

STATE OF LATINO Entrepreneurship

STANFORD BUSINESS | Latino Entrepreneurship Initiative

Latino Business Action Network

PUBLICATION OF STANFORD GRADUATE SCHOOL OF BUSINESS | IN COLLABORATION WITH THE LATINO BUSINESS ACTION NETWORK

CONTRIBUTORS

PRINCIPAL INVESTIGATOR

Rosalía Chávez Zárate, PhD
Associate Director
Stanford Latino Entrepreneurship Initiative

Marlene Orozco, PhD
Research Consultant
Stratified Insights

José J. Alcocer, PhD
Research Analyst
Stanford Latino Entrepreneurship Initiative

FACULTY

George Foster, PhD

The Konosuke Matsushita Professor of Management; Director of the Sports Management Initiative; Director of the Endeavor Leadership Program; Director of the Executive Program for Growing Companies; and SLEI Faculty Co-Director

Acknowledgments
The authors thank Deb Whitman for her insightful feedback throughout the research process; Jennifer García and Arturo Cázares for their guidance and thought leadership; and Humanity Communications Collective, led by Yanira Castro, for designing and preparing the report's layout. The authors also thank LBAN alumni for generously sharing their photos for inclusion in this report.

If you experience accessibility issues, please contact us at slei_research@stanford.edu.

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Gentefy

ABOUT THIS REPORT

In its 11th year, the State of Latino Entrepreneurship (SOLE) Report examines the experiences, strategies, and operating conditions of Latino/a-owned businesses across the country. Drawing on data from the 2025 SLEI Survey of U.S. Business Owners, the report identifies key trends shaping today's entrepreneurial landscape, including comparisons with White-owned firms. Based on input from more than 10,000 employer firms (defined as businesses with at least one paid employee beyond the owner) this report provides data-driven insights into similarities and differences in firms' experiences, access to resources, and growth aspirations. It marks the first time the analysis integrates quantitative data and qualitative insights at this scale.

The 2025 SOLE Report expands beyond traditional lending sources to incorporate venture capital alongside bank- and credit-based financing. This reflects the evolving profile of Latino-owned businesses, including a growing presence in technology-centric sectors, where 26% of survey respondents operate. To capture these dynamics, the report integrates survey-based analysis with external venture capital data from PitchBook, offering a more comprehensive view of how Latino-owned businesses navigate financing across stages of growth.

In this report, we explore trends related to business outcomes and challenges, as well as the resilience of the Latino business segment. Key themes include:

- U.S. economic impact of Latino firms on revenue, jobs, and firm creation, including analysis of the most populous states
- Trends in business outcomes for larger (over $1M revenue) and smaller firms
- Insights into business challenges cited by Latino- and White-owned firms
- Funding realities for Latino-owned firms in both lending and venture capital financing

This report situates survey findings within the broader U.S. business landscape, weighting results using U.S. Census Bureau, Annual Business Survey benchmarks to enhance comparability with national firm characteristics. Drawing on more than a decade of progress, it underscores the expanding economic influence of Latino/a entrepreneurs and their vital, sustained contributions to the nation's economic future, reflected in their scale, innovation, and international reach. Details on sampling and measures, and terminology are provided in a separately linked **Addendum** for further context. References are included in the **Appendix**.

About the Cover

After losing her grandmother to Chronic Obstructive Pulmonary Disease, physician-entrepreneur María Artunduaga founded Samay to reimagine how lung disease is diagnosed. By combining acoustic engineering and AI, the company is developing wearable technology designed to bring faster, more accessible respiratory testing to patients everywhere.

"I founded Samay the day I lost my grandmother to COPD - a disease that should have been caught years earlier. That moment made one thing clear: the diagnostic tools we've relied on for 170 years were failing the people who needed them most. Technology gave us a way to change that. By combining acoustic engineering, AI, and deep clinical science, we built Sylvee — a wearable patch that can measure lung function in two minutes, anywhere, without the equipment or expertise that has always kept early diagnosis out of reach for most of the world. My vision is a future where a patient in rural America has access to the same quality of respiratory care as someone at a major academic medical center. We're not there yet, but we're closer every day."

- María Artunduaga, MD, MPH, MTM, Founder & CEO, Samay

ABOUT US

STANFORD LATINO ENTREPRENEURSHIP INITIATIVE (SLEI) RESEARCH PROGRAM

SLEI operates a research program (SLEI-Research) that explores and expands our knowledge of the Latino/a entrepreneurial segment of the U.S. economy through research, knowledge dissemination, and facilitated collaboration. SLEI Research conducts an annual national survey to assess the current state of U.S. Latino/a entrepreneurship. SLEI Research operates as a collaboration between the Latino Business Action Network (LBAN) and Stanford Graduate School of Business, Center for Entrepreneurial Studies.

LATINO BUSINESS ACTION NETWORK (LBAN)

LBAN is a dynamic nonprofit organization based in Silicon Valley with a bold mission to strengthen the U.S. economy by empowering Latino entrepreneurship across the country. LBAN collaborates with the Stanford Graduate School of Business to drive research, educational programs, and ecosystem development.

In addition to driving SLEI-Research, LBAN collaborates with Stanford Graduate School of Business Executive Education, and offers two transformative educational programs: 1) LBAN Business Scaling Program at Stanford is designed to catalyze the scaling of Latino-owned businesses based in the U.S. that have generated $1M+ in revenue or have raised $1.5M+ from external investments, and 2) LBAN Startup Accelerator at Stanford accelerates growth and traction for founders who have raised a minimum of $200K equity investment. These nine-week hybrid programs provide access to the Stanford GSB faculty, industry expert content, personal mentorship, a network of capital providers, and a national supportive ecosystem. The programs have a robust network of 1,300+ LBAN alumni from 37 states and Puerto Rico who generate over $11.7 billion in annual revenue. Learn more about LBAN's programs at Stanford here: **www.lban.us/our-programs**.

This State of Latino Entrepreneurship Report was made possible in part through the investment and support of LBAN's principal partners: Wells Fargo, Bank of America, JPMorgan Chase & Co., Surdna Foundation, Capital One, Target, Chavez Family Foundation, Pitch Johnson, and Arrillaga Family. Learn more: **www.lban.us**.

STANFORD GRADUATE SCHOOL OF BUSINESS (GSB)

Stanford Graduate School of Business has established itself as a global leader in management education through educational programs designed to develop insightful, principled, global leaders. Stanford GSB supports faculty research, curriculum development, and interaction among academic disciplines. It has a rich heritage of a symbiotic relationship with business communities, non-profits, and the government sector around the globe. Learn more: **www.gsb.stanford.edu**.


Strategar

EXECUTIVE SUMMARY

The 2025 State of Latino Entrepreneurship Report highlights the continued growth and economic impact of Latino-owned businesses in the U.S. economy. Latinos represent roughly 20% of the U.S. population. As of 2023, U.S. Latinos generate $4 trillion in GDP, equivalent to the fifth-largest economy globally, and growing faster than the overall U.S. economy. Between 2015 and 2023, Latinos' GDP expanded more than 50%, surpassing the 17% growth among non-Latino populations.[1] This momentum reinforces the community's increasingly central role in the national economy.

Amid this broader economic expansion, Latino-owned employer businesses represent a growing and influential segment of U.S. firms. In 2023, there were 5.7 million employer firms nationwide, with Latino-owned employer businesses accounting for 9.7% (553K) of these firms and generating $832 billion in annual revenue.[2] This report focuses on employer firms unless otherwise noted. Latino-owned employer firms are increasingly technology-centric, younger on average, and more internationally connected. Reflecting these characteristics, Latino-owned businesses (LOBs) demonstrate higher growth rates than White-owned businesses (WOBs) in firm creation, revenue, and employment, while also expanding beyond traditional hubs into emerging states, demonstrating both the scale and dynamism of this sector.

Together, these trends illustrate a rapidly evolving, resilient, and ambitious business community that continues to face barriers to growth, particularly uneven access to capital. Findings from the 2025 national survey show that funding access remains uneven for Latino-owned businesses, a pattern consistent with our PitchBook analysis, which indicates that Latino founders receive only a small share of total venture capital investment. At the same time, a growing share of Latino-owned firms report being technology-centric, including high-growth sectors that typically attract venture capital investment.[3] However, this shift has not been accompanied by broader participation in venture capital financing. By integrating insights from the Annual Business Survey, SLEI national survey,[4] and venture capital data, the 2025 report highlights both the opportunities and the persistent barriers shaping Latino entrepreneurship today.

Latino-owned businesses generate more net new firms and jobs than White-owned firms, adding 180K firms and 976K jobs (29% growth), while WOBs lost 140K firms and added 658K jobs (1% growth).

Latino-owned businesses represent a significant and growing share of the U.S. economy, accounting for 9.7% of the nation's 5.7 million employer firms in 2023.[5] Despite operating from a smaller base, Latino-owned businesses (553K), added 180K net new firms between 2017 and 2023, a 48% increase, while WOBs (4.3M) declined 3%, losing 140K firms. LOB growth has been driven largely by younger firms, whereas WOB growth is concentrated among more established businesses. Employment growth followed a similar pattern, with LOB employment rising 29%, adding 976K jobs, compared with just a 1% increase for WOBs (adding 658K jobs). LOBs added more net new firms and jobs than businesses owned by any other major racial/ethnic group. Revenue growth rates among LOBs were similarly strong,

rising 68% ($495B to $832B), compared with a 45% increase for WOBs (to $16T). LOBs are not only creating businesses at higher rates, but are growing revenues at even faster rates, at a time when WOBs are seeing slower growth rates or even a retraction in the number of firms.

Latino-owned businesses are driving net new firm creation in the nation's largest states.

California, Texas, Florida, and New York are home to the largest U.S. populations and together account for more than one-third of U.S. GDP. Within these top states, from 2017 to 2023, LOBs experienced faster growth in the number of firms than WOBs, including in key industries, such as professional services, construction, and accommodation/food services, and are adding a greater share of net new firms. In California and Florida, LOBs account for more than 55% of net new firms. In New York, where total firms declined overall, LOBs added more than 6K firms, offsetting roughly 40% of the state's net losses. By contrast, WOBs experienced net declines or modest gains.

At the same time, some states with smaller Latino-owned business bases are also expanding rapidly. Minnesota ranks among the top four for cumulative growth over six years, with Wyoming and Arkansas also showing notable gains. Overall, LOBs recorded positive firm growth rates in 48 of 50 states between 2017 and 2023, while most states (76%) saw declines in WOBs, highlighting the geographic diversification and growing nationwide economic impact of Latino entrepreneurship.

A quarter of Latino-owned businesses are technology-centric, up 7 percentage points since 2021, innovating across emerging sectors with profitability comparable to White-owned businesses.

One in four Latino-owned businesses (26%) operate in tech-centric sectors, developing or selling software or hardware, compared to 20% of WOBs, marking a 7 percentage point increase since 2021 for both groups.

Tech-centric LOBs are active across major technology domains, including AI, e-commerce, cybersecurity, and fintech, participating at rates comparable to WOBs. Many of these LOBs are active in high-growth technology sectors (e.g., AI, cybersecurity) that attract strong market demand and sustained venture and enterprise investment nationally.[6]

Among tech-centric LOBs, 24% have operated for less than two years (vs. 15% of WOBs), and 67% report revenues under $1 million (vs. 47% of WOBs). Despite these differences in age and size, median profit margins for tech-centric LOBs and WOBs are comparable, demonstrating strong performance even in the early years.

Latino-owned businesses expand internationally earlier than WOBs, achieving profit margins comparable to peers despite younger firm age and smaller size.

Nearly half of U.S.-based Latino-owned businesses (49%) operate internationally, compared to 42% of White-owned businesses. LOBs are more likely to have operations in Mexico, while WOBs are more likely to operate in Canada and Europe. Across both groups, firms with operations beyond the United States report higher median profit margins than U.S.-only firms.

Although LOBs report lower median profit margins overall than WOBs, this gap narrows among internationally active Latino businesses. LOBs operating internationally report margins comparable to their White counterparts, whereas domestic-only LOBs report lower margins, indicating that broader operational scope is associated with higher profitability.

LOBs are not waiting to scale to pursue international operations; they operate internationally regardless of firm size. International activity may provide strategic advantages through diversification and improved margins, highlighting potential benefits of international expansion as a growth strategy.

Latino-owned companies report adopting growth strategies at higher rates than White-owned businesses, showing active engagement in expanding market reach and exploring new opportunities.

Latino-owned businesses are more likely than White-owned businesses to pursue specific growth strategies, implementing 9 out of 10 examined. These strategies generally fall into two categories: expanding a firm's reach (e.g., entering new markets or geographies) or changing how the business operates (e.g., forming partnerships or pursuing acquisitions). For example, 38% of LOBs report considering an acquisition, compared with 26% of WOBs. These patterns show that LOBs are actively evaluating and pursuing a range of strategies to expand market reach and scale operations, reflecting strong engagement in a growth-oriented mindset and related initiatives.

Latino- and White-owned businesses report many of the same business challenges led by inflation and competitive pressures, with Latino-owned firms citing more immigration enforcement and leadership misalignment issues.

Latino and White-owned firms report many of the same major business challenges in 2025, with inflation at the top (37% of LOBs vs. 42% of WOBs). The next most common challenges include competition, taxes/government regulations, economic uncertainty, and marketing/advertising. While immigration enforcement issues are not among the top five challenges overall, LOBs are three times more likely than WOBs to report them (15% vs. 5%), particularly in construction where LOBs are overrepresented. Our January 2026 pulse survey indicates this disparity with immigration enforcement persists. LOBs also more frequently cite leadership or stakeholder misalignment (e.g., partner disputes, leadership turnover, conflicting vision with co-founders/investors).[7] These differences are consistent across firm characteristics such as size and location (domestic/international). Understanding regulatory compliance and policy changes are also a salient challenge for LOBs in transportation, which may reflect their higher rate of international operations.

Latino- and White-owned businesses employ largely comparable strategies to tackle their top business challenges, with nuanced approaches to workforce and customer-focused priorities.

In response to inflation, both LOBs and WOBs rely on the same leading strategies focused on managing cost and strengthening operations, including strengthening supplier terms, innovation and tech adaptation to enhance efficiency, and closely monitoring expenses. While LOBs were slightly less likely than WOBs to cite supplier relationships, it remained their most common approach. Notably, LOBs emphasize employee management and well-being, balancing operational adjustments with efforts to retain staff, maintain morale, and sustain productivity.

To address competitive pressures, both groups focus on three broad strategies: pricing and cost management, product and service differentiation, and customer engagement and market presence. Firms report adjusting pricing and streamlining operations, introducing new or improved products and services, and increasing marketing and customer outreach to maintain competitiveness. LOBs more frequently emphasize delivering high-quality service and enhancing the customer experience as key differentiators.

Funding gaps persist for Latino-owned businesses, differing by lender and growing with loan size - highlighting the need for clearer guidance and actionable support.

Consistent with findings over the past 10 years, LOBs continue to face persistent funding gaps relative to WOBs. LOBs apply for financing/credit at lower rates and are less likely to receive full funding, a pattern evident across firm scale and type (e.g., tech/non-tech, domestic/international). Both groups rely primarily on business and personal credit cards, banks, and credit unions, though LOBs are more likely to apply to multiple financing sources within a single year (in 2024). Additionally, funding gaps widen as loan and credit amounts increase (e.g., $1M+) and they differ across lenders. LOBs, for example, are less likely than WOBs to receive the credit amounts requested/approved on business and personal credit cards or to secure full funding from local banks for larger loans.

Beyond funding outcomes, LOBs report that feedback after being denied or partially funded often lacks specific reasons for the decisions (77% vs. 67%) and next steps. Although LOBs stated that feedback was generally helpful, they expressed a stronger need for actionable guidance, such as clearer funding criteria and one-on-one consultation, to improve future applications. These combined gaps in funding and guidance may create barriers that could constrain LOBs' ability to scale.

Latino-founded startups are raising competitive venture rounds, but Latino participation in VC has fallen below 2% as early-stage entry collapses.

In 2025, Latino-founded startups posted a $6M median VC deal size, surpassing the U.S. median, even as overall Latino deal activity thinned. Much of this capital is concentrated in later-stage companies, signaling larger checks to fewer firms rather than broad-based expansion in access. This fragility is most pronounced at the point of entry as Latino pre-seed/seed market share fell from 2.62% (2020) to 0.55% (2025) (a 79% drop), and early-stage share declined from 2.19% (2020) to 0.54% (2025) (a 75% drop). Ultimately, this constrains the next cohort of scalable Latino startups despite strong competitiveness among those who do secure capital.

In Closing

The findings in this report underscore both the scale of Latino entrepreneurship's economic contributions and the conditions shaping its future trajectory. Latino-owned businesses are expanding rapidly across industries, geographies, and growth strategies, demonstrating resilience, innovation, and ambition. At the same time, persistent gaps in access to capital and actionable guidance highlight structural frictions that may limit the pace at which this momentum can translate into sustained scale. The 2025 State of Latino Entrepreneurship Report provides a data-driven foundation for understanding these dynamics and offers insights relevant to policymakers, financial institutions, investors, and ecosystem partners engaged in supporting Latino-owned businesses.



Brows Couple



SECTION I

ECONOMIC IMPACT AND EXPANSION

Latinos represent the nation's largest racial/ethnic minority, comprising roughly 20% of the total U.S. population and projected to reach 22.4% of the labor force by 2030.[8] Fueled by a younger age profile and rising educational attainment, they are increasingly represented in skilled and higher-paid occupations, expanding the pool of consumers, entrepreneurs, and talent for business creation and economic influence.[9]

From 2017 to 2023, LOBs achieved strong cumulative gains in revenue, employment, and firm creation, while WOBs experienced slower revenue growth and flat or declining employment and firm counts. All growth rates in the report refer to cumulative growth rates unless stated otherwise. This section examines the economic footprint of LOBs alongside opportunities for further growth, demonstrating how closing persistent revenue gaps could unlock trillions in additional U.S. economic output.

Latino-Owned Businesses Outpaced White-Owned Businesses in Net Firm and Job Growth from 2017 - 2023

Between 2017-2023, Latino-owned businesses achieved a 48% growth rate in firm count, reaching 553K firms, in sharp contrast to a 3% decline among WOBs (4.3M firms) **(Figure 1.1)**.[10] Over the same period, LOB revenue increased 68% to $832 billion, while WOB revenue grew 45% to $16.2 trillion **(Figure 1.2)**. Employment among LOBs grew at a higher rate as well, up 29% (to 4.3M employees), compared to just 1% growth among WOBs (to 54.2M employees) **(Figure 1.3)**.

Although LOBs are smaller than WOBs in absolute terms, they added more jobs (976K vs. 658K) and net new firms (180K) in this six-year period, while WOBs lost 140K firms.

> *From 2017 to 2023, Latino-owned businesses added 180K firms (48% increase) and 976K jobs (29%), while White-owned firms lost 140K firms (-3%) and added 658K jobs (1%).*

Figure 1.1: Six-Year Cumulative Growth in Number of Businesses

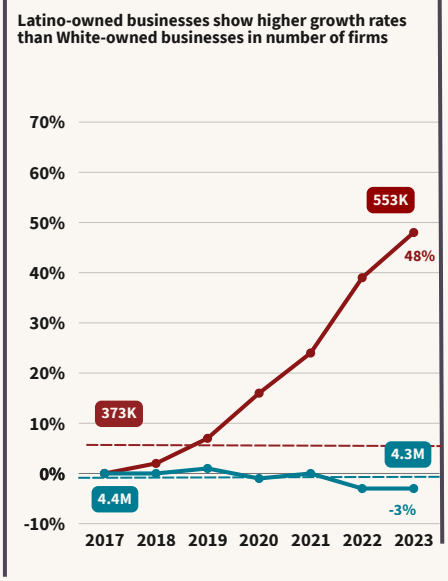


Figure 1.2: Six-Year Cumulative Growth in Total Revenue

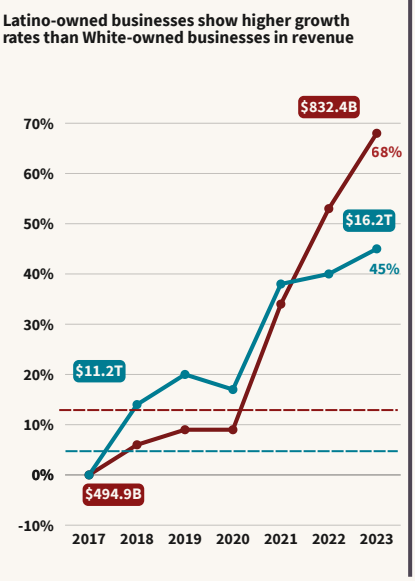
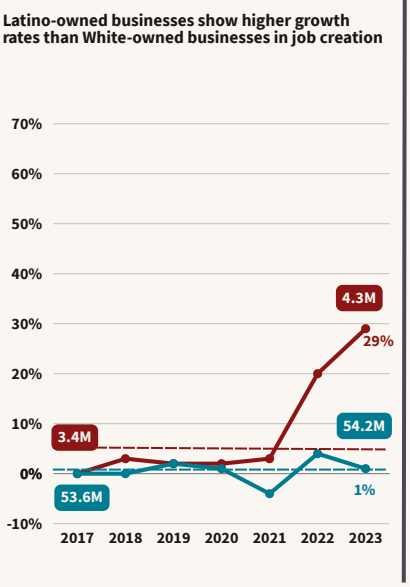


Figure 1.3: Six-Year Cumulative Growth in Number of Employees





Source: U.S. Census - Annual Business Survey, 2018–2024 (reference years 2017–2023)

This divergence accelerated after 2020-2021, amid the economic shock of the COVID-19 pandemic and the rollout of federal small business relief programs. During this period, LOBs doubled their rate of business formation (from 24% to 48%) and revenue growth (from 34% to 68%), while employment growth jumped from 3% to 29% in just two years. In contrast, WOBs experienced losses in business formation.

