

“Small business enterprises and Latino entrepreneurship: An enclave or mainstream activity in South Texas?”

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Abstract We surveyed 298 Latino small businesses in South Texas, a minority-majority region, in the summer of 2010. The survey focused on Latino entrepreneurship, and in this paper, we report findings associated with business start-up, immigration status of the entrepreneur, the sphere of business operations within formal or informal markets, the role of language in business operations, and the impact of the US-Mexico border in business success. We explore Latino entrepreneurship in the region as an enclave or mainstream activity developing a typology of business income chances associated with immigration documentation and business start-up rationale. Lastly, using multivariate analysis, we find gender, financial access, residence, and business language significant determinants in business orientation between necessity-driven and opportunity-driven Latino enterprises. En el verano de 2010, les entregamos cuestionarios a 298 emprendedores latinos, dueños de negocios pequeños en el sur de Tejas, las cuales contaban con mayorías de latinos entre su población. La encuesta está enfocada en emprendedores latinos y el análisis correspondiente reporta los resultados acerca de nuevas empresas, estatus migratorio, sectores de negocios, informalidad, el papel de idiomas, y el impacto del ambiente fronterizo en el éxito del empresario. Examinamos si la presencia de emprendedores latinos en esta región resulta de barrios

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cerrados o si el efecto es general, con el intento de desarrollar tipologías y expectativas de empresas según estatus migratorio y la creación de empresas. Terminamos llevando a cabo un análisis multivariable, donde encontramos como significativos los variables de género, finanzas, residencia e idioma – determinantes de los principales motivos de necesidad u oportunidad respaldando el negocio.

Keywords Latino entrepreneurship · South Texas · Opportunity-driven versus necessity-driven enterprises

JEL classifications L26 · R19 · J46

Summary highlights

Contributions: This study explores Latino entrepreneurship as an enclave or mainstream activity in a large minority-majority region in South Texas, USA. Our contribution expands the ethnic entrepreneurship literature beyond ethnic geographical districts within cities to a wider consideration of ethnic majority regions.

Research questions/purpose: Our research question posits “What role does region play in Latino entrepreneurship as either a mainstream or enclave activity for small businesses in South Texas?”

Theoretical or conceptual framework: We utilize theories and frameworks from ethnic entrepreneurship, developmental entrepreneurship, informality, and borderlands studies to illuminate mainstream or enclave activities with regard to Latino entrepreneurship in South Texas.

Data/information: Data for this study was collected in the summer of 2010 from a 56-question survey conducted with 298 Latino enterprises located in South Texas.

Results/findings: We find that Latino entrepreneurship is a mainstream activity in Hispanic South Texas. More refined results suggest that differences in resource accumulation and use, immigration status, and gender distinguish opportunity- versus necessity-driven enterprises. Cultural assets such as language facility also are found to differentiate opportunity- versus necessity-driven and authorized versus unauthorized enterprises. Lastly, stronger enterprise connections to formal institutions are associated with increased business value.

Limitations: Our study was limited to the region of South Texas using a purposive sampling technique.

Theoretical implications and recommendations for further research: Our findings suggest that the ethnic entrepreneurship literature considers minority-majority regions as a new locus of future study. Original to this study, we develop and test a typology of that considers the rationale for firm initiation (opportunity versus necessity) vis-à-vis immigration status (documented versus undocumented) within the umbrella of monetary success.

Practical implications and recommendations: Latino entrepreneurship, be it opportunity- or necessity-driven, authorized or unauthorized, is an important contributor to the mainstream economic space in South Texas. Enhancing Latino business formation and growth through formal local, regional, state, and national institutions, especially those that focus on business support, business finance, and immigration reform, is warranted.

Policy implications and recommendations: Our findings may inform policymakers on how to use business, in its many shades, as a tool for integration and social mobility in South Texas and in areas beyond where ethnic minorities are growing in population.

Introduction

Latino-owned enterprises are an important and rapidly growing segment of the US entrepreneurial landscape (Dávila and Mora 2013; SLEI 2016). As of 2012, Latinos owned 3.3 million enterprises or 12.0% of all firms in the USA generating \$474 billion in sales (US Census Survey of Business Owners 2012). The rate of growth in the number of Latino businesses exceeded 30% in the 2007 to 2012 time period (US Census Survey of Business Owners 2012). Texas comprises the second largest number of Latino-owned enterprises (behind California) where 29.2% of all Texas businesses were Latino-owned with 2012 collective sale receipts over \$90 billion (US Census Survey of Business Owners 2012). The growing national contribution of Latino businesses to the US economy is worthy of increased attention and academic study.

Minority entrepreneurship, such as small Latino-owned businesses, in the USA has been characterized as exceptional and historically robust (Butler 1996) to activity conditioned by ethnic enclaves (Light and Gold 2000). Much of the work on ethnic entrepreneurship in the USA has been conducted in ethnic enclaves located in large cities, such as Miami (Portes and Jensen 1989), Los Angeles (Light and Bonacich 1988), and Chicago (Tienda and Raijman 2004), yet there are minority-majority populations in scores of regional spaces within the USA. For example, 82 of 3143 US counties are majority Latino spaces (US Census Bureau 2011).

In such environments, is entrepreneurship an enclave activity or an economic activity part and parcel of the general business landscape? We suggest one way in which to explore this question is through the rationale for business start-up. Ethnic enclaves are characterized by firms beginning out of necessity because few options are available within the wider socio-economic environment (Light and Gold 2000). These types of firm start-ups are more closely aligned to a necessity-driven firm where business ownership is undertaken not as an opportunity but more as a last resort for household survival. On the other hand, new start-up businesses that seize even a small market opportunity or innovative niche at business start-up may suggest a healthier socio-economic climate (Kirner 1973). Firms that explicitly exploit business opportunities at business start-up, even if these opportunities are relatively small or marginal, are hailed as entrepreneurial. In essence, these opportunity-driven firms are initiated by choice.

In this article, we seek to shed light on this question of enclave (necessity-driven) or mainstream (opportunity-driven) business creation as we explore minority entrepreneurship in a large minority-majority region—the region of South Texas. Our contribution also expands the ethnic entrepreneurship literature beyond ethnic geographical districts within cities to a wider consideration of ethnic majority regions. Hence, our findings may inform policymakers on how to use business, in its many shades, as a tool for integration and social mobility in South Texas and perhaps in areas beyond where ethnic minorities are growing in population and in some locations becoming a minority-majority population.

South Texas is a unique region in the USA (Arreola 2002). Situated in the “boot” of Texas bordering Mexico, Latinos are a super majority (approximately 90%) of the population with long-standing historical and cultural ties to Mexico. South Texas is also one of the poorest regions in the USA and would rank dead last in per capita income of all the states if it were its own state (Sharp 1998). While Latino entrepreneurship is a significant contributor to the US economy, little work has been done at the national, regional, and local levels to better understand Latino entrepreneurship.¹

Within South Texas, business ownership patterns reflect the majority status of Latinos in the region. According to the 2012 Survey of Business Owners (the latest publically available business census), Latino-owned businesses for the four counties (Cameron, Hidalgo, Starr, and Willacy) situated in the Lower Rio Grande Valley of South Texas were in the majority of all businesses as reported by ethnicity. The percentage of Latino ownership ranged from 78.8% in Cameron County to 92.1% in Starr County and averaged 84.8% across all four counties.² For US counties with 500,000 or more people, Hidalgo County, Texas, ranked first in percentage of Latino-owned businesses at 86.7% (US Census Survey of Business Owners 2012). The analysis reported in this study focuses on Hidalgo and Starr counties and more formally seeks to investigate our central question: “what role does region play in Latino entrepreneurship as either a mainstream or enclave activity for small businesses in South Texas?”

Four sections follow this introduction. The “Literature review” section provides a review of the extant literature. The “Methodology and sample characteristics” section reports our methodology and sample descriptive statistics. The “Results and discussion” section details our analyses and presents and discusses our results. The “Conclusion” section concludes the paper.

Literature review

While the literature on Latino entrepreneurship³ is in its infancy, there are a handful of studies that help shape the current state of knowledge. Because of the ongoing flow of immigration from Mexico and other sending countries, enclave or immigrant community entrepreneurship has been a sustained focus of study, particularly in the field of economic sociology. Portes and Haller (2005) and Light (2005) examined different immigrant groups in the USA and found that successful immigrant communities that offer newly arrived co-ethnics help in securing informal sources of credit, insurance, child support, English language training, job referrals, and (self-)employment assistance. The use of social networks for ethnic entrepreneurs is a common recurring finding in other national contexts.⁴

¹ See Alberto Dávila and Marie Mora’s Hispanic Entrepreneurs in the 2000s, María Verdagué’s Class, Ethnicity, Gender and Latino Entrepreneurship, and the emerging work from the Stanford Latino Entrepreneurship Initiative for recent exceptions.

