Immigrants as Small Business owners

Challenges and Recommendations

By Alison Moronta
Business Development Director
Immigrants as Entrepreneurs

- Immigrants as business owners contribute with the local economic neighborhood revitalization. They move to economic distressed area because they have limited capital to start up their businesses and they only can afford lower rents. At these communities, they can market their products and services to low and moderate income people. Neighborhood main streets, and storefront businesses are well represented by immigrants.
Immigrant Small Business Owners Challenges

Issues and problems to resolve

- **Issues Faced.** The overwhelming majority of neighborhood small businesses in Boston, MA, are very small operations owned by immigrants and people of color.

- In the Jamaica Plain business community, a neighborhood of Boston, MA: 72 percent are Latino; 11 percent are African American; and about 80 percent of the immigrant owned businesses have limited English proficiency. Jamaica Plain has a strong mix of businesses with mayor focus on food-related businesses, including restaurants and catering services, retails, bodegas, beauty and nail salons, clothing stores, multiservice, communication and money transfer related businesses, reflect the special niche the immigrants have chosen to develop in Jamaica Plain.
Immigrant Small Business Owners Challenges

- Our immigrants face significant challenges in business planning, securing financing, and achieving financial viability.

- **The following summarizes these issues:**

  - **Limited business experience.** Most immigrants have not previously owned a business. They may bring an idea and work experience, often in the same business in which they hope to start, but have never developed or implemented a business plan.

  - **Cultural and linguistic barriers.** Limited proficiency in English is a serious barrier for immigrants who need to communicate effectively with public officials, regulatory agencies and bank representatives. Cultural barriers, such as the assumption that regulatory processes in the US are similar to those in their home country, can seriously compound the language barriers.
Immigrant Small Business Owners Challenges

- Poor or nonexistent credit history. Bankers often look at a business owner's personal credit history as an indication of how the borrower handles debt, as well as at the credit history of the business. Particularly when clients are immigrants, they have often operated on a cash-only basis and need to establish a credit history. Some need to repair their credit as a first step toward starting or improving their businesses. Over the past couple years, the global credit squeeze has made it increasingly difficult for prospective borrowers, even those who would not be considered credit risks in a positive economic environment.
Immigrant Small Business Owners Challenges

- **Limited collateral, cash flow and equity.** In addition to a good credit history, bankers considering a business loan look for adequate collateral in the form of personal and/or business assets; adequate retained earnings and cash flow to cover business operations and meet the required debt coverage ratio; and evidence of the business owner’s personal investment in his or her business. Most of our clients have major challenges in these areas – they are undercapitalized with limited equity, the cash flow of their business barely meets the bank’s cover requirement and they have inadequate or depreciated business assets to present as collateral.
Immigrant Small Business Owners Challenges

- **Lack of management knowledge.** Some of our immigrant clients who hope to start their own business after working for others have excellent knowledge of their product and customers but need decision-making, supervision and other basic management skills. They also need to improve their financial management skills if they hope to succeed in obtaining financing.
Immigrant Small Business Owners Challenges

- Real estate climate and utility cost increase. Making the rent and utility payments are posing a threat to many local businesses, especially those that serve lower-income residents who have reduced their consumption due to job and income loss. In this environment, stabilization and adjustment to new market conditions are critical goals.
Immigrant Small Business Owners
Technical Assistance as Resource

- **Technical Assistance Role.** One-on-One business counseling and technical assistance has become an essential resource to neighborhood businesses in Boston, especially immigrant merchants.

- For example in Jamaica Plain, many of the most popular businesses in the neighborhood, including those that have turned “The Brewery” into a unique destination for people from all over Greater Boston, have benefited from technical assistance from the JPNDC. Just a few of these are Mike’s Fitness, El Oriental de Cuba, Freddy’s Market, City Feed & Supply, Bella Luna Restaurant, Canto 6 Bakery and Café, the toy store Boing! and Tony Williams Dance Center. Other well-known businesses outside Jamaica Plain have also started with our technical assistance, such as Mission Bar and Grill in Mission Hill, Delfino’s Restaurant in Roslindale, and Flames Restaurant in Mattapan and Mission Hill among others.
Educational programs are key to help immigrants business owners develop management skills. This is a responsibility that lies with each individual and immigrants can strengthen their business planning, operation and financial management by reaching out to local community development corporations, city agencies business develop programs and centers and educational institutions. We have many independent educational programs offering two hours workshops and short term trainings but we need more coordinated educational programs to educate immigrants business owners.
Immigrant Small Business Owners
Small Business Loans as Resource

- Some immigrant business owners feel that banks do not want to finance their businesses and/or they cannot qualify for business credit because they do not meet banks’ underwriting criteria and requirements.
- Credit-scored lending products are not the appropriate products for immigrants. Second look programs with SBA guarantee are effective but specialized products and flexible small business loan products, to better serve the financial needs of immigrants are still limited.