Notably, this growth occurred despite unequal and delayed access to pandemic relief. During the initial rollout of the Paycheck Protection Program (PPP), LOBs were less likely than comparable WOBs to receive loans through traditional banks, reflecting disparities in financial access.[11] Despite these constraints, the post-2021 surge in LOB formation, revenue, and employment suggests that LOBs not only recovered from pandemic disruptions but actively scaled during the economic reopening, underscoring their resilience and growing role in job creation.

Latino-Owned Businesses Drive Growth Through Younger Firms

Over the six-year period, Latino-owned businesses are expanding primarily through younger firms, in contrast to the more established profile of White-owned businesses. Although LOBs are increasing among all firm-age groups, the largest share have been operating for less than two years; from 2017 to 2023, the number of LOBs under two years old increased by 76%. By contrast, the largest share of WOBs consists of firms operating for 16 years or more. WOBs under two years old declined by 7%, indicating net firm losses.

These structural differences shape revenue growth differently across the two groups: LOB growth is largely driven by the addition of new firms, whereas WOB growth reflects increases in average revenue per firm amid declining firm counts.

Annual Growth Moderates in 2023, but LOBs Continue to Show Greater Growth Rates than WOBs

While annual growth in revenue, employment, and firm formation slowed in 2023 for both LOBs and WOBs, LOBs continued to achieve higher year-over-year (YoY) growth rates, complementing their strong cumulative gains since 2017. YoY growth is helpful for understanding short-term market trends and responses to economic conditions, while cumulative growth illustrates sustained, longer-term performance.

Looking at recent performance, LOBs' revenue growth eased from 24% in 2021 to 10% in 2023, with employment growth and new firm formation also moderating after 2022, though remaining positive and above WOBs. This moderation reflects a transition from the rapid post-pandemic rebound to steadier, more sustainable growth. WOBs experienced some fluctuations over the same period, with below 5% or negative YoY growth rates. This pattern is sustained when examining average annual growth. From 2017 to 2023, LOBs recorded higher average annual growth across all key metrics: firm creation averaged 6.6% per year compared with -0.3% for WOBs, revenue grew 11.3% annually versus 7.5%, and employment rose 4.8% versus 0.1%. These trends demonstrate that LOBs are not only navigating short-term economic fluctuations but sustaining stronger long-term growth.

SLEI National Survey Reinforces Broader Growth Trends for Latino-Owned Businesses

Complementing trends observed in the U.S. Census business data from 2017-2023, the SLEI national survey, gathered in summer 2025, uses self-reported financial data from 2022-2024 to estimate median revenues, profit margins,[12] and compound annual revenue growth rates (CAGR).

Our survey findings show that LOBs report lower median revenues and profit margins than WOBs. However, both groups exhibit similar median CAGR, indicating comparable revenue growth trajectories despite differences in scale. These findings combined, the Census and survey data, indicate that LOBs are consistently expanding, even as they continue to operate from smaller revenue bases.

Closing the Revenue Gap Could Unlock $2.1 Trillion in Additional U.S. Economic Output

Despite strong growth, LOBs face ongoing barriers that constrain per-firm financial performance. From 2017 to 2023, average revenue per LOB grew 20%, compared with 50% for WOBs, reflecting slower per-firm gains (roughly $1.5M vs. $3.5M per firm). This gap may in part reflect the composition of the LOB population: because LOBs are disproportionately smaller and newer firms, this can lower the average revenue per firm, even as LOBs overall continue to achieve strong growth, particularly among larger (scaled)[13] businesses.

If LOBs generated revenue at parity with WOBs (approximately $3.8M per firm), an estimated $2.1 trillion could be added to the U.S. economy, a 6.7% increase in GDP, compared with roughly $832 billion currently generated by LOBs. This widening gap underscores the economic opportunity of supporting LOBs as they scale, allowing them to fully realize their potential and strengthen their impact on the broader economy.

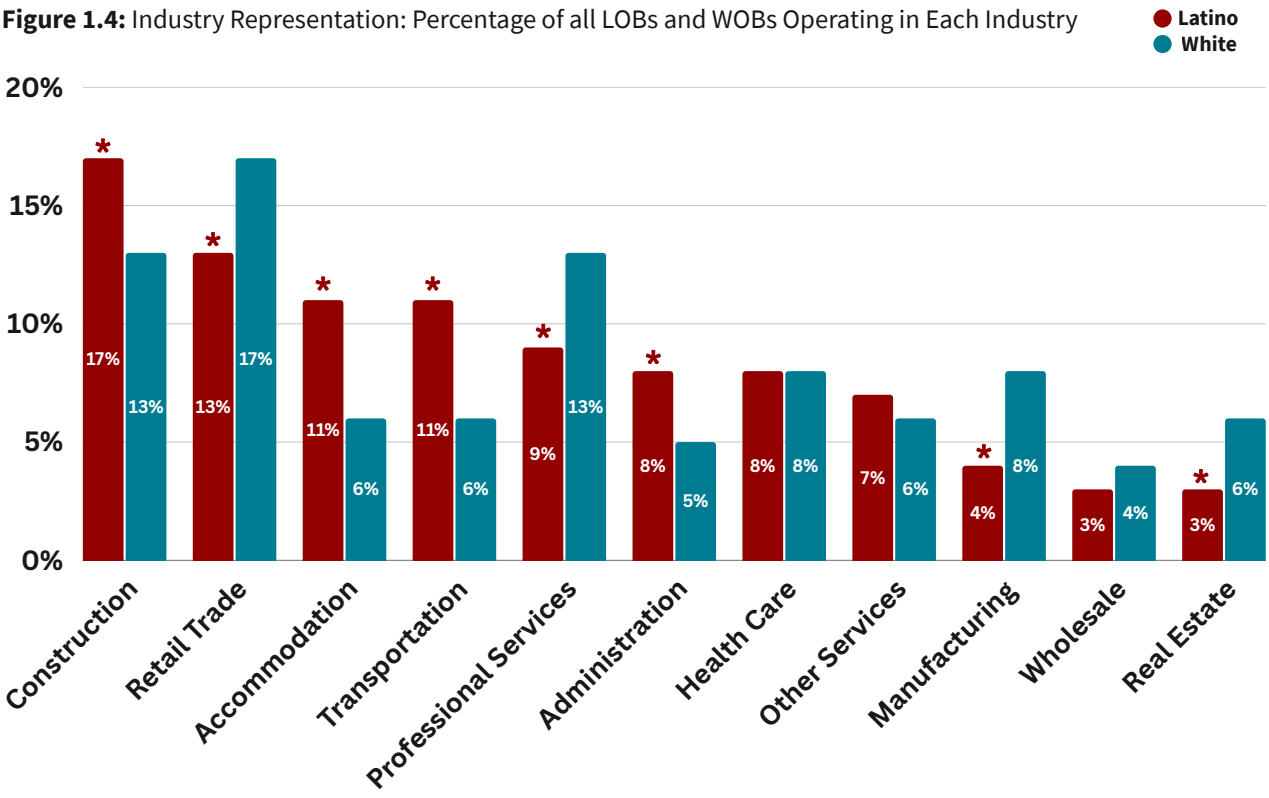
LOBs Over Index in Construction, Accommodation, and Transportation

Latino- and White-owned businesses operate across a wide range of industries. Some of the largest industries nationally, for both LOBs and WOBs, include construction, retail trade, accommodation/food services, transportation, professional services, administrative services, and health care. Despite this overlap, LOBs are more concentrated in certain sectors: construction (17% vs. 13%), accommodation (11% vs. 6%), and transportation (11% vs. 6%), and underrepresented in retail trade

(13% vs. 17%) and professional services (9% vs. 13%) **(Figure 1.4)**. Over time, industry composition has shifted, with transportation and retail trade increasing among LOBs, while health care has declined.[14]

This concentration links LOB growth prospects to the performance of these industries, which show historical and projected expansion.[15] For example, between 2017 and 2023, the firm growth rate in construction was 10% overall, but LOBs contributed disproportionately, growing 86% compared with 2% for WOBs. Looking ahead, construction, for example, is projected to grow 4.4% from 2024 to 2034, outpacing the 3.1% average employment growth expected across all industries. At the same time, these sectors face structural constraints that may affect business performance. Construction, transportation, and accommodation/food services, industries where LOBs are overrepresented, contend with persistent hiring difficulties, workforce shortages, and capacity constraints. Broad labor market data show elevated job openings amid a constrained labor supply.[16] In construction, workforce shortages and material cost pressures are well documented, while transportation and logistics sectors face ongoing labor shortages, which can constrain operations, and areas such as hospitality continue to report staffing shortfalls that limit operations.[17] Additionally, policy uncertainty can further compound these pressures.[18] Together, these factors can influence firms' ability to take on new projects, scale operations, and sustain growth, shaping industry-specific opportunities for Latino and other businesses.

Figure 1.4: Industry Representation: Percentage of all LOBs and WOBs Operating in Each Industry



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

LOBs and WOBs Report Improved Financial Position in January 2026

Amid ongoing shifts in the economic and policy landscape, the majority of both LOBs and WOBs report improved or stable financial positions compared with one year ago. According to the SLEI pulse survey conducted in January 2026, 45-46% report their financial position is better, and 38–39% say it is about the same compared with January 2025. Similarly, 65% of both groups feel somewhat or much more confident about their business prospects over the next 12 months.

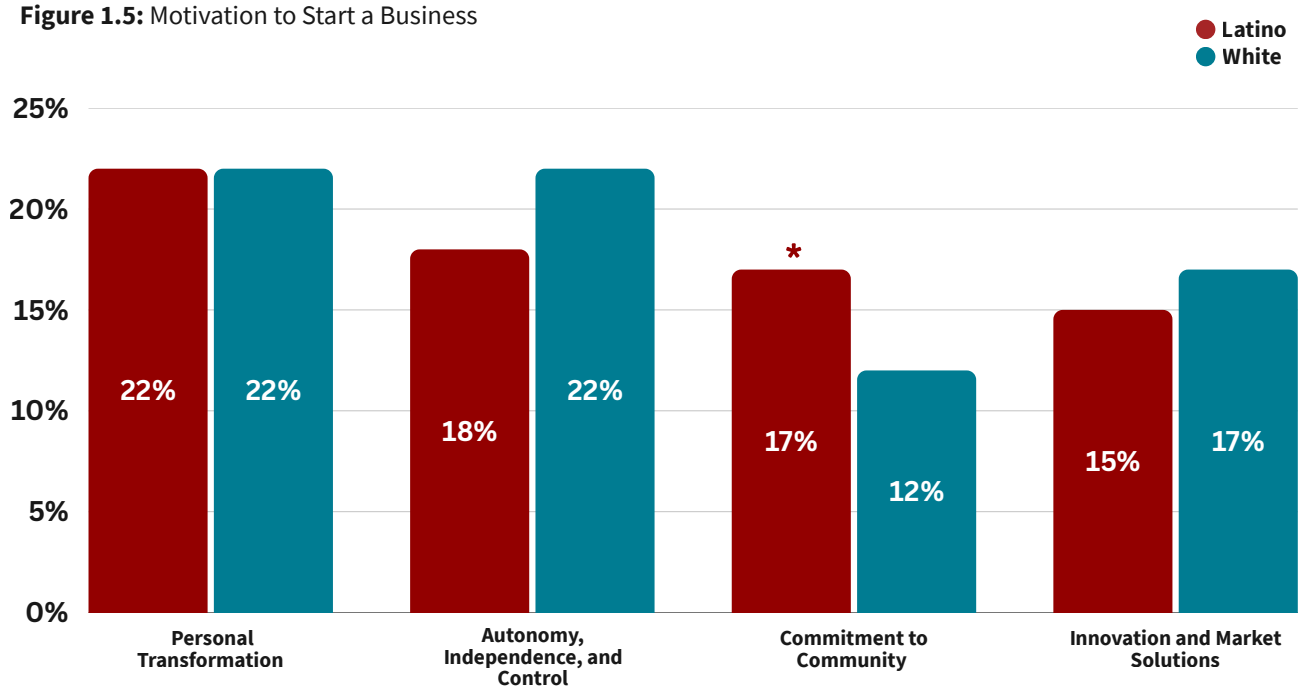
Among LOBs and WOBs, Starting a Business Is Largely Opportunity-Driven and Often Rooted in Personal Transformation, With LOBs Placing Greater Emphasis on Community Impact

Entrepreneurship can be motivated by a range of personal, social, and economic factors. In the 2018 SOLE report, the top three reasons Latino- and White-owned businesses started a business were to be their own boss,[19] pursue greater income and wealth opportunities, and achieve work–life balance. This year, open-ended responses echoed those motivations, emphasizing autonomy, independence, and control over one's work.[20] These drivers reflect opportunity-driven entrepreneurship, rather than starting a business as a last or only option.

This year, the majority of LOBs and WOBs, however, highlighted personal transformation as a primary motivator **(Figure 1.5)**. This included responses to adversity or dissatisfaction with prior employment, with entrepreneurship representing a pathway to reclaim agency and direction. One Latino entrepreneur from Fairfax, Virginia explained, "*I spent seven years in a company, and I had no hope of promotion and my income stagnated. I decided not to wait for others to give it to me and create it myself*," illustrating this self-directed career motivation.

LOBs (17%), however, are more likely than WOBs (12%) to start a business out of commitment to their community, aiming to create social impact, address local needs, and generate economic opportunity. For example, a Latino retail business owner from Seattle, Washington shared: "*I started my business to serve the local Hispanic community and share Latin American culture. I wanted to create a space where people could feel connected to their roots while supporting the community and providing local jobs.*" They have run their brick-and-mortar business for over 10 years and operate in both the U.S. and Mexico. For these entrepreneurs, business formation and growth are driven not only by economic and personal goals but also by a desire to strengthen community ties, preserve cultural heritage, and foster shared prosperity. This community-driven motivation appears across different types of LOBs, including international, tech- and non-tech-centric companies, and smaller firms.

Figure 1.5: Motivation to Start a Business



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).


Arana

SECTION II
STATE-LEVEL TRENDS

Latinos are the fastest-growing major demographic group in the United States, concentrated in the country's largest states.[21] California, Texas, Florida, and New York are home to the largest U.S. populations as well as the majority of both Latino and White populations. Together, these states accounted for 58% of the nation's Latino population in 2024.[22] Latinos are the largest racial/ethnic group in California (16.1M, 41%) and Texas (12.6M, 40%), milestones reached in 2014 and 2021, respectively.

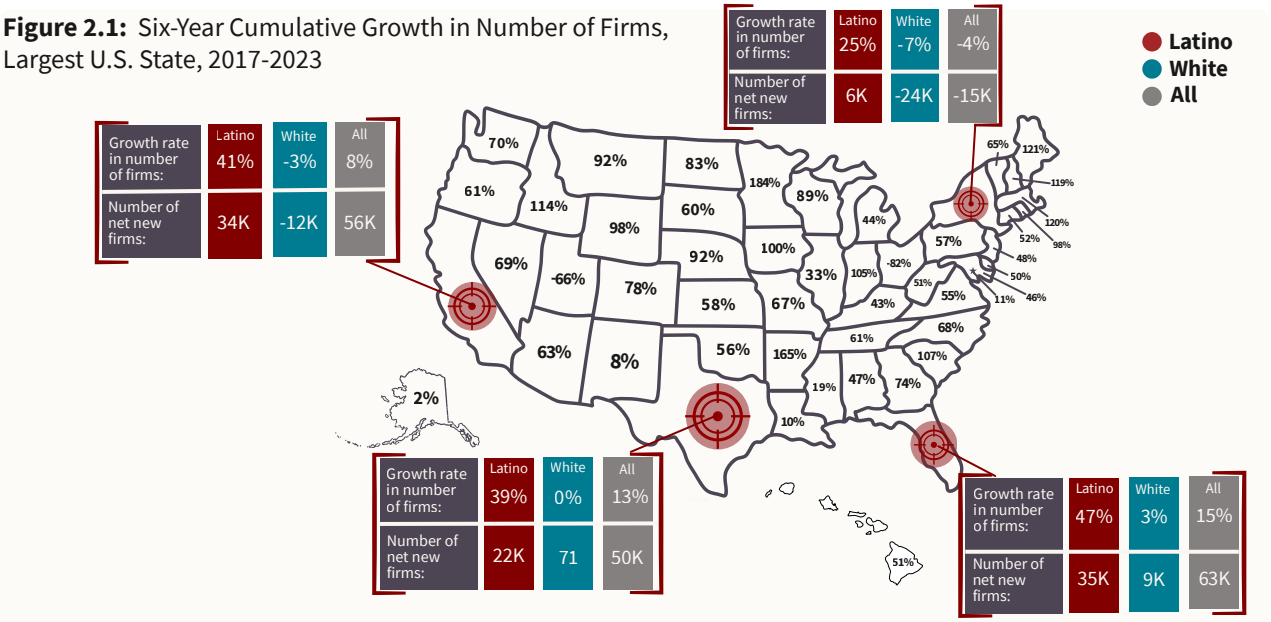
These states also lead in business activity, contributing the largest shares to national GDP, together accounting for more than one-third of total U.S. economic output, and are where the majority of Latino- and White-owned businesses are concentrated. Within these top states, LOBs have experienced higher growth in the number of firms than WOBs and added more net new firms between 2017 and 2023. As a result, Latino business growth is an increasingly significant driver of economic activity in these states, reflecting broader national trends.

In the Nation's Largest States, LOBs Are Launching Net New Firms Faster than WOBs, Contributing to Both State and National Economic Momentum

California alone is home to roughly one-fifth of all U.S. LOBs (118K), generating $175.3B in revenue. Collectively, California, Florida (110K), Texas (80K), and New York (30K) account for 61% of all U.S. Latino employer firms.[23] Although these states account for the largest total number of businesses, jobs, and revenue in the U.S., LOBs are expanding more quickly than WOBs in terms of opening new firms and, in most of these states, creating jobs. From 2017 to 2023, Latino net firm creation grew between 25% and 47% across these four states, compared with little to no growth for WOBs (-7% to 3%) **(Figure 2.1)**. Florida had the highest LOB firm growth rate among the four states. Job creation rates among LOBs also grew strongly in California, Florida, and Texas, while WOBs saw smaller gains. By contrast, revenue growth rates were more comparable across ownership groups in these four states.

These trends reflect the national picture: almost every state (48/50) saw growth in the number of Latino-owned businesses, while most states (76%) experienced declines among White-owned businesses. In California and Florida, LOBs account for more than 55% of net new firms within their respective states. Even in New York, where the total number of businesses declined by approximately 15K, LOBs contributed over 6K net new firms, offsetting approximately 40% of the overall market loss. By contrast, WOBs experienced much smaller net gains or losses: in California and New York they lost approximately 12K and 24K firms, respectively, while Texas added roughly 71 WOBs during this period.

Figure 2.1: Six-Year Cumulative Growth in Number of Firms, Largest U.S. State, 2017-2023



Source: U.S. Census - Annual Business Survey, 2018-2024 (reference years 2017-2023)

LOBs Are Concentrated in Professional Services, Construction, and Accommodation/Food Services, While WOBs Are More Prominent in Health Care, Real Estate, and Administrative Services in the Top Four States

Nationally, the industries with the highest firm counts include retail trade; professional, scientific, and technical services; construction; health care and social assistance; and accommodation/food services. In California, Texas, Florida, and New York, professional services, construction, and accommodation/food services rank among the top industries for both LOBs and WOBs. Within these industries, however, LOBs have higher concentrations, while WOBs are relatively more represented in health care, real estate, and administrative services.

Understanding state- and industry-level concentrations is important, as shifts in labor markets, regulatory policies, or economic cycles affect businesses broadly. These impacts may be felt first at the local and state level and can propagate to the broader U.S. economy. Changes in top U.S. industries in leading states, where LOBs are also overrepresented, can disproportionately influence LOBs' growth and stability and, in turn, the broader economy.