² Latino-owned businesses in Willacy County comprised 83.5% of all businesses.

³ We use entrepreneurship, self-employment, and small business owner interchangeably in this article, after Blanchflower and Oswald (1998).

⁴ For two recent examples, see Samaratunge et al. (2015) for Sri Lankan immigrant entrepreneurs in Australia and Knight (2015) for Polish immigrant entrepreneurs in the UK.

In her study of middle-class Mexicans in the Los Angeles area, Vallejo (2012, p. 54) notes that a “significant majority of the second generation who grew up middle class have parents who built successful small businesses after they migrated to the United States, oftentimes servicing the ethnic community.” Vallejo (2012, p. 57) further suggests “business ownership is a strategy to circumvent disadvantages in the labor market that emerge from not having gone to college.” Wang (2015) argues that as Latino populations become more concentrated in US metropolitan areas, so too does business ownership for Latino males in the same communities at the increased rate of 13% for every 10% increase in the Latino population. Perhaps this cluster effect “supports the idea that a larger co[-]ethnic population in a macro labor market” provides greater prospects “for Latino business ownership” (Wang 2015, p. 335).

Recent research has also confirmed the importance of foreign language acquisition for the creation of immigrant enterprises. In Knight’s (2015) qualitative study of Polish immigrant entrepreneurs in the UK, she uncovered the importance of English language facility as an important factor in business start-up, and without such English language skills, many Polish immigrants were reconciled to work in Polish enterprises. Co-ethnic employment and customer patterns are also a common reframe in the literature (Ilhan-Nas et al. 2011). Shinnar et al. (2011), Yang et al. (2011), and Curci and Mackoy (2010) suggest that financial performance may improve when ethnic entrepreneurs widen their customer base beyond co-ethnics, particularly in diverse demographic environments. Conversely, these authors argue that to operate exclusively within the ethnic population zone, ethnic entrepreneurs may forgo business opportunities. Yet, ethnic familiarity may have a strong hold on many ethnic entrepreneurs as a business safe haven because of immigration status, language facility, kinship ties, and accumulated social capital which may weaken (or even deter) the incentive for financial gain outside the ethnic community.

Four studies have reviewed Latino entrepreneurship in areas far from the border: Las Vegas, Chicago, Washington D.C., and Virginia. Shinnar and Young (2008) found that Latino self-employment in Las Vegas was more a result of pull factors than push factors, though both were important motivations in start-up decisions. Tienda and Rajman (2004) in their study of “Little Village” in Chicago noted a step ladder approach to Latino business ownership where informal markets are an important ingredient in initiating and scaling enterprises. Verdaguer (2009) focuses on Salvadoran and Peruvian Latino entrepreneurs in the metropolitan Washington, D.C., area. Noting different trajectories and resource bases of Salvadorans and Peruvians, Verdaguer (2009) finds heterogeneity in entrepreneurship endeavors and outcomes and cautions against sweeping pan-ethnic descriptions. In her study of Harrisonburg (Virginia), Zarrugh (2007) uncovered enclave Latino self-employment as a response to blocked employment paths, partially a result of racism.

This result is supported by Dávila and Mora (2013) who also note this is especially true for Hispanic immigrant entrepreneurs. National studies suggest that Latina entrepreneurs outperform similar non-Latina (Anglo) entrepreneurs but still earn less than similar wage and salary Latinas (Lofstrom and Bates 2009). Wang and Li (2007) argue that English language ability is a determinant of self-employment for Latinos, and Borjas and Katz (2007) suggest that Latinos over time make steady economic progress.

Closer to the US-Mexico border, Valdez’ (2011) book length ethnographic study of 34 Latino entrepreneurs in Houston offers both a glimpse at long-standing and

emergent Latino entrepreneurs. Valdez' focuses on the restaurant business and finds some degree of Latino socio-economic integration as well as continuing inequality between Latinos and comparable Anglo and African-American restaurant entrepreneurs. Further south, the southern border is distinct from other regions in the USA, not only sustaining large Latino (and predominately Mexican-origin) populations but also fostering high levels of economic informality—perhaps as high as one quarter of regional GDP (Pisani et al. 2008).

In the South Texas borderlands, the informal economy is largely an ethnic economy and is comprised of business operations that go mostly undetected and unsupervised by government (Richardson and Pisani 2012). Light (2005) describes this type of situation as the result of doubly disadvantaged ethnic employment. He presents it as a conundrum found in much of the research on ethnic economic initiatives. The conundrum, essentially, is this: if disadvantage promotes formal self-employment, why do disadvantaged Blacks, Mexicans, and Central Americans display low self-employment rates in the formal sector, whereas disadvantaged Asian immigrants display high formal self-employment rates? His response, based on resource constraint theory, is that doubly disadvantaged groups—those who not only lack economic resources but also lack essential human and cultural capital—have less ability to undertake self-employment in the formal sector. As a result, doubly disadvantaged groups, such as Latinos, seek employment in the informal sector where slender resources will suffice. Some Asian immigrant groups who enjoy educational, capital, and cultural advantages (e.g., cultural orientations that promote highly productive use of community resources) are more likely to undertake self-employment in the formal sector.

Nearly 90% of Hispanic-owned businesses are own-account enterprises (i.e., no paid employees). The work of Mora and Dávila (2006) finds strong empirical support for high rates of Mexican immigrant self-employment along the entire US-Mexico border. They also note that Mexican immigrant self-employment is higher than native self-employment in the region or elsewhere in the interior of the USA. Along the US-Mexico border, Mora and Dávila (2006) argue that Mexican immigrants are positively selected into self-employment, which suggests self-employment is a decision based on choice—that is, the best earnings alternative for this group is self-employment. Further analysis depicts that Mexican immigrants are 1.9 times more likely to be self-employed within the US-Mexico border region than those Mexican immigrants who settle further into the interior of the USA, though by locating within the border zone, Mexican immigrants receive depressed earnings (Dávila et al. 2009). Orrenius et al. (2008) also found an earnings penalty of \$1.61 per hour (in 2006 dollars) for undocumented Mexican immigrants who stop at the US-Mexico border rather than continue further into the USA. Perhaps entrepreneurship on the border, according to Dávila and Mora (2000), allows for a leveraging of the border southward into Mexico, as well as within the broader borderlands area. Hence, Mexican immigrants with ties to both sides of the US-Mexico border can effectively utilize the border to their highest benefits, such as self-employment (see Pisani 2012).

More generally, urban border regions have been described by Sohn (2014) as exhibiting four characteristics: (1) the border as a positional benefit—as a gateway and bi-locational opportunity; (2) the border as a differential benefit—as economic arbitrage; (3) the border as a locus of hybridization—as innovation in the face of constraints; and (4) the border as an object of recognition—as unique spaces. Each of

these characteristics of borderlands is at play in the present investigation of Latino entrepreneurship in the South Texas borderlands.

Consequently, our research objectives seek to illuminate mainstream or enclave activities with regard to Latino entrepreneurship in South Texas in five specific areas: (a) start-up, role, and rationale; (b) the role of immigration status, specifically authorized versus unauthorized status; (c) the role of government in enterprise oversight—formal versus informal enterprise authorization; (d) the role of culture, language choice and family interest in business operations; and (e) the influence of the US-Mexico border.

Methodology and sample characteristics

In the spring and early summer of 2010, we developed, field-tested, and administered a 56-question, small business survey in Hidalgo and Starr counties of South Texas (see [Appendix](#)). The survey, available in English and Spanish,⁵ contained both closed-ended and open-ended questions focused on business start-up, financing, success and failure, regional setting, and firm legalization as well as demographic data. Each survey took at least an hour to complete and was conducted either at the business site or home of the entrepreneur. In all, 298 small Latino businesses⁶ were interviewed utilizing a purposive sampling methodology.

As a portion of this survey sought to uncover legalization issues pertaining to work authorization status and business informality/formality, we sought a purposive sampling design utilizing embedded community members. These issues are highly sensitive and are highly unlikely to be divulged to an unknown interviewer via random sampling techniques; hence, community-embedded interviewers were utilized. The community members were also local university students derived from two graduate programs in sociology and business from the University of Texas–Pan American (now the University of Texas Rio Grande Valley) and functioned as part of the Borderlife Project which has been conducting community-based ethnographic data and surveys in South Texas since 1983.^{7,8} The trained interviewers utilized their embedded community networks via the snowball method to obtain the respondent sample during the summer of 2010.

