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Strategies to Improve the Financial Success for Minority and Small Business Owners

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This is to certify that the doctoral study by

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has been found to be complete and satisfactory in all respects,
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Walden University
2025

Abstract

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MBA, University of Phoenix, 2007

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Research Project Submitted in Partial Fulfillment

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Abstract

Although minority small business owners have a substantial influence on the U.S. economy, they often face significant financial obstacles. Minority small business owners are concerned with the history of unfair lending practices in the United States, as access to adequate capital is crucial to achieving business success. Grounded in Donaldson's pecking order theory, the purpose of this qualitative pragmatic inquiry was to explore effective financial strategies that some minority small business owners used to sustain their businesses. The project participants were six minority small business leaders who had more than 5 years of experience from various industries in South Florida. Data were collected using semistructured interviews, a review of documentation provided by the small business owners, and data available from their public websites. Through thematic analysis, five key themes were identified: (a) internal financial strategies, (b) small business sustainability, (c) customer service, (d) experience in the industry, and (e) financial lending. One key recommendation for minority small business owners is to establish a relationship with a local bank so that the bank staff can become familiar with the business and increase future opportunities for loan approval. The implications for positive social change include the potential for small business owners to strengthen the local economy by creating jobs and providing essential products and services to the community.

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Dedication

I would like to first thank God for blessing me with the ability to endure this journey. I dedicate the completion of my doctoral project to my mother, Jerolyn A. Tunnell Waller. I wish you were here to share this accomplishment with me. To my children, Kevin, Anthony, and Talecia, you were my inspiration, and I pray that you achieve all your dreams. To each member of my fantastic family who supported me throughout this journey, and to everyone who listened, encouraged, or gave me some space, thank you.

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I would like to thank my committee chair, Dr. Beverly Carolann Muhammad, for her guidance and support. Dr. Muhannad, thank you for the stern conversations, the critical feedback, and for never allowing me to give up on my Doctor of Business Administration (DBA) journey. I would also like to extend my appreciation to my second committee member, Dr. Annie Brown, for your guidance and support. I would like to express my thanks to all staff and faculty members for their guidance and expertise. My success is a direct reflection of your commitment to education.

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Section 1: Foundation of the Project

The U.S. Small Business Administration (SBA, 2021a) has acknowledged that small businesses were responsible for the creation of nearly two of every three, or 62%, of all jobs added in the past 25 years. The owners of small businesses employ up to 50% of the U.S. workforce (Cepec & Grajzl, 2021). Therefore, the success of minority small business owners plays a critical role in the success of the U.S. economy (Ertel, 2019). The SBA (2021a) reported that minority small business owners made up 18.3% of small business ownership in 2018. Although minority and small business owners have a sizeable influence on the U.S. economy, they often face significant financial obstacles.

Knowledge gained from this qualitative pragmatic inquiry may identify factors that can assist minority and small business owners in developing effective financial strategies and assist them in developing a foundation for understanding how effective financial strategies can assist some minority and small business owners in sustaining their small business beyond 5 years.

Small businesses make a significant contribution to the growth of the U.S. economy and gross domestic product (GDP) through job creation (Okundaye et al., 2019; Prasetyo & Kistanti, 2020). U.S. Department of Commerce Minority Business Development Agency (2021a) reported that minority small businesses created 6,265 jobs and retained 7,478 jobs in 2021. This confirms the impact made by minority and small business owners and why it is critical for them to understand the importance of developing strong financial strategies. The use of effective financial strategies may contribute to the ability of minority and small businesses to improve their financial performance, the local economy, and the survival of their business.

This pragmatic inquiry addressed the issue of minority and small business owners and how access to effective financial strategies, support resources, and effective training aided minority and small business owners in sustaining their new small businesses and contributed to minimizing the failure rate of minority and small businesses. The results of the project may contribute to the success rate of minority and small businesses by providing knowledge on how the owners can access and implement effective financial strategies while using best practices identified by other minority and small business owners. By using the strategies identified by other minority and small business owners who have sustained their business beyond the first 5 years, some minority and small business owners may find this project helpful.