The Number of LOBs is Growing Faster Than for WOBs in All Three of the Largest Industries in California, New York, Texas, and Florida

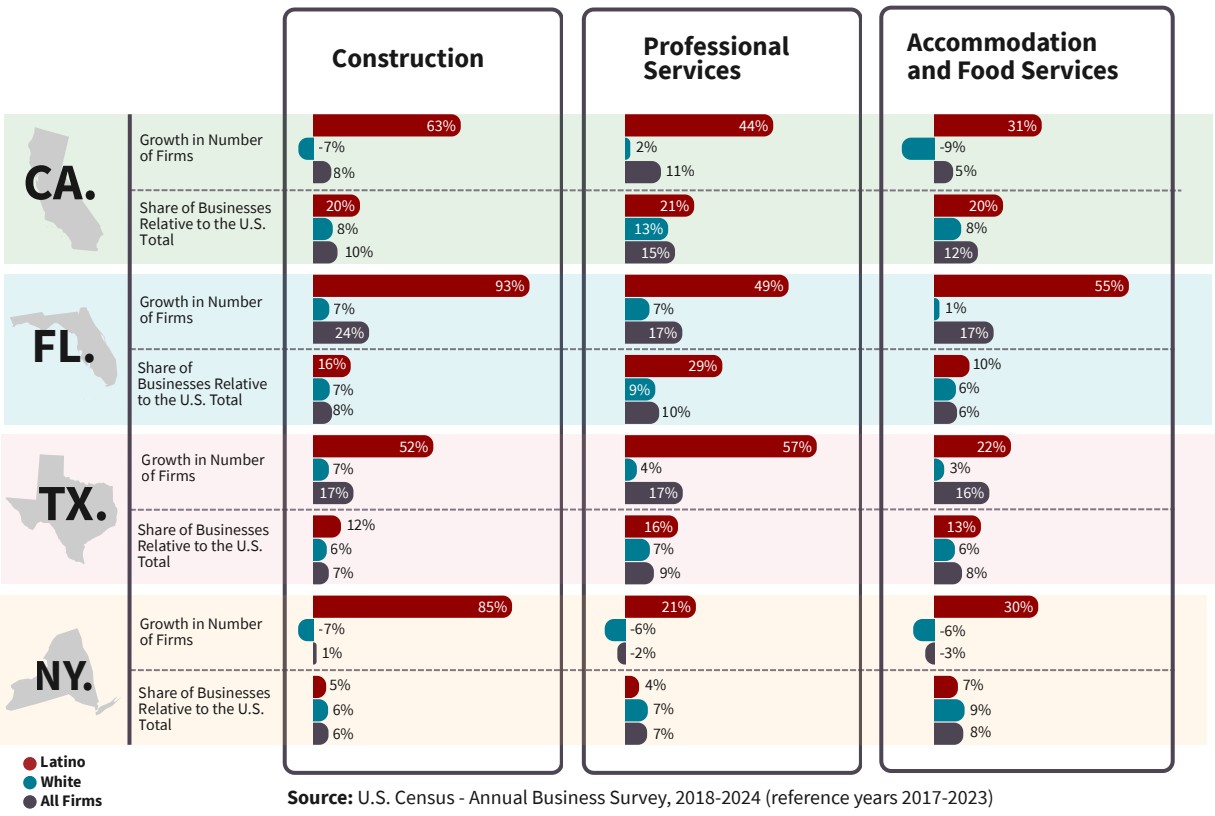
These concentrations not only indicate where Latino- and White-owned businesses are most active but also set the stage for understanding differences in growth trajectories. Among the leading industries nationally and across the four largest states, professional services, construction, and accommodation/food services, LOBs have consistently led in firm growth between 2017 and 2023, while WOB growth has generally been modest or declined **(Figure 2.2)**.

- **Construction:** LOBs experienced particularly strong growth, including 93% in Florida, 85% in New York, 63% in California, and 52% in Texas, compared to flat or negative WOB growth (-7% in California and New York; +6-7% in Texas and Florida).
- **Professional, Scientific, and Technical Services:** LOBs grew 21-57% across these states, led by Texas (57%) and Florida (49%). WOB growth ranged from -6% in New York to +7% in Florida.
- **Accommodation and Food Services:** LOBs outpaced WOBs in these states (+55% in Florida, +31% in California, +30% in New York, and +22% in Texas), while WOB firm counts were largely stagnant or declining.

Overall, the firm growth rate of Latino-owned businesses in these industries has exceeded the growth rate of all firms in the same industries nationwide (e.g., Latino-owned professional services firms grew 50% vs. 6% for all firms in the same industry). LOBs in each of these four states have also grown faster than WOBs and faster than all firms in the same industry within each state. In most key industries and states (except New York), the share of LOBs in a state is greater than the share of all firms in the state within the same industry. For example, in California, LOBs make up 20% of all U.S. Latino-owned construction firms, compared with 10% of all U.S. construction firms located in the state.

In other words, these states serve as major hubs for LOBs in these industries, which are expanding faster than WOBs and all firms in the same industry within the state. Their growing presence and rapid expansion in top U.S. industries highlight the economic importance of Latino entrepreneurship and its potential to drive continued industry growth, job creation, and regional economic development.

Figure 2.2: Six-Year Cumulative Growth in Number of Firms in the Top Three Industries by State (CA, FL, TX, and NY) and State Share of Total U.S. Firms, 2017-2023



Source: U.S. Census - Annual Business Survey, 2018-2024 (reference years 2017-2023)

These industries are not only among the nation's largest sectors but also the areas where LOBs and WOBs are most active within the states that have the highest firm counts. Even within these high-representation sectors, LOBs are growing faster than WOBs in firm creation, underscoring their outsized role in business growth across key states and top industries.

LOBs Continue Expanding Beyond Traditional Hubs, Signaling New Opportunities Nationwide

Some states with smaller Latino-owned business bases are experiencing rapid growth in the number of firms, revenue, and employees. Minnesota ranks among the top four for rate of growth over six years (2017-2023) across all three measures. Arkansas, Maine, and Massachusetts also lead in growth rates for the number of LOBs, while North Dakota, Wyoming, and Arizona show the highest revenue growth. This expansion beyond historically dominant markets highlights the geographic diversification of Latino entrepreneurship and its growing economic impact nationwide, signaling opportunities for business development, investment, and workforce growth across a broad set of states.



SECTION III

FUNDING

Persistent financing gaps continue to constrain the scale of Latino-owned businesses, making them less likely to receive full funding, especially for larger loans/credit amounts. Many LOBs also express a need for clearer, actionable feedback on future funding applications, underscoring the importance of support in navigating these complex financial landscapes. Qualitative responses highlight that managing payroll, cash flow, loan access, and operational expenses are central financing challenges shaping growth and operational decisions across both ownership groups, though differences emerge by firm type. Despite their efforts, many LOBs remain at a disadvantage in accessing the financial resources necessary for growth, affecting both immediate operations and long-term strategic decisions.

Funding Disparities Persist for LOBs Compared with WOBs

Over the past decade of SLEI research, evidence shows that Latino-owned businesses continue to face persistent gaps in access to funding and credit compared with WOBs.[24] This year's findings continue to reflect these disparities, while also showing shifts in how LOBs engage with financing sources.

LOBs are less likely than WOBs to request external financing or credit (29% vs. 35%). Among those seeking funding/credit, Latino- and White-owned businesses generally request similar amounts and rely on the same primary financial institutions, including business credit cards, credit unions, local/community banks, national banks, and personal credit cards **(Figure 3.1)**.

Figure 3.1: Top Sources of Funding or Credit Requested in the Last Year, 2024



Source: SLEI Survey of U.S. Business Owners, 2025. Note: Data not shown for White-owned businesses as there is no statistical difference between the two groups in any of the top funding/credit sources.

Unlike traditional loans, some credit card applicants may indicate a desired amount, but the final approved limit is typically set by issuers based on risk assessment of creditworthiness, which can shape borrowing capacity and broader credit outcomes.[25] Prior research consistently finds that Latino-owned and other minority-owned businesses face lower approval rates and are less likely to receive the full amount of financing requested than White-owned firms, even when controlling for firm and owner characteristics (e.g., revenue size, credit scores, profitability).[26] These disparities have been found to be associated with greater use of alternative funding, including credit cards, personal financing, and smaller loan amounts. These sources are often more expensive than traditional financing and can affect access to capital, potentially influencing longer-term business outcomes.[27]

Notably, this year's findings show that LOBs pursuing funding or credit tend to draw from multiple sources. In 2024, a larger share of LOBs requested capital from two or more sources compared with WOBs (46% vs. 40%). Alternative funding sources, such as community development financial institutions (CDFIs) are less commonly utilized among our survey participants, despite offering loans and services to small businesses and underserved communities.[28]

Trends vary slightly by firm size and market orientation. Smaller LOBs and WOBs rely more on personal credit cards and family-and-friends financing than larger firms, though these differences are proportional and not statistically significant. Notably, U.S.-only LOBs use family-and-friends financing significantly less than WOBs.

Engagement With Credit Unions Has Increased, While Reliance on Family and Friends Has Declined

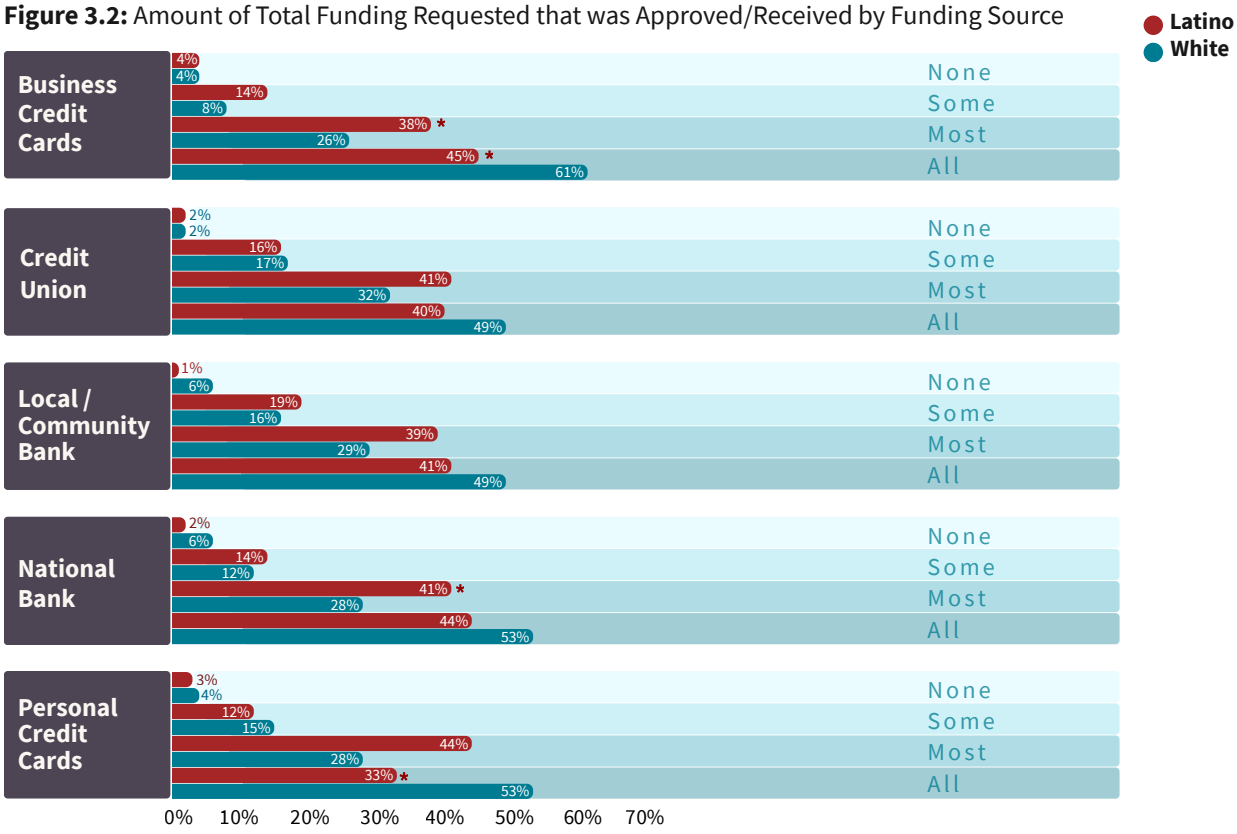
Compared with our SOLE 2022 report, LOBs report greater engagement with credit unions and reduced reliance on family and friends.[29] Credit unions have emerged as a top funding source in our last report (SOLE 2024) and increased further this year, reflecting broader trends in the lending market.[30] This year, results also show that credit unions play a particularly important role for smaller, U.S.-only, and non-tech-centric LOBs. They tend to offer competitive loan pricing, lower interest rates and fees, higher deposit rates, and flexible, relationship-based practices, highlighting their role in business lending.[31]

LOBs Receive Less Full Funding Than WOBs, Particularly for Large Loans, With Outcomes Varying by Lender and Loan Size

Consistent with prior years, LOBs were less likely than WOBs to receive approval for the full amount of funding or credit requested (42% vs. 54%), but were more likely to receive most, though not all, of the amount requested (40% vs. 28%). This pattern holds across firm characteristics, including domestic and international operations, tech- and non-tech-centric firms, and both larger and smaller businesses.

> *Capital gaps grow as firms scale: Latino-owned businesses requesting $1M or more are about half as likely as White-owned businesses to receive full funding (22% vs. 45%)*

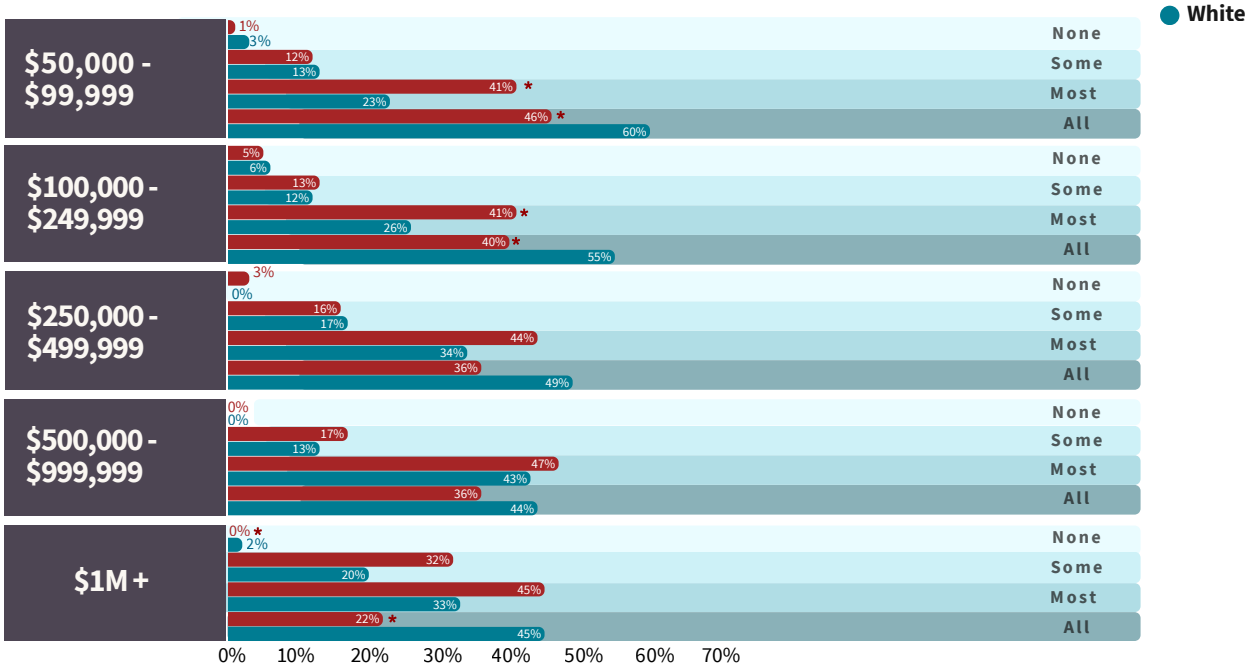
Figure 3.2: Amount of Total Funding Requested that was Approved/Received by Funding Source



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

Outcomes, however, vary by ownership and loan/credit size. Across credit cards, LOBs were less likely than WOBs to receive approval for the credit limit offered by issuers for business credit cards (45% vs. 61%) and personal credit cards (33% vs. 53%) **(Figure 3.2)**. Differences also emerge by requested amount: LOBs were less likely to receive all the requested funding for loans between $50,000-$249,000, with the largest gap occurring for requests of $1 million or more, only 22% of LOBs received full funding compared with 45% of WOBs **(Figure 3.3)**.

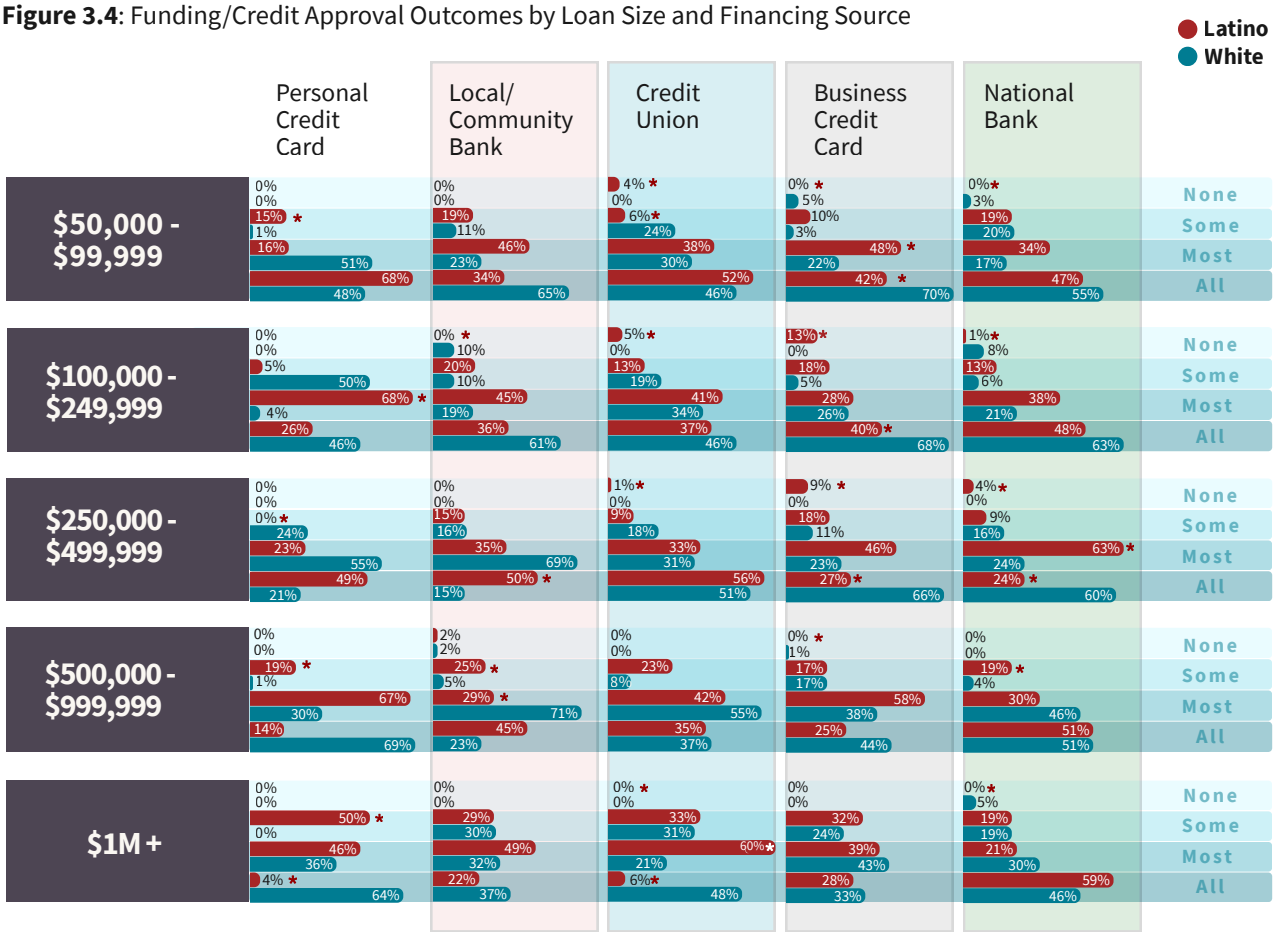
Figure 3.3: Amount of Funding Requested by Amount Approved (None, Some, Most, All)



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

Lending institutions further shape outcomes. At national banks, LOBs were less likely than WOBs (24% vs. 60%) to receive full funding for mid-range loans ($250,000–$499,999); however, this pattern reversed at local and community banks. By contrast, disparities were most pronounced at credit unions for large loans, where just 6% of LOBs received full funding for requests of $1 million or more, compared with 48% of WOBs **(Figure 3.4)**.

Figure 3.4: Funding/Credit Approval Outcomes by Loan Size and Financing Source



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

Overall, while LOBs actively engage with formal financial institutions, persistent constraints, particularly for larger loans, may limit their ability to scale, highlighting opportunities for support in accessing growth capital.

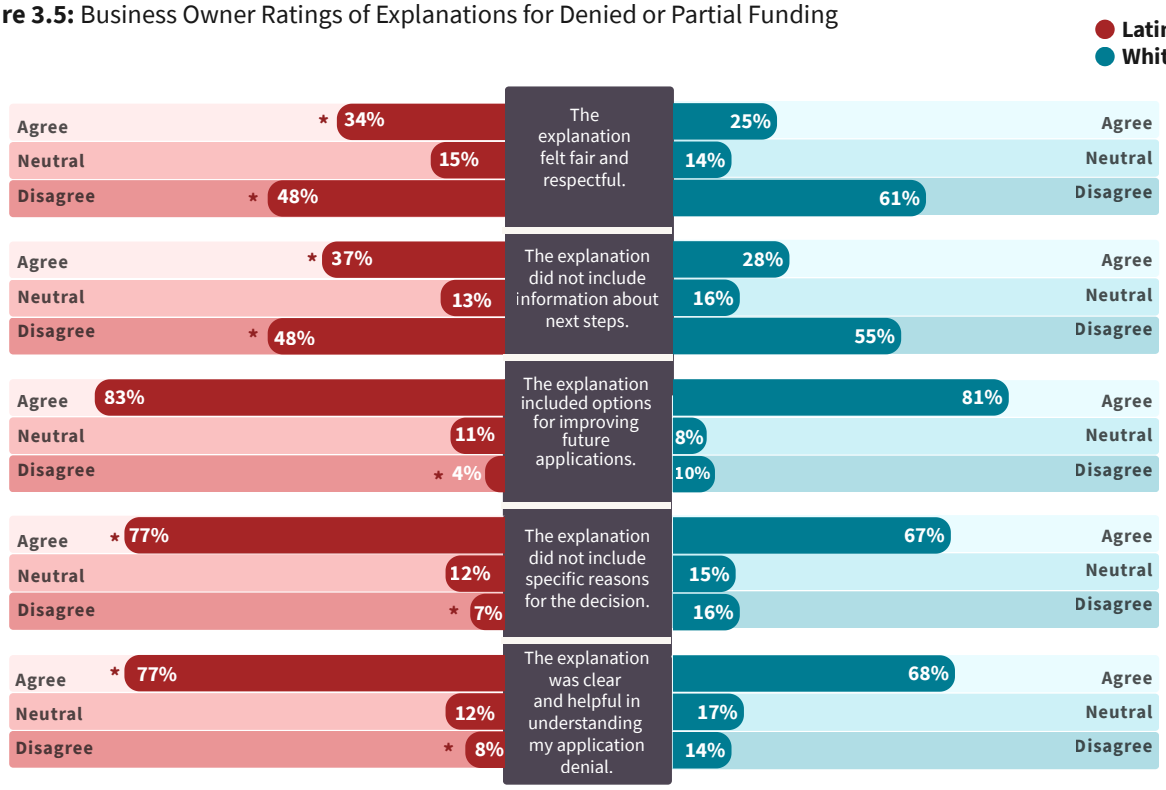
LOBs and WOBs Generally Find Funding Feedback Helpful, But Many, Especially LOBs, Report a Need for Clearer, More Actionable Guidance to Improve Future Applications

Businesses that received feedback after being denied funding/credit or receiving only part of their requested amount were asked to rate the explanation received across five statements.[32] Both LOBs and WOBs generally found explanations helpful, though many indicated they would have appreciated and benefited from clearer, more respectful, and actionable feedback. LOBs, however, reported a greater need for additional, more practical guidance to improve future applications.