A demographic profile of our business owner respondents appears in [Table 1](#). The 298 Latino respondents were nearly evenly split between female (52.8%) and male (47.2%) business owners. This stands in stark contrast to the national average, where just less than a third of all businesses are female-owned.⁹ Most respondents were still in

⁵ Translation and back-translation procedures followed Brislin (1980).

⁶ According to the Small Business Administration, a restrictive definition of small businesses is enterprises having fewer 100 employees and receipts of less than 2.5 million dollars (SBA 2013). All firms in our sample meet this definition.

⁷ See Richardson and Pisani 2012, 2017 and Rogers et al. 2012, for successful examples using the Borderlife Project.

⁸ The Borderlife Project, under the direction of Dr. Chad Richardson (Professor Emeritus of Sociology at the University of Texas Rio Grande Valley), trained students as embedded interviewers to investigate and describe cultural and social life situations within the South Texas borderlands. Most research topics start out as ethnographic descriptions. The patterns revealed in the anecdotal accounts permit more focused follow-up and purposive survey-based interviews.

⁹ This is also much higher than the global average, see Kobeissi (2010).

their prime earning years, between 30 and 60 years of age. Just over half of our sample resided in a colonia, a unique self-built and often precarious housing feature of the US-

Table 1 Descriptive statistics ($n = 298$)

Variable	Survey response ($n = 298$)
Gender (%)	
Male	47.2
Female	52.8
Age (%)	
18–29	15.8
30–39	23.3
40–49	32.5
50–59	25.3
60+	3.1
Residence (%)	
Rural (not a colonia)	11.7
Rural colonia	29.2
Urban colonia	21.8
Poor barrio in a city	9.1
Middle-class neighborhood	25.2
Upper-class neighborhood	3.0
Mean generation score (SD)	4.97 (4.56)
Household size (%)	
1–2	22.9
3–4	42.4
5–6	27.3
7+	7.4
Education (%)	
None	2.0
8th grade and below	16.6
9–11	16.3
High school or GED	24.4
Some college	25.8
AA degree	6.4
BA degree or higher	8.5
Annual household income (%)	
Less than \$25,000	42.9
\$25,001 to \$40,000	32.4
\$40,001 to \$55,000	8.7
\$55,001 to \$75,000	7.3
\$75,001 to \$100,000	4.5
Over \$100,000	4.2

SD standard deviation

Mexico borderlands (Richardson and Pisani 2017; Ward 1999). Our respondents have strong familial ties to Mexico through birth where 42.6% were born in Mexico, where 51.3% have at least one parent born in Mexico, and where 87.6% have at least one grandparent born in Mexico. Most respondents live within households with three to six people. In regard to education, 34.9% of respondents have less than a high school diploma, 24.4% are high school graduates, 25.8% have attempted some college, and 6.4% have earned a 2-year degree and 8.5% have earned a 4-year degree or higher. Lastly, over 75% of respondents lived in households earning less than \$40,000 per year with 42.9% earning less than \$25,000 per year. The income data resembles the generally low per capita incomes found in South Texas.

According to the US Survey of Business Owners, 53.9% of firms in Hidalgo and Starr counties in 2012 were male-owned and 92.7% of Latino-owned firms had no paid employees. Our sample was nearly balanced across genders and had fewer businesses (52.3%) reporting no paid employees. The difference between paid employees in our sample and that reported by the business census may be the result of paid but unreported wages, a common feature of the South Texas business landscape (Richardson and Pisani 2012). Firms were organized around and grouped into the following activities: agriculture, construction, manufacturing, wholesale trade, transportation, and warehousing (13.1%); retail (10.4%); health care and social services (2.7%); arts, recreation, and entertainment (6.4%); accommodation and food services (15.8%); and other (51.5%).¹⁰

Firm age is not only an important marker of survival, but also of success. A majority of Latino businesses in our survey (54.8%) had been in existence for three or more years with 45.3% of firms 5 years or older. Less than one-tenth (9.2%) were new ventures of under 1 year and just more than one-third (36.2%) were between 1 and 3 years old. Just over half of all respondent businesses are located in the home (50.7%) with only firms between 3 and 5 years significantly more likely to be located outside the home.¹¹ Much of the remainder of the firms was located in fixed locations that were owned (13.2%) or rented (25.0%). A few of the businesses were itinerant in nature (8.8%). Lastly, half of the businesses employed no full-time employees and over 90% employed no part-time employees. Fully 91.7% of surveyed Latino small businesses employed three workers or less; our sample clearly represents very small business concerns.

Results and discussion

In this section, we report results and discussion throughout in the following sub-sections: business start-up, immigration status, government oversight, culture, and the South Texas border.

¹⁰ Because of the imprecision of the firm categories, firm activity will only be utilized if meaningful in the results that follow in the next section.

¹¹ As calculated from a cross-tabulation of firm age and firm location categorical variables (Pearson chi-square 9.009, $p = .061$).

Business start-up

Nearly half (49.6%) of the Latino businesses in our sample began operations out of economic necessity. This necessity was from loss of employment or increased income needs of the household. Nearly the remainder of respondents indicated opportunity as the defining rationale for starting their own business. These opportunities revolved around increasing independence at work (26.5%), moving forward with a good business idea (12.1%) and turning a hobby into a business (3.0%); no differences were noted by gender.¹² As will be argued in the sub-section focused on government below, many of the Latino businesses in our sample may also be characterized as informal or unauthorized firms.

This mix of start-up rationales is typical of informal business start-ups. In his study of informal entrepreneurs in England, Williams (2007, 2008) observed that both necessity and opportunity drive many into informal entrepreneurship. Within India, Gurtoo and Williams (2009) find that self-employed informals may be necessity- and/or opportunity-driven over time, illustrating microenterprise life cycle dynamism as the motivation to participate in the informal economy.

As a whole, few businesses (21.2%) were launched with a formal business plan or had later written a business plan after many years of operation. Roughly three in four (73.8%) respondent businesses were initiated in less than 1 year after the mental planning process began. However, when divided between opportunity-driven and necessity-driven enterprises, those businesses that are opportunity-driven are 2.1 times more likely to have a formal business plan, though less than one-third report to have a written business plan.¹³ No differences were uncovered by gender.

Start-up costs were modest with over half of respondents (52.1%) indicating that they began business operations with \$1000 or less. An additional 27.4% of firms required between \$1000 and \$5000 for start-up; the remainder of businesses required \$5000 to \$10,000 (9.5%), \$10,000 to \$15,000 (2.0%), and more than \$15,000 (9.6%). There was a clear distinction in start-up resources between necessity- and opportunity-driven firms with the later significantly more likely to utilize more financial resources at start-up.¹⁴ Personal saving proved to be the largest resource category (at 74.3%) from which to draw resources to fund the new venture. Other financial sources included credit cards and banks (13.2%) and extra work/side jobs to generate additional income (12.5%). Necessity- and opportunity-driven firms relied upon similar resource channels, but not by gender. Female-owned business began with significantly smaller start-up resources; 64.2% began with \$1000 or less as compared to 36.4% for men.¹⁵

¹² We note that there is a continuum of firm creation choice from necessity to opportunity and that many factors arise in promoting firm initiation. Here we use the terms necessity and opportunity to describe the primary rationale in the initiation of the business.

¹³ Specifically, 14.5% of necessity-driven enterprises have a written business plan as compared to 30.5% for opportunity-driven firms. The difference is significant at the .01 level (cross-tabulation, Pearson chi-square = 10.300, $p = .001$).

¹⁴ The significant difference was computed by cross-tabulation, Pearson chi-square = 21.782, $p = .000$.

¹⁵ The significant difference was computed by cross-tabulation, Pearson chi-square = 19.562, $p = .001$.

