

# Kris Nelson Community-Based Research Program

*...a program of the Center for Urban and Regional Affairs (CURA)*

## Financial Capacity-Building Opportunity: A Look at Twin Cities Immigrant & Refugee Entrepreneurs

Prepared in partnership with  
Hmong American Partnership

Prepared by  
Meg Her  
Research Assistant  
University of Minnesota

2014

**KNCBR Report # 1378**

*This report is available on the CURA website:  
<http://www.cura.umn.edu/publications/search>*

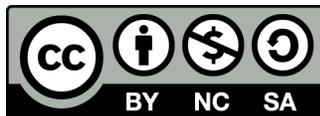
Center for Urban and  
Regional Affairs (CURA)

UNIVERSITY OF MINNESOTA  
Driven to Discover™

The Kris Nelson Community-Based Research Program is coordinated by the Center for Urban and Regional Affairs (CURA) at the University of Minnesota, and is supported by funding from the McKnight Foundation.

This is a publication of the Center for Urban and Regional Affairs (CURA), which connects the resources of the University of Minnesota with the interests and needs of urban communities and the region for the benefit of all. CURA pursues its urban and regional mission by facilitating and supporting connections between state and local governments, neighborhoods, and nonprofit organizations, and relevant resources at the University, including faculty and students from appropriate campuses, colleges, centers or departments. The content of this report is the responsibility of the author and is not necessarily endorsed by the Kris Nelson Community-Based Research Program, CURA or the University of Minnesota

© 2014 by The Regents of the University of Minnesota.



This work is licensed under the Creative Commons Attribution---NonCommercial-ShareAlike 3.0 Unported License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-sa/3.0/> or send a letter to Creative Commons, 444 Castro Street, Suite 900, Mountain View, California, 94041, USA. Any reproduction, distribution, or derivative use of this work under this license must be accompanied by the following attribution: “© The Regents of the University of Minnesota. Reproduced with permission of the University of Minnesota’s Center for Urban and Regional Affairs (CURA).” Any derivative use must also be licensed under the same terms. For permissions beyond the scope of this license, contact the CURA editor.

This publication may be available in alternate formats upon request.

Center for Urban and Regional Affairs (CURA)  
University of Minnesota 330 HHH Center  
301—19th Avenue South  
Minneapolis, Minnesota 55455  
Phone: (612) 625-1551  
E-mail: [cura@umn.edu](mailto:cura@umn.edu)  
Web site: <http://www.cura.umn.edu>

*The University of Minnesota is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation.*

## Table of Contents

Executive Summary .....	4
Background.....	5
<i>Entrepreneurial Landscape</i> .....	5
<i>Key Stakeholder</i> .....	5
<i>Immigrant Profile</i> .....	6
<i>Business Development Programs</i> .....	6
Methodology .....	7
<i>Population</i> .....	7
<i>Data Collection</i> .....	7
<i>Analysis</i> .....	8
Findings.....	8
<i>Literature Review and Partner Interviews</i> .....	8
<i>Community Interviews</i> .....	9
<i>Community Surveys</i> .....	9
Key Trends and Themes .....	12
Limitations .....	13
Implications and Recommendations .....	14
Appendix A. Focus Group/Community Interview Script .....	15
Appendix B. Community Survey Instrument .....	18
Bibliography.....	25

## **Executive Summary**

This report examines the entrepreneurial capacity and economic development of immigrant and refugee business owners within the Saint Paul and Minneapolis, MN area. Data was collected in three phases: 1) to assess business development products and services available to immigrant and refugee entrepreneurs, 2) to gather detailed information on key areas of interest and to drive survey design, and 3) to evaluate the economic capacity of the target population. Key trends observed in the sample included lack of knowledge about loans and lending opportunities and a need to increase financial capacity. However, sampling opportunities and a small sample size became major limitations and therefore implications were not generalizable. Findings will be utilized to refine future data collection instruments.

## **Background**

### *Entrepreneurial Landscape*

Individual, entrepreneurial asset level is an important consideration when evaluating the success of a business' launch. The literature abundantly suggests that individuals with higher education, experience, level of skill, and access to capital are more likely to succeed than individuals lacking these attributes. In an analysis on self-employment by Bates and Servon, they found that individual net worth and education predicted minority entry into self-employment in high-barrier industries, but it did not predict self-employment entry in low-barrier industries. The findings were based on 1996 and 2001 Survey of Income and Program Participation (SIPP) data. High-barrier industries were industries that required more advanced education and training, or required greater capital investment while low-barrier industries were those that did not have these requirements. Additionally, they described low-barrier entrants as individuals who started a business out of necessity.<sup>1</sup> In 2006, the Global Entrepreneurship Monitor defined the two types of entrepreneurs: necessity entrepreneurs and opportunity entrepreneurs. As the terms suggest, necessity entrepreneurs start businesses because of the lack of adequate or stable income while opportunity entrepreneurs start businesses for personal and professional advancement. However, Walzer and Blanke claim that regardless of entrepreneur type, all potential entrepreneurs share common characteristics. These characteristics include a need for immediate and additional sources of income and a need for capital to start a business. These potential business owners are likely to be experiencing either job loss, relocation to an area with different business opportunities, desire for self-employment or a career change, or may be considering their options for making long-term earnings.<sup>2</sup> Interestingly, immigrants and refugees seem to share many of these experiences. Displacement from their home, due to political circumstances and/or hopes of achieving the "American Dream," often result in immigrants and refugees having to deal with language barriers and financial concerns. Subsequently, this may be an impetus for small business startup in these communities.