Findings highlight a gap between perceived helpfulness and actionable clarity. Existing research shows feedback can seem clear or satisfactory while still failing to support learning, especially when it lacks sufficient detail to explain why decisions were made and how to improve.[33] Consistent with this pattern, more than three-quarters of LOBs (77% vs. 67% of WOBs) reported that feedback did not provide "specific reasons for the decision" **(Figure 3.5)**. Only 48% of LOBs indicated that explanations included "information about next steps," compared with 55% of WOBs. At the same time, LOBs were more likely than WOBs to perceive explanations as "clear and helpful" for understanding the outcome (77% vs. 68%).

LOBs and WOBs disagreed that the explanation felt "fair and respectful," although fewer LOBs expressed this sentiment than WOBs (48% vs. 61%). Both groups reported similarly that explanations included "options for improving future applications" (81-83%).

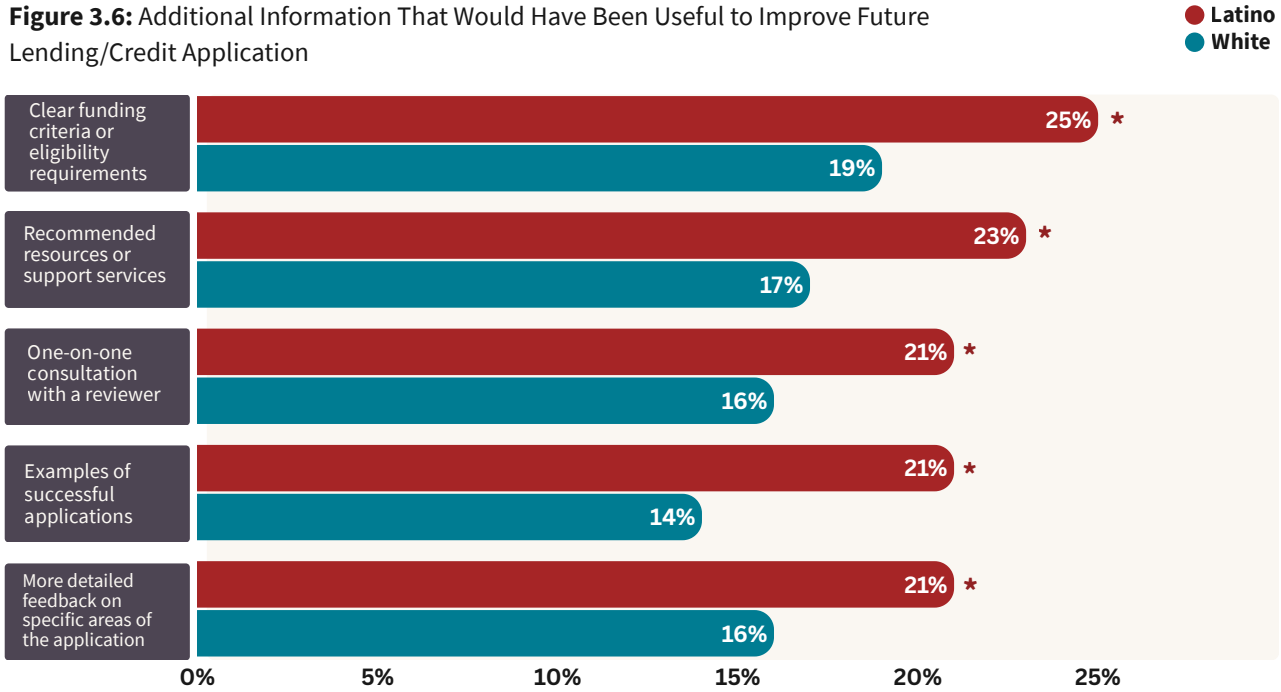
Figure 3.5: Business Owner Ratings of Explanations for Denied or Partial Funding



Source: SLEI Survey of U.S. Business Owners, 2025. Note: 'Not applicable' responses are excluded, so totals may not sum to 100%. Asterisks indicate statistically significant differences between LOBs and WOBs (* p < 0.05).

When asked what additional information would help improve future applications, more than one-fifth of LOBs indicated a need for clearer funding criteria, recommended resources, one-on-one consultation, examples of successful applications, and more detailed feedback **(Figure 3.6)**. These findings suggest that while feedback may seem helpful at a high level, it may also leave critical questions unanswered.

Figure 3.6: Additional Information That Would Have Been Useful to Improve Future Lending/Credit Application



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* p < 0.05).

LOBs Report Greater Impact Than WOBs from Recent 2025 SBA Policy Changes

Small Business Administration (SBA) backed loans are a major source of financing for small businesses in the United States. In 2025, policy changes reinstated certain loan fees and updated eligibility requirements, affecting business planning decisions and how firms access this financing. LOBs report being more affected than WOBs by these changes. In the SLEI pulse survey, 67% of LOBs indicated that reinstated upfront guaranty and lender service fees affected their decision to apply for or accept an SBA-backed loan, compared to 50% of WOBs. Similarly, 48% of LOBs reported that changes to ownership eligibility, including the 100% U.S. citizen or lawful permanent resident requirement, affected their ability to obtain SBA-backed financing, versus 31% of WOBs. These policy changes also translated into effects on business operations (43% LOBs vs. 26% WOBs), including effects on hiring, delaying or scaling back growth plans, or adjustments to business strategy, such as seeking alternative financing.

In Addition to Access to Capital, LOBs and WOBs Highlighted Labor Costs and Operational Expenses as Their Top Financial Challenges

While earlier findings highlighted differences in loan access and approval, business owners also face broader financing pressures. Owners were asked to identify the most impactful financing challenges they have faced since starting or owning their business and how they navigated them.[34] Common issues across both Latino- and White-owned businesses include labor-related costs (payroll and employee retention), access to capital and liquidity (securing loans, cash flow management), and operational expenses. However, the prevalence of these challenges varies by firm characteristics.

For example, cash flow management was especially notable among LOBs that are tech-centric, operate internationally, or are larger in size (report over $1M in revenue) compared with WOBs in the same categories. It was the top challenge for tech-centric LOBs (19% vs. 10% of WOBs). These firms reported difficulty covering expenses during periods of slow sales or delayed client payments, which can be made more challenging by limited access to funding or shorter financial runways. To navigate these pressures, owners may negotiate longer payment terms, use lines of credit, or temporarily reduce personal income to maintain payroll.

Larger LOBs frequently cited operational costs, including equipment and expansion-related expenses, as a key challenge. To manage these costs, owners may rely on leasing, installment plans, or alternative financing, balancing immediate operational needs with longer-term growth strategies. These insights illustrate the realities behind observed financing challenges and the daily efforts needed to meet financial obligations and operate the business.



Lazzar USA Uniforms



Corazón Printing
Ana Temu Otting,
Founder and CEO

SECTION IV

GOVERNMENT AND CORPORATE CONTRACTING

Government and corporate contracts can give businesses steady, predictable revenue by providing guaranteed work and payment terms for a defined period, reducing the volatility associated with purely transactional sales. Federal contracting is a major opportunity: in fiscal year 2024, small firms landed approximately $183 billion in prime contracts, nearly 29% of all federal contract dollars.[35]

While not relevant to all firms, contracts can be useful in providing more predictable revenue streams and scaling a firm.[36] Our findings show persistent gaps for LOBs in both government and corporate contracting, which can constrain growth: even when participation rates are similar to WOBs, LOBs often receive smaller awards, face greater variation in contract size, and face added barriers navigating contracting processes.

LOBs Secure Fewer and Smaller Government Contracts Than WOBs, Despite Pursuing Contracts at Similar Rates

Among businesses for which government contracts were relevant (17% of LOBs vs. 15% of WOBs), similar shares pursued local, state, or federal contracts, with local contracts being the most common and federal contracts the least. In 2024, among firms that reported the contracts were relevant, LOBs were more likely than WOBs to secure at least one contract overall (45% vs. 29%), particularly at the state level. However, LOBs converted a smaller share of the local contracts they pursued into awards (58% vs. 71%), even though federal and state contract conversion rates were similar. This suggests that while LOBs are more likely to win at least one contract, their success per opportunity can vary by contract type. LOB contract awards also tend to be smaller in dollar value. Despite representing a growing share of U.S. employer firms, LOBs receive less than 2% of federal contracting dollars, highlighting persistent gaps in award size and economic impact.[37]

Once contracts are secured, roughly 70% of both LOBs and WOBs serve as prime contractors, with the remaining 30% functioning as subcontractors, reflecting a similar distribution of contract roles across ownership groups.

The Government Contracting Process Poses Greater Friction for LOBs, Potentially Constraining Bid Conversion and Award Size

When asked to rate the difficulty of 13 aspects of the government contracting process on a 0-10 scale (where 10 indicates the most challenging), LOBs reported slightly higher average difficulty than WOBs across all aspects (6.3 vs. 5.8). The most challenging areas for LOBs included understanding contract terms and requirements, meeting eligibility or compliance standards, and receiving helpful feedback. These ratings suggest that LOBs face slightly greater friction in navigating the government contracting process, which could influence their ability to learn from unsuccessful bids and improve future proposals. Overall, although participation rates are comparable, disparities in conversion, award size, and process navigation suggest persistent gaps that extend beyond access alone.[38]

LOBs Face Lower Pursuit and Smaller Awards in Corporate Contracting, Even with Comparable Conversion Rates to WOBs

More LOBs (40%) than WOBs (33%) indicated that corporate contracts were relevant to their business. Despite this higher relevance, only 40% of LOBs pursued these contracts, compared with 48% of WOBs (among firms that reported the contracts were relevant).

Among firms that pursued corporate contracts, outcomes were largely similar: comparable shares of LOBs and WOBs secured at least one new contract, with nearly identical sought-to-secured ratios (66-67%) and similar roles as prime contractors (71% - 76%). However, disparities emerge in contract scale: LOBs were less likely to secure high-value contracts, with only 7% reporting total awards between $1-4.99 million, compared with 18% of WOBs.

Corporate Contracting Poses Greater Challenges for LOBs, Especially in Compliance, Insurance, and Data/Privacy Requirements

LOBs also reported greater difficulty navigating corporate contracts than WOBs, with a higher average challenge score (6.3 vs. 5.4). Eleven of 13 aspects were rated significantly more challenging, including insurance and financial requirements, eligibility and compliance standards, and data/privacy rules. These findings highlight opportunities for technical assistance, clearer requirements, and greater transparency in procurement processes to help reduce barriers and support participation within corporate supply chains.



ShadeFLA
Margueritte Ramos,
Founder and CEO



SECTION V
CHALLENGES AND GROWTH STRATEGIES

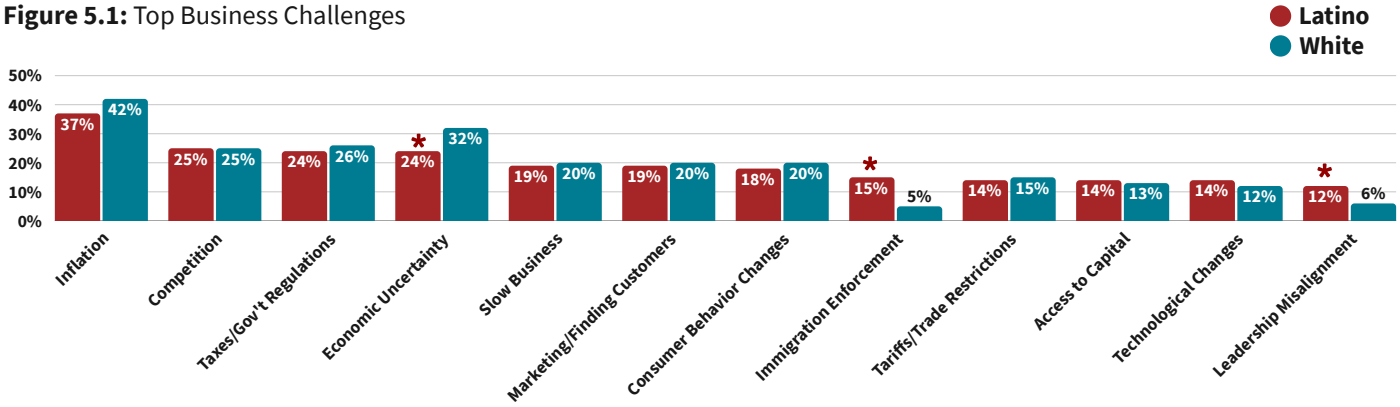
In 2025, many U.S. businesses, particularly smaller firms, faced rising costs for materials, labor, and operations, with inflation remaining a top concern.[39] Workforce challenges, including finding and retaining qualified staff, persisted, while uncertainty about future demand reflected cautious business sentiment and modest expansion in goods and services.[40] Trade and policy changes, such as tariffs and shifting regulations, added further uncertainty and increased costs for firms reliant on imported inputs.

Amid these conditions, our survey findings show that Latino- and White-owned businesses are navigating a range of operational and market pressures, from inflation and competition to regulatory constraints. This alignment between macroeconomic trends and reported business challenges highlights how broader economic conditions shape day-to-day operations, with some barriers felt more acutely by LOBs than WOBs.

LOBs Face Shared Business Challenges with WOBs, Plus Greater Issues with Leadership and Immigration Enforcement

Among Latino- and White-owned businesses, inflation remains the most frequently cited and impactful concern (37% of LOBs vs. 42% of WOBs) **(Figure 5.1)**, mirroring a U.S. Chamber of Commerce report identifying inflation as a top challenge for small business owners, often driving pricing and operational adjustments.[41] Competition, marketing and customer acquisition, taxes and government regulations, and broader economic uncertainty also ranked among the leading challenges for both groups.

Figure 5.1: Top Business Challenges



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

These results are broadly consistent with last year's report,[42] when inflation, economic uncertainty, and competition dominated reported challenges. In 2025, the relative prominence of some challenges declined, particularly consumer behavior and financing, which were top challenges in 2024, reflecting potential shifts in business conditions and the introduction of new survey response options capturing policy and regulatory changes. Marketing and customer acquisition rose into the top five for both LOBs and WOBs, reflecting the growing challenge of attracting and retaining customers.

Beneath these shared trends, LOBs report distinct challenges. Leadership and stakeholder misalignment (e.g., partner disputes, leadership turnover, or conflicting visions) was cited twice as often by LOBs than WOBs (12% vs. 6%), a response option newly included in 2025. Leadership and stakeholder misalignment was especially acute for LOBs in transportation, retail trade, and construction. Within accommodation, competition and changes in consumer behavior are more prominent challenges for LOBs.

In transportation, tariffs and trade restrictions were a top challenge for both LOBs and WOBs. While understanding regulatory compliance and policy changes was less frequently cited (compared to tariffs and trade restrictions), this challenge was more salient for LOBs than WOBs, possibly reflecting LOBs' greater prevalence of international activity. Latino-owned businesses' higher concentration in transportation, both domestically and internationally, may further amplify their exposure to these challenges.

Immigration enforcement was cited three times more often by LOBs than WOBs (15% vs. 5%), particularly in sectors where LOBs are overrepresented, such as construction. This challenge was also notable in transportation and professional services, though less prominently. This research reflects how businesses reported the impact of regulatory and other policies, including tariffs and immigration enforcement policies, in the summer of 2025. Shifts in such policies and regulations can affect firms broadly by increasing input costs, altering labor supply conditions, and influencing customer demand, thereby potentially impacting business operations, stability, and growth.[43] Sudden changes in these policies can create operational uncertainty for businesses, influencing hiring decisions, investment plans, and participation in federal programs.

As of January 2026, Key Economic and Policy Challenges Affect LOBs and WOBs Similarly, Except Immigration Enforcement

The January 2026 SLEI pulse survey reinforced the challenges identified in the broader 2025 SLEI survey, including inflation, economic uncertainty, taxes/government regulations, and tariffs/trade restrictions. The pulse survey asked business owners whether these challenges had negatively affected their firms. LOBs and WOBs reported similar rates of negative impact across these issues. For example, inflation was reported at comparable levels (80% of LOBs and 77% of WOBs reported a somewhat or very negative impact). Similarly, 70% of LOBs and 65% of WOBs reported that economic uncertainty had a somewhat or very negative impact on their firms.

In contrast, immigration enforcement continues to show a significant difference between groups: 35% of LOBs report it as somewhat or very negative, compared with only 14% of WOBs.

LOBs and WOBs Deploy Many Similar Strategies to Manage Major Business Challenges, with LOBs Providing More Focus on Employee Management and Well-Being and Customer Relationships

Both similarities and differences emerge in how Latino- and White-owned businesses navigate their most pressing challenges, including inflation, competition, marketing, taxes and regulations, and economic uncertainty.

Inflation

In response to inflation, both groups rely on the same leading strategies: strengthening supplier relationships and procurement (e.g., vendor negotiations, local sourcing, contract management, and bulk purchasing), though WOBs prioritize these slightly more (38% vs. 29%); leveraging technology, including automation and infrastructure upgrades, to streamline operations and manage rising labor and operating costs; and implementing cost management practices, such as closely monitoring expenses and resource allocation **(Figure 5.2)**.

LOBs also place greater emphasis on employee management and well-being (13% vs. 7%), balancing operational adjustments, such as staffing changes, with efforts to retain employees, support morale, and sustain productivity. Previous SOLE reports show that LOBs are more likely than WOBs to offer employee benefits and growth opportunities, highlighting their focus on workforce well-being.[44] As one Latino entrepreneur from Iowa with more than 60 employees explained, *"Everything seems to cost more. It is a weight on our employees' lives, so we are looking for ways to keep them. We try and treat our workers as valued team members."* This example illustrates how business owners navigate inflation and such workforce challenges by making trade-offs to balance operational needs with sustaining workforce stability.

Competition

To address competition, both groups focus on three broad strategies: pricing and cost management (e.g., matching or undercutting competitors' prices); innovation and adaptation through developing new products, improving services, and responding to customer feedback; and increasing marketing and customer outreach to maintain competitiveness. LOBs, however, are more likely than WOBs to emphasize delivering high-quality service and enhancing the customer experience (14% vs. 4%), reflecting efforts to differentiate and strengthen client loyalty. As a California, Latino business owner described, *"We have been able to stick to what we do well and that is to build trust and relationships over time. Competitors can only copy so much; what we are selling them is our trustworthiness and care."*

Figure 5.2: Actions Taken to Address Top Business Challenges



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

While both LOBs and WOBs prioritize supplier relationships and cost management to address their top challenges, LOBs are more likely to cite employee well-being, balancing operational adjustments and morale, as well as delivering high-quality customer experiences.

Marketing

Across both groups, three top strategies help navigate marketing challenges: (1) collaborations and partnerships (e.g., joint marketing efforts, co-hosting events, leveraging each other's audiences), (2) customer engagement and retention through referrals, loyalty incentives, and personalized communication, and (3) cost-effective budgeting. Smaller LOBs, however, rely more on collaborations and partnerships (13% vs. 3%) than smaller WOBs. Additionally, LOBs that operate both in the U.S. and internationally place a stronger emphasis on customer engagement than those with U.S.-only operations.

Economic Uncertainty

Across LOBs and WOBs, the most frequently cited strategies for navigating economic uncertainty included adjusting pricing and making operational decisions (in response to inflation, tariffs, and broader economic conditions) to offset rising costs. Additional approaches, such as proactive financial planning, use of technology and innovation, cost management, and customer communication and retention, were reported at comparable rates. Tech-centric LOBs, however, placed greater emphasis on cost management (33% vs. 4% for WOBs), focusing on minimizing unnecessary expenses, managing cash flow, and implementing budgetary controls. One LOB explained, *"We have reduced our budget to essential line items and implemented new company-wide policies for budgetary approval on new roles and new purchases for the next fiscal year. We are offering start-up discounts for new customers to try to increase our customer acquisition and also reworking our client contracts to have longer terms built in."*

Latino-owned businesses pursue more growth initiatives on average than WOBs, including secondary ventures, entering new markets, and geographical expansion.