Business Problem Focus and Project Purpose

The specific business problem is that some minority small business owners lack effective financial strategies to sustain their businesses beyond 5 years. Therefore, the purpose of this qualitative pragmatic inquiry was to explore effective financial strategies some minority small business owners used to sustain their small businesses beyond 5 years. The targeted population for this pragmatic inquiry was six minority small business owners in southern Florida who used effective financial strategies to remain profitable and sustain their small business for at least 5 years. The sampling method chosen for this project was purposeful sampling. Although purposeful sampling was the primary method to establish which small businesses were to be included in the project; I also adopted the snowball method to obtain additional project participants. Purposeful sampling strategy is a method researchers should use to identify project participants that have experience and understand the research problem so the researcher can generate unique information to address the research question (Sourinejad et al., 2020). Additionally, Gaus (2017) believed that the snowball sampling method can also be used as a successful strategy to recruit potential project participants. I initially reached out to business owners using data gathered from the local chambers of commerce, the local chapter of SCORE (formerly the Service Corp of Retired Executives), as well as by referral from minority and small business owners to identify additional project participants for this project.

Research Question

What effective financial strategies do some minority small business owners use to sustain their business success beyond 5 years?

Assumptions and Limitations

Assumptions

Assumptions in research are defined as unconfirmed statements that are presumed to be true and are the foundation of the research problem (Molina-González et al., 2024). The first assumption of this project was that it would provide insight to minority and small business owners and to those who help mentor and coach minority and small business owners. However, according to Danook and Al.obaidy (2024), it may not be realistic to provide a competitive advantage with the use of traditional business strategies. Therefore, the project may fall short of providing an added value to minority and small business owners. The second assumption was that conducting a pragmatic inquiry would be the best method to collect data on effective financial strategies from minority and small business owners who had sustained their businesses beyond 5 years. The third assumption was that project participants would offer honest, accurate feedback that would add valuable information for the success of minority and small business owners . The fourth assumption was that the sample size would be sufficient and would provide results that could be replicated and generalized in other locations.

Limitations

Limitations in research are defined as factors that place restraints on the research project that may reduce the reliability and consequences of the research findings (Molina-González et al., 2024). The initial limitation of this research project was related to the small number of minority and small business owners available to participate in the research project, which could limit the ability to generalize the findings to the general population. A second limitation may be that the lack of personal connection provided by the Zoom audio interviews may contribute to an environment that permits project participants to not be completely honest and answer the research questions based on how they believe I would like them to answer vs. the actual truth. Conveying the limitations of a research project is necessary to ensure the accuracy of the research project, it also provides additional researchers information so that they can replicate the research project in the future (Jack et al., 2019; Theofanidis & Fountouki, 2019).

Transition

In Section 1, I described the background of the problem, introduced the business problem focus and project purpose. The research question was revealed as well as the assumptions and limitations faced by the researcher. In Section 2, I will describe the professional and academic literature. In Section 3, I will describe the role of the researcher while collecting data and the steps used to ensure data security. Additionally, I will describe the project ethics, nature of the project, the population, sampling and project participants, data collection activities, the interview questions, data organization analysis techniques, and reliability and validity. I will conclude with Section 4, presentation of findings, business contributions and recommendations for professional practice, as well as implications for social change.

Section 2: The Literature Review

A Review of the Professional and Academic Literature

Literature reviews provide an overview and analysis of the research and should focus on the primary research questions. This review of professional and academic literature focused on financial strategies affecting minority and small business owners. Schonberger and Vasiljeva (2019) recognized that a literature review normally includes a synthesis of the literature, a review of previous research. This review includes an analysis and synthesis of past, present, and current literature related to financial strategies for minority and small business owners. The purpose of this literature review was to develop a foundation for understanding how effective financial strategies can assist some minority and small business owners to sustain their small business beyond 5 years.