### *Key Stakeholder*

Hmong American Partnership (HAP) is a social service and community development organization that, since 1990, has ambitiously worked towards empowering the lives of the community by embracing the strengths of each community's culture. They offer many programs and services to immigrant and refugee populations, particularly Southeast Asians. Their focus areas include: education and training, employment, children and families, health and wellness, and economic and community development. HAP is working to strengthen and grow their economic and community development program, which currently provides services to access affordable housing and strengthens their clients' asset building capacity. To better serve the community, the organization is working to establish opportunities to help with business planning, entrepreneurship, and financial management.

### *Immigrant Profile*

Immigrants made up seven percent of Minnesota's total population in 2011, with the proportion of Asian and African immigrants representing a larger proportion than found in national statistics. The metropolitan area alone is home to large Somali, Hmong, Lao, and other Southeast Asian populations—the Hmong community being the largest among them. Considering the significant aggregation of immigrants, the Brookings Institute has called the Twin Cities a culturally asset rich community. However, reports show that immigrant business owners only represent six percent of business owners in the state.<sup>3</sup> These findings are consistent with 2006 numbers that found minority-owned business activity to be significantly smaller than minority representation in the country. In the past, this has been described as an “opportunity gap.”<sup>4</sup>

As consumers, immigrant buying power in Minnesota is estimated to be roughly five billion dollars. The immigrant workforce also fills an important vocational gap. In 2012, U.S. Labor statistics showed small businesses (five or fewer employees) represented two-thirds of new jobs each year in Midwestern states (excluding Minnesota). Local business owners, then, can retain the wealth within the community and provide job opportunities.<sup>1</sup> Immigrants and refugees will likely contribute greatly to the growth and economic vitality of the state, and therefore their presence and contributions should be more scrupulously evaluated.

The availability of data on the estimated value of ethnic-specific business owners is very limited. Often times, statistics lump smaller minority groups together, making it impossible to tease out individual contributions. However, in 2003, the Federal Reserve Bank conducted a survey to study the experiences of Hmong entrepreneurs compared to non-Hmong entrepreneurs in the Minneapolis/ St. Paul area. Their objective was to ensure that commercial banks were meeting the needs of the community. They sampled 170 Hmong businesses with a seventy-one percent response rate and their findings suggested that Hmong business owners had similar views on barriers and access to credit as their white counterparts.<sup>5</sup> In terms of describing the sample, they reported the median asset value of Hmong businesses to be \$80,000 and eighty percent of these businesses to be in the retail or service industries. The median years of business operation was three years and the median age of business owners was thirty-seven. Nearly ninety percent relied on personal savings, credit cards, or home equity loans for initial business funds.

### *Business Development Programs*

Many community organizations are trying to develop and improve economic outcomes for local community business owners. To do so, they have sought financial assistance through the Community Development Financial Institutions Fund (CDFI Fund). The CDFI Fund was created by the United States Department of the Treasury to target community revitalization and economic development. Through different funding programs and initiatives that promote access to capital, they have awarded over 1.7

billion dollars to community development organizations and financial institutions since inception of the program.<sup>6</sup> In Minnesota alone, about fifty organizations have received CDFI funding in the past. Of these organizations, Hmong American Partnership has established working relationships with a number of them. To better understand the current economic landscape and identify business assets and needs, a closer look at CDFI certified organizations was taken in an effort to evaluate programming availability and opportunities for more culturally-appropriate services.

## **Methodology**

### *Population*

Data collection occurred in three phases and included two different populations. Phase one included Minnesota CDFI certified organizations that currently deliver financial services or products to businesses in the Greater Twin Cities area. Participants in the other two phases of the research study included members of the Hmong, Karen, Vietnamese, and South Asian communities. However, sampling issues within the community led to sampling an overwhelming majority of Hmong participants in the last phase of data collection.