LOBs Pursue a Broader Range of Growth Strategies Than WOBs, Reflecting More Proactive Efforts to Expand Operations and Market Presence

To understand business growth efforts, our survey asked participants whether they had accomplished or were pursuing ten key growth strategies over the next 1-3 years, reflecting approaches to expanding operations and market presence. These strategies fall into two broad categories:

- **Expanding a firm's reach,** which includes efforts such as entering new geographic regions or expanding into new customer segments.
- **Changing how the business operates,** which includes initiatives such as launching new products or forming strategic partnerships.

Overall, LOBs reported achieving 9 of 10 growth strategies more frequently than WOBs, although they are engaged with all ten, whether implemented or in progress. For example, 38% of LOBs were considering an acquisition (vs. 26% of WOBs), 44% were progressing toward launching a secondary venture or brand (vs. 31%), with more LOBs having already accomplished this milestone (17% vs. 10%) **(Figure 5.3)**. Additionally, 37% of LOBs were in progress or considering international expansion, compared with 24% of WOBs. By pursuing a broader set of strategies, LOBs show proactive growth efforts and potential for expansion.

Figure 5.3: Growth Strategies: Accomplished or In Progress



Source: SLEI Survey of U.S. Business Owners, 2025. Note: 'Not applicable' responses are excluded, so totals may not sum to 100%**.** Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

LOBs and WOBs Share the Same Top Strategies to Grow Revenue and Reduce Costs, Including Operational Efficiency, Supplier Negotiations, Digital Marketing

Beyond pursuing broader expansion initiatives, both Latino- and White-owned businesses rely on core strategies to grow, either by increasing revenue or reducing costs. These strategies focus on operational efficiency, cost management, and customer engagement. Both groups cited operational streamlining through automation and technology, including AI and digital tools, to improve efficiency and productivity (17%), and supplier negotiations, including securing better terms, buying in bulk, and managing inventory (12%). Relationship-based strategies (networking and customer retention), employee development, and budgeting/overhead reduction appeared at similar rates. Digital marketing (leveraging social media and campaigns to raise brand awareness and attract customers at lower cost than traditional advertising), remains a top approach for both groups, though slightly more for WOBs than LOBs (18% vs. 15%).

Prior research on small business digital marketing finds that adoption and effective use of online tools, including social media and digital advertising, can be constrained by limited financial, technical, and managerial resources, as well as the time and skill required to develop high-quality content, maintain an active online presence, and budget for paid digital ads. These challenges may limit businesses' ability to fully implement digital marketing strategies.[45]

LOBs and WOBs Are Rapidly Adopting AI, Implementing Responsible Practices Such as Staff Training, Risk Assessments, and Monitoring for Bias

Building on the emphasis on automation and technology noted above, businesses are increasingly turning to AI tools to streamline processes and improve operational efficiency. AI use among both LOBs (47%) and WOBs (44%) has more than doubled since last year, when roughly 20% of each group reported using AI.[46]

Across both groups, AI adoption appears to be maturing.[47] LOBs and WOBs report generally similar uses and benefits. AI is primarily used for marketing and content creation; data analysis, forecasting, or business intelligence; and customer service. LOBs, however, report using AI more frequently to support geographic expansion (18% vs. 11% among WOBs).

The top five reported benefits are consistent among both groups: increased productivity or efficiency, improved data analysis or insights, optimized marketing efforts, enhanced customer experience, and reduced operations costs.

Responsible AI practices are also being implemented at comparable rates, including monitoring for AI-related risks or biases (38%), training staff on AI tools (36%), and conducting risk assessments (30%). Businesses are not only experimenting with AI but also building the internal structures needed for responsible use. AI adoption appears to be accompanied by governance and workforce preparation, signaling a shift toward more intentional, structured, and accountable implementation.



Eos Loan
Eduardo Donadi,
Founder and CEO



Entrepreneur Spotlight

Anahí Rivera
Humano Tequila

"Humano Tequila has been a blessing," Anahí Rivera reflected. "It's pretty much a conjunction of so many things." Her journey to building a nationally distributed tequila brand is shaped by migration, risk-taking, and experience navigating competitive markets. Rivera recalls arriving in the United States "with one suitcase," beginning work immediately "without even knowing where I was going to sleep that day." This early uncertainty shaped her entrepreneurial drive and reinforced the importance of adaptability.

As co-founder and COO of Humano Tequila, Rivera embodies the aspirations shared by many Latino entrepreneurs: scaling with purpose, expanding geographically, building strategic partnerships, and ensuring long-term sustainability. Humano Tequila operates in a highly competitive spirits market dominated by large, often "celebrity-backed brands," she described. Rather than competing on visibility alone, the company distinguishes itself through quality, being additive-free and kosher, authenticity, and customer experience, a strategy that resonates strongly with other Latino businesses. Rivera began her career as a tequila ambassador before transitioning into roles as a broker and national brand manager. Across more than 20 years in the industry, she built expertise in distributor relationships, pricing strategy, shelf placement, and regulatory compliance across multiple states. Reflecting on that period, she noted that she was often "the only woman at the table, negotiating pricing, negotiating shelf space, in this male-driven industry."

After nearly 17 years with an established tequila brand, Rivera faced a pivotal decision when her former importer sold his company. Choosing to take a significant risk, she stated, "I really believe in this project. I'd rather leave this brand and risk everything with Humano Tequila." This marked her transition from brand management to brand building, co-founding Humano with four partners, including a fellow Latino industry veteran, whose combined 85+ years of experience across operations, production, and distribution enabled the company to move quickly in the market while remaining grounded in cultural authenticity. "The connection that we're having with people is amazing," Rivera said. "It takes years of knowledge, and it takes these connections."

Humano Tequila was inspired first and foremost by the farmers. Before there was a brand, there were people, families whose hands have cultivated agave for generations. Rivera and her partners were deeply moved by their craftsmanship, resilience, and pride in their work, which became the emotional foundation of Humano. "It's an art to make tequila, and it's because of them [the farmers]," Rivera explained. "We wanted to make sure that we honor them and that they share in the success." This philosophy is embedded in the brand itself, "Humano, by artisanal hands," where the "artisanal hands are the farmers."

Humano operationalizes quality through direct control from field to glass, sourcing agave from approximately 1,250 acres in Jalisco, Mexico, and overseeing production at its distillery in Tototlán. Central to the company's model is building long-term value through ethical sourcing, shared success, and operational excellence.

Executing quickly, however, required access to capital, a challenge for many entrepreneurs. The company raised early investment through personal and professional relationships built over decades in the industry. Rivera recalls, "One of our first investors didn't even need to see our investor deck; he just trusted us based on our relationship. Then we showed him the numbers and also risked it with us." Humano's early fundraising highlights the importance of trust and founder credibility. This support enabled Humano to begin production, secure packaging, and meet federal regulatory requirements. Rivera also credits her participation in the Latino Business Action Network (LBAN) with strengthening her approach to scaling and providing both practical tools and confidence to navigate a highly competitive market. "Having this idea of how to do this [scale]… really gives me the empowerment to keep doing what I'm doing in a better way."

Despite being a relatively new entrant, Humano has achieved measurable growth. The brand is now distributed across 10 states and approximately 2,000 retail locations, including Costco, Publix, BevMo, Meijer, Total Wine and Albertsons, in partnership with Southern Glazer's Wine & Spirits, Empire and Fedway, the largest distributor in the U.S. and one of the most dominant in North America. In its first 18 months, Humano sold nearly 13,000 cases, generating over $1.8M in revenue, exceeding initial targets, and earning recognition as one of Wine Enthusiast's Top 100 Spirits. Looking ahead, Rivera notes that the company continues to raise growth capital while expanding retail placements, with more than 400 additional stores scheduled for early 2026.

Central to Humano Tequila's identity is a philosophy emphasizing the human experience. Rivera explains, "You can drink tequila when you're happy, when you're sad; when anything happens in human life, we want to be part of it." By placing the human experience at the forefront, Humano aims to build customer loyalty while advancing its growth strategy. Rivera's trajectory with Humano Tequila illustrates how Latino entrepreneurs navigate competitive, capital-intensive industries by combining experience, trusted networks, and disciplined execution. Rivera's journey reflects a broader pattern observed in this report: growth is driven not by visibility alone, but by strategic risk-taking, operational expertise, and a commitment to lasting impact - remaining true to their product and brand values.



SECTION VI

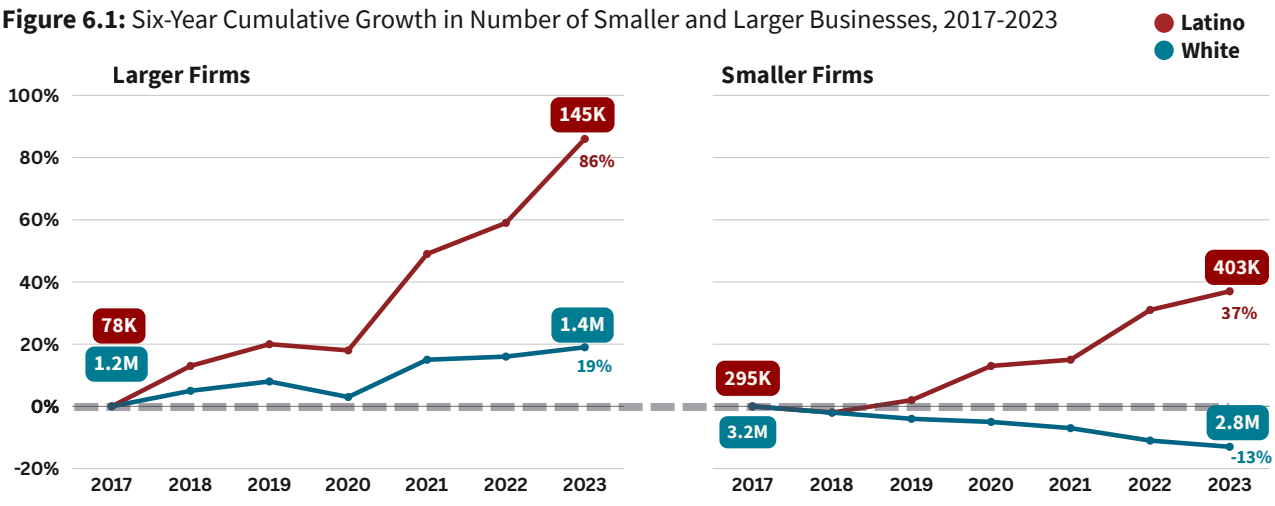
LARGER AND SMALLER FIRM DYNAMICS

Firm size remains a key factor in understanding business differences. In 2023, smaller LOBs (under $1 million in revenue) accounted for roughly three-quarters of all LOBs (403K, up from 295K in 2017), compared with about two-thirds of WOBs (approximately 2.8M, largely unchanged). The share of larger LOBs (over $1 million) grew from 23% to 26% (78K to 145K) and is growing faster than smaller LOBs and WOBs in both firm count and employment. Smaller LOBs, however, outpace smaller WOBs in net new firm creation, employment, and revenue.

Larger LOBs, Those with Over $1 Million in Revenue, Are Seeing More Rapid and Consistent Growth Than WOBs and Smaller Latino-Owned Firms

Latino-owned businesses have fueled strong growth in newly created firms, revenue, and employment, with larger firms contributing disproportionately to these gains. Between 2017 and 2023, many LOBs either began as larger firms (with revenue exceeding $1M in their first year) or grew into the larger firm category during the observation year. In contrast, larger WOBs experienced more modest growth, while smaller WOBs fared the worst across all three outcomes, showing negative or near-zero growth in firm formation **(Figure 6.1)** and employment **(Figure 6.2)**.

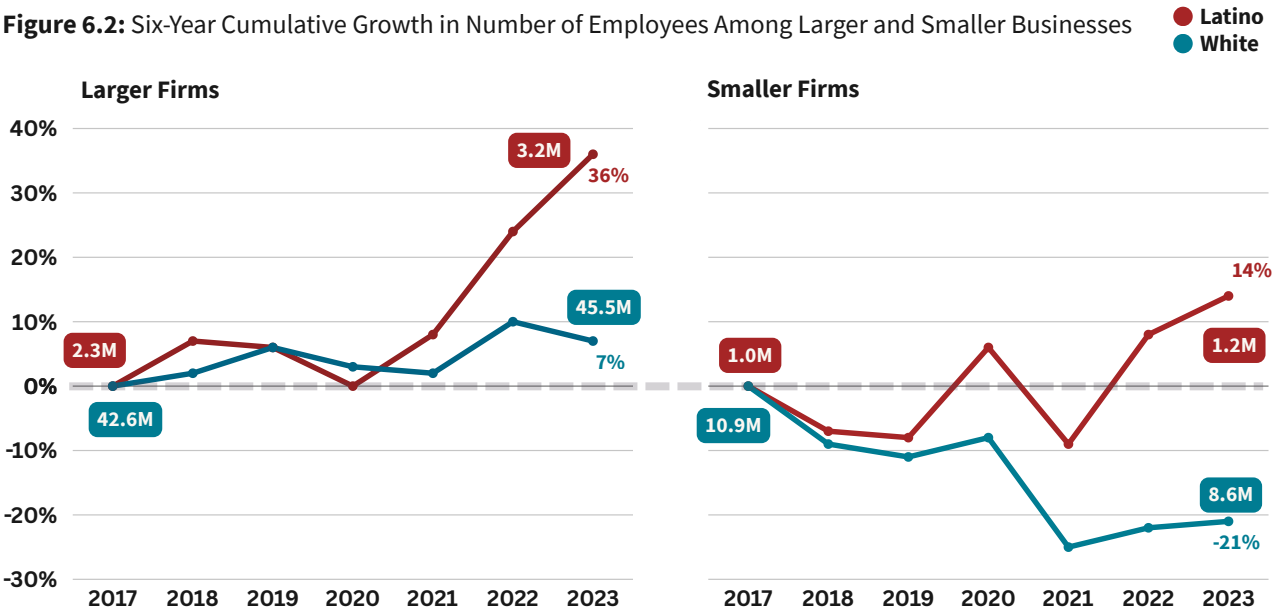
Figure 6.1: Six-Year Cumulative Growth in Number of Smaller and Larger Businesses, 2017-2023



Source: U.S. Census - Annual Business Survey, 2018-2024 (reference years 2017-2023)

From 2017-2023, larger LOBs achieved the largest gains, with 69% in revenue growth **(Figure 6.3)**, 36% employment growth, and 86% growth in firm formation.[48] Smaller LOBs also saw strong revenue growth (66%) but gains in employment (14%) and net firm formation (37%) were more modest. Smaller LOBs also exhibited greater YoY fluctuations in revenue, possibly reflecting higher sensitivity to varying economic conditions. For example, a larger share of smaller LOBs (21%) reported inflation as their most impactful challenge, whereas larger LOBs (16%) were less likely to cite it than larger WOBs.

Figure 6.2: Six-Year Cumulative Growth in Number of Employees Among Larger and Smaller Businesses



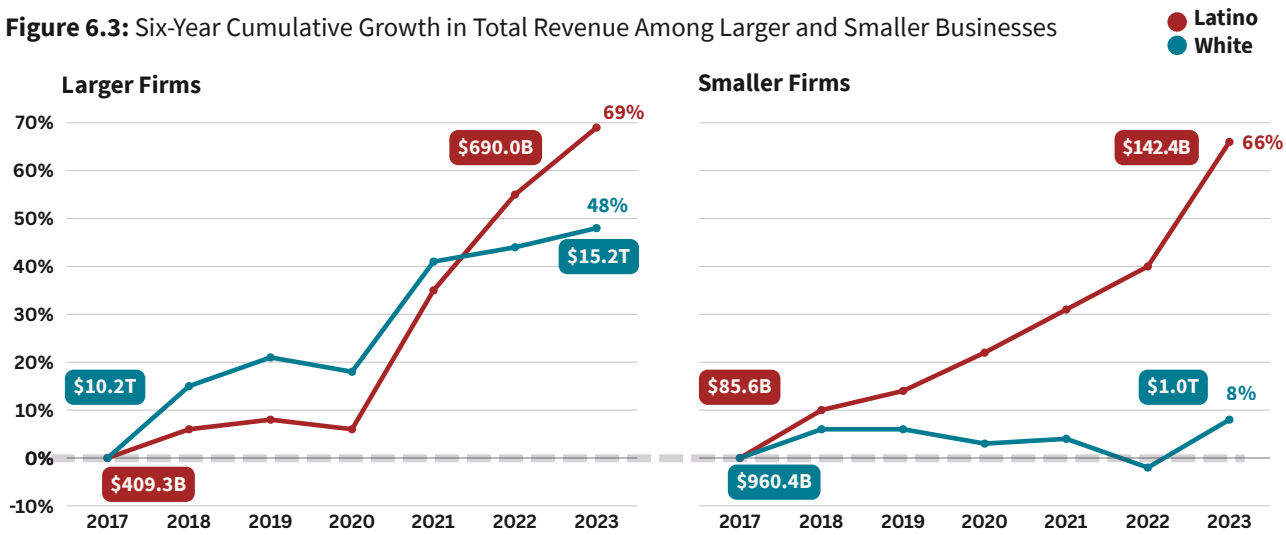
Source: U.S. Census - Annual Business Survey, 2018-2024 (reference years 2017-2023)

Smaller LOBs Outpace Smaller WOBs in Net New Firms, Jobs, and Revenue

Smaller LOBs outpaced smaller WOBs across all three metrics in net new firms, jobs, and revenue. Smaller WOBs experienced declines in total firms and jobs, reflecting closures, low formation of new small businesses, or transitions of small firms into larger revenue categories.

Among WOBs, smaller firms experienced the weakest outcomes, with six-year growth in revenue of just 8% compared with 48% for larger WOBs. Firm formation declined 13% for smaller WOBs, while increasing 19% for larger WOBs. Job growth followed a similar pattern: smaller WOBs' job growth declined 21%, whereas larger WOBs grew modestly by 7%.

Figure 6.3: Six-Year Cumulative Growth in Total Revenue Among Larger and Smaller Businesses



Source: U.S. Census - Annual Business Survey, 2018-2024 (reference years 2017-2023)

Larger LOBs Encounter Greater Challenges with Leadership Misalignment, Immigration Enforcement, and Technological Changes

There are both similarities and differences in challenges between larger and smaller firms. Across groups, inflation, taxes and government regulations, and competition rank among the top most impactful challenges. Inflation affects smaller LOBs and WOBs similarly (21%), but is less significant for larger LOBs compared with larger WOBs (16% vs. 22%). In contrast, technological changes are more frequently reported as the most impactful challenge by larger LOBs than WOBs. Tariffs and trade restrictions rank among the top five challenges for both larger LOBs and WOBs (8%), while marketing and economic uncertainty emerge as leading challenges for smaller firms in both groups.

Leadership and stakeholder misalignment and immigration enforcement are consistently reported more often by LOBs than WOBs, a pattern that holds across firm sizes. For larger firms, leadership and stakeholder misalignment ranks as a top-five most impactful challenge, potentially constraining growth and strategic planning. Among smaller firms, it is cited less frequently overall but remains higher among LOBs than WOBs. Immigration enforcement appears as a top-five most impactful challenge for smaller LOBs, potentially posing a barrier to their operations and expansion.



The Eatery Culinary Group
Denise Rodriguez Hernandez,
Founder and CEO



Entrepreneur Spotlight

Cristina Sampaio Teixeira
Astride US

"The process of dealing internationally with taxes is really complex," Cristina Sampaio Teixeira explains. "Imagine, if it's complex within your own country, when you're dealing with another country, it becomes very complex." With more than 30 years of cross-border tax advisory experience, she saw this firsthand. That challenge became her motivation: making global tax simpler and more accessible for international investors.

Teixeira began her career at Arthur Andersen and, after 18 years working across Brazil and the United States, launched her first firm in São Paulo in 2013. Over the next decade, she built three companies, exiting one in 2015, maintaining majority ownership in a boutique consulting firm, and in 2021 co-founding Astride US, her first fintech venture.

Astride US is a fully digital international tax and accounting firm serving individuals investing in the United States, including in portfolio accounts, real estate, and private companies. Its mission is to democratize global investing, expanding access beyond high-net-worth individuals. Since launching, Astride US has experienced strong early traction. The company now serves more than 1,600 active clients, generating nearly $4M in annual recurring revenue (ARR). Teixeira's trajectory is also relatively rare. According to our survey, Latino- and White-owned businesses each represent just 7% of fintech companies, placing her among a small group operating in this space. Like many LOBs, she combines technical expertise with global ambition.

As demand grew, she recognized the limits of traditional advisory models. "There were only so many clients we could service with quality using the traditional [manual] methods," she notes. To scale, she turned to technology. "I had to take the knowledge in my brain… and train our software so that we could scale and service a lot more people. I saw the pain of these people with international taxes, and the lack of professionals in the market in different countries. Helping more people with technology was the only answer."

Today, Astride integrates proprietary software and artificial intelligence (AI) to automate recurring processes, analyze documentation, and flag tax issues. Approximately 90% of recurring deliverables are automated, enabling efficiency while maintaining high-quality service.

Scaling, however, presents structural challenges. Hiring and retaining talent remains ongoing; as an early-stage startup, Astride cannot always compete on salary alone. "We offer stock options and other benefits, but not everyone can take a pay cut, even if they believe in the project," Teixeira said. "We're not adjusting prices every year because clients don't want that. There's a mismatch between what we can increase in pricing versus cost of living."

At the same time, Astride operates with a distributed team across Brazil and the U.S., making intentional culture-building essential. "We have people all over… the challenge is maintaining the culture we want," she says. She works closely with five directors to cascade expectations and reinforce shared values.

Product development pace is another constraint. "Developing quicker is a challenge." Growth must align with technological capacity and regulatory shifts.

"In 2023, there was a huge change in legislation in Brazil affecting international investors that changed our business pretty much," Teixeira explains.

