Title

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Publication Date

2025-09-29

Cal-in-Sacramento Fellowship Program
Policy Memo

Identifying Access-to-Capital Issues Amongst Immigrant Small Business Owners

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2025 Diversity & Entrepreneurship Fellows[1]
Cal in Sacramento Fellowship Program

Robert T. Matsui Center for Politics and Public Service
University of California, Berkeley

August 1, 2025

[1] Every summer, the Cal-in-Sacramento Fellowship Program sends a cohort of ~30 Cal students to Sacramento for an eight-week public service internship. In 2025, the cohort included 11 Diversity & Entrepreneurship Fellows, who focused their research on topics related to POC, immigrant, and/or women-owned businesses.

Executive Summary

This policy memo examines critical gaps in access to capital for Hispanic and Indian immigrant small business owners operating grocery stores and restaurants in Sacramento, California. There are 880,900 immigrant entrepreneurs in California, generating a total business income of $28.4 billion, with 28 of the Fortune 500 companies founded by immigrants or their children (American Immigration Council, 2023). Yet, based on interviews with six immigrant business owners and a comprehensive analysis of available business-support resources, our research reveals significant disparities in access to capital, recent spikes in distrust in government aid, and a troubling disconnect between business-owner awareness of resources available. California currently offers robust small business support programs through California's Capital Access Program (CalCAP), Infrastructure and Economic Development Bank (I-Bank), and Small Business Development Centers (SBDC's), our findings demonstrate that immigrant business owners face personal and systemic barriers that prevent them from accessing these resources. Research reveals that only 20% of Latino-owned businesses receive approval for loans over $100,000 compared to 50% of white-owned businesses (Lopez, 2025), while Indian businesses face similar challenges with credit scores, collateral requirements, and complex documentation processes (Poonawalla Fincorp, 2024).

This analysis draws from structured interviews with six small business owners in Sacramento's grocery and restaurant sectors, three Hispanic and three ethnic Indian entrepreneurs. The interviews explored five key areas: methods of financing business startup/operation costs, awareness of free resources like SBDCs and CalOSBA, knowledge of state/federal loan programs, experience with Community Development Financial Institutions (CDFIs), and accessibility of programs like CalCAP and I-Bank. To contextualize these findings, we identified common themes highlighted by interviewees and cross-analyzed them with comprehensive research on available resources, analyzing program websites, academic literature, and existing legislation such as AB 2019, which codified small business procurement goals, requiring at least 25% of state agency

contracts to go to certified small businesses to identify gaps between resource availability and accessibility.

Our interviews uncovered issues such as language barriers when trying to interpret resources, desperate predatory loans (borrowing money from unlicensed moneylenders at absurdly high interest rates), and skepticism of resources due to fear of government oversight. Most concerning is the widespread lack of awareness about available state and federal programs, with only one interviewed business owner demonstrating knowledge of the existing resources mentioned. Based on our findings, we recommend a combination of short and long-term solutions such as establishing targeted outreach programs, creating multilingual resource materials, implementing navigator programs, enhancing digital accessibility, strengthening Community Development Financial Institution (CDFI) partnerships, developing industry-specific programs, and finally, reform application processes.

Disparities in Capital Access, Resource Awareness, and Information Access

1. Access to Capital Issues

Immigrant Small Business Owners Face Systemic Lending Discrimination

Research consistently demonstrates that immigrant-owned businesses encounter significant barriers in traditional lending markets. According to Stanford's Latino Entrepreneurship Initiative, only 20% of Latino-owned businesses that applied for national bank loans over $100,000 received funding, compared to 50% of white-owned businesses (Lopez, 2025). This disparity persists even when credit risk and liquidity profiles[2] are similar between Latino and white applicants. An online

[2] Credit risk refers to the likelihood that a borrower, such as a small business owner, will fail to repay a loan or meet their debt obligations. It assesses the borrower's creditworthiness based on factors like credit history, payment behavior, and financial stability.