### *Data Collection*

Phase one consisted of evaluating the financial products and services of both key community partners and other Greater Twin Cities area organizations. An unconventional literature review was conducted on those who had received financial or technical assistance funding in the past (n=23). Data was sourced from each organization's website (when available) and any of their published promotional materials. It was then summarized in a table to create a superficial asset map of delivered products and services to the community. Phone interviews were then conducted with key community partners of Hmong American Partnership. Questions focused on understanding the business development opportunities being offered by these organizations to prospective and existing business owners within the local community.

Phase two was designed to be carried out and facilitated by the research lead within focus groups. Two groups of business owners were to be interviewed: new entrepreneurs and mature entrepreneurs. New entrepreneurs were defined as either prospective business owners or owners with three or fewer years of business operational experience. Mature entrepreneurs were defined as business owners with five years or more experience. However, due to scheduling conflicts and time constraints, a series of individual interviews were conducted in place of focus groups (n=12). An equal number of participants for each group were selected. Interview questions focused on understanding the general knowledge and experience of these entrepreneurs. They included topics about starting and operating a business, lending, and opportunities for business growth. Interviews were either conducted in-person at the business owner's facility or by phone and were carried out over the course of two weeks. An interpreter was used for participants with limited English proficiency. Prior to all interviews,

participants were properly consented and provided copies of the consent form for their records. If consent forms were not signed prior to phone interviews, verbal consent was obtained and signed original documents were later collected. Participants were compensated with a \$25 dollar gift card to Walmart, Cub Foods, or Golden Harvest Foods. Findings from preliminary analysis of these interviews were utilized for the design of the phase three data collection instrument.

Paper and online surveys were distributed to business owners for the last phase of data collection (n=44). Online surveys were crafted on SurveyMonkey.com and also later printed for paper distribution. Participants were either emailed links to access the online survey or handed a paper copy to be filled out and later collected. Individuals who received online versions of the survey were required to either accept or decline consent terms before proceeding. Individuals who received paper copies were explained the consent process and given the opportunity to ask questions before filling out the surveys. Questions focused on business terminology, experience with lending, and operating a business. No personal identifiers were collected. The majority of surveys were distributed at Hmong Village Shopping Center, Sun Foods shopping plaza, and Hmong or Karen markets in the community. Only a subset of Hmong Village shop owners were sampled due to poor response rates (14% of businesses that were sampled completed a survey). Additional surveys were distributed to farmers during a farmers' community meeting. Paper surveys were later manually entered in the data collection instrument on SurveyMonkey.com.

### *Analysis*

The literature review and interviews were assessed qualitatively. Any themes observed from the community interviews were further explored or addressed in the survey phase of data collection. Survey data was preliminarily assessed using the SurveyMonkey.com frequency statistics. SAS 9.3 was then utilized to perform more complete analyses of the data. Due to small sample sizes and missingness, statistical inferences could not be properly assessed so caution should be taken when making generalizations, as the findings are merely descriptions of the sample population.

## **Findings**

### *Literature Review and Partner Interviews*

Asset mapping of the CDFI certified, Minnesota-based, community organizations and financial institutions revealed that, excluding Hmong American Partnership, six other organizations also provide products and services explicitly to Asian immigrant and refugees within the community. Of all of the organizations assessed, roughly three-quarters were found to offer business development services and micro-lending opportunities for commercial use. However, nearly half of them were found to provide little to no services directed at individual asset building, and only a few offered business checking accounts or short-term, hardship loans for business owners.

Community partners are currently offering technical assistance and consultation to prospective entrepreneurs. Consultation services range from legal services, business management and leadership, marketing techniques, and staff management. Skilled and experienced volunteers are instrumental to the consultation services they can provide. Lending packages vary in amount and interest rate, but measures are taken to ensure the best opportunity for the entrepreneur. Skills training and classes are also being offered through community partners. However, they reported priority is generally given to prospective entrepreneurs with some baseline preparedness, such as a person with a draft business plan or some experience with business principles. Persons with limited capacity were reported to less likely benefit from the programs and trainings as people who have at least reached some level of capacity, and would, instead, be referred out until they became good candidates for the programs.

### *Community Interviews*

Half of the community interview participants were from the Hmong community, while the other half was from either Karen, Karenni, or South Asian communities. New entrepreneurs were more likely to be immigrants who arrived in the United States within the last five years. Mature entrepreneurs were more likely to have some understanding of financial credit and of the different types of businesses compared to new entrepreneurs. New entrepreneurs were more likely to report having heard the term “credit,” but were not sure or did not know how to describe it. Both groups produced knowledge of interest rates and understood the purpose and function of marketing. However, both were found to have little knowledge or awareness of the different types of loans available for borrowers. Most participants reported that they had never applied for a loan.

