lack of Trust: banks are seen as government agencies
- Loan forms are hard to understand
- Need for financial education in credit responsibility and history
Limitations of Organizational Networks
Leadership implications:
• You will not find leaders in the usual places
• They usually are not asked to be involved in organizations
• Their potential is often to recognized or considered
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• Latino culture relies on informal networks vs. formal

- **FORMAL**
  - Chambers
  - Main Street
  - Service clubs
  - Mainstream

- **INFORMAL**
  - Families
  - Place of origin
  - Friends
  - Former co-workers
Main Street Study Findings:

• Financial support outside formal channels.
• Community business networks operate in a parallel fashion: not intersecting.
• “They don’t attend meetings.”
• Ethnic vs. interethnic markets vary from business to business.
• Separate communication networks and power structures.

Source: Hernandez, 2010
What’s Next?
NC Region Survey:
A Survey of Extension Faculty and Staff

- ID top two Latino rural counties in each state (percent)
- ID Next 50 counties (max of 6)
- ID three Extension "knowledgeables"
Study Focus

- Level of Extension Educational Support
- ID Content
- ID Best Practices and Materials
Still Constructing Questionnaire

Is there is something you would like to ask?
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Thank You!

We are taking a couple months off but we’ll see you in September!

If you have suggestions for topics please be in touch.