The literature review is a central section of this research project, identifying themes and gaps that are relevant to the research. This research project contains 203 literature sources, which include journals, government reports, books, and seminal works accessed via the Walden University Library. Seventy-four percent of the literature sources are peer-reviewed articles with 81% of the literature published between 2019 and 2024. I used several databases and online libraries and resources to conduct the literature review, including Walden University library databases, as well as academic databases and search engines, SAGE Journals, Business Source Complete, ABI/INFORM Collection, ScholarWorks, EBSCO, Google Scholar, and ProQuest.

Keywords used to locate relevant articles included *small business success*, *small business entrepreneurship*, *nascent entrepreneurs*, *pecking order theory*, *business*,

business mentorship, *small business management*, *financial strategies*, *small business administration*, *business finance*, and *business resources*.

This literature review is organized by introducing the pecking order theory and the critical analysis of the pecking order theory. The research project also includes an analysis of the trade-off theory, criticism of the pecking order theory, interspersed within the culmination of extant literature related to capital structure, international studies related to funding, crowdfunding, financial strategies, and financial lending. The research literature is relevant to the purpose of this qualitative pragmatic inquiry. The purpose of this qualitative pragmatic inquiry was to explore effective financial strategies some minority and small business owners in southern Florida have used to sustain their small businesses beyond 5 years.

Conceptual Framework

Introduction to the Pecking Order Theory

The pecking order theory was chosen as the conceptual framework for this research project because of its recognition as a major theory used by small and medium enterprises (SMEs). The pecking order theory addresses the capital structure used by SMEs and was developed by Gordon Donaldson in 1962 (Fisher & Donaldson, 1962) and made popular by Stewart Myers and Nicolas Majluf in 1984 (Myers & Majluf, 1984). The pecking order theory is a preferred capital structure method used by managers of small and medium-sized firms’ where cash reserves is used to finance deficits (Yasmin & Rashid, 2019; Zeidan et al., 2018). The pecking order theory is a capital structure theory used to explain how minority and small business owners prioritize their source of debt financing.

Expounding on the original research of the pecking order theory and the findings of that research revealed situations concerning preferences toward debt versus equity and why there was that preference. Donaldson's (Fisher & Donaldson, 1962) original research included an analysis of data from 20 companies within five different industries over a 20-year period. Machine tools, baking and biscuits, rubber, chemicals, and ethical drugs. His research focused on determining how these companies assessed the risks associated with debt financing and established borrowing thresholds. Fisher and Donaldson (1962) found that businesses follow a pecking order, and their first preference for financing was debt, followed by a preference for equity when determining their capital structure. In addition, he found that financing options were also contingent on informational asymmetry. Donaldson (Fisher & Donaldson, 1962) evaluated 20 companies and identified that all but four of the companies analyzed used external long-term debt at some point over the 20 years. Many only used debts sparingly as needed, and only one of the 20 companies sought funding outside of the company.

Additional details from Fisher and Donaldson's (1962) research findings illustrate the statistical results of the companies' internal funding strengths. Of the 20 companies Fisher and Donaldson analyzed, 12 companies demonstrated the ability to generate 96% of their funding requirements from internal resources, whereas other companies were able to raise 11% to 54% of their funding requirements. Fisher and Donaldson also found internal financing was the preferred method of financing. Internal financing allowed the small business owners to retain complete and independent control of their business.

It seems that many successful minority and small business owners start their business with their own funds. According to Theodos et al. (2021), the average cost of starting a new business is $30,000. Many of these small business owners used cash, credit cards and/or a home equity line of credit. Although internal financing is the preferred method of minority and small business owners, financing can come from three major sources: internal funds, debt, and new equity. Firms first consider internal funds, which includes the use of savings of the minority small business owner, the second option is to explore financing using debt, and the third and least referred option is equity, and equity funding is often used as the last resort (Myers & Majluf, 1984; Yasmin & Rashid, 2019). In alignment with the premise of the pecking order theory, some researchers found that small business owners preferred raising funds internally (Agyei et al., 2020; Modigliani & Miller, 1963; Myers & Majluf, 1984). Rahman (2019) suggested that businesses first use their retained earnings to finance new investments, followed by using safe debt, and risky debt, and when they have no other option, they can use equity as a finance option. Utilizing the pecking order theory as a capital structure method to prioritize how they fund their business, minority and small business owners may discover that it offers an advantage to their operational process. Chaklader and Padmapriya (2021) found the pecking order theory valid when explaining the relationship between cash surplus and capital structure and that the firms they researched preferred internal financing over external financing.