Participants, who reported having taken training classes to obtain certification for their business, were more likely to report knowing about the state and federal regulations pertaining to their business, regardless of whether they were new or mature business owners. However, the majority of interview participants reported little to no knowledge of state or federal regulations. Most participants also reported that lack of capital was the main internal factor that was preventing their business from becoming more successful. Other factors included personal choice and customer service. Time, weather, and competition were noted as external factors preventing greater business success. Most participants used cashflow to finance and operate their businesses, while some are use personal savings. They identified the following topics would be beneficial and desirable for prospective and existing entrepreneurs: financial and business management, computer literacy, child development, loan resources and practices, business planning, marketing, English language learning, and understanding the law for businesses.

### *Community Surveys*

Almost two-thirds of survey participants filled out the survey on their own (61.4%). Table 1 illustrates demographic data of the survey participants. The median age of survey participants was thirty-seven

and participants were more likely to be married and to have completed high school or its equivalence test.

Nearly eighty percent (79.1%) of participants reported knowing what financial credit is, with participants who had at least completed high school being more likely to report knowing this compared to participants who had not completed at least high school or its equivalent. Of those who reported knowing what financial credit is, roughly two-thirds reported knowing how to manage their credit (61.8%) and thought it was necessary for a person to have good credit before starting a business (65.9%). Nearly half (48.8%) reported not knowing anything about state or federal regulations for their specific business type.

**Table 1.**

	<b>Percent</b>
<b>Gender (n=41)</b>	
Male	53.7
<b>Age (n=43)</b>	
Less than 20 years	0
20 years - 30 years	18.6
30 years - 40 years	44.2
40 years - 50 years	7
50 years - 60 years	13.9
60 years or older	16.3
<b>Education (n=44)</b>	
No formal Education	15.9
Less than high school	11.3
High School Completion	36.4
Some College	15.9
Bachelor's Degree	13.6
Advanced Degree	6.8
<b>Ethnic Identity (n=44)</b>	
Hmong	95.5
Other	4.5
<b>Marital Status (n=44)</b>	
Never married	11.4
Married	79.5
Separated/Divorced	9.1
<b>Business Location (n=42)</b>	
St. Paul	76.2
Minneapolis	11.9
Other	11.9

Half of participants reported that if they needed a business loan, they would first ask family while the other half reported they would ask a bank (n=44). Of these participants, 22.7% of participants said they applied for a loan in the past. All of these participants completed at least high school or its equivalent (n=10). Business loan application rates and approval rates did not differ by education level, but applicants who had less than a bachelor's degree and approval rates did not differ by education level, but applicants who had less than a bachelor's degree were more likely to seek help with the loan application process. Applicants who had at least a bachelor's degree did not seek any help with loan applications.

Business owners reported the two main reasons for starting their businesses were making money and being their own boss. Prior to opening their businesses, the top three most important considerations these business owners made were: how to get the capital to start a business, how to start a business, and how to manage a business (n=43). Only 22.7% of respondents indicated they had written a business plan before starting their business. Two-thirds (67.4%) reported that they had never taken classes to help them with their business, although 88.4% of all respondents said they would like to take a business management class to help them grow their business. Marketing and money management classes were the next two most favorable classes.

Most business owners were aware they needed to market their business in order to earn more income (90.7%) and three-quarters (74.4%) of business owners believed word of mouth to be the best marketing tool. Nearly three-quarters (72.1%) of business owners currently use this method. Eighty percent (79.5) of respondents reported that prior to opening their businesses they either strongly agreed or agreed that they knew consumers would purchase their goods/services, and more than two-thirds (68.2%) reported they knew who their competitors were before opening their business. However, 76.7% of business owners still reported competition to be the primary external factor preventing their business from earning more money, with 82.8% of those who said they knew their competitors reporting competition as the primary external factor affecting their earnings. They reported lack of capital as the main internal factor preventing business financial gains (72.5%).

Based on total revenue and expenses that were reported in the past month, an estimation of total monthly profits was calculated. Participants who had received at least a bachelor's degree were not any more likely to earn profits compared to participants who had completed some college or less. However, no participants who had less than a bachelor's degree (n=30) earned more than \$3000 in profit in the past month, while half of participants who had at least a bachelor's degree (n=8) had earned at least \$4500 in profit in the past month. Half (50.0%) of the respondents have been operating their business for less than five years and all but one business owner with less than a high school education (n=11) was in the agriculture industry. Only four respondents (n=42) owned more than one business.

More than half (58.2%) of respondents said their income was enough to support their families, with 74.4% reporting that they either earned more or about the same in 2013 compared to 2012. When asked about how extra profits would be used, 39.0% of business owners said they would use the funds to purchase supplies or equipment (n=41). Other responses included saving it, using it to hire or train employees, personal expenses, or not knowing how to spend the money. A third of respondents (32.5%) reported not knowing what percent they would re-invest in their business, while others reported anywhere between five to one hundred percent reinvestment.