Immigration status

As South Texas is a minority-majority Latino region, immigrant status is a primary analytical variable rather than diaspora study. And within immigrant status, legal residency and work authorization are the critical analytical variables. Richardson and Pisani (2012) emphasize immigration status and business informality in South Texas noting that one does not need to be in the USA legally to operate a small informal business. In our survey, 88.6% of the sampled business owners are present in the USA legally and 11.4% are not.¹⁶ Another 2% in our survey are in the USA and South Texas legally but are not allowed to earn an income. In all, 86.5% of Latino business owners in our survey were US citizens (61.7%) or US residents (24.8%) with the right to own and operate a business in South Texas formally if they chose to be formal business concerns. Those without the authorization to own a business are 1.3 times significantly more likely to possess a necessity-driven enterprise.¹⁷ Formal business planning for unauthorized business owners was almost absent with only two such firms indicating the creation of a written business plan.¹⁸

Looked at in a slightly different way, opportunity-driven enterprises are significantly more likely to follow a hierarchy of legal status within the USA. For example, US citizens occupy 68.2% of opportunity-driven firms and are three times more likely than US residents to operate an opportunity-driven firm. This gap is more than sevenfold between US citizens and temporary/undocumented inhabitants. On the other hand, the reverse is true for necessity-driven firms with temporary/undocumented residents 1.4 times more likely than US citizens to possess a necessity-driven enterprise in the region and 1.2 times greater for US residents.¹⁹

The precariousness of being undocumented and/or unauthorized to work and business ownership is also exhibited in business location, business financing, and household resources. While not statistically significant, unauthorized owners are 1.25 times more likely to operate their businesses out of their homes primarily in order to avoid detection. Start-up costs are much lower for unauthorized owners as the risk of detection is certainly higher than for authorized business owners. All unauthorized business owners had start-up costs below \$5000 and 85.3% had start-up costs below \$1000.²⁰ And the source of start-up funding comes almost exclusively from personal funds for unauthorized business owners. Only one unauthorized business owner was able to secure financing from a credit card or a bank.²¹

Lastly, household income differentials are significantly different for authorized and unauthorized business owners in our sample. Unauthorized business owners' households earned considerably less. Of unauthorized business owners, household annual income was less than \$25,000 for 73.7% of respondents and another 23.7% of unauthorized households earned between \$25,000 and \$40,000. For authorized business owner households, comparable figures were 38.3 and 33.5%, respectively. Only

¹⁶ There was no significant difference with regard to birthplace (USA, non-USA) and rationale for business start-up (necessity-driven, opportunity-driven) and to gender and immigration status.

¹⁷ The significant difference was computed by cross-tabulation, Pearson chi-square = 3.162, $p = .075$.

¹⁸ Significantly different at Pearson chi-square = 6.998, $p = .008$.

¹⁹ The significant difference was computed by cross-tabulation, Pearson chi-square = 5.090, $p = .078$.

²⁰ The significant difference was computed by cross-tabulation, Pearson chi-square = 18.225, $p = .003$.

²¹ The significant difference was computed by cross-tabulation, Pearson chi-square = 5.157, $p = .076$.

Table 2 Monetary success by immigration status and firm initiation rationale

		Household income	Immigration status	
			Documented (percent of firms) (%)	Undocumented (percent of firms) (%)
Firm initiation rationale	Opportunity-based firms	\$0–25,000	27.2	54.5
		\$25,001–40,000	31.6	45.5
		\$40,001–75,000	25.4	0.0
		\$75,001 or more	15.8	0.0
		Pearson chi-square = 7.660, $p = .054$		
	Necessity-based firms	\$0–25,000	50.0	79.2
		\$25,001–40,000	34.2	16.7
		\$40,001–75,000	12.5	4.2
		\$75,001 or more	3.3	0.0
		Pearson chi-square = 7.111, $p = .068$		

Analysis reads across

one unauthorized business household earned between \$40,000 and \$55,000 and no unauthorized households earned more than \$55,000. On the other hand, 61.7% of authorized business owner households earned more than \$25,000 annually, with 28.2% of households earning more than \$40,000 per annum.²²

As argued by Richardson and Pisani (2012), the degree of documentation influences income earning chances in South Texas. Additionally, opportunity-driven firms in the region have been argued to outperform necessity-driven firms (Pisani 2012). In combination, we offer a hierarchy and typology of income outcomes (or monetary success) based upon owner immigration documentation (undocumented versus documented) and firm orientation (opportunity- versus necessity-based). In this two-by-two typology, we have the following four possible firm pairs: (1) documented/opportunity-driven firm, (2) documented/necessity-driven firm, (3) undocumented/opportunity-driven firm, and (4) undocumented/necessity-driven firm. The income hierarchy follows from one to four where one represents the highest income and four represents the lowest income. Our significant results validate the typology where the highest incomes are associated with documented owners engaged in opportunity-driven enterprises, followed in order by the other three pairs (see Table 2).

Government oversight

Informal businesses are a standard feature of the South Texas borderlands (Richardson and Pisani 2012). A key facilitator of informality, particularly for small businesses, is the use of cash in economic transactions (Pisani 2013). While all sampled businesses accepted cash payment, nearly half (49.7%) exclusively accepted cash, with necessity-driven firms 1.3 times more likely to only accept cash vis-à-vis opportunity-driven

²² Annual household figures were significantly different between authorized and unauthorized business owners with a cross-tabulation, Pearson chi-square of 19.490 and p value of .002.

firms. The preference for operating in cash for both business owner and consumer is part and parcel of the informal economy in South Texas (Pisani 2013). In our survey, the initiation or decision for cash payment fell upon the owners, both parties, and consumers, 47.2, 36.5, and 16.3% of the time, respectively. Significantly, the owners of necessity-driven firms were more likely to make the decision to operate in cash as compared to opportunity-driven firms.²³

The transaction paper trail is thin within our business firm sample. Fewer than one-fifth accept credit cards, only six firms accept the state's Lone Star Card (an electronic social benefits debit card), and less than one in ten firms provide credit to customers. Checks are accepted by a majority (64.1%) of businesses, though checks may be processed through a variety of outlets (e.g., payday loan offices, banks, check cashing window fronts).

Further contact with government includes appropriate business permits, licenses, taxes, and inspections and as Williams and Martinez (2014) note such contact may also encourage informality. None of our sampled businesses decried taxes as a primary impediment to business, either because many of the sampled businesses were not constrained by tax regimes via an informal status (i.e., tax avoidance) or other government factors were deemed more intrusive or prominent. For example, just 4.7% of sampled businesses utilized government support agencies to help create a formal business plan and 4.4% believed the acquisition of appropriate government permits and licenses might actually improve business performance. On the other hand, 25.8% of respondent business owners indicated that compliance with government permits, licenses, or other legal issues were obstacles to business growth and expensive to implement. Though we did not have a specific question as to the business' informal status, 38.6% reported having acquired a business permit or license and being subject to government inspectors (at the city, county, state, and national levels), hence, a clear signal of business formality. Just under half (45.3%) of business owners stated they had no permits, no licenses, and no inspectors that affect the business. The "other" responses to government permits, licenses, and inspectors create a gray area of business informality, whereby up to 60% of our business respondents may be firmly positioned within the informal sector.

Culture

Several cultural attributes are important for the study of entrepreneurship generally (Engelen et al. 2009) and the study of Latino enterprises more specifically including language use, the gendered nature of work, family involvement, and social relationships (Canedo et al. 2014). The primary language spoken at home in Hidalgo and Starr counties is Spanish where 85.0 and 95.9% of households speak Spanish, respectively. Bilingualism is common where English is learned at school and used in economic and government interactions. Our sampled Latino small business owners reported language usage within their businesses with 29.2% indicating using primarily English, 59.0% indicating using primarily Spanish, and 11.9% indicating a relatively even mix of both English and Spanish in business operations.²⁴

²³ The significant difference was computed by cross-tabulation, Pearson chi-square = 8.248, $p = .041$.

²⁴ There was no significant difference in language use between men and women.

Language usage and immigration documentation status suggests that unauthorized Latino business owners operate almost exclusively in Spanish while authorized Latino business owners operate within and between both Spanish and English.²⁵ When language use is contrasted with necessity-driven and opportunity-driven enterprises, necessity-driven firms function most often in Spanish (62.8%) and opportunity-driven concerns function mostly in English (63.4%); this difference is highly significant.²⁶

Lastly, household income and business language usage suggest that respondents in our survey who conduct business primarily in English are far more likely to earn higher household incomes than those firms that conduct the majority of their business in Spanish or an even mixture of both English and Spanish. 47.6% of businesses that report conducting the majority of their business in English indicate annual household earnings above \$40,000. Comparable figures for majority Spanish and a mix of English and Spanish and household incomes are 12.7 and 29.6%, respectively.²⁷ Hence, access to English language ability improves the chances of positive business and household financial outcomes.