"We had to adapt quickly. It can always happen with taxes in any country." As Astride expands into Mexico, Argentina, Colombia, and Europe, balancing growth with evolving compliance requirements remains critical.

Capital access has been another defining factor. Astride was initially bootstrapped with personal capital from Teixeira and her partners, followed by investment from family and friends and later Kiara Capital. To date, the company has raised about $1.7 million, primarily through equity.

Fundraising requires more than product-market fit; it requires learning to communicate scale. "VCs want to see the big vision. Convincing investors that this could be something really big, selling that vision, but also backing it with data showing the market size, was a major challenge," she says. Warm introductions were critical and remain so; Kiara Capital itself came through an existing investor connection. Part of this vision also involves demonstrating Astride's technological strategy. "Looking ahead, investors are particularly focused on Astride's AI strategy," she says. "We need a clearer worldmap of where we're going with AI," rather than using it merely as a tool, she explains, as the company prepares for its next fundraising round.

Through these experiences, Teixeira has seen firsthand the financial barriers Latino founders face in securing funding. "Supporting businesses financially like ours would help," she says, noting research showing Latino founders receive significantly less venture funding than White counterparts. Having "a more streamlined process… making it more accessible and less complex" would be helpful.

In addition to funding, mentorship and accelerator programs have also been formative. Endeavor Labs helped her in the early phases, and in 2025, she participated in the LBAN scaling program at Stanford, "which has been a life changer… With the principles to scale with excellence, I put together a plan for my company, detailing specific initiatives to scale," she explains. That framework now serves as a foundation for the next fundraising round and team expansion.

Complementing formal programs, she has received guidance and support from her investors at Kiara. "They transmit a lot of calm," she says. "Facing many situations for the first time, they made me understand that it's okay. Things take longer than we expect. They don't necessarily go the way you plan. Redesigning the solution happens more than you know… you just have to keep pushing through. They add support, which is amazing and has been instrumental in bringing me peace of mind."

Drawing on financial, programmatic, and personal support, Teixeira has translated her expertise as a tax advisor into a scalable, technology-driven model. "I think what worked for us is surrounding myself with the right leaders and equipping them to lead," she reflects. Astride combines operational rigor with expanded access, positioning itself within a small but growing segment of Latino-owned firms advancing innovation in fintech.



SECTION VII

INTERNATIONAL OPERATIONS

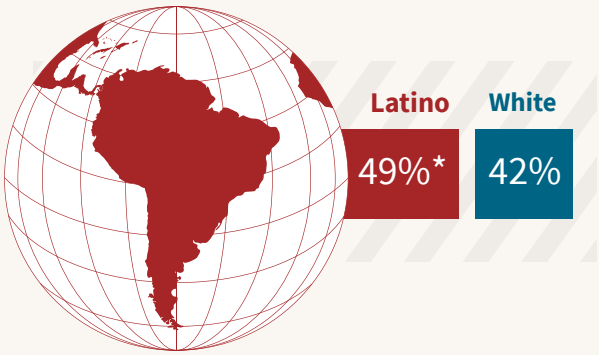
International operations have become an increasingly important avenue for Latino-owned businesses pursuing growth, complementing broader expansion strategies. Nearly half of LOBs now operate across borders, more than their White-owned counterparts. Internationally active LOBs tend to be younger, smaller, and more tech-centric, suggesting that international engagement often occurs earlier in the business lifecycle and is incorporated into their growth strategy rather than being a later-stage expansion. Social connections to countries of family origin, as well as opportunities to leverage talent and partnerships abroad, may further support this early international expansion. Operating internationally is also linked to narrower profit margin gaps: LOBs with cross-border activity report margins closer to WOBs, reflecting the potential operational and financial benefits of international reach.

LOBs Lead in International Operations, with 49% Operating Abroad

A growing share of Latino-owned businesses are operating internationally, more so than WOBs. This year's report finds that 49% of LOBs are operating in the U.S. and internationally **(Figure 7.1)**. LOBs are more likely to report operations in Mexico (57% vs. 35% of WOBs), while WOBs more frequently operate in Canada and Europe. Both groups report similar activity in other regions, including the rest of Latin America, Asia, the Middle East, and North Africa, suggesting overlap in geographic reach beyond their primary markets.

Among firms operating internationally, LOBs and WOBs engage in similar types of activities abroad, including imports/exports, hiring, logistics, and partnerships. The one exception is customer presence: LOBs are slightly less likely than WOBs to have customers abroad (64% vs. 74%). In 2017, just 9% of LOBs reported clients outside the U.S.[49]

Figure 7.1: Percentage of Latino- and White-owned Businesses that Operate Internationally



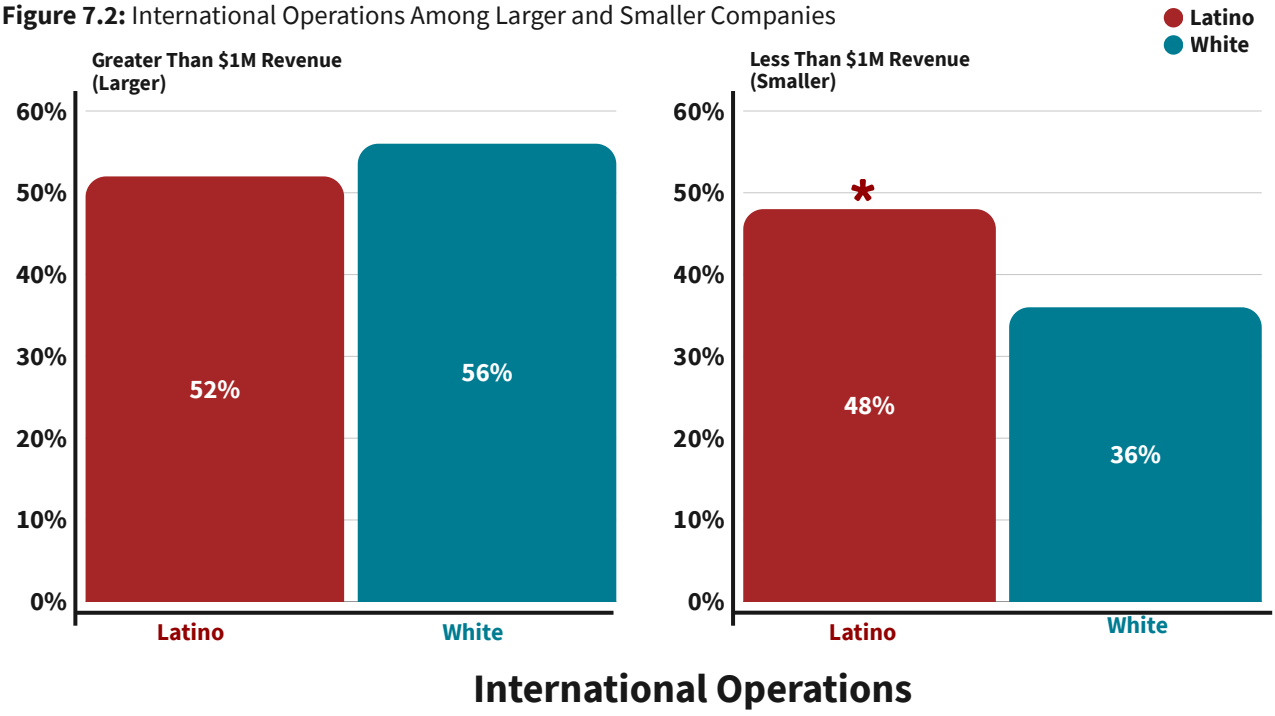
Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

LOBs Enter International Markets Earlier, With a Higher Share of Young Firms and Greater Early-Stage International Engagement Than WOBs

Like LOBs overall, internationally operating LOBs are also more likely to be younger than WOBs. Among firms with international operations, 43% of LOBs are between 2-5 years old, compared with 37% of WOBs, while international operating WOBs are also more likely to be 10 years or older (21% vs. 9% of LOBs). Among U.S. only firms, nearly two-thirds (64%) of LOBs have been operating for less than five years, compared with 39% of WOBs. Conversely, U.S. only WOBs are more than 2.5 times as likely to be 10 years or older (37% vs. 14%), highlighting a substantial gap in firm maturity.

International engagement among LOBs is not limited to firm scale. Among larger firms (greater than $1M in revenue), LOBs and WOBs operate internationally at similar rates. However, among smaller firms, LOBs are more likely than WOBs to report international operations (48% vs. 36%) **(Figure 7.2)**. These patterns suggest that LOBs enter international markets earlier in their lifecycle, making international activity an integral part of growth rather than a later-stage goal.

Figure 7.2: International Operations Among Larger and Smaller Companies



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

International Operations Are Associated with Higher Profit Margins, Narrowing the Gap Between LOBs and WOBs Compared with U.S.-Only Firms

International operations are linked to higher profit margins for both ownership groups, particularly among LOBs. While LOBs report lower median profit margins than WOBs overall, the gap narrows among firms with international operations, showing more comparable profit margins to WOBs. In contrast, U.S.-only LOBs report substantially lower margins than U.S.-only WOBs, indicating that broader operational scope is associated with higher profitability.

> *International operations reduce profitability gaps between LOBs and WOBs, indicating international engagement supports stronger financial performance.*

Inflation Is the Top Challenge for All Firms, While International Operations Expose LOBs to Greater Regulatory, Trade, and Leadership Pressures

In addition to inflation, the set of challenges varies by whether firms operate only in the U.S. or internationally. Across both ownership groups, inflation, economic uncertainty, competition, and marketing are top challenges. Among U.S. only firms, changes in consumer behavior are also commonly cited. For internationally operating firms, taxes and government regulations, tariffs and trade restrictions, and access to financing are also among the most cited impactful challenges. Economic uncertainty, however, is mentioned less frequently by internationally operating LOBs than WOBs (7% vs. 14%).

Immigration enforcement and leadership alignment are cited more often by internationally operating LOBs than WOBs. Similar patterns are seen among U.S. only LOBs, though at lower levels. These findings highlight both shared challenges and differences in their relative prominence.



Finhabits
Carlos Garcia,
Founder and CEO



SECTION VIII

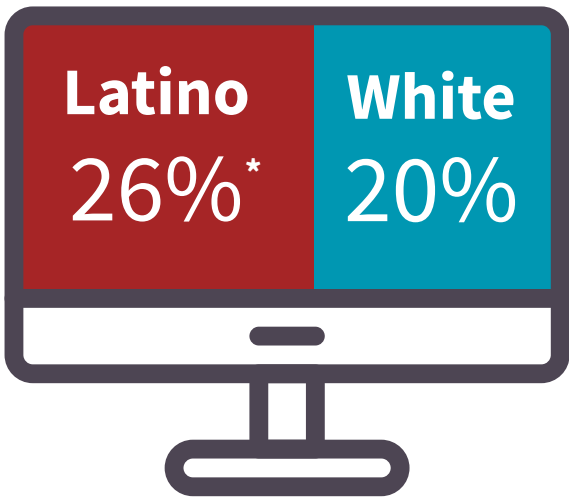
TECH INNOVATION

Tech-centric LOBs represent a notable and growing share of the U.S. technology landscape, surpassing the proportion of WOBs in tech within their respective groups.[50] In 2025, over one-quarter of LOBs report being tech-centric, reflecting a younger, smaller (unscaled), and more internationally engaged profile than WOBs. Despite their smaller size and younger age, tech-centric LOBs report profit margins comparable to WOBs, highlighting their high-growth potential and strong financial performance relative to size. Among tech-centric firms, LOBs and WOBs operate in high-growth sectors projected to experience above-average employment growth nationally.[51] These LOBs are positioned within innovation-oriented sectors with strong growth potential. Technologies associated with AI, cloud computing, and cybersecurity continue to attract robust investment and enterprise spending, with startups in these sectors seeing rising venture capital flows, reflecting sustained demand and opportunities for business expansion.[52]

LOBs Are Increasingly Tech-Centric: 26% of Latino-Owned Businesses Are Now Tech-Centric, Up 7% Since 2021, Highlighting Growing Potential in Tech

A growing share of Latino-owned businesses are active in tech-centric businesses. Entrepreneurs were asked whether their operations primarily involve building, developing, or selling software, hardware, or other technology products, excluding IT services, consulting, or AI-enabled/adopted operations. Based on this definition, 26% of LOBs reported being tech-centric in 2025 (compared with 20% of WOBs), a 7% increase from 2021 **(Figure 8.1)**. These firms are increasingly active across diverse tech domains, including sectors projected to experience above-average employment growth and rising investment activity, reflecting expanding participation in emerging technology sectors.

Figure 8.1: Tech-Centric Companies

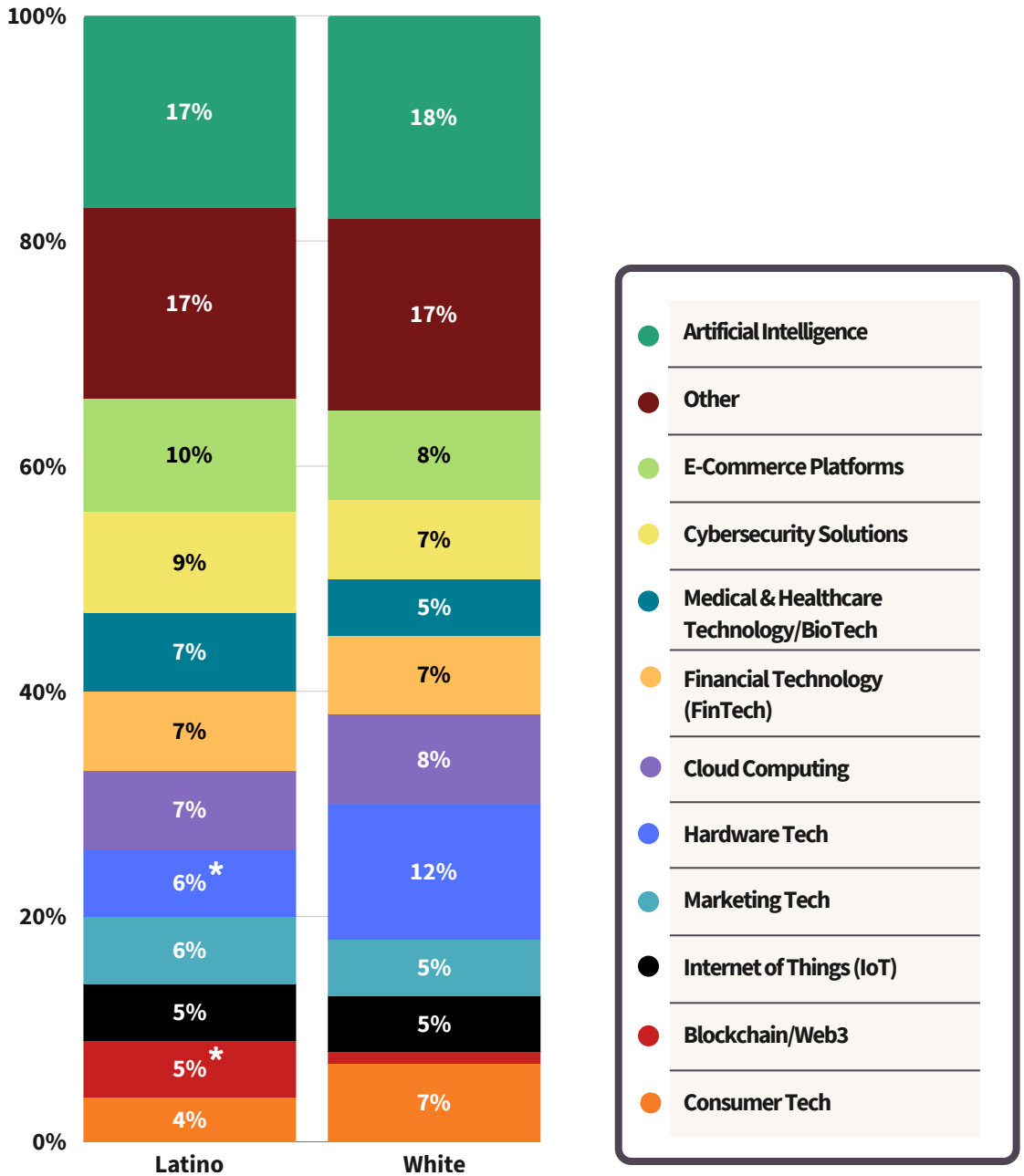


Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

LOBs and WOBs Develop and Sell Similar Tech Products, With Comparable Engagement in High-Growth Sectors Like AI and Cybersecurity

Among tech-centric companies, LOBs and WOBs develop or sell many similar types of software, hardware, or technology products. Compared with 2023,[53] when leading tech verticals among both groups were hardware, consumer tech, marketing tech, and cybersecurity, LOBs are shifting toward a broader range of sectors. This year's report shows LOBs less concentrated in hardware (6% vs. 12% for WOBs) and more represented in blockchain/Web3 (5% vs. 1%) **(Figure 8.2)**. Both groups are equally likely to develop AI-driven technologies (17–18%) and are active in e-commerce, cybersecurity, fintech, and cloud computing, signaling comparable engagement in mainstream tech innovation. Market forecasts project rapid expansion of blockchain/Web3 and related digital ecosystems, supported by venture capital activity for early-stage startups, indicating potential growth opportunities for firms operating in these areas.[54]

Figure 8.2: Tech Verticals Among Tech-Centric Companies



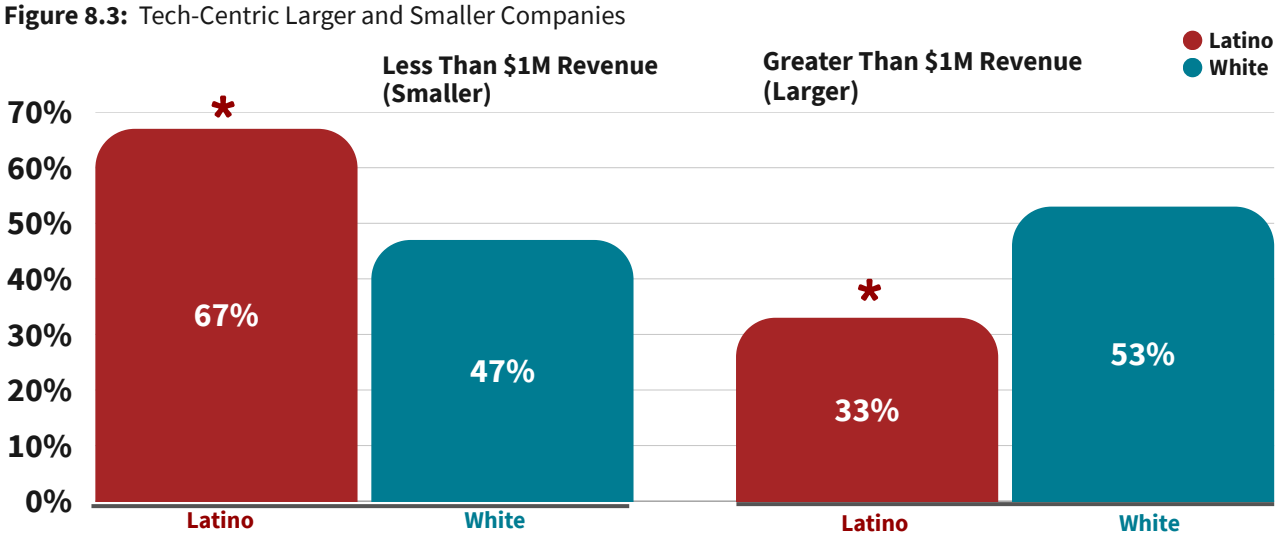
Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

Tech-centric LOBs are more likely to be younger and smaller than their WOB counterparts, but generate profit margins comparable to WOBs in this sector, demonstrating competitiveness in this high-growth industry.

LOBs Are Younger and Smaller, with International Firms More Likely to Be Tech-Centric

Similar to general LOBs, tech-centric LOBs are more likely to be under 2 years old (24%) compared with 15% of WOBs, with 67% reporting revenues under $1 million versus 47% of WOBs **(Figure 8.3)**. By contrast, WOBs are more than twice as likely to have been operating for 10 years or longer (15% vs. 7%).

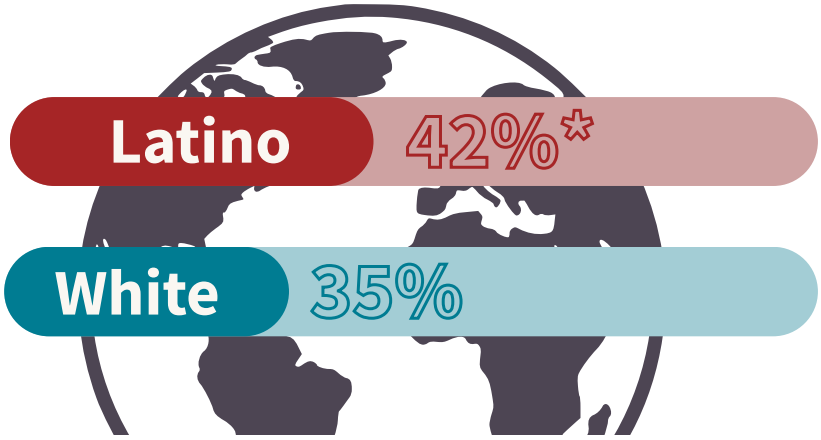
Figure 8.3: Tech-Centric Larger and Smaller Companies



Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

Among internationally operating firms, LOBs are also more likely to be tech-centric than WOBs (42% vs. 35%), highlighting a stronger connection between technology orientation and international engagement **(Figure 8.4)**.