Seventy-five percent of business owners reported business locations in St. Paul, with nearly sixty percent (59.4) located in the Frogtown neighborhood. Sixty-one percent had businesses in either the agriculture or retail sectors. The business service industry was the third most frequent sampled industry.

### **Key Trends and Themes**

Since preliminary findings from community interviews were taken into consideration when the survey instrument was crafted, survey findings, to some degree, strengthened the observations seen from the interviews. The overall findings suggest there are financial literacy issues in the immigrant and refugee business community. Limited awareness of lending opportunities and the lending process were found across all levels of experience and earnings. Lack of financial capacity was also found to be a key trend across the sample. Capital was identified as a major internal barrier to business growth and potential earnings in both interviews and surveys. Unequivocally, loans could be utilized to alleviate financial stress associated with business costs.

Interestingly, even though most respondents reported they knew who their competitors were prior to starting their business and they knew their goods and services were desirable, competition was still reported as a common external barrier to business growth across the sample. This poses the greater question of the role of competition in business success and effect of appropriate business planning. Higher education also appeared to be related to higher earnings as well as better business knowledge.

Common to both the interview and survey groups, marketing was recognized as an important tool to generate interest in the business owner's products or services, but many businesses relied heavily on word of mouth as their primary marketing tool. Additionally, both groups identified business and financial management as important development tools for which they wished to take classes. These were identified as themes affecting business potential. However, classes on loans and lending opportunities were in lower demand despite the clear lack of knowledge about loans and lending opportunities.

## **Limitations**

Sample size was a major barrier to generalizability of the findings. Although the Twin Cities has a sizeable population of immigrants and refugees, the survey response rates were particularly low within the Hmong and Karen communities. Study recruitment efforts were met with rejection despite explanations that surveys could be completed with assistance and that no personal information would be collected. Reasons reported and inferred for declined participation in the study include: literacy, fear, and lack of interest. Also, a time constraint led to fewer people being sampled and a lack of a Somali gatekeeper resulted in no sampling of the Somali community, the second largest immigrant community in the area.

Nearly three-quarters of the sample had earned at least a high school diploma or its equivalent, suggesting that either the majority of business owners in this community are educated to some extent, or that a large segment of the business owners were missed because of failure to capture individuals with less education and therefore unable to participate.

Literacy issues may also be tied to fears that prevented participation. Several business owners in the community expressed concern over placing themselves in jeopardy if the government was made aware of their financial or business status. Since it appeared to be an alarming concern for these business owners, the reasons for these concerns were not sought. Instead, efforts to appease their concerns were directed at explaining research goals and how the data would be utilized. The attempts were unsuccessful.

Lack of interest was displayed amongst individuals who saw there was no direct gain for their businesses. Lack of education may be a contributing factor since there appeared to be a lack of care or understanding that the research would benefit the entire community even if they were not going to directly benefit from their contribution. Additionally, time and timing were big factors that impacted sample size. Survey launch and distribution occurred over the Christmas/New Year's holiday break, which affected recruitment efforts. Recruitment efforts occurred essentially over a two-week span and surveys were largely distributed in-person.

The Minnesota Hmong Business Chamber of Commerce and Hmong Minnesota Business Directory were used in hopes of identifying more business locations in the Twin Cities, however, due to outdated websites and failed communications, proper sampling was unsuccessful. For this study then, convenience sampling was applied, which may have hindered generalizability and response rates. Hmong Village Shopping Center has been sampled numerous times in the past for a variety of reasons. The poor response rate from Hmong Village business owners then may be due to feelings of increased participant burden because of the frequent sampling in the particular business sector. Unlike the over seventy percent response rate the Federal Reserve Bank saw, the response rate of this study rested

below fifteen percent. Additionally, survey participants were not guaranteed compensation for their time if they participated, but instead they were entered in a raffle to receive a gift card. No promise of compensation may be contributing factor for the poor response rate observed as well.

### **Implications and Recommendations**

Although the sample was small in size, a few implications can be made that could be used to improve the survey instrument. First, nearly eighty percent of respondents reported knowing about financial credit. Since business credit is a critical piece to business development and lending, it is especially important to evaluate the community's understanding of credit. Financial credit was not defined in the survey since the purpose of the question was to capture understanding and knowledge of the term. However, interview findings suggest that newer business owners were unable to define or describe their understanding of financial credit compared to mature business owners. Additionally, poor financial literacy was a common theme in the sample. For future research then, it may be beneficial to assess financial knowledge and understanding on a scale to tease apart the extent of knowledge.

Interviews with community partners revealed that a sound business plan was instrumental to better loan approval rates and higher chances of business success. Business success can be interpreted differentially, but generally speaking, generating profit can be interpreted as some level of business success. Of the business owners sampled in this study, approximately twenty-three percent reported they had written a business plan prior to starting their businesses. Regardless of writing a business plan, roughly seventy-five percent of business owners (who reported both monthly revenue and expenses) reported profits. It would be interesting if future research evaluated how business owners who made profit were able to do so without drafting a business plan in advance, or to see if business owners who draft business plans are more likely to see higher gains than business owners who do not.