The gendered nature of firm ownership type was significant in our analysis for three areas. Women were more involved in retail (3.5:1) and accommodation and food services (1.5:1) than men. As expected, men were more heavily involved in agriculture, construction, manufacturing, wholesale trade, transportation, and warehousing (4.4:1) than women.²⁸ Integral and central to Latino life is family and this spills over to business affairs. Family was the number one response (42.1%) with our Latino small business entrepreneurs as those who are most trusted to provide good answers to business-related questions. Similarly, Yang et al. (2011) uncovered that kin was the most trusted within Korean firms operating in the USA.

Other identifiable groups consulted included like business owners (36.0%), professional and government support agents (10.1%), and friends (5.4%). Interestingly, both necessity-driven and opportunity-driven firms used family and friends as their most trusted confidants for business advice. Opportunity-driven firms were twice as likely to use government and professional support agents for advice vis-à-vis necessity-driven firms. Advice was also trusted from others in similar type enterprises, though necessity-driven firms were 1.4 times more likely to use this avenue for advice.²⁹ As anticipated, no unauthorized enterprises utilized government and professional support agents for advice in order to stay hidden from official oversight.

Contrasting these findings, we observe interesting relationships between sources of advice and relevant outcome variables. Significant differences in business results are displayed depending on who entrepreneurs rely on for business advice. To test for the effects of different sources of advice on business results, we conducted linear regression

²⁵ Unauthorized businesses report using Spanish 87.2% and Spanish and English 11.4% of the time, respectively. Authorized businesses report using English, Spanish, and both English and Spanish in the conduct of business, 33.3, 54.5, and 12.2% of the time, respectively. The difference was significant and was computed by cross-tabulation, Pearson chi-square = 17.186, $p = .000$.

²⁶ The significant difference was computed by cross-tabulation, Pearson chi-square = 16.268, $p = .000$.

²⁷ These differences were significant and were computed by cross-tabulation, Pearson chi-square = 47.305, $p = .000$.

²⁸ These differences were significant and were computed by cross-tabulation, Pearson chi-square = 26.607, $p = .000$.

²⁹ In toto, these differences were significant and were computed by cross-tabulation, Pearson chi-square = 7.088, $p = .029$.

analyses with perceived business value as the dependent variable and source of advice as the independent variables. Perceived business value was defined as a proxy for general business value and was measured as the necessary amount of money that an entrepreneur would need to sell his/her business (self-reported). Dummy variables were coded for the different sources of advice described in the last paragraph (family members, business owners, professional and government support agents, and friends).

Our results show Latino business owners who trust more in government advice and professional support agents tend to have significantly higher business values ($\beta = .35$, $t = 3.19$, $p < .05$) than when they trust in other sources of advice.³⁰ This includes entrepreneurs in the sample who trust more in the advice of family members, friends, similar business people, or even the Internet. In these cases, the signs of the regression coefficients were negative although not significant. Even though this is not conclusive evidence, it may reinforce the hypothesis of some researchers in the field of entrepreneurship who suggest that relying too heavily on strong ties (such as family members and friends) may be detrimental for nascent entrepreneurs in some particular cases (Renzulli 1998; Aldrich and Martinez 2001; Shinnar et al. 2011; Eschker et al. 2017).

Moreover, the differential effects of the advice coming from government and professional agents also have a strong statistical relationship with household income. Our sample provides evidence indicating that trust in formal institutions and professionals as a source of advice predicts higher household incomes ($\beta = .20$, $t = 3.89$, $p < .01$)³¹ than the other sources of advice. These results are consistent with recent institutional theories of entrepreneurship that theoretically sustain that institutions and formal structures can play an important role in the success and survival of new businesses (Bruton et al. 2010; Tolbert et al. 2011). Thus, we reinforce the idea that public institutions can potentially affect the future state of the region by providing not only resources and legal vigilance to Latino small businesses but also useful advice to enhance survival and success rates at a local economy level.³²

Over 60% (61.1%) of firms sampled were own-account business concerns—that is, only the owner worked within the business. However, when the business had additional workers, most of the firm help came from within the family. The overwhelming majority (86.6%) of business help, paid and non-paid, part-time and full-time, derived from the extended family. Only ten firms had seven or more employees and it was within this group that non-family members were employed.

The South Texas border

The South Texas border region plays a central and focal role for the Latino business owners in our sample.³³ As previously noted, many (42.6%) were born in Mexico and 89.8% are connected by birth to Mexico either directly themselves or through a parent or

³⁰ Post hoc ANOVA analyses also confirm the differential effects on business value of advice coming from the government and professional agents ($F = 3.32$, $p < .05$).

³¹ Post hoc ANOVA analyses also confirm the differential effects on household income of advice coming from the government and professional agents ($F = 4.01$, $p < .01$).

³² The advice coming from government and professional agents was also found to weakly effect ($F = 3.55$, $p = .06$) the difficulty of goals for the next 5 years of respondents. Small business owners set more “positive” goals of improvement when they are helped by these formal agents.

³³ For a recent look at the broader area of Latin America, see Chen et al. (2016).

grandparent born in Mexico. Following Pisani and Richardson (2012), we computed an assimilation variable based upon the birthplace of the respondent, the respondent's parents, and the respondent's grandparents. The variable score ranges from zero to 12;³⁴ a higher score illustrates closer natal ties to the USA. The generation score is a proxy for cultural assimilation (also referred to as acculturation). There is a significant difference in language usage in the respondent business when contrasted against assimilation with those less assimilated into the USA more likely to conduct business primarily in Spanish.³⁵

For firm type, generation score was a significant differentiator.³⁶ Those business owners with a high level of birth connection to the USA were more engaged in health care and social services. Business owners with an above average birth connection to the USA were more involved with retail and arts, recreation, and entertainment. Those with fewer birth connections to the USA populated accommodation and food services and the agriculture, construction, manufacturing, wholesale trade, transportation, and warehousing firm categories.

Where one lives is in part determined by the level of assimilation. Those Latino business owners living in a colonia, either outside a city (4.64) or inside a city (3.45), have the lowest mean assimilation scores. Lower mean assimilation scores also follow those who report living in poor neighborhoods (4.93) as compared to rural residents (6.31) and more affluent residents (middle-class and upper-class resident assimilation scores are 5.63 and 8.44, respectively).³⁷ Hence, those with fewer natal ties to the USA are more likely to live in more precarious neighborhoods.

These birth ties also divide authorized from unauthorized businesses where unauthorized enterprises have nearly no birth ties to the USA (mean generation score = 0.87) as compared to authorized small businesses (mean generation score = 5.60).³⁸ Likewise, necessity-driven firms were owned and operated by Latinos with closer familial ties to Mexico than opportunity-driven firms.³⁹ Assimilation and resources utilized for business start-up did differ with higher familial connections to the USA providing greater resources at business initiation.⁴⁰ There were no significant differences associated with gender or location of business and assimilation.

Respondents were asked how the South Texas borderlands contributed to the success or failure of their small businesses. Most responses were positively worded and associated with factors for success, but the opposite may be construed with factors for failure or certainly challenges for businesses. The most often mentioned factors were the provision of good customer service or high-quality merchandise, the possession of the requisite skills and training to run a business, and the ability to access

⁰ For a recent look at the broader area of Latin America, see Chen et al. (2016).

³⁴ The score is determined by the following procedure: four points if the respondent is born in the US, zero if not; two points for each respondent parent born in the USA, otherwise zero; and one point for every respondent grandparent born in the USA, otherwise zero.

³⁵ A comparison of means for assimilation and language use in the business (English [average = 8.08], Spanish [average = 2.87], and both [average = 7.46]) were significant, ANOVA, $F = 61.368$, $p = .000$.

³⁶ A comparison of means for assimilation and firm type was significant, ANOVA, $F = 61.368$, $p = .000$.

³⁷ A comparison of means for assimilation and residence was significant, ANOVA, $F = 3.659$, $p = .003$.

³⁸ A comparison of means for assimilation and residence was significant, ANOVA, $F = 41.196$, $p = .000$.

³⁹ The generation score for necessity-driven firms is 4.22 and 5.89 for opportunity-driven firms. A comparison of means for assimilation and residence was significant, ANOVA, $F = 9.613$, $p = .002$.

⁴⁰ The generation score by start-up costs are as follows: \$0–\$1000 = 4.37, \$1001–\$5000 = 4.46, \$5001–\$10,000 = 6.88, \$10,001–\$15,000 = 8.20, and above \$15,001 = 6.38. These differences were significant as computed by a comparison of means, ANOVA, $F = 3.160$, $p = .015$.