Liquidity profiles describe the ability of the borrower to quickly convert assets into cash without significant loss in value. In the context of lending, liquidity indicates how easily a business can access cash or liquid assets to cover short-term obligations or unexpected expenses.

Together, credit risk and liquidity profiles help lenders evaluate the financial health and reliability of loan applicants. When these profiles are similar between two businesses, it means they have comparable creditworthiness and cash availability, making disparities in loan approval or terms more indicative of other factors, such as systemic lending discrimination.

financing company for small businesses, “Biz2Credit,” studied annual Latino-owned Businesses and revealed that in 2020-21, the average loan size for Latino-owned companies was $47,031, which is $34,125 less than non-Latino-owned firms (One Park Financial, 2022).

Our interviews confirmed these trends at the local level. Hispanic grocery store and restaurant owners reported multiple loan rejections despite having viable business plans and operational histories. As one owner explained, ”I know SBA loans and the programs, but the papers are too much. I tried applying during covid, and it was like another job searching for the right documents”. Additionally, two Hispanic restaurant owners described being denied financing from up to three different banks before ultimately relying on personal savings and family loans to fund operations. The reliance on personal funding sources is particularly problematic given that Latino households have significantly lower wealth levels, with the typical Hispanic family having around $36,100 in net worth compared to $188,200 for non-Hispanic white households (Romero, 2024).

Additionally, immigrant entrepreneurs face distinct but equally challenging barriers in accessing capital. Research on MSME financing in India, which parallels challenges faced by Indian immigrant entrepreneurs in the U.S., identifies key obstacles including low credit scores, lack of collateral, and inadequate documentation (Poonawalla Fincorp, 2024), all of which were confirmed in our interviews with Indian business owners. These challenges are compounded by unfamiliarity with U.S. banking systems and requirements.

Our interviews revealed that Indian business owners often struggle with complex application processes and documentation requirements that differ significantly from their home country experiences. An Indian store owner we interviewed stated, ”I hear about CalCAP two years after I needed it, from another Indian business owner. Nobody from the program speak to our community. The forms, they think you already know American business words. When I finally apply, it take so long for my supplier, so they stop working with me”.

Two of the three interviewed Indian grocery store owners reported being overwhelmed by the paperwork required for Small Business Administration (SBA) loans and traditional bank financing (Small Business Administration, 2012.) One owner described spending close to 3 months gathering required documents, only to be denied due to poor credit history in the United States.

2. Resource Awareness Gap

California maintains an extensive network of small business support programs designed to address capital access challenges. The California Office of the Small Business Advocate (CalOSBA) supports 4.1 million small businesses statewide, facilitating $2.9 billion in lending capital approval and $3.6 billion in equity raised between 2018-2025 (California Office of the Small Business Advocate, 2025). The Sacramento Valley SBDC alone helped 2,461 clients access $86 million in capital, creating 491 new jobs (Sacramento Valley SBDC, 2020).

The California Capital Access Program (CalCAP) has supported over 73,000 loans totaling more than $6 billion since its inception (Ma, 2023). CalCAP serves as a loan loss reserve program that encourages financial institutions to lend to small businesses that might otherwise face difficulties accessing traditional financing. Unlike conventional loans, CalCAP uses a portfolio insurance mechanism where both the borrower and the lender contribute a premium, usually between 1% and 3.5% of the loan amount, to a loan loss reserve account. The state then matches these contributions, creating a cushion that protects lenders from losses if the borrower defaults (California Office of the Small Business Advocate, 2025). This arrangement incentivizes lenders to approve loans for businesses that are “near bankable” but do not fully meet conventional underwriting standards. The maximum loan amount enrolled in CalCAP is $2.5 million, with flexibility in loan terms, they can be short or long-term, fixed or variable rate, and secured or unsecured (California Pollution Control Financing Authority, n.d.).