In regards to sampling issues, recommendations should focus on usability and thorough understanding of the population's perceptions of research. Recommendations early recruitment and inclusion of translated surveys in the languages of communities of interest. It would also be beneficial to find appropriate community gatekeepers, because of issues with trust and familiarity. Extensive effort should focus on identifying all businesses within the communities of interest since limited or no resources may be available. To minimize burden and maximize participation, hosting a public event or meeting for community members, during which time questions can be addressed, may lead to a more productive outcome.

## Appendix A. Focus Group/Community Interview Script

### Generating and Raising One's Wealth Through HAP (GROWTH) Study – Focus Group New Entrepreneurs & Mature Entrepreneurs

Welcome and thank you for agreeing to participate in this focus group. The purpose of this discussion is to gain a better understanding of the challenges and successes you've experienced as an entrepreneur in our community. We will be asking questions relating to your business and your general business knowledge and experiences.

This session will take approximately 1 to 1.5 hours and will be recorded for research purposes. We will also have someone taking notes throughout today's meeting. Please try to remain for the entire period of this meeting as we very much value your thoughts and opinions. Before we begin, I wanted to point out a few ground rules. These ground rules will help manage our time and ensure that everyone is heard.

- 1) Only one person talks at a time.
- 2) What is shared in this room stays in the room. This is to ensure confidentiality of all participants.
- 3) Again, it's important to hear everyone's ideas and opinions. There is no right or wrong answer, so everyone's thoughts are valuable. Even if your thoughts are positive or negative reactions to some of our questions, we still welcome hearing them.
- 4) Please be courteous of your fellow participants. We want everyone's ideas to be represented equally, whether you are a man or woman or of different ethnic groups.

We appreciate you taking the time to attend this focus group meeting and hope you will view this as an educational session for both you and our research team.

Does anyone have any questions?

*(Allow participants to ask questions before introductions.)*

Great! So, before we begin I would like for each of you to tell us your name and share your reason for starting your business.

*(Allow 5 minutes for this occur.)*

Thank you for sharing, everyone!

**Question #1:**

Now to begin, I'd like for us to discuss a few terms. Remember, there is no right or wrong answer, so please share freely. Most likely, someone else is thinking the same thing as you.

- Credit
  - o What is credit and why do you need it?
  - o Good credit vs. Bad credit vs. No Credit
  - o Building credit vs. Rebuilding credit
  
- Loans/Lending
  - o Open-ended vs Closed-ended
  - o Secured vs. Unsecured loans
  - o Types of conventional loans (mortgage loans)
  - o Payday loans
  - o Advance-fee loans
  - o How do you access a loan? How many times can you get one?
  
- Interest rate
  - o What is a good rate? Why is this important?
  
- Microenterprise vs. Small Business
  
- Marketing
  - o What is the purpose of marketing and is it essential?
  - o What methods of marketing have you and can you use?

**Question #2:**

In general, what are the considerations you need to make before you start a business? How much money do you need to have available? In order, who would you ask first to get that initial capital?

**Question #3:**

If you have applied for a loan before, what is something you wish you knew before you applied? What do you think makes a successful loan application? Is there anything you wish was available in order to make the loan application/dispersal process easier?

**Question #4:**

How much do you know about state and federal regulations relating to starting or owning a business? How much of this do you think is necessary to know vs. good to know? Can anyone share a story about a bad experience with the law, relating to your business or someone else's business, that you think could have been avoided had those laws been better communicated or made available to you?

**Question #5:**

What external factors do you think are stopping your business from becoming more successful? (*Define external*). What internal factors do you think are stopping your business from becoming more successful (*Define internal*).

**Question #6:**

If tomorrow you learned that you made \$15,000 in profit, how would you use this money to reinvest in your business?

*(Probe about strategizing towards future business growth. i.e. are farmers using this money for short-term or long-term crops? Are businesses using profits to finance their business?)*

**Question #7:**

How are you financing your business right now?

**Question #8:**

What do you think are the most profitable businesses here in the twin cities?

**Question #9:**

If classes became available that could help you with your business, what type of classes would you like to have? Please be specific and use real-life examples to support your comments. How much would you be willing to pay for these classes or services? What classes do you wish were available to you before you started your business?

