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

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**Selected Poster prepared for presentation at the 2015
Agricultural & Applied Economics Association and Western
Agricultural Economics Association Joint Annual Meeting, San
Francisco, CA, July 26-28**



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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 577,000 to more than 2 million between 1990 and 2012 (Partnership for a New American Economy). Latino 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 case of Latino immigrants (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.

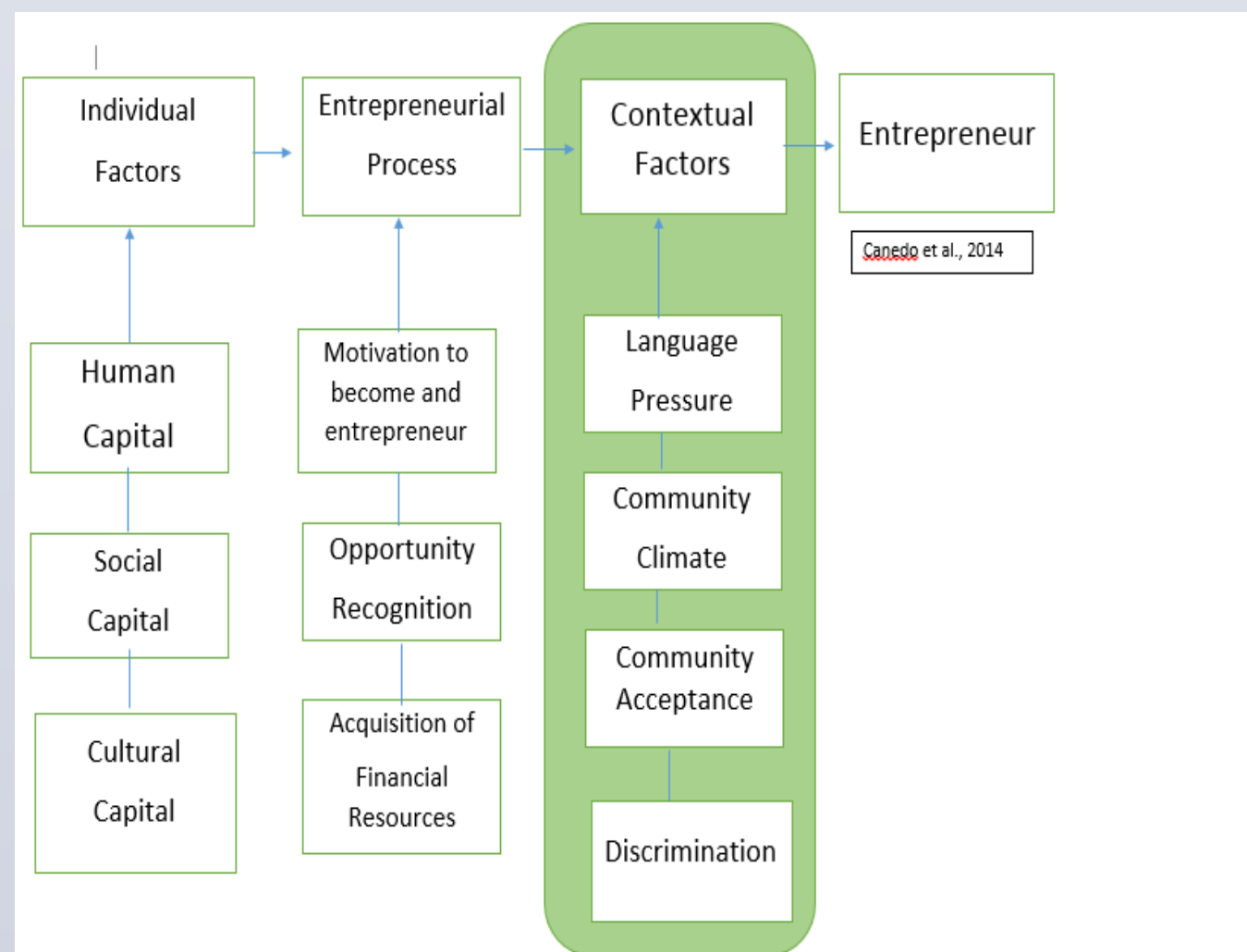


Figure 1. Latino Entrepreneurship Process

Materials and Method

A household questionnaire, using 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. IRB approval and a Certificate of Confidentiality were obtained. Trusted organizations and leaders in each community, churches in two communities and a Centro Latino in the third, were key collaborators in identifying subjects to be interviewed. Interviews were conducted in Spanish.

A logistic regression is used to determine the probability that a Latino newcomer will become an entrepreneur. Explanatory variables include use of capitals (ethnic identity, bridging networks, language use, language proficiency, 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 17 items/questions using a Likert scale, about perceptions of: discrimination; an accepting community; community climate; and language pressure.

Results

Dependent Variable: Business Ownership

	B	S.E.	Sig.	Exp(B)
House Ownership	1.582	.459	.001	4.865
Anglo_LangUse	.758	.297	.011	2.135
Latino_LangUse	1.356	.521	.009	3.879
Latino_Elecemed ia	-.939	.291	.001	.391
SWB_work	.353	.148	.017	1.424
Ethnic Identity	-1.143	.374	.002	.319
Household Size	-.333	.117	.005	.717
Networks	.901	.273	.001	2.463
Work Situation	1.210	.682	.076	3.353
Discrimination	.297	.212	.163	1.345
Community Climate	-.202	.200	.314	.817
Community Acceptance	-.050	.187	.787	.951
Language Pressure	-.229	.167	.171	.795
Constant	-7.665	3.125	.014	.000
Model	Chi-square	P-value	Nagelkerke R Square	-2 Log likelihood
Model	85.135	.000	.422	150.824

Table 1. Business Ownership Model

Individual Factors:

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). This six variables are used to capture level of skills and education and language proficiency that would contribute to self-employment. Ethnic Identity (Phinney & Ong) measures the cultural capital/background 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 learn more about "my" traditions, are asked (Valdivia & Flores). Social Capital is 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:

Entrepreneurial process are motivational, opportunities and financial resources that Latinos has or needs access to begin a business. 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 model, work situation 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 might be crucial for starting a business. In order to acquire financial resources, mainly loans, Latinos must have some collateral assets. House ownership is an important asset for anyone who requires 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 of Reception and Climate:

The community's context and climate can either help or slow down the process of adaptation of newcomers, 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 entrepreneurs due low language skills and discrimination at work. Low language skills and discrimination at work, can positively contribute to Latino entrepreneurship.

Latino Entrepreneur and Non Entrepreneur Statistics				
	Private business ownership	N	Mean	Std. Deviation
How many communities you lived before coming here**	yes	33	2.58	1.032
	no	426	2.02	.975
Trust**	yes	33	3.0293	.72432
	no	426	2.7631	.63598
Language Pressure**	yes	33	4.1729	1.80908
	no	426	4.9235	1.74384

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

Comparison between Entrepreneurs and non-Entrepreneurs:

Over all, Latino entrepreneurs are four times (4.4) more likely to own a house, two times (2.1) more likely to use English and 3.8 likely to use Spanish language compared to non-entrepreneurs. Also, entrepreneurs are less likely to be 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 entrepreneur.

Also, variables not included in the model due to not significance, but that have significantly different means compared to Latino entrepreneur 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 economic independence, 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 to more newcomers settling to establish a business.

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