Compared to conventional loans, CalCAP loans reduce lender risk due to the loss reserve backstop, making it easier for small businesses to qualify. Interest rates are set by the lender but generally do not exceed 18% (California Pollution Control Financing Authority, n.d.). Eligibility requirements include that the business must operate primarily in California, with at least 51% of employees or income tied to the state, and loan proceeds must be used for business growth within California. Financing cannot be used for purposes such as luxury spending, gambling, or off-site alcohol sales (California Office of the Small Business Advocate, 2025).

In comparison, Community Development Financial Institutions (CDFIs), such as the California Capital Financial Development Corporation, offer direct alternative financing tailored to underserved communities (California Office of the Small Business Advocate, 2025). These may include microloans ranging from $500 to $20,000, as well as loan guarantees for expansion, working capital, and refinancing. CDFI loans often target those who do not qualify under conventional lending guidelines, with mission-driven flexibility in eligibility criteria, terms, and interest rates.

However, CalCAP loans are not the only resources available through these organizations. Many CDFIs offer multiple financing tools beyond CalCAP participation, including specialized microloans and relationship-building lending programs. Additionally, other state and federal resources, such as SBA Disaster Assistance Loans or the California Small Business Loan Guarantee Program can serve as alternatives for businesses that are ineligible for CalCAP.

Despite these extensive resources, our interviews revealed alarming gaps in awareness among Hispanic and Indian business owners. Only one Hispanic restaurant owner demonstrated awareness of SBDC services, having attended a workshop on business planning. None of the interviewed Hispanic business owners were familiar with CalCAP or I-Bank programs. Among Indian business owners, only one grocery store owner had heard of CDFIs through a community referral but had not pursued services due to uncertainty about eligibility requirements.

This is mainly because outreach efforts by these programs, while robust in some respects, often do not fully penetrate the communities they aim to serve due to language barriers, cultural differences, and limited tailored communication channels. Many small business owners primarily rely on personal networks and community referrals rather than formal institutional sources for information about financial resources. This creates gaps in knowledge, especially when program marketing and educational workshops are not offered in culturally relevant formats or local languages.

CalCAP and similar programs generally conduct outreach through financial institutions, workshops, and online platforms, but may fall short in building trusted, grassroots connections critical for reaching underserved groups. The complexity of eligibility requirements and application procedures further discourages proactive inquiry by those unfamiliar with formal lending processes. Moreover, some minority business owners perceive these programs as difficult to access or are uncertain if they qualify, leading to hesitation or non-participation even when they are aware. Inadequate business literacy and financial education within these communities also contribute to low awareness and engagement with such resources.

3. Resources: Website and Information Currency Issues

Analysis of program websites reveals concerning gaps in information currency that may impede business owner access to resources. The CalCAP website, while containing current program updates through 2025, lacks comprehensive information about application processes in languages other than English (Ma, 2023). The annual reports section shows a gap in 2024 reporting, with the most recent report from 2023, potentially signaling resource constraints or administrative delays. These mishaps seemingly go unnoticed, with one business owner saying, “I-Bank’s website crashed every time I tried to upload documents. Customer service says it’s a technical problem and it will get fixed soon, this happened for months. At the same time, my lease renewal deadline passed, and I had to accept worse terms because I couldn't demonstrate access to growth capital”.

Research indicates that only 19 lenders participate in CalCAP, with the top 3 handling 81% of volume, suggesting limited accessibility even within the program structure. More significantly, several referenced programs show signs of being discontinued or significantly reduced in scope. The CalCAP Electric Vehicle Charging Station program is listed as “closed to new enrollments” (Ma, 2023), while other specialized programs have similarly restricted access. This creates confusion for business owners attempting to navigate available options.