When seeking a financial strategy, the minority or small business owner should first identify the cost associated with their chosen method to finance their business. The pecking order theory identifies that companies prefer to first use internal financing before considering issuing debt, and as a last resort they should consider equity financing (Modigliani & Miller, 1963; Myers & Majluf, 1984). The issuance of equity is the most expensive financing method but does have one benefit as it does not require repayment when the earnings of the business decline (Martinez et al., 2019). Singh et al. (2021) noted that small business owners may issue small shares of equity as they do not want to share ownership of their business. The issuance of small shares of equity can reduce reliance on bank funding, but small business owners continue to prefer internal funding sources. The pecking order theory is often found to be used by minority and small business owners as their preferred capital structure.

Capital Structure

Deciding the capital structure for a minority or small business is a significant financial management issue. How do business leaders decide what their debt-to-equity ratio will be, and should that ratio change as the business matures? The decision minority or small business leaders make on which capital structure to follow is a very important choice as capital structure can influence the improvement of resource potency as well as the ability of the minority or small business to sustain beyond the initial 5 years of beginning operation. Discussed within this literature are three theories of capital structure: pecking order theory, market timing theory, and the trade-off theory. Hastutik et al. (2023) suggested that capital structure theory has both short- and long-term impacts.

W. D. Choi (2023) suggested that the size, profitability, and tangibility of assets were factors to be considered when determining the structure of capital. Capital structure is the process used by business owners to identify the financing strategy that they will implement that would best benefit their business: internal financing, debt financing or equity financing.

The capital structure of a business is designed to maximize the worth of the business. Not all small business owners will benefit from the same structure and therefore, they must consider the factors that make their business unique. M. I. Ahmad et al. (2018) identified that businesses with a family structure differ from businesses with a non-family structure when looking at leverage and debt maturity. One factor that contributes to the difference identified is the level of transparency in the business. The authors found transparency was negatively related to mature debt which suggested that as levels of transparency within the business increase the debt maturity decreases. Family businesses tend to acquire a larger amount of debt maturity than businesses that are structured as non-family. Yezza et al. (2021) suggested that it is important to look at the family dimension to better understand the ability of the business to be successful. M. I. Ahmad et al. (2018) also discovered that transparency of the family business is positively associated with leverage, which indicates that the more transparent a business is, the greater the leverage opportunities will be.

Capital structure can also be impacted by economic interventions. Grigore and Gurau (2019) and Agyei et al. (2020) found that financial decisions may be influenced by elements such as the profitability of the business, the size of the business, the issuance of dividends, opportunities for growth, and the rate of inflation. Similarly, Neves et al. (2020) sought to understand how economic interventions influenced the choices business leaders made regarding the mix of debt and equity financing. The authors discovered that the businesses they studied managed to alter their debt-to-equity ratios after recognizing changes occurring in the economic environment and policy measures. For example, in times of economic uncertainty or intervention, minority or small businesses may shift their focus toward utilizing conservative financing strategies.

The role of a capital structure is to provide the minority or small business owner with additional financial tools that will allow the business owner a method to increase the capitalization of the business and achieve the long-term financial goals of the business. Akash et al. (2023) examined the sensitivity and validity of the debt signaling hypothesis, which predicts that when the debt ratio of the business is high, the increased debt ratio will improve income for the business. It is important that information asymmetries, which allows the business to have information available to them that is not available to investors or financial institutions and may negatively influence financial decisions, be reduced by utilizing tools gained from corporate governance (Akash et al., 2023; Raut, 2020). Akash et al. (2023) found that the structure of corporate governance and strategies adopted by businesses may offer the best opportunities to optimize the management of their capital structure. Small business owners benefit from capital structure.

