Individual and Contextual Factors Explaining Latino Entrepreneurship in Rural Communities in the Midwest

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Introduction

Demographic changes of the last two decades in the United States show significant increases in the migration to the Midwest (Census Bureau). The majority of the population migrating is Latino, seeking opportunities to improve their living standards. An interesting and important fact for rural development is the increasing number of Latino entrepreneurs.

According to the partnership for a New American Economy, Latino entrepreneurship increased exponentially, more than tripling from $77,000 to more than 2 million between 1990 and 2012 (Partnership for a New American Economy). Latinos immigrants also have higher entrepreneurship rates. For example in 2012, 10 percent of the U.S. population was entrepreneurs, compared to 11.7 percent in the population of Latinos (ibid).

Objectives

This paper studies the different individual and contextual factors that contribute to Latino entrepreneurship in rural communities in the Midwest (see figure 1). We first look at:

a) The relationship between entrepreneur and their individual characteristics.

b) The factors that contribute to the process of becoming an entrepreneur.

c) Contextual factors at the community and higher scales perceived or experienced that influence entrepreneurship decision among Latino newcomers.

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Materials and Method

A household questionnaire, with personal interviews, was applied to a sample of 460 Latino households. In three Midwestern communities representing a diversity of economic pull factors. The data was analyzed to determine the likelihood of a Latino newcomer becoming an entrepreneur as a function of capitals, the community climate/reception perceptions, and strategies.

Sampling and Data: The sampling procedure, due to the nature of this population group was purposive, combined key informants, Census data, and modified snow sampling, to ensure a representative sample of Latino/as. An JJF approval and a Certificate of Confidentiality were obtained. Trusted organizations and leaders of each community and a Centro Latino in the third, were key collaborators in identifying subjects to be interviewed. We conducted interviews in Spanish.

A logistic regression is used to determine the probability that a Latino newcomer will become an entrepreneur. Exploratory variables include use of capitals (socioeconomic identity, bridging networks, language, and use, language, and electronic media ability), context of reception, acculturation strategies (whether to use Spanish or English language and media), perception of risks and control, and home ownership. Four context of reception indexes are calculated with a Likert scale, about perceptions of: discrimination; an accepting community; community climate; and language pressure.

Results

As in figure 1, we explain Human, Social and Cultural capital in the model with the following variables: Latino/Anglo acculturation scale with questions about language proficiency, language use and electronic media ability in Spanish and English (Valdivia & Flores). These six variables are used to capture level of skills and education and language proficiency that would contribute to the entrepreneurial process. The model was used to determine if it contributes to entrepreneurial activity, and therefore, increase their probability of becoming self-employed. Strong sense of belonging to an ethnic group, spending time trying learning more about “my” culture, and knowing those who share the same culture are measured by the networks that Latinos build that enable them to access information and the flow of new ideas, as well as partnerships. Bridging networks, what type of network are “you” more likely to use to start a business.

Entrepreneurial Process: Entrepreneurs are more entrepreneurial opportunities and financial resources that Latinos have needs or access to need access. According to Valdivia and Flores (2012), Latinos who have trouble finding jobs or have been discriminated feel the need or motivation to become self-employed. In this matter, identity and identity is equal to one if the person is currently working, zero otherwise. Also, Valdivia and Flores explore the idea that the number of places a Latino has lived before can contribute to the opportunity recognition in rural communities where services are not yet available. A variable captures the number of communities that a person has lived before settling in any of the three communities in this study. Also, requiring financial resources for a loan. A dummy variable captures if the person owns a house or not; ownership is equal to one if the person owns the house, zero otherwise.

Context and Reception: The community’s context and climate can either help or slow down the process of adapting. In this case, Latinos, High levels of discrimination and hostile environment can lead to less community integration and affect the process rural development and entrepreneurship activity (Valdivia et al., 2012). We expect that Latinos who perceive the community as an unfriendly and hostile environment might feel less willing to integrate in the development of the community, therefore, decreasing the odds of becoming self-employed in the community. Although, negative environment and low community acceptance can reduce the odds of becoming an entrepreneur, discrimination and language pressure could cause Latinos to become exporters. Low language skills and discrimination at work, can positively contribute to Latino entrepreneurship.

Table 1. Business Ownership Model

Individual Factors:

| Coefficient | B | Estimate | Std. Error | t | Pr(>|t|) | Odds Ratio |
|-------------|---|----------|------------|---|----------|-----------|
| House Ownership | 1.582 | 0.499 | 0.001 | 4.66 | .000 | 4.00 |
| Anglo_Latino | -0.29 | -0.231 | 0.003 | -7.46 | .000 | 0.40 |
| Latino_Latino | -0.39 | -0.291 | 0.003 | -10.40 | .000 | 0.36 |
| Latino_Origin | -0.39 | -0.291 | 0.003 | -10.40 | .000 | 0.36 |
| Work Situation | -0.21 | -0.120 | 0.003 | -13.00 | .000 | 0.81 |
| Discrimination | -0.27 | -0.212 | 0.003 | -7.24 | .000 | 0.79 |
| Community Climate | -0.20 | -0.200 | 0.003 | -6.24 | .000 | 0.82 |
| Educational Aspiration | 0.03 | 0.017 | 0.003 | 1.03 | .305 | 1.03 |
| Professional Experience | -0.22 | -0.167 | 0.003 | -5.89 | .000 | 0.57 |
| Constant | -7.665 | -5.125 | 0.014 | -51.00 | .000 | 0.00 |

Table 2. Average difference between Latino Entrepreneur and Non-Entrepreneur

<table>
<thead>
<tr>
<th>Language Pressure</th>
<th>P</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>0.30</td>
<td>0.99</td>
</tr>
<tr>
<td>No</td>
<td>0.70</td>
<td>0.39</td>
</tr>
</tbody>
</table>

Table 2. Average difference between Latino Entrepreneurs and Non-Entrepreneurs

Compared to Entrepreneurs and non-Entrepreneurs: Over all, Latino entrepreneurs are four times (4.4) more likely to own a house (2.1) more likely to use English and 3.8 likely to use Spanish language compared to non-entrepreneurs. Also, entrepreneurship is less likely to closer to their ethnic identity, have a smaller household size, and use less Spanish media. Job satisfaction increases the odds by 1.4 to become an entrepreneur.

Also, variables not included in the model due to not significance, but have great importance. These variables compared to Latino entrepreneurship and non-entrepreneur are trust, number of communities lived before, and language pressure.

The four context of reception variables were not significant but the signs are what it was expected. Community acceptance, climate and language pressure decreases the odds of becoming an entrepreneur, while discrimination becomes an incentive to start a business.

Establishing networks among co-workers and employers

Conclusions

In conclusion, context of reception and community climate tend to affect the decision to become an entrepreneur among Latinos. Also, acculturation strategies seem to benefit Latinos in their businesses given that they can have more markets to serve (receiving community and newcomers). The acquisition of skills and education contributes positively to business ownership. At last, pull and push factors like social network, job satisfaction and discrimination affects the decision of Latinos to become self-employed.

Communities that seek to support integration should focus on providing information and supporting policies that facilitates access. Trust is important in establishing a business, and again fostering a welcoming mat may lead more newcomers settling to start a business.

References