While the Sacramento Financial Empowerment Center provides expanded financial coaching services for small business owners in Spanish, Dari/Farsi, and Urdu (Officer, P. I., 2025), many state-level programs lack multilingual resources. The CalOSBA website, despite serving a diverse population, provides limited Spanish-language materials and no resources in South Asian languages commonly spoken by Indian business owners. This language barrier significantly impedes access to information about available programs and application processes.

Our research reveals a concerning paradox in California’s small business support ecosystem: while the state maintains robust programs designed to address capital access challenges, Hispanic and Indian business owners in Sacramento's grocery and restaurant industries remain largely unaware of and unable to access these resources. This gap represents not merely an administrative challenge but a fundamental barrier to economic mobility and entrepreneurship among California’s diverse communities.

Recommendations

Immediate Actions (0 - 6 months)

1. Establish Targeted Outreach Programs

CalOSBA should implement culturally competent outreach programs specifically targeting the Hispanic and Indian business communities in Sacramento. This includes partnering with respective ethnic chambers of commerce, advocacy organizations, and community centers to conduct information sessions in Spanish, Hindi, and Punjabi. The Sacramento Hispanic Chamber of Commerce's existing Success, Capital Access, and Leadership for Entrepreneurs (SCALE) partnership provides a translatable model for expanding similar collaborations (Bodipo-Memba, 2022).

2. Create Multilingual Resource Materials

All major programs (Go-Biz, CalCAP, I-Bank, SBDC) should develop comprehensive materials in Spanish, Hindi, and Punjabi, including application guides, program overviews, and success stories featuring business owners from these communities. These materials should be culturally appropriate and address specific concerns relevant to each demographic. One way this may be achieved could be through video testimonials with business owners of similar cultural backgrounds to keep materials and resources relatable to specific audiences.

3. Implement Navigator Programs

Establish dedicated navigators within existing SBDC and CDFI networks who specialize in serving Hispanic and Indian business owners. These navigators should provide culturally competent, one-on-one assistance with loan applications, business planning, and resource identification.

Long-term Strategies (18+ months)

4. Enhance Digital Accessibility

Modernize program websites to include mobile-friendly interfaces, multilingual support, and streamlined application processes. The CalCAP website should be updated to include more user-friendly application tracking and clearer eligibility criteria. All websites should undergo accessibility audits to ensure compliance with current standards.

5. Strengthen CDFI Partnerships

Expand partnerships with CDFIs that specialize in serving minority communities, particularly those with expertise in restaurant and grocery store financing. California Capital Financial Development Corporation's existing CDFI infrastructure (California Office of the Small Business Advocate, 2025) provides a foundation for enhanced collaboration.

6. Develop Industry-Specific Programs

Create specialized financing programs for grocery stores and restaurants that address unique challenges such as inventory financing, equipment needs, and seasonal cash flow variations. These programs should incorporate flexible underwriting criteria that account for cultural business practices and alternative credit assessment methods.

7. Reform Application Processes

Streamline application processes across all programs to reduce documentation burdens while maintaining appropriate oversight. This includes developing standardized application forms that can be used across multiple programs and creating online portals that allow for real-time application tracking.

Conclusion

The systemic barriers identified from discriminatory lending practices to language barriers to complex application processes require coordinated intervention across multiple agencies and programs. The recommendations outlined above provide a roadmap for addressing these challenges through both immediate tactical improvements and longer-term structural reforms.

Success in implementing these recommendations will require sustained commitment from state agencies, adequate funding for outreach and support services, and ongoing collaboration with community organizations that serve these populations. Without such intervention, the existing disparities in capital access will likely persist, undermining California's economic competitiveness and the entrepreneurial potential of its diverse communities.

The stakes are significant: Latino-owned businesses contribute $800 billion annually to the U.S. economy and employ over 3 million people, while immigrant entrepreneurs across all backgrounds drive innovation and job creation (Lopez, 2025). By addressing these access barriers, California can unlock the full potential of its diverse entrepreneurial ecosystem and strengthen its position as a global economic leader.

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