Capital structure is the ratio between the equity and debt of a business. Brusov and Filatova (2023) understood that there was still the puzzling aspect of capital structure among finance scholars and examined three major theories that some scholars believed were perfect capital structures. Capital structure is the strategy that businesses use to decide on methods that allow the company's management to maximize the capitalization of the company and the long- term goals of the company.

Capital structure assists minority and small business leaders as they decide the method they will utilize to expand the capitalization of the business and the long-term goal of the company. Modigliani and Miller (1963) were the first to investigate how the performance of a business is affected by its capital structure. Prior to the study conducted by Modigliani and Miller previous research was based solely on the analysis of empirical data. The goal of the study was to gain an understanding of how the advantages and disadvantages of capital structure theories assist business owners in making correct management decisions for their business.

Franco Modigliani and Merton Miller developed the capital structure theory in 1963, known as Modigliani and Miller Approach (MM Approach). Modigliani and Miller (1963) are credited with conducting the first quantitative theory, although due to limitations identified, it is not often used in practice. However, many scientists have recognized the research's importance and are attempting to modify the theory developed by Modigliani and Miller (Vandana et al., 2023). There remains an increased requirement for making high-quality financial strategy decisions in the areas of corporate finance and financial management. A corporation must decide how much of its cash, debt and equity, it should have. These choices include loans, debentures, equity share capital, reserves and surplus, preference share capital.

Capital structure is defined by the finance mix or financial leverage which is ratio of each sort of capital—equity, debt, preference, etc. Financial leverage is defined as the amount of money the business has borrowed or the amount of debt the company is using. Morales Burgos et al. (2020) conducted semistructured interviews to collect data from 17 small business owners in Canada and Mexico. They found the need for financial institutions to provide small business owners with more resources and support, which will enable them to make informed decisions when making capital budgeting decisions. When managing capital, the business owner must recognize that debt is more affordable than equity because the interest payments connected to debt is often tax deductible (Fourati, 2021). Choosing the right capital structure for their business determines the degree of debt in a business's capital financing.

Pecking Order Theory

The pecking order theory is one financial strategy first identified by Gordon Donaldson in 1962 (Fisher & Donaldson, 1962) and has been expanded upon by Myers and Majluf (1984). Donaldson's (Fisher & Donaldson, 1962) original research included an analysis of data from 20 companies within 5 different industries over a 20-year period. Machine tools, baking and biscuits, rubber, chemicals, and ethical drugs. His research focused on determining how these companies assessed the risks associated with debt financing and established borrowing thresholds. Fisher and Donaldson (1962) found businesses follow a pecking order that demonstrates the preference of a business first to utilize cash then debt followed by equity in determining their capital structure. In addition, he found that financing options are contingent on informational asymmetry.

Fisher and Donaldson (1962) identified that all but four of the companies he analyzed used external long-term debt at some point over the 20 years, many only using debt sparingly as needed over the 20 years, and only one of the 20 companies went outside of the company to obtain funding. Of the companies he analyzed, 12 of the 20 companies demonstrated the ability to generate internally 96% of their funding requirements. Whereas the other companies were only able to raise 11% to 54% of the total funds needed. The path of least resistance for business funding is internal financing, internal financing allows the small business owner to retain complete and independent control of decisions related to their business.

Most minority or small business owners start their businesses with their own funds. The limited access to funds also requires that the business owners consider the best financial strategy for them, as well as the costs associated with their selection. Internal funding can include the use of cash, credit cards, or crowdfunding efforts. Family and friends are often the source of crowdfunding efforts. According to the pecking order theory, small business owners prefer raising funds internally (Agyei et al., 2020; Modigliani & Miller, 1963; Myers & Majluf, 1984; Yazdani et al., 2025). Although the preferred method for minority and small business owners is internal financing, financing can be obtained through debt, and new equity as well. Equity financing can require the business owner to release a percentage of ownership in their company and, therefore, is often used as a last resort (Myers & Majluf, 1984; Yasmin & Rashid, 2019).