Table 3 Primary factors contributing to small business success and failure in South Texas

Primary factor	Response rate ($n = 290$) (%)
Giving customers very good service or high-quality merchandise	43.4
Having the skills or training to run a business	16.2
Having capital or being able to get loans	13.8
Willingness to keep going even during hard times	7.6
Having the right permits and/or licenses	7.2
Having the right equipment	3.1
Good advertising or good location	2.8
Being willing to take calculated risks	2.4
Having good employees	1.7
Other	1.7

financial resources (see Table 3). The attention to clientele is critical within small businesses because of the lower volume and turnover of goods and services where each customer contributes an important share to business revenues. No other factor was mentioned with the same prominence. Endogenous to the firm is the ability of the entrepreneur to successfully run the business with the acquired know-how. This accumulated business acumen is seen as foundational within the South Texas business environment in order to achieve success. Access to external financing and sufficient internal resources was also mentioned as a key ingredient to business success in an environment of noted limitations outlined in previous areas of this section. Additionally, the willingness to work hard even when times are tough was seen as a key attribute of success.

Respondents also noted the challenges for business growth. As the survey was conducted in the late spring and early summer of 2010, the 2008 US financial crisis was ongoing and was the number one challenge to growth of respondent businesses. While Texas and South Texas has generally fared better than the nation as a whole

Table 4 The challenges to small business growth in South Texas

Primary factor	Response rate ($n = 295$) (%)
The current economic situation	25.4
Acquisition of appropriate business permits and/or licenses	22.0
Taxes	12.5
Access to financing	11.2
Insufficient training and skills	7.8
Lack of authorization to work in the USA	7.5
Inadequate help	3.7
Poor location	2.4
Personal and/or family problems	2.0
Other	5.4

during this economic downturn, the region was still deeply impacted. Elements of formalization, business permits and licenses, and the payment of taxes were also important challenges to growth. As informal businesses grow, it is more difficult to remain hidden from public scrutiny and this is true of South Texas (Pisani et al. 2008), and for formal enterprises, maintaining currency with the business regulatory environment is a noted challenge to growth. As previously stated, access to financing is an explicit challenge for small Latino businesses in the region (see Table 4 for the complete list of challenges).

Resource constraints, informality, and the more collective cultural environment present within Latino South Texas permit the wide and effective use of word of mouth (WOM) and referrals in the attraction and maintenance of clientele for Latino small businesses. Overwhelmingly (91.2%), respondents in our survey reported that WOM and referrals are the predominant method of obtaining new customers. Only 24 firms (or 8.8%) engaged in paid promotion either through commercial media, the Internet, or printed business cards and flyers.

Lastly, necessity-driven firms have much lower household incomes than opportunity-driven enterprises in South Texas.⁴¹ More than half of necessity-driven firms (54.9%) earn less than \$25,000 in annual household income. Comparably, less than one-third of opportunity-driven enterprises (29.4%) earn annual household income below \$25,000. Most necessity-driven firms (86.1%) are part of households earning less than \$40,000 per year. On the other hand, more than one-third of opportunity-driven enterprise business owners come from households earning more than \$40,000 annually.

To discern which variables were most important in determining necessity- and opportunity-driven Latino small business firms in the South Texas borderlands, we conducted a multivariate examination using logistic regression (opportunity-driven enterprises = 1).⁴² We find that gender, access to adequate financial resources (start-up capital and annual household income), and residence in a middle-class or upper-class neighborhood significantly determine opportunity-driven firms while conducting business mostly in Spanish inhibits the establishment of opportunity-driven firms (see Table 5). Specifically, men were 1.9 times more likely than women to possess an opportunity-driven enterprise. Also, modest start-up costs of \$1000 to \$5000 result in a 122% increase in the likelihood of the initiation of an opportunity-driven enterprise over firms with start-ups costs under \$1000.⁴³ If the business owner comes from an affluent household (with annual income above \$75,000), then the likelihood of the creation of an opportunity-driven firm increases more than 13-fold over households earning less than \$25,000 annually. Additionally, residence in a middle-class or upper-class neighborhood increases the likelihood of the initiation of an opportunity-driven firm about 1.5 times over those business owners hailing from a colonia. Lastly, the utilization of mostly Spanish in business transactions reduces the likelihood of the enterprise being an opportunity-driven firm by 57.4%.⁴⁴

⁴¹ These differences were significant and were computed by cross-tabulation, Pearson chi-square = 27.490, $p = .000$.

⁴² Logistic regression is the appropriate multivariate statistical test with a dichotomous dependent variable (necessity-driven firm or opportunity-driven firm) and multiple independent variables.

⁴³ This is calculated as $1 - \beta$.

⁴⁴ We note the logistic regression model is a good model and predicts the outcome successfully of whether a firm is necessity-driven or opportunity-driven 1.4 times better than chance.

Table 5 The determinants of opportunity-driven Latino small business enterprises in South Texas

Variable	Coefficient	S.E.	Wald	Significance	β
Constant	-1.391	1.114	1.560	.212	.249
Gender (male = 1)	.659	.382	2.974	.085*	1.934
Authorized firm (yes = 1)	.086	.643	.018	.894	1.090
Immigration status			.916	.339	
US resident alien	.482	.504	.916	.339	1.619
Education level			4.915	.296	
Some high school	.147	.571	.067	.796	1.159
High school diploma	-.109	.548	.039	.843	.897
Some college	-.982	.634	2.395	.122	.375
College degree (AA or BA)	-.998	.739	1.822	.177	.369
Age			3.279	.351	
30–39 years of age	-.449	.584	.592	.441	.638
40–49 years of age	.183	.573	.102	.749	1.201
50 years and older	-.499	.600	.692	.406	.607
Start-up costs			5.306	.151	
\$1000 to \$5000	.808	.449	3.247	.072*	2.244
\$5001 to \$10,000	.946	.778	1.479	.224	2.576
\$10,001 or more	-.292	.787	.138	.710	.747
Assimilation (generation score)	.063	.057	1.251	.263	1.065
Annual household income			8.204	.042	
\$25,000 to \$40,000	.592	.400	2.192	.139	1.807
\$40,001 to \$75,000	.985	.544	3.279	.070*	2.677
\$75,001 or more	2.700	1.051	6.597	.010***	14.879
Residence			4.658	.199	
Rural	.552	.553	.996	.318	1.737
Poor neighborhood	-.392	.702	.312	.577	.676
Middle-/upper-class neighborhood	.904	.474	3.641	.056*	2.469
Cash payment preference by			2.543	.280	
Customer	.372	.548	.461	.497	1.450
Both owner and customer	.588	.371	2.509	.113	1.801
Possess a formal business plan (yes = 1)	-.021	.473	.002	.965	.980
Language used in transacting business			3.190	.203	
Spanish	-.853	.490	3.030	.082*	.426
Both English and Spanish	-.638	.727	.770	.380	.528
Employ paid employees (yes = 1)	-.166	.370	.202	.653	.847
Home-based location of firm (yes = 1)	.328	.378	.755	.385	1.388
Firm type			5.211	.391	
Agriculture, construction, manufacturing, wholesale trade, transportation, and warehousing	.809	.537	1.997	.158	2.247
Retail	-.790	.750	1.108	.292	.454
Health care and social services	.462	1.176	.154	.694	1.588
Arts, recreation, and entertainment	.891	.733	1.481	.224	2.439

Table 5 (continued)

Variable	Coefficient	S.E.	Wald	Significance	β
Accommodation and food services	-.088	.472	.035	.852	.916
Model chi-square (df)			64.010 (32)	.001***	
Correct predictions—overall			72.8%		
Correctly predict necessity-driven firms			81.7%		
Correctly predict opportunity-driven firms			61.9%		
Nagelkerke <i>R</i> square			.342		

Reference categories include immigration = US citizen; education = 8th grade or below; age = 18–29 years old; start-up = less than \$1000; annual household income = under \$25,000; residence = colonia; cash payment preference = owner; language used in transacting business = English; firm type = other

***, **, * imply statistical significance at the 1, 5, and 10% level, respectively

The effect of informal status on rents—the income differences attributable to formal versus informal status—was explored. The results are subject to two constraints: a coarse (or categorical) measure of income and bias which may derive from the fact that formal businesses are able to pursue larger enterprises simply by virtue of being formal. Notwithstanding these special considerations, the ordered logistical regression model using income as the dependent variable provided informative results (Table 6). Even though the reported household income numbers were only available in broad ranges, the model fit provided a pseudo *R*-squared of 0.2119. The most significant variables were neighborhood, opportunity-based businesses, having start-up funding and paid employees⁴⁵ and having undocumented work. It is noteworthy that mean generation score and language were not significant determinants of income. The importance of capitalization, as denoted by start-up costs, was important to both models and provided an increasing yield for greater investment. Likewise, the class of neighborhood weighed heavily, with businesses in upper-class neighborhoods faring best. Also worth mentioning is that rural business was a significant factor, perhaps owing to the prevalence of lower enforcement density in rural-based industries.

