

UC Berkeley

Cal-in-Sac Undergraduate Research on Diversity and Entrepreneurship

Title

Beyond Financial Assistance: Addressing the Mental Health Needs of Black and Latino Small Businesses Owners

Permalink

<https://escholarship.org/uc/item/2qs9z4p9>

Author

Blanco, Juan Pablo

Publication Date

2024-10-07

Beyond Financial Assistance: Addressing the Mental Health Needs of Black and Latino Small Businesses Owners

By: *Juan Pablo Blanco*

Background

Small business owners face substantial stress, which largely explains why 49.8% of small businesses close within five years.¹ They encounter numerous challenges, such as securing capital, managing expenses, and handling staff. Running a business is emotionally exhausting, and three-quarters of small business owners express concerns about their mental health.² Additionally, racial and ethnic minorities encounter disparities from accessing mental health resources.³ In California, where minorities own 4.2 million businesses, this issue becomes increasingly problematic.⁴

A Closer Look: The Mental Health of Minority Business Owners

The status of minority small businesses can effectively be observed through the examination of restaurants, which reflect the standing of culture and community.

Jane, the owner of La Fritanguera, a Nicaraguan restaurant in Concord, CA, shared her experiences with the daily challenges as a Latina small business owner. Entering the food industry out of a passion for hospitality, Jane handles all aspects of her business, including shopping, payroll, delegating, planning, and networking. She has benefited from SCORE, a free small business mentoring program which has helped her better understand balance sheets, but she continues to feel overwhelmed at the end of each day. Jane has accepted mental exhaustion as an inherent part of restaurant ownership.

Jane emphasizes the importance of mental health, explaining that she is entirely self-taught in balancing her work-life, prioritizing physical activities such as working out. Despite her efforts, she expresses a strong desire for proper guidance and a mentor to support her in navigating the emotional complexities of running a restaurant.

¹ McIntyre, Georgia. "What Percentage of Small Businesses Fail?" *What Percentage of Small Businesses Fail?*, Fundera, 20 Nov. 2020, www.fundera.com/blog/what-percentage-of-small-businesses-fail?irclickid=R%3AESJXQAWxyPTtTo82DI0LWUkHwK2RXI0rPy80&utm_campaign=Skimbit+Ltd._10078&utm_source=Impact&utm_content=Online+Tracking+Link&utm_medium=affiliate&irgwc=1.

² Haden, Jeff. *A New Study Says 75 Percent of Entrepreneurs Are ...*, www.inc.com/jeff-haden/a-new-study-says-75-percent-of-entrepreneurs-are-concerned-about-their-mental-health.html. Accessed 9 Feb. 2024.

³ Mental health disparities: Diverse populations. Accessed February 9, 2024. <https://www.psychiatry.org/getmedia/bac9c998-5b2d-4ffa-ace9-d35844b8475a/Mental-Health-Facts-for-Diverse-Populations.pdf>.

⁴ Advocacy, Office of. "2022 Small Business Profiles for the States, Territories, and Nation." BA's Office of Advocacy, 13 Sep. 2022, advocacy.sba.gov/2022/08/31/2022-small-business-profiles-for-the-states-territories-and-nation/.

Similarly, Tina, an African-American small business owner, started Almost Everything Catering, a soul-food-themed catering service in Pittsburg, CA. Driven by her passion for cooking, she is constantly navigating inventory, orders, samples, and marketing. She has sought technical support from SCORE and the Small Business Development Center (SBDC), where she has benefited from an advisor's technical assistance. However, she suffers from persistent mental exhaustion. Tina describes this exhaustion as something that never goes away, noting that running a business is not a nine-to-five, Monday-through-Friday stress; it's daily.

Both Jane and Tina believe that mental health is a top priority in running a business, yet they have limited access to adequate resources. While they receive technical support, it only addresses part of their needs. There is a significant demand for emotional mentorship to help minority small business owners navigate the psychological challenges of running a business.