Rahman (2019) identified that business owners prefer to finance their expansions with retained earnings, followed by debt (safe and then risky), and once they have no other option, they will use equity as a finance option.

To achieve financial success, business owners must identify early how they will obtain their funding. Although the preferred method for minority and small business owners is internal financing, financing can be obtained through debt, and new equity as well. Equity is often the last option for business owners as it is the most expensive but does offer more reflexibility as repayment of debt does not need to be repaid when earnings decline (Martinez et al., 2019). Singh et al. (2021) noted that small business owners typically determine their funding sources by prioritizing the sources that they can easily access and may select to issue small allotments of equity if they do not have the ability to qualify for bank funding. Equity funding will be sought by the small business owner as a last resort when all other funding sources have been exhausted (M. Ahmad, 2019; Rahman, 2019; Rehan et al., 2024). When seeking external funding, the minority and small business owners should be cautious when attempting to acquire additional capital financing as they are now increasing their debt. Although the financing can assist with funding future projects, they will now have a responsibility to repay the debt and may have to use the business as collateral.

Obtaining bank financing can be difficult for the minority small business owner due to information asymmetry. Information asymmetry often increases the cost of external funding for small business owners. In alignment with the pecking order theory, small business owners should make attempts to establish relationships with lending institutions to increase the chances of obtaining external funding. Asymmetric information affects small business owners, as the financial institution may not have sufficient information to understand the creditworthiness of the business (T. Chen, 2020). The small business owner will typically have more information about their business than outside creditors or investors (Cumming et al., 2020). It is in the best interest of the small business owner if they can eliminate information asymmetries and demonstrate that their business is well-managed (Akash et al., 2023). This lack of information sharing results in information asymmetry and can reduce access to external funding. According to Zeidan et al. (2018), the pecking order theory demonstrated that when small business owners need funding, they first look to finance internally, if unable to fund internally, they seek external debt, and if unable to obtain external funding, they will seek equity funding.

Companies that do not have a strong bilateral relationship with a bank experience information asymmetry. Pecking order theorists believe that asymmetric information influences lending due to the lender not having access to information related to the management practices of the business. When business owners can demonstrate stability to the lending institution, they can improve the potential for loan improvement (Myers & Majluf, 1984). Information asymmetry influences how business owners rank the type of funding they seek and obtain (Dhaene et al., 2017). Information asymmetry problems can be mitigated, leading to more accessible access to long-term debt financing. Banks with long-standing relationships with a minority or small business owner may have better access to information about the company’s financial health and prospects, which minimizes information asymmetry.

Bilateral relationships between companies and banks can minimize information asymmetry problems. The relationship allows the bank to monitor the company's performance more closely, reducing the risk of adverse selection and moral hazard. Akash et al. (2023) identified that demonstrating corporate governance is one way to reduce information asymmetry. Dhaene et al. (2017) found that companies with strong relationships with banks were able to acquire long-term debt financing more easily/ than companies that did not have strong relationships with financial institutions. Financial institutions may be more receptive to providing funds to companies because they reduced their asymmetry of information and built trust over time. This financing strategy aligns with the pecking order model, as companies prefer external financing in the form of debt when internal financing is no longer available or is insufficient.