Although several variables did play differently between the two models, the importance of start-up capital, opportunity, and location are mutually corroborated. The fact that gender was only significant in the first model may indicate that on the basis of annual household income, there is not an appreciable difference between the two. With income and profit being the ultimate goal of the enterprise, it would appear that the key factors to capitalization and locational access may reflect socio-economic status.

⁴⁵ Fairlie and Miranda (2017) find that growth-oriented Hispanic-owned business start-ups are more likely to hire employees at a faster rate than Anglo start-ups, perhaps suggesting that there may be some connection between opportunity-driven Latino enterprises and the presence of paid workers.

Table 6 The determinants of household income for Latino small business enterprises in South Texas

Variable	Coefficient	S.E.	<i>z</i>	<i>P</i> > <i>z</i>	[95% conf. interval]	
Gender (male = 1)	-0.00633	0.296404	-0.02	0.983	-0.58727	0.574613
Age						
30–39 years of age	-0.46445	0.47746	-0.97	0.331	-1.40025	0.471358
40–49 years of age	0.012209	0.475605	0.03	0.98	-0.91996	0.944378
50 years and older	-0.04246	0.485148	-0.09	0.93	-0.99333	0.908412
Residence						
Rural	1.290457	0.470281	2.74	0.006***	0.368723	2.212191
Poor neighborhood	0.417451	0.554948	0.75	0.452	-0.67023	1.505129
Middle-/upper-class neighborhood	1.417052	0.383036	3.7	0.000***	0.666315	2.167789
Birthplace (0 = USA)						
Mexico	-0.66479	0.646395	-1.03	0.304	-1.9317	0.602122
Other	-0.46599	1.634702	-0.29	0.776	-3.66995	2.737969
No answer	1.010469	1.382126	0.73	0.465	-1.69845	3.719387
Assimilation (generation score)	-0.0233	0.069867	-0.33	0.739	-0.16024	0.113635
Education level						
Some high school	0.080406	0.501769	0.16	0.873	-0.90304	1.063856
High school diploma	0.195808	0.484779	0.4	0.686	-0.75434	1.145957
Some college	0.473809	0.522586	0.91	0.365	-0.55044	1.498058
College degree AA or higher	0.764615	0.587402	1.3	0.193	-0.38667	1.915901
Home-based location of firm (yes = 1)	-0.18168	0.32211	-0.56	0.573	-0.813	0.449649
Language used in transacting business						
Mostly Spanish	0.008711	0.386553	0.02	0.982	-0.74892	0.766341
Both	-0.56648	0.615933	-0.92	0.358	-1.77369	0.640723
Employ paid employees (yes = 1)	0.547264	0.314307	1.74	0.082*	-0.06877	1.163295
Opportunity- versus necessity-driven firm						
Opportunity	0.816565	0.308478	2.65	0.008***	0.21196	1.42117
Unknown	-0.09647	0.811191	-0.12	0.905	-1.68637	1.493436
Start-up costs						
\$1000 to \$5000	0.607886	0.368853	1.65	0.099*	-0.11505	1.330825
\$5001 to \$10,000	1.262087	0.565028	2.23	0.026**	0.154652	2.369521
\$10,001 or more	2.023808	0.580511	3.49	0.000***	0.886027	3.16159
Cash payment preference by						
Customer	0.53756	0.435928	1.23	0.218	-0.31684	1.391963
Both owner and customer	0.079557	0.308719	0.26	0.797	-0.52552	0.684635
Authorized firm (yes = 1)	0.866623	0.509366	1.7	0.089*	-0.13172	1.864962
/cut1	1.578215	1.009655			-0.40067	3.557103
/cut2	3.654987	1.038223			1.620107	5.689868
/cut3	5.594188	1.091906			3.454092	7.734285

Table 6 (continued)

Variable	Coefficient	S.E.	<i>z</i>	<i>P</i> > <i>z</i>	[95% conf. interval]
Ordered logistic regression			Number of obs	=	227
			LR $\chi^2(27)$	=	118.01
			Prob > χ^2	=	0
			Pseudo R^2	=	0.2119
	Log likelihood =		-219.387		

Reference categories include residence = colonia; age = 18–29 years old; birthplace = USA; education = 8th grade or below; language used in transacting business = English; opportunity- versus necessity-driven firm = necessity; start-up = less than \$1000; cash payment preference = owner

***, **, * imply statistical significance at the 1, 5, and 10% level, respectively

Conclusion

In conclusion, we find that Latino entrepreneurship is a mainstream activity in Hispanic South Texas. Much of the business landscape in the region is dominated by Latino-owned firms, with small business concerns predominating. In our study, nearly all businesses are very small, 91.7% employing three persons or less, and mostly stable where more than half of surveyed businesses had been in operation 3 years or longer. A strong family presence in the business as help and advisors was a common thread among all Latino enterprises in the sample. Gender differences also delineated firm type, broadly, and access to start-up financing specifically. In essence, business seasoning, premeditation, and social networks are key elements of Latino entrepreneurship in the region.

However, there is a stark contrast between necessity-driven and opportunity-driven firms, each populating approximately half of the Latino small business enterprises in this study. At business start-up, necessity-driven firms require little capital, typically less than \$1000. Opportunity-driven firms, on the other hand, were much better capitalized at a business start-up and were more likely to have a formal business plan in place. Additionally, those business owners without the legal documentation to be present and own a business in South Texas were much more likely to possess necessity-driven (and oftentimes survival) enterprises, earn lower incomes, and face greater challenges to grow their businesses than legal residents who were more likely to engage in opportunity-driven enterprises where also in contrast, legal residents connect more fully to the benefits and outcomes of public spaces.

Furthermore, business informality is widespread in the region enhanced by the ability to pursue business relationships in Spanish, utilizing hard to track cash transactions and operating under the radar of government authorities based upon the very small business operations emanating from the home. Conversely, formal businesses in our sample were equally as likely to operate within English and Spanish language environments, accept cash and non-cash instruments (e.g., credit cards, checks), and operate in more public locations.

New in this article is the connection between income, documentation and work authorization (documented versus undocumented), and firm orientation (necessity-

driven versus opportunity-driven) for Latino small businesses in a minority-majority region. The greatest monetary rewards for Latino entrepreneurs in South Texas go to the fully documented operating opportunity-driven firms. Next in line are the undocumented entrepreneurs engaged in opportunity-driven businesses, a less than expected finding because of the inherent disadvantage of unauthorized status. Nonetheless, this disadvantage is overcome by the importance of the opportunity associated with the business indicating the ability for business dynamism in a minority-majority region where immigration status is not easily identifiable. Lastly, necessity-driven firms offer lower returns as expected along a continuum of authorized and then unauthorized business owners.

The border environment also conditions the types of business differing levels of assimilated Latinos undertake. Highly assimilated Latino entrepreneurs are more likely to find business niches in health care and social services, both areas highly regulated necessitating the ability to navigate the nuances of government and government regulation. Above average assimilated Latino entrepreneurs in our sample were more likely to engage business niches in retail, the arts, recreation, and entertainment. The least assimilated, mostly residing in colonias and operating necessity-driven concerns, found their niche in agriculture, construction, manufacturing, wholesale trade, transportation, and warehousing.

Lastly, through our multivariate analyses, we found opportunity-driven firms were more likely organized by men, more likely to need modest financing at start-up (between \$1000 and \$5000), and were more likely to come from neighborhoods and households with financial means and resources. Conversely operating the business primarily using Spanish results in a greater likelihood that the firm is necessity-driven. For policymakers keen on facilitating Latino business, several policy choices are clear. Additional assistance should be directed toward Latina women to enhance business opportunity. Greater access to very modest levels of financing (e.g., small loans over \$1000) for all groups of Latino entrepreneurs would enhance Latino business chances in the region.

The movement toward comprehensive immigration reform may unleash undocumented entrepreneurial talent trapped within a necessity-driven business framework. We believe what is occurring in the South Texas Latino entrepreneurship landscape is a harbinger for Latino entrepreneurship elsewhere in the USA where there are large concentrations of Latinos, such as the US Southwest, Florida, Illinois, New York, and New Jersey—that is, the mainstream may replace the enclave view of ethnic entrepreneurship among Latino-owned businesses. Over time as Latinos expand in larger numbers to more states particularly the US Southeast and Midwest, this mainstreaming phenomenon may likely to be repeated again. Consequently, it will be incumbent on lawmakers and policymakers to guide those informal businesses that have managed to persist under the most difficult of circumstances and also to help the formal Latino business sector to scale into larger and/or more capital intensive enterprises. Operating together, these impacts of Latino businesses moving into the formal sector and reaching beyond their current limits represent a potentially significant positive effect to the future growth of the US economy. It is imperative to note that these gains will be made fully available only when the immigration status of this significant informal sector is resolved.