Existing Initiatives for Underserved Small Business Owners

California has made significant strides in promoting racial economic equity within small business funding. Over the past 30 years, state programs such as the California Infrastructure and Economic Development Bank (IBank) have emerged to help underserved small businesses secure financing. IBank charters and regulates Financial Development Corporations (FDCs), which are public benefit corporations, nonprofits, or small business development corporations that act as intermediaries between the state and small business borrowers.⁵ Additionally, there are Community Development Financial Institutions (CDFIs), including banks, credit unions, nonprofits, or venture capital investors, that specialize in lending to underserved areas. They offer low-interest loans and provide vital support to businesses throughout the state's underserved populations.

In addition to financial assistance, IBank works closely with the organizations that offer technical assistance programs. One notable small business advocacy group, the California Association for Microprise Opportunity (CAMEO), is a network comprising over 400 organizations and agencies dedicated to financing and supporting micro and small businesses. Each year, CAMEO provides tools and delivers technical assistance through its umbrella organizations, such as SCORE, to more than 200,000 businesses.⁶

Insights from Support Organizations on Small Business Challenges

Examining the insights of leaders from FDCs and non-profit organizations on securing financing, technical assistance, and emotional support, underscores their perspectives on top priorities and their strategies for addressing these issues.

Juan Carlos, President and CEO of CA Southern, a San Diego-based FDC, attributes much of the struggle faced by minority small businesses to a lack of available information. When new small business owners approach private banks, they often face difficulty securing loans due to the perceived high risk, forcing them into high-interest loans. This reliance on unsuitable lenders places a significant burden on small businesses, leading to long-term financial hardship and

⁵California Southern. *FAQ: California southern*. (2016, August 18).
<https://casouth.com/faq/>.

⁶ CAMEO. *About Cameo* (2024, May 20).
<https://cameonetwork.org/about-cameo/>.

consequently high levels of stress. Juan Carlos believes that increasing awareness for state lending programs, such as IBank's CA Loan Match, is essential for fostering a stress-free relationship with racial and ethnic minorities by connecting them with mission-based lenders as opposed to high-interest or predatory loans.

Heidi, VP of Engagement and External Relations at CAMEO, emphasizes the importance of investing in minority entrepreneurship. In addition to networking support similar to CA Southern, CAMEO advocates at the state-level and works directly with the programs available to small business owners. Heidi and her team recognize the lack of emotional support programs and believe that it would be beneficial for technical assistance organizations to include such support in their curriculum.

Both Juan Carlos and Heidi emphasize the significance of business owners making informed financial decisions by taking advantage of existing state programs. The two acknowledge the value of mentorship programs such as SCORE, which have proven to be pivotal in the growth and development of countless small businesses. Notably, they discuss how the state could better support the well-being of small business owners. Addressing these factors could play a pivotal role in managing the stress and emotional burden of running a business.

Improvements

To ensure the success of small businesses, it is crucial to make entrepreneurial resources available. Often, therapy is unattainable for many minority business owners due to its high cost and large time-commitment. The following solutions are highly effective and come at little to no cost to businesses:

1. *Establish a State-funded Emotional Mentorship Program*

Establish a program that provides mental health resources (workshops, webinars, mentors) to entrepreneurs to help them manage the everyday stresses that emerge with running a business. This program would have a very similar structure to current technical assistance programs and would be led by both former business owners and mental health professionals. Additionally, it wouldn't require significant time-commitments and would be easy to create and access.

2. *Increase Awareness of Current and Future Business Resources*

Generate greater promotion for existing small business resources to ensure that entrepreneurs are aware of the support the state provides. Having a greater presence, both digitally and physically will allow underserved small businesses to take full advantage of the technical resources and loan programs offered which can alleviate the stress of navigating a business alone.

3. *Integrate Mental Health Support into Existing Technical Assistance Programs*

Integrate mental health recommendations into existing programs offered by SCORE, SBDC, and other technical assistance programs. This would reach the existing community of minority small business owners and reduce the amount of research they would have to conduct to find the help they require. Examples include covering topics such as exercise, finding time to relax, taking days off.

Conclusion

Black and Latino small business owners encounter many challenges in running their business. While finances are a major priority and technical assistance is also important, business owners place a significant value on their mental health. For many minority small businesses, mental health support is largely inaccessible, however upkeep is still a requirement for long-term success. Each of the listed recommendations considers the long-term mental health of business owners, ensuring that they are able to successfully run their business.