Although internal funding is the preferred method in the pecking order theory, not all small business owners have access to internal funding options. Pecking order theory has varying options for small business financing and although internal financing is prevalent in the small business sector, there are other financial options and factors that influence how small business owners select their financial capital. According to the founders of pecking order theory and other researchers, small business owners prefer to raise funding internally (Agyei et al., 2020; Modigliani & Miller, 1963; Myers & Majluf, 1984). The last option available is equity, and that requires the small business owner to exchange ownership in the business for financial support. When internal financing is no longer a viable option, small business leaders may choose to obtain external financing by acquiring debt or issuing equity when they are not able to utilize retained earnings to raise capital (Park & Jang, 2018). When attempting to raise capital the small business owner must acknowledge that factors such as the size of the business, liquidity, and profitability can negatively impact the capital structure (Yousaf & Iftikhar, 2018). Park and Jang (2018) found that 81% of the businesses they researched contemplated how to create debt ratios to assist when identifying their financial needs. In fact, it can be difficult for business leaders to explain all their financial strategies although they may maximize the value of the business by leveraging their debt ratios (Jarallah et al., 2019). In addition, firms with higher sales growth try to minimize bank debt as it may have a negative impact on future financing behavior. Utilizing the pecking order theory allows small business owners an opportunity to maintain control of their business while raising capital to sustain the business. Simatupang et al. (2019) found that companies that use a financial strategy where they use internal funding and demonstrate good financial conditions reduce risk.

There appears to be a general lack of awareness of financial strategies among minority small business owners, which may affect their use of successful financial strategies. A strong understanding of pecking order theory can benefit minority small business owners by aiding them in making educated decisions about financial options that are available to them. Rakshit and Peterson (2024) found that minorities faced racial biases when attempting to access small business loans, and if they had a solid understanding of the pecking order theory it would benefit their business. Farrell et al. (2019) identified that business owners who do not have sufficient cash or irregular cash-flow patterns reduce the survival rate of the business. Pecking order theory will be used in my research project because it provides a method to gain an understanding of the financial strategies of minority small businesses and the preference for internal funding over external debt and new equity.

The Trade-Off Theory

The trade-off theory founded by economists Franco Modigliani and Merton Miller in 1963 and modified by Stewart Myers and Nicholas Majluf in 1984. Myers and Majluf (1984) suggested that business owners have one ideal debt ratio, and small business owners must trade off the benefits between the use of financing with debt or the use of financing with equity. The trade-off theory provides small business owners with a capital structure strategy that the business can utilize to achieve or maintain to build wealth for shareholders' (Fourati, 2021). Jarallah et al., (2019) found that small business owners may achieve ideal debt levels by balancing the advantages and the costs of debts by seeking additional capital. The trade-off theory of capital structure forecasts optimal debt ratio (Jarallah et al., 2019).

The pecking order theory, and trade-off theory have both been used to aid minority and small business owners as they determine the most suitable capital structure for their company. Although these theories have developed over time, there has yet to be an agreement on the ideal capital structure for small businesses (Neves et al., 2020). When considering the trade-off theory and comparing it to the pecking order theory, the trade-off theory differs from the pecking order theory as it places limits on the amount of debt that a business should incur to achieve the targeted debt ratio level. Minority and small business owners who incorporate the trade-off theory as a capital structure face similar challenges as those who select the pecking order theory, as each must attempt to limit the level of debt the organization accrues.

Minority and small business owners must seek ways to maximize the value of their organization. Nunkoo and Boateng (2010) forecast that small business owners who experience a low net tax advantage, as well as those with a large cost of bankruptcy, would choose to fund their business using debt. The advocates of the trade-off theory place emphasis that the capital structure behavior of business owners is influenced by their preferred target capital, and this target is a tradeoff with the cost of debts and the benefits that accompany reaching the preferred targeted capital (Qureshi et al., 2015). Melton Miller, co-founder of the trade-off theory often explained the trade-off theory by sharing a joke about Yogi Berra, the famous baseball catcher (Modigliani & Miller, 1963). Miller would discuss how Berra expressed to his trainer that he was hungry. After expressing how hungry he was, Berra instructed his trainer to cut the pizza he had ordered into 12 pieces instead of six, which implied that by slicing the pizza into more pieces, it would equate to more pizza. Miller used this story to explain the trade-off theory in this manner to illustrate how the value of a business is not dependent on how it is financed, just as the size of a pizza does not change regardless of how many pieces it