Appendix: Small business interview guide

Demographics:

1. Gender: A) Male; B) Female
2. What is your age? Are you: A) Under 18; B) Between 18 and 29; C) Between 30 and 39; D) Between 40 and 49; E) Between 50 and 59; F) Older than 60
3. Which of the following categories best describes where you live?
 - a. Rural area with houses scattered over wide area;
 - b. Colonia, outside of city limits
 - c. Colonia, inside of city limits
 - d. Barrio/poor neighborhood in a city (but not considered a colonia by those who live there)
 - e. Middle-class city/town neighborhood
 - f. Upper-class city/town neighborhood
4. Where were you born?
 - A) US; B) Mexico; C) Other
5. Which of your parents were born in the US?
 - A) Father; B) Mother; C) Both; D) Neither
6. How many of your grandparents were born in the US.
 - A) None; B) One; C) Two; D) Three; E) Four
7. How many people, including yourself, currently live in your household?
8. How many of these people are 18 years of age or older?
9. How many of the adults in your household are employed? How many of those under 18?
10. What is your highest level of formal education completed?
 - A) None; B) Eighth grade or below; C) Some High School; D) GED; E) High School Graduate; F) Some College; G) 2 year college degree; H) 4 Year College Grad or higher
11. What about your personal financial situation? Over the past year, has it: A) gotten better; B) stayed about the same; or C) gotten worse?
12. How many members of your household, if any, have health insurance?
13. What ways do you use to cut expenses (for example, making or growing your own food or clothing, crossing the border to get things more cheaply, etc.)?

Business-related questions:

1. Please briefly describe the kind of business do you operate in terms of the product or service you offer.
2. How many years have you been operating this business?
3. From what location do you operate your business? A) From your home; B) From a rented location; C) From a location I own; D) No fixed location; E) Other (Describe)
4. What is the primary language used within your business, especially with customers? A) English; B) Spanish
5. How many full-time employees do you have?

6. How many part-time employees do you have?
7. How many of your employees are family members? Are they full- or part-time?
8. What was your main reason for starting this business? A) lost previous employment; B) I needed additional income to support myself and/or my family; C) I wanted to be independent and to have the freedom to do something on my own; D) I had an idea or a skill that I thought would make money and I wanted to try it out; E) I started out doing it as a hobby or just for the enjoyment if got and decided to turn it into a business; F) Other
9. For how long had you planned to start your business before you actually started it?
10. How much money did you need to start your business?
11. What source did you use to get the money to start your business? A) Personal savings or selling personal possessions; B) Loan or from family members or friends; C) Credit card(s); D) Loan from a bank or lending institution; E) Doing side jobs; F) Other
12. Do you still owe money on your business? A) Yes, a lot; B) Yes, but not too much; C) No, or very little
13. What sources are available to you now when you need additional money for your business? A) Personal savings or selling personal possessions; B) Loan or from family members or friends; C) Credit card(s); D) Loan from a bank or lending institution; E) Doing side jobs; F) Earnings from the business; G) Other
14. What advice do you wish someone had given you when you started your business?
15. How do you know how much money your business is making or losing? A) I keep track of income and expenses using software on a computer; B) I keep track of income and expenses in a log or book using bookkeeping practice; C) I mainly keep track in my head; D) I just look to see how much money is available; E) Other (please describe)
16. What percentage of your business is usually done in cash (dollars and/or pesos)?
17. If cash is generally your main form of payment, is it your preference or that of your customers or clients? A) My preference; B) My customers; C) About equally mine and that of my customers or clients
18. Please mark each of the other methods of payment that you accept from your customers?
A) Check; B) Credit or debit card; C) Lone Star Card; D) Extend them credit; E) Other
19. What do you do mainly do when customers refuse to pay? A) Take back what I sold them; B) Refuse them service next time; C) Report them to police or to court; D) Turn debt over to collection agency; E) Write it off as bad debt; F) Other
20. What is the main factor that contributes either to the success or failure in starting a business like yours here in the RGV? A) Having capital or being able to get loans; B) Having the skills or training to run a business; C) Having the right permits and/or licenses; D) Giving customers very good service or high-quality merchandise; E) Being willing to take calculated risks; F) Having good employees; G) Willingness to keep going even during hard times; H) Having the right equipment; I) Good advertising or good location; J) Other
21. Please select from the following each of those things that currently makes it very difficult for you to grow your business? A) Taxes; B) Permits and/or licenses; C)

- Not having business skills, training, or knowledge; D) Not being able to get a loan; E) The current economic situation; F) My lack of documents (citizenship or residency); G) Not having help I can trust; H) Bad location; I) Problems in my personal or family situation; J) Other
22. Which of the following do you most trust to give good answers to business-related questions?
 A) Family; B) Friends; C) Other people in businesses like mine; D) Local non-government agencies set up to help small businesses; E) Government agencies (like Small Business Administration); F) Qualified professionals; G) Internet; H) Other
23. Please check each of the following that you have gone to for information or training in starting or running a business and how satisfied you were with the help they provided (Very satisfied (VS), Satisfied (S), Not sure (NS), Dissatisfied (D), or Very dissatisfied (VD))
- A) Small Business Administration. Were you: A) VS; B) S; C) NS; D) D; or E) VD
 B) Texas Comptroller's Office. Were you: A) VS; B) S; C) NS; D) D; or E) VD
 C) UTPA Small Bus. Develop. Center Were you: A) VS; B) S; C) NS; D) D; or E) VD
 D) Local Chamber of Commerce Were you: A) VS; B) S; C) NS; D) D; or E) VD
 E) Women's Business Center Were you: A) VS; B) S; C) NS; D) D; or E) VD
 F) A bank or financial institution Were you: A) VS; B) S; C) NS; D) D; or E) VD
 G) Other Were you: A) VS; B) S; C) NS; D) D; or E) VD
24. Which of these, if any, has been most helpful?
25. What information or training have you needed but been unable to get?
26. Have you ever written up a formal business plan? A) Yes; B) No; C) Not sure
27. If yes, did anyone help you do it? [If so, please indicate who or what agency]
28. What permits, inspections, and licenses are required of businesses like yours?
29. In what ways, if any, would your business be affected if you had to fully comply with all the regulations, permits, licenses, fees, inspections, and taxes required by the different government agencies?
30. In what ways does the U.S.-Mexico border impact your business?
31. Please rank (one, two and three) the main ways that you use to attract new customers.
 Word of mouth; Referrals from satisfied customers; Soliciting in person or by phone; Paid advertising; Online data base; Promotions; Leaving card or brochure at prospective customers; Internet advertising; Other
32. Please describe how you would most like to expand your business in the near future
 A) Get a different location; B) Start a satellite location; C) Get more employees;
 D) Expand the services or products I offer; E) Have more inventory; F) Other
33. How likely do you feel that it is that you will have to close or sell your business?
 A) Very likely; B) Likely; C) Not Sure; D) Unlikely; E) Very Unlikely. [If they answered either "very likely," "likely," or "not sure," ask, what might make this happen?]

34. If you sold your business today, how much money do you think you would receive for it?
35. If someone offered you that much money today for your business, would you sell it? A) Yes; B) No
36. If yes, why? And if No, why not?
37. What barriers or obstacles could most likely keep you from expanding your business?
38. Do you currently have other means, besides your business, of earning money? A) No, none; B) Yes, part-time employment; C) Yes, Full-time employment; D) Yes, occasional employment; E) Other
39. What goals do you have for your business in the next five years?
40. Approximately how much income do all the people who live in your home earn (all together) each year? (in dollars) A) Less than \$25,000; B) Between \$25,000 and \$39,999; C) Between \$40,000 and \$54,999; D) Between \$55,000 and \$74,999; E) \$75,000 to \$99,999; F) Over \$100,000 a year
41. What is your current immigration status? A) US citizen; B) US resident alien; C) Have a current visa D) Other
42. What sources of government assistance (food stamps, Medicaid, etc.), if any, have you or other members of the household received over the last year?
43. Have you ever had to not report some of your income or property to obtain this form of support?

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