Figure 8.4: Portion of Internationally-Operating Firms That Are Tech-Centric

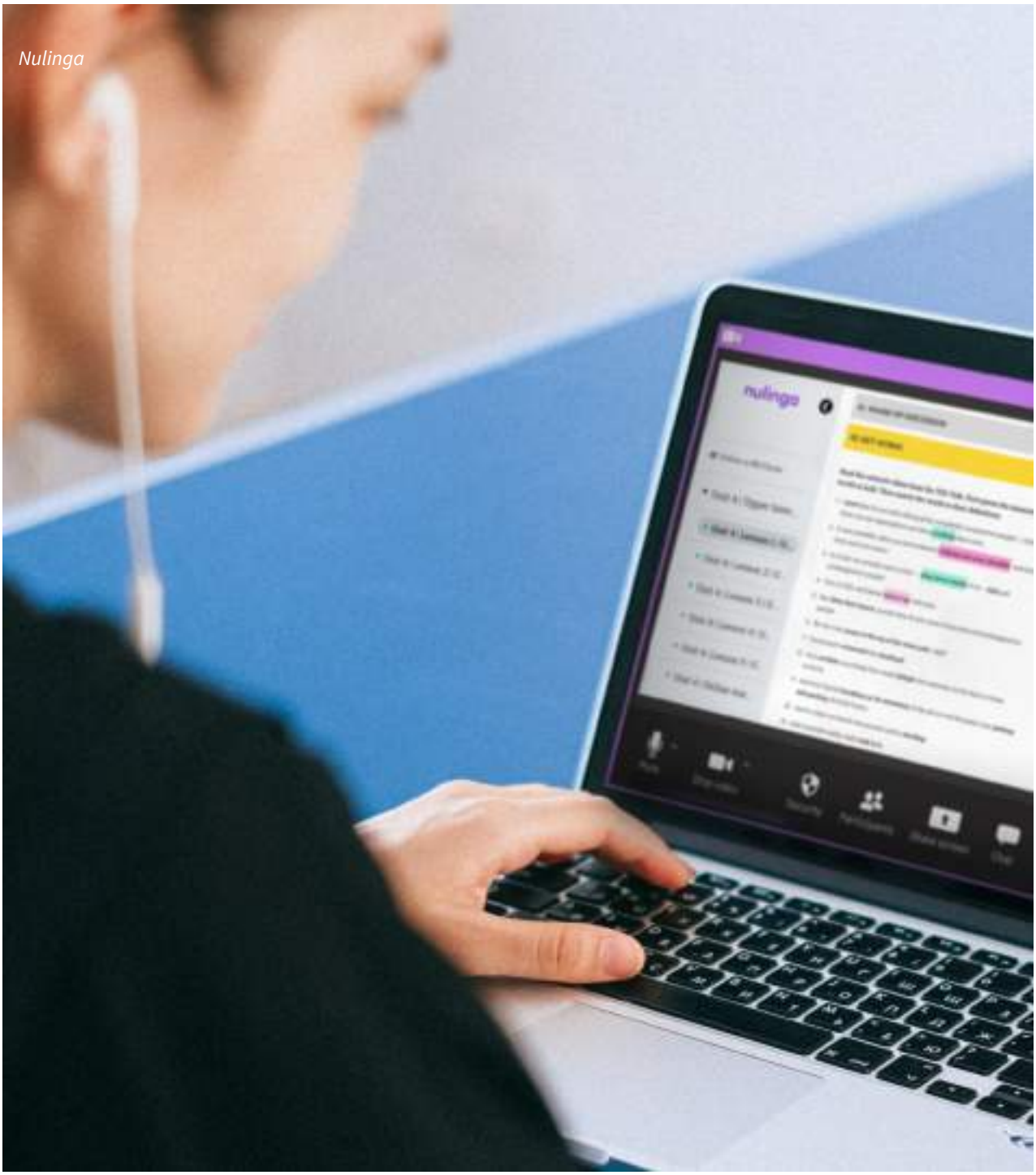


Source: SLEI Survey of U.S. Business Owners, 2025
Asterisks indicate statistically significant differences between LOBs and WOBs (* $p < 0.05$).

AI Adoption Peaks Among Tech-Centric Firms, With Around 70% of LOBs and WOBs Leveraging AI to Drive Growth and Efficiency

While automation and technology were commonly cited as effective strategies for increasing revenue or reducing costs among both LOBs and WOBs, their importance is more pronounced among tech-centric firms. About one-quarter of LOBs and WOBs in tech industries identified automation and technology as a key strategy, a higher share than observed across businesses overall.

Consistent with this pattern, AI adoption is highest among tech-centric companies (approximately 70%) and lower among non-tech-centric firms (around 40%), reflecting trends observed in 2023 alongside continued growth in AI use.[55]



Nulinga



Entrepreneur Spotlight

Nicolás Rojas
Dapta

In an ever-evolving technological landscape, Nicolás Rojas, founder of Dapta, exemplifies the impact of Latino entrepreneurs in the tech sector. A self-taught programmer from Colombia, Rojas transformed his early interest in building websites as a teenager into leading a company specializing in AI-based integrations that streamline business processes globally. Notably, 26% of Latino-owned businesses produce or sell technology, with 17% in AI - Rojas is among this population.

His journey began with a request from a family member: “Someone from my family wanted to build a website and heard I had taken a programming class at school [one HTML course]. He gave me the challenge. I didn’t even know how to build websites,” he recalls. He built it to gain experience and was soon referred to another client. That early experience laid the groundwork for co-founding Imagine Apps, a software development agency, at 17 years old. “The App Stores were launched around that time, so I dove into building apps,” Rojas noted. He even developed an app that became the largest platform for World Cup sticker trading. He occasionally relied on freelance work rather than a salary to keep his companies operating.

Fueled by a desire to scale and innovate, Rojas later ventured into the world of artificial intelligence, ultimately founding Dapta. “My driver was just building a scalable business…more sustainable for the long term,” he explained, which led him to focus on integrations and automations. He turned to social media, selling entrepreneurial products and courses. He had established a following of over 100,000 across TikTok, Instagram, LinkedIn, and YouTube, including offerings on Udemy. While his audience was largely developers, the product was not selling. “For most of 2023, we didn’t grow anything. We were just building a product…People would use it [the product] but they wouldn’t pay for it because it’s a premium.”

Recognizing the need for a clearer ideal customer profile, Rojas pivoted Dapta toward non-technical users, emphasizing AI-driven use cases. “We noticed that everything people did in our software was connecting ChatGPT to Google Sheets or CRM systems,” he explained. “So we did two main pivots: one was focusing on non-technical users, and the second was on use cases with AI components. And then the business just took off.”

His vision was to make Dapta an accessible platform empowering users to leverage AI effectively. The company shifted to creating custom AI integrations and workflows for small to medium-sized businesses (SMBs), which tend to be non-technical and can be overlooked. “When you think about who is non-technical in the marketplace, it's usually SMBs - service businesses, HVACs, plumbers, roofers - main street America that's not being served by large AI companies. There’s a huge gap," he explains. "This middle segment is going to be more important for the economy than bringing AI to large enterprises. If we can provide better tools and technology to these businesses, we can drive a return on their investment very quickly... So we just focus on that, and that's what got us going.”

Since its inception, Dapta has rapidly expanded into international markets and now serves more than 107,000 users, including 700 paying customers. Currently, 38% of revenue comes from the U.S., particularly Latino-owned businesses. “A lot of them are Latino businesses or businesses that serve the Latino population. We're very good with Spanish and Spanglish voice models…We have fine-tuned a lot of things to make that work,” Rojas notes. The company currently operates in 51 countries, including Australia, Spain, France, Germany, and every country in Latin America, with the second-largest market share in Colombia and third in Mexico.

A key component of Rojas’s global reach is his use of social media exclusively for customer acquisition. “We post between 20 to 30 videos per day across social media platforms,” he highlights. The second distinguishing factor is the product’s user-friendliness: “We strive to be the easiest way for a business to build an AI agent.” This combination drives brand visibility and attracts a steady stream of users.

At the same time, Rojas has been working to secure VC funding to grow Dapta, which he described as typical but very challenging. “When I’ve gone to raise capital in Silicon Valley, it’s usually really, really hard. For my pre-seed round, I did about 500 cold emails, got around 100 replies, met with 50 VCs, and got funded by four,” he said. “The first round of VC funding I got $1 million, mostly from Latino-based VCs. The second round completed in May [2025] included all U.S. VCs, with Chingona Ventures as our lead investor,” who contributed $2 million.

Rojas discovered Chingona Ventures through a Bloomberg interview, submitted a form online, and built a relationship over 18 months before receiving funding. “When I came to the U.S., I had clients and good marketing skills, but access to capital was very hard. I haven't gotten a loan from any bank ever,” he said. He appreciates investors like Chingona Ventures, who are “...investing large sums into Latino or immigrant-led startups… it’s refreshing. You feel much more supported than if it was just a random investor.” He added, “Without the Chingona Ventures team, I wouldn't have been able to get to this position.” Their investment contributed to Dapta’s total of $7.4 million in funding.

Rojas’s journey illustrates the growing influence of Latino entrepreneurs in tech, combining creativity, persistence, and community-oriented innovation. From building websites as a teenager to leading a globally expanding AI company, his story shows how strategic pivots, targeted customer focus, and supportive investors can turn vision into scalable solutions that generate economic growth.



SECTION IX

LATINO ENTREPRENEURSHIP IN VENTURE CAPITAL MARKETS

As this report shows, Latino-owned businesses are increasingly represented in technology-related sectors and growth-oriented industries. To extend the financing lens beyond traditional debt instruments, this section incorporates venture capital (VC) market data to assess Latino participation in venture-backed entrepreneurship, an important segment of the economy associated with innovation-intensive business models and high-growth scaling pathways.

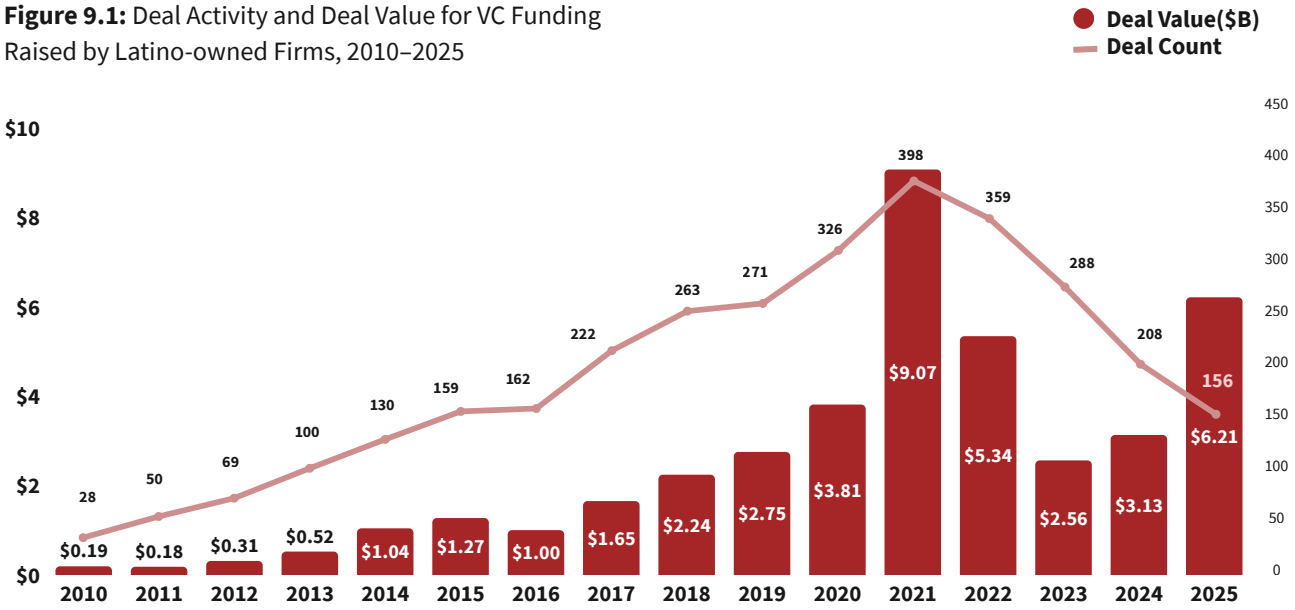
Venture capital is not the dominant financing pathway for most employer firms, but it is a consequential pathway for innovation-driven, high-growth companies, or those most likely to scale rapidly, shape new industries, and generate outsized economic spillovers. Research on innovation-driven entrepreneurship finds that economy-wide growth is disproportionately linked to a smaller subset of young, high-growth firms rather than overall firm entry[56] with over 40% of total market capitalization coming from companies that were once VC-backed.[57]

The VC findings presented in this section draw on a customized dataset developed by the Latino Business Action Network (LBAN) using PitchBook venture capital data, with additional data processing to identify Latino-founded companies and produce consistent trend measures of deal activity, deal value, deal size, stage distribution, exits, and geographic concentration over time.

Latino Venture Participation Increased Through 2021, Then Declined Below 2%

From 2010 to 2021, Latino VC deal value increased from $0.19B to $9.07B, reflecting 42% average annual growth, compared with 17% average annual growth in overall U.S. VC during the same period **(Figure 9.1)**. After the 2021 peak, Latino VC deal value has declined by 32%, and Latino VC deal count declined 61%. Latino share of U.S. deal value peaked at 2.53% (2021) and declined to 1.88% (2025).

Figure 9.1: Deal Activity and Deal Value for VC Funding Raised by Latino-owned Firms, 2010–2025

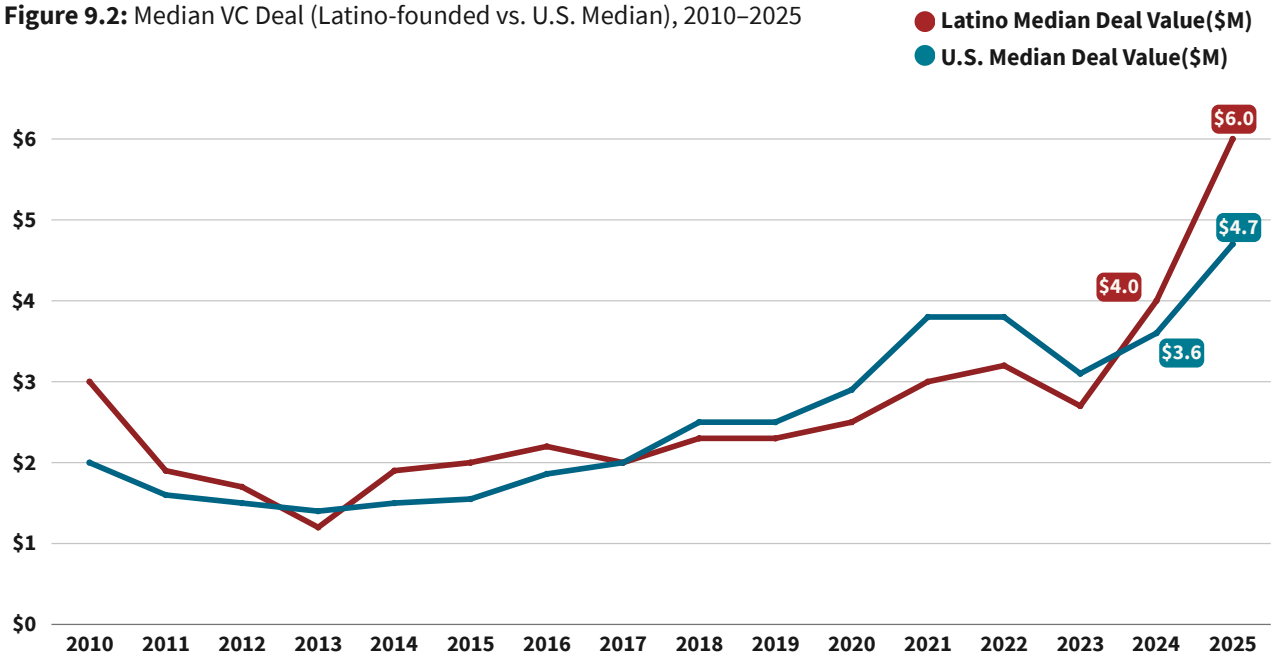


Source: PitchBook, 2010—2025

Latino Startups Posted Competitive Median Deal Sizes in 2025 Amid Reduced Deal Activity

Median deal value provides a standardized measure of typical round size among funded companies and is useful for comparing whether Latino-founded startups are raising smaller or larger rounds relative to overall market benchmarks. In 2025, Latino-founded startups posted a median VC deal value of $6M, exceeding the U.S. median deal value **(Figure 9.2)**.

Figure 9.2: Median VC Deal (Latino-founded vs. U.S. Median), 2010–2025



Source: PitchBook, 2010—2025

At the same time, broader VC participation metrics indicate that Latino-founded deal activity declined significantly after the 2021 market peak, suggesting that deal size patterns in 2025 reflect outcomes among a smaller set of funded companies in a more constrained VC market environment and among later stage companies. In this context, median deal value should be interpreted alongside overall deal volume and stage distribution to capture both the typical size of funded rounds and the scale of participation in the venture pipeline.

Pre-seed/Seed Stage Funding Declined by 79% From Peak Levels

Stage-level data show that the decline in Latino venture participation is concentrated most strongly at entry stages. As shown in Figure 9.3, Latino pre-seed/seed share peaked in 2020 at 2.62% and fell to 0.55% by 2025, representing a 79% decline from peak levels. Latino early-stage share peaked in 2020 at 2.19% and fell to 0.54% by 2025, representing a 75% decline. By contrast, Latino late-stage share peaked in 2022 at 2.30% and declined to 1.64% by 2025 (a 29% decline) and venture growth peaked in 2025 at 4.08%.

Figure 9.3: Peak Latino-founded Share of Number of VC Deals by Stage, 2010-2025

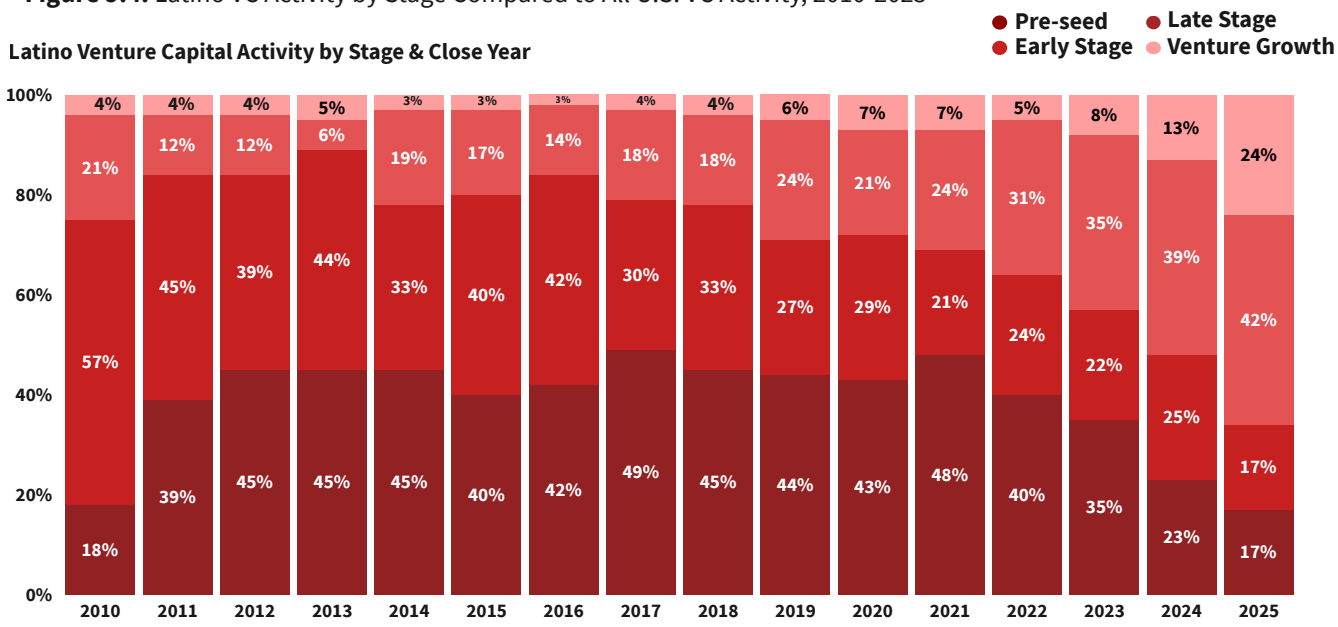
Stage	Peak Share Year	Peak Share (%)	2025 Share (%)	Change Since Peak
Pre-seed/Seed	2020	2.62%	0.55%	−79%
Early Stage	2020	2.19%	0.54%	−75%
Late Stage	2022	2.30%	1.64%	−29%
Venture Growth	2025	4.08%	4.08%	0%

Source: PitchBook, 2010—2025

Latino pre-seed/seed market share plunged 79% from 2020 to 2025. At the same time, 2025 median VC deal size hit $6M, above the U.S. median.