## Appendix B. Community Survey Instrument

### Growing and Revitalizing Our community's Wealth Through HAP (GROWTH) Study Survey Form

First & Last Initial: \_\_\_\_\_

In what year were you born? \_\_\_\_\_

**Sex:**

- a. Male
- b. Female

**Marital status:**

- a. Single, never married
- b. Married
- c. Separated
- d. Divorced
- e. None of the above

**Were you born in the United States?**

- a. Yes
- b. No, I am a refugee
- c. No, I am an immigrant

**What is your highest level of education?**

- a. No formal education
- b. Middle School
- c. Less than High School
- d. High School diploma/GED
- e. Some college
- f. College degree or higher

**How would you describe yourself:**

(Please select the best option)

- a. Bhutanese
- b. Burmese (other)
- c. Hmong
- d. Karen
- e. Somali
- f. Other: \_\_\_\_\_

---

#### Section I.

This section includes a list of statements relating to finance and general business. Mark the response that best describes your thoughts or situation. There are NO RIGHT OR WRONG answers. Please read the questions carefully and select only ONE response for each question.

**1. A person must have good credit BEFORE they start a business.**

- a. I strongly agree.
- b. I somewhat agree.
- c. I have no opinion.
- d. I somewhat disagree.
- e. I strongly disagree.
- f. I do not know what credit is.

**2. I know how to manage my credit.**

- a. I know what credit is, but I do not know how to manage it.
- b. I mismanaged my credit in the past, but I am working on rebuilding it.

- c. I know how to manage my credit and I have good/excellent credit.
- d. I do not know what credit is.

**3. The loan application process is easy.**

- a. I strongly agree.
- b. I somewhat agree.
- c. I have no opinion.
- d. I somewhat disagree.
- e. I strongly disagree.
- f. I do not know anything about the loan application process.

**4. I have applied for a loan at least once.**

- a. Yes, I completed a loan application without professional help.
- b. Yes, I completed a loan application with help from a loan officer.
- c. I have never applied for a loan.

**5. If I needed a loan, I would FIRST ask:**

- a. Family
- b. Friends
- c. Bank
- d. Other: \_\_\_\_\_

**6. I wrote a business plan before I opened my business.**

- a. Yes, I did.
- b. No, I did not.
- c. I do not know what a business plan is.

**7. My business provides me with enough income to support my family.**

- a. I strongly agree.
- b. I somewhat agree.
- c. I have no opinion.
- d. I somewhat disagree.
- e. I strongly disagree.
- f. I do not know.

**8. My business was more successful in 2013 than in 2012.**

- a. I agree.
- b. I disagree, I earned about the same.
- c. I disagree, I earned less this year than in 2012.
- d. I do not know.
- e. My business has been in operation for less than one year.

**9. I know about the state and federal regulations for my type of business.**

- a. Yes, I know a lot.

- b. Yes, I know a little.
- c. I do not know about either.

**10. Marketing is necessary to run a good business.**

- a. I strongly agree.
- b. I somewhat agree.
- c. I have no opinion.
- d. I somewhat disagree.
- e. I strongly disagree.
- f. I do know what marketing is.

**11. I felt confident about the demand for my product and knew who my competitors were before I opened my business.**

- a. I strongly agree.
- b. I somewhat agree.
- c. I have no opinion.
- d. I somewhat disagree.
- e. I strongly disagree.
- f. I did not know what about the market demand or my competitors before I started my business.

**12. I started a business because I was already making products/providing services for myself or others and wanted to make money.**

Yes, I agree.

No, I was tired of working for other people and wanted to be my own boss.

No, I could not find a job so it was easier to start my own business.

I don't know.

Other: \_\_\_\_\_

---

**Section II.**

This section asks you questions about your experiences operating a business. Please read the questions carefully. Unless indicated, please select only ONE response for each question.

**13. What methods have you used to market your business? (select all that apply):**

- a. I do not use any marketing.
- b. Word of mouth
- c. Flyers/promotional signs
- d. Local paper advertisements
- e. Social media (facebook, twitter, etc.)
- f. Company website
- g. Other: \_\_\_\_\_

**14. What do you think is the best method of marketing?**

- a. Word of mouth
- b. Flyers/promotional signs
- c. Local paper advertisements
- d. Social media (facebook, twitter, etc.)
- e. Company website
- f. Other: \_\_\_\_\_

**15. What is the main EXTERNAL factor that is keeping your business from becoming more successful?  
(external factors are things that cannot be controlled by you)**

- a. The economy
- b. Competition
- c. Public Safety
- d. Weather
- e. Other: \_\_\_\_\_

**16. What is the main INTERNAL factor that is keeping your business from becoming more successful?  
(internal factors are things that can be controlled by you)**

- a. Capital (money to run your business)
- b. Lack of skilled staff
- c. Family obligation
- d. Personal choice
- e. Other: \_\_\_\_\_

**17. What were the most important things you considered BEFORE you opened your business? (choose 3):**

- |  |                                  |
|--|----------------------------------|
| a. Following the law                           | f. How to run a business         |
| b. Marketing your product                      | g. Childcare needs               |
| c. Finding your target market                  | h. Writing a business plan       |
| d. Finding the money to start your<br>business | i. Increasing business knowledge |
| e. How to start a business                     | j. None of the above             |
|  | k. Other: _____                  |

**18. If tomorrow you learned that you made \$15,000 in profit from your business, how and how much would you use to reinvest in your business?**

---

---

---

---

**19. Have you ever taken classes in business development?**

- a. Yes.