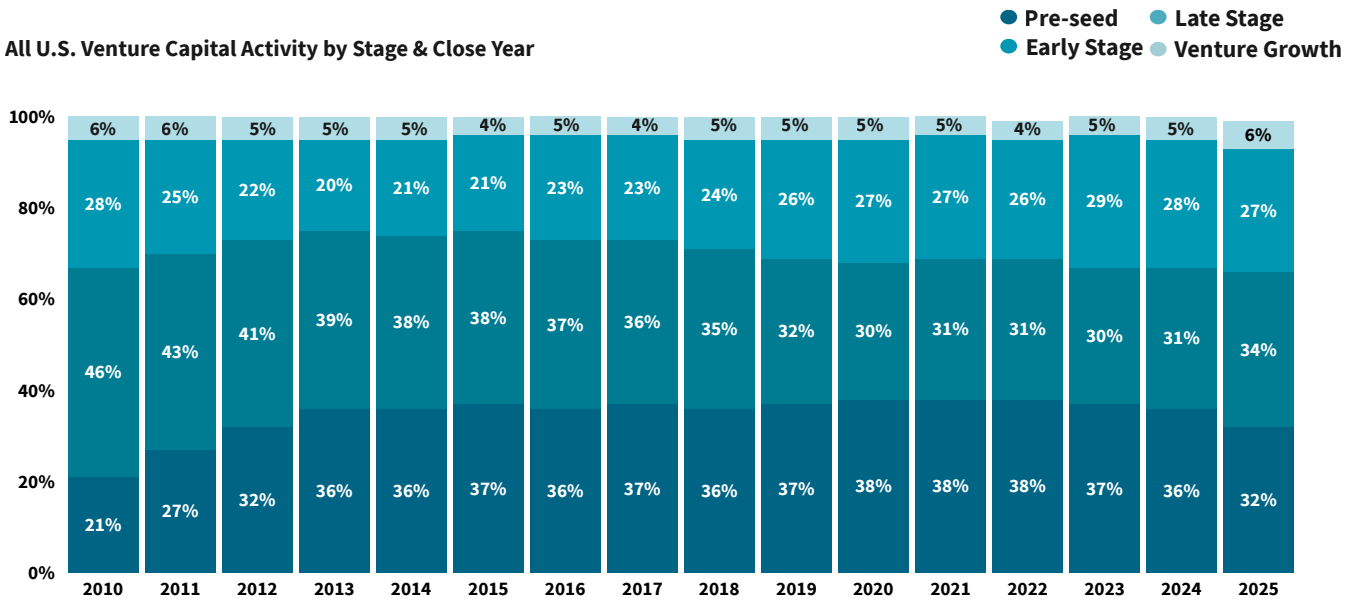
To contextualize whether this pattern reflects a broader venture capital cycle or a Latino-specific contraction in entry-stage participation, **Figure 9.4** compares Latino early-stage VC activity trends with overall U.S. VC activity over the same period. Early-stage contraction occurs across the full VC market after 2021, but Latino early-stage activity declines to a lower baseline level, resulting in a widening gap at the point of entry into the venture pipeline. Together, these patterns indicate that Latino venture activity has become increasingly top-heavy, with participation concentrated among a smaller set of later-stage and venture-growth outcomes while entry-stage activity has contracted sharply.

Figure 9.4: Latino VC Activity by Stage Compared to All U.S. VC Activity, 2010-2025



Source: PitchBook, 2010—2025

All U.S. Venture Capital Activity by Stage & Close Year



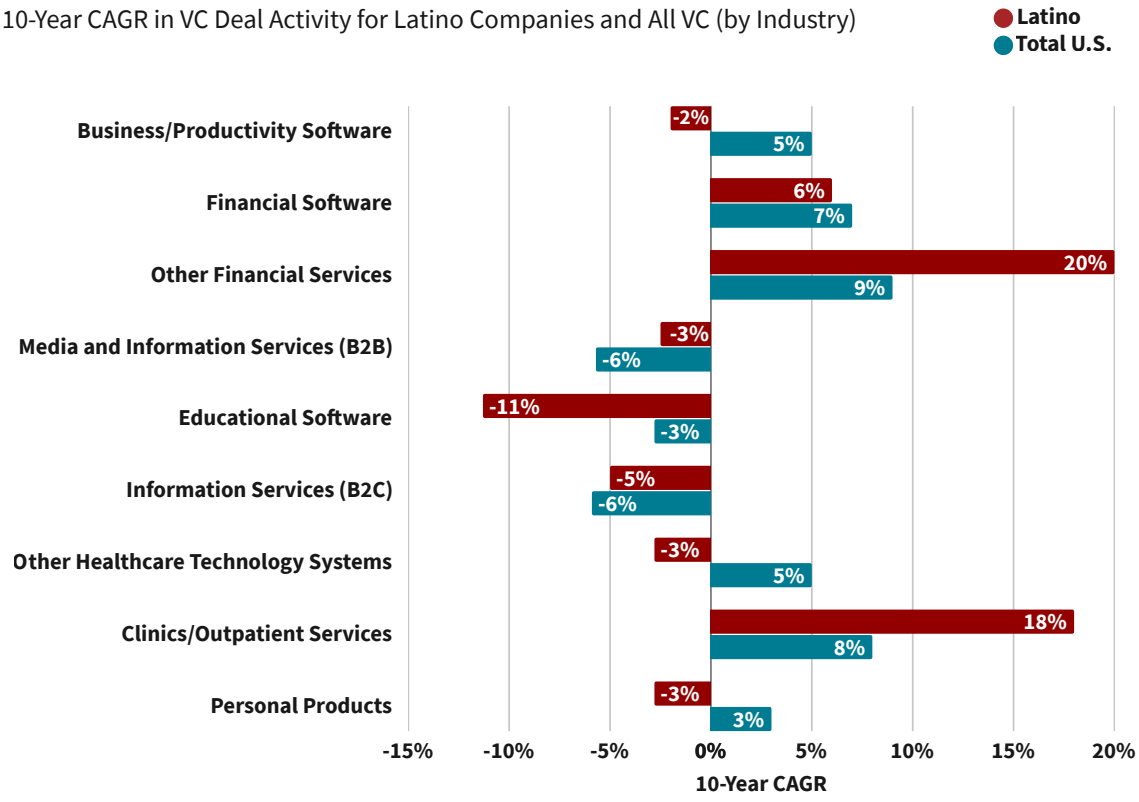
Source: PitchBook, 2010—2025

Latino Founders Participated in AI/ML Deal Activity, With Lower Share of Deal Value

Sector breakdowns help clarify where Latino-founded startups are gaining traction within venture markets and whether participation extends into frontier categories such as AI/ML. In the LBAN-SLEI constructed VC dataset, sector growth is summarized using 10-year compound annual growth rates (CAGR) in VC deal activity by industry, benchmarked against overall U.S. VC activity.

Figure 9.5 shows that the strongest gains for Latino-founded venture activity appear in industries tied to healthcare access and delivery systems (including clinics and outpatient services), as well as financial services and fintech.

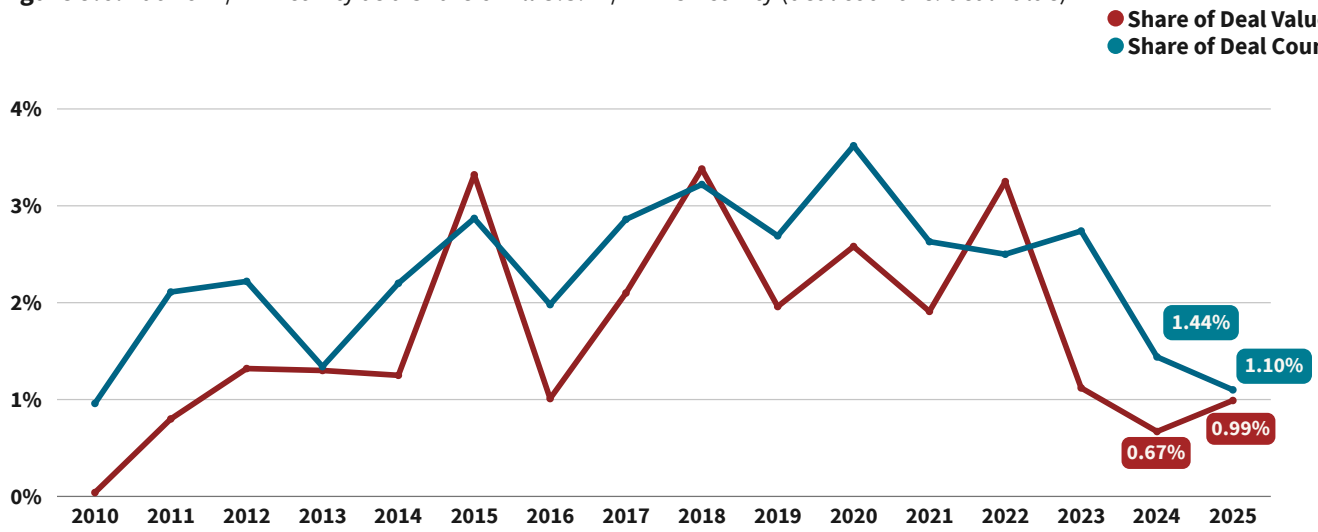
Figure 9.5: 10-Year CAGR in VC Deal Activity for Latino Companies and All VC (by Industry)



Source: PitchBook, 2010—2025

While **Figure 9.5** indicates sector momentum, sector positioning alone does not capture whether founders are receiving the capital needed to compete in capital-intensive categories. To assess frontier participation directly, **Figure 9.6** compares Latino share of U.S. AI/ML VC activity by deal count versus deal value. Over the past few years, Latino share of AI/ML deal count has exceeded Latino share of AI/ML deal value, indicating participation in AI/ML investment activity alongside a smaller share of capital deployed.

Figure 9.6: Latino AI/ML Activity as a Share of All U.S. AI/ML VC Activity (deal count vs. deal value)



Source: PitchBook, 2010—2025

Latino Startup Exits Increased Over the Past Decade But Remain 1-2% of U.S. VC Exits

Startup exits, such as through acquisitions and public listings, represent the primary mechanism through which venture-backed companies generate realized returns. Exit activity is also a key indicator of whether founder participation in venture capital markets is extending beyond fundraising into later-stage outcomes.

In the LBAN-constructed VC dataset, Latino-founded startups represented approximately 1–2% of total U.S. VC exits (by count and value), increasing from near-zero representation a decade ago. Exit value peaked in 2021, consistent with the broader VC market cycle. While exit activity has remained more limited during the subsequent contraction period, we saw a rebound in 2025. In 2025, notable Latino-founded exits included Siete Family Foods ($1.2B acquisition) and Hinge Health ($2.3B public listing).

Exit trends are relevant for interpreting both the scale of Latino participation in venture markets and the longer-run formation of venture ecosystems. Because exits are the primary channel through which founders, early employees, and early investors realize gains, exit outcomes can shape the formation of repeat entrepreneurs, angel investors, and other sources of follow-on capital.[58] In this sense, exit activity provides a forward-looking indicator of whether venture-backed Latino entrepreneurship is generating the pipeline of later-stage outcomes that typically supports cumulative ecosystem growth.

State-Level VC Ecosystems Concentrated in a Small Number of High-Deal States

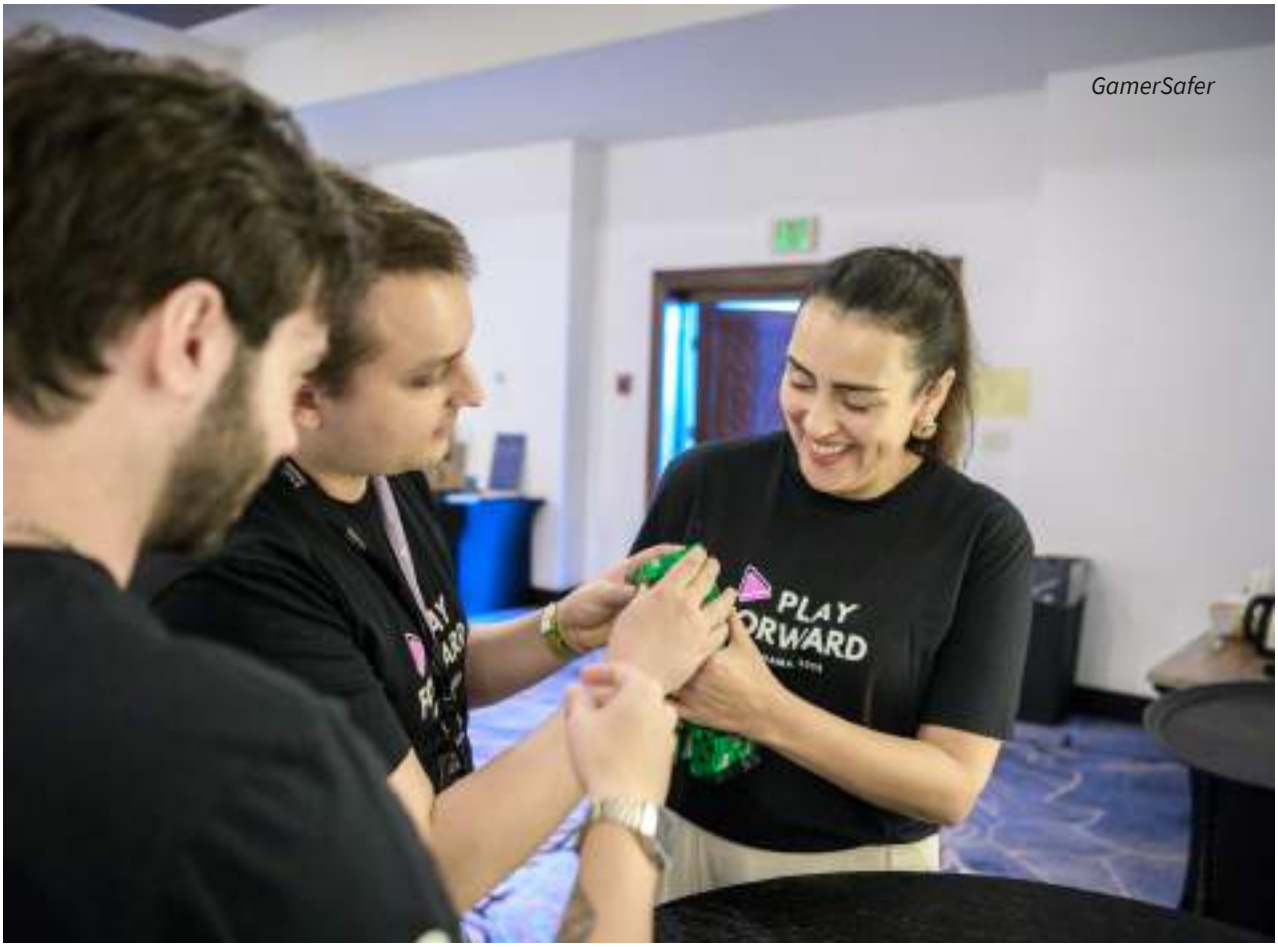
Latino VC deal activity remains geographically concentrated across a limited number of state ecosystems. Using Latino VC deal volume (deal count) and deal intensity (typical deal size), states can be grouped into four categories: Core Hubs, Participation Hubs, Breakout Markets, and Early Ecosystems **(Figure 9.7)**. Core Hubs include California and New York, followed by Massachusetts, Washington, Pennsylvania, and Delaware. Participation Hubs include Florida, Texas, Illinois, and Colorado (see **Addendum - Section C** for full state list).

Figure 9.7: Latino VC State Ecosystem Matrix

	High Deal Intensity *(larger typical checks)*	**Lower Deal Intensity** *(smaller typical checks)*
High Deal Activity *(many deals)*	**Core Hubs** CA, NY, MA, WA, PA, DE	**Participation Hubs** FL, TX, IL, CO
Lower Deal Activity *(fewer deals)*	**Breakout Markets** UT, NC, NJ, MO	**Early Ecosystems** All remaining states with observed activity

Source: PitchBook, 2010—2025

This state ecosystem typology is useful for interpreting VC market participation because venture markets tend to be shaped by ecosystem density, including proximity to investors, accelerator infrastructure, founder networks, and follow-on capital pathways. The concentration of Latino venture activity in Core Hub states indicates that Latino startup participation is most visible where venture markets are most established, while participation in Breakout and Early Ecosystems reflects a broader geographic footprint but lower depth of venture market activity.



GamerSafer



CONCLUSION

The 2025 State of Latino Entrepreneurship Report underscores the pivotal and expanding role Latino-owned businesses (LOBs) play in the U.S. economy. Between 2017 and 2023, Latino entrepreneurs led growth in the number of net new businesses and job creation among major racial/ethnic groups, expanding their share of U.S. employer firms despite persistent barriers such as uneven access to capital and regulatory complexity.

Despite operating with fewer financial and institutional resources, Latino founders continue to demonstrate resilience and dynamism.[59] Even during a period when many White-owned businesses (WOBs) faced post-pandemic declines, LOBs sustained growth, contributing to net gains in firm creation nationwide, across 48 of 50 states. While California, Texas, Florida, and New York remain central hubs, emerging states are seeing notable increases in Latino entrepreneurship.

Moreover, Latino entrepreneurs are more likely to operate internationally and are increasingly active in tech, including competitive specializations such as artificial intelligence, cloud services, and cybersecurity. Tech- and internationally focused LOBs, though younger, smaller, and facing more limited access to capital, report profit margins comparable to WOBs, highlighting their ability to compete and scale in complex markets.

At the same time, Latino entrepreneurs continue to face persistent financial barriers. LOBs are less likely to receive full funding, particularly for larger loans or credit amounts, and secure only a very small share of early-stage venture capital and federal contracts (less than 2%), despite their growing presence in the entrepreneurial ecosystem and U.S. overall. Latino entrepreneurs report greater difficulty navigating federal procurement processes, particularly in understanding contract terms, meeting eligibility and compliance requirements, and receiving actionable feedback on unsuccessful bids. Similarly, and in some cases more pronounced, challenges arise in corporate contracting, where insurance thresholds, financial requirements, and data/privacy standards create additional hurdles.

These funding and procurement gaps underscore the value of greater clarity on funding criteria and eligibility, actionable feedback, and access to targeted resources or one-on-one consultations, supports that LOBs report would help them improve their lending/credit applications.

Supporting Latino-owned businesses has the potential to accelerate their growth while strengthening the broader U.S. economy. As these entrepreneurs continue to scale across industries and geographies, their success represents a promising source of long-term U.S. economic vitality.

APPENDIX

References and Endnotes

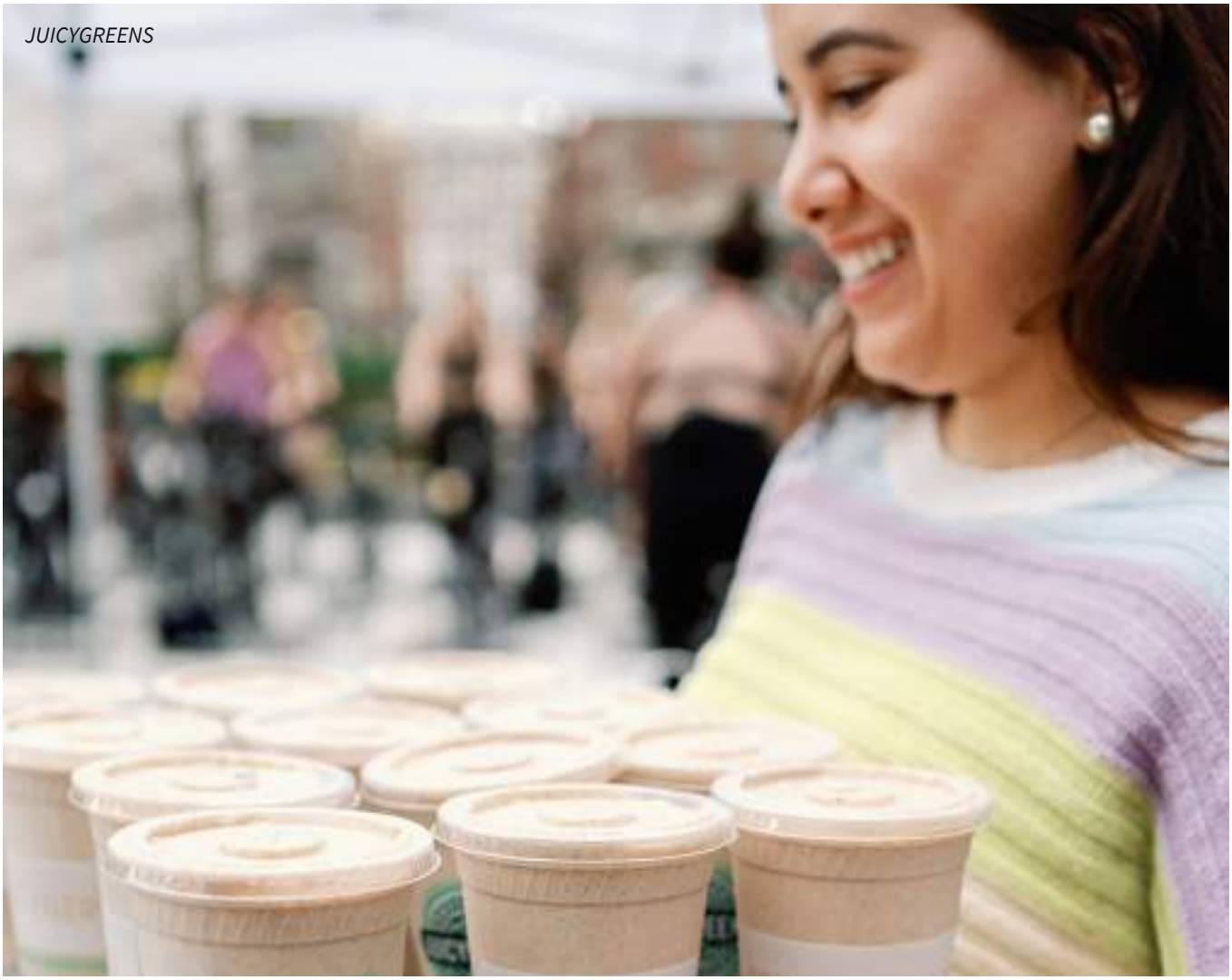
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