- b. No.
- c. I don't know.

**20. If you could take classes to help your business grow, what classes would you take?**

**(Select all that apply):**

- a. Money management
- b. Business management
- c. Recordkeeping
- d. Business Marketing
- e. Understanding loans & where to get them
- f. Understanding state and federal law for businesses
- g. Customer service
- h. Vocational skills training (i.e. job-specific, trade skills, etc.)
- i. I do not want to take classes.
- j. Other: \_\_\_\_\_

-----

**Section IV.**

This last section asks you basic questions about your business. Please read the questions carefully and select only ONE response for each question.

**21. About how many years has your business been in operation?**

\_\_\_\_\_ years

**22. In what industry is your business?**

- a. Agriculture (i.e. farming)
- b. Business services (i.e. accounting, consulting, etc.)
- c. Healthcare (i.e. dental, chiropractic, etc.)
- d. Home care (i.e. childcare, assisted living, etc.)
- e. Retail (i.e. restaurant, clothing, video sales, etc.)
- f. Other: \_\_\_\_\_

**23. In which city is your business?**

- a. Minneapolis
- b. St. Paul
- c. Other: \_\_\_\_\_

**\*\*BUSINESSES IN ST.PAUL ONLY\*\* In what community is your business in?**

- |                                   |                                |
|-----------------------------------|--------------------------------|
| a. Como                           | j. St. Anthony                 |
| b. Dayton Bluff                   | k. Summit Hill                 |
| c. Downtown                       | l. Sunray/Battlecreek/Highwood |
| d. Great East side                | m. Thomas/Dale (Frogtown)      |
| e. Hamline/Midway                 | n. West Seventh                |
| f. Highland                       | o. West side                   |
| g. Merriam Park/Lexington/Hamline | p. Minneapolis – unspecified   |
| h. North End                      | q. Other                       |
| i. Payne/Phalen                   |                                |

**\*\*BUSINESSES IN MINNEAPOLIS ONLY\*\* In what community is your business in?**

- |                  |               |
|------------------|---------------|
| a. Calhoun-Isles | g. Northeast  |
| b. Camden        | h. Phillips   |
| c. Central       | i. Phillips   |
| d. Longfellow    | j. Powderhorn |
| e. Near-North    | k. Southwest  |
| f. Nokomis       | l. University |

**24. Thinking about this past year and EXCLUDING expenses, how much did your business typically earn in a MONTH?**

- |                    |                      |
|--------------------|----------------------|
| a. \$1499 or less  | e. \$6000 - \$7499   |
| b. \$1500 - \$2999 | f. \$7500 - \$8999   |
| c. \$3000 - \$4499 | g. \$9000 - \$10,499 |
| d. \$4500 - \$5999 | h. \$10,500 or more  |

**25. Thinking about this past year, how much did your business expenses typically cost a MONTH?**

- a. \$1499 or less
- b. \$1500 - \$2999
- c. \$3000 - \$4499
- d. \$4500 - \$5999
- e. \$6000 - \$7499
- f. \$7500 - \$8999
- g. \$9000 - \$10,499
- h. \$10,500 or more

**26. How are you currently financing your business?**

- a. With the money I earn from my business.
- b. With personal savings.
- c. With a loan.
- d. Other: \_\_\_\_\_

**[END]**

## **Bibliography**

1. Bates, T., Lofstrom, M., Servon, L.J. "Why Have Lending Programs Targeting Disadvantaged Small Business Borrowers Achieved So Little Success in the United States?" *Economic Development Quarterly*, (2011) 25:3, 255-266.
2. Walzer, N.C., Blanke, A.S. "Business starts in the Midwest: potential entrepreneurial groups." *Community Development*, (2013) 44:3, 336-338.
3. Corrie, B.P., Radosevich, S. "The Economic Contributions of Immigrants in Minnesota." *The Economic Contributions of Immigrants in Minnesota* (2013). 27-37.
4. Barth, J.R., Yago, G., Zeidman, B. "Stumbling Blocks to Entrepreneurship in Low- and Moderate-Income Communities." (2006) 75.
5. Toussaint-Comeau, M., et al. "Credit Availability in the Minneapolis-St. Paul Hmong Community." (2003) 16.
6. About the CDFI Fund. [http://www.cdfifund.gov/who\\_we\\_are/about\\_us.asp](http://www.cdfifund.gov/who_we_are/about_us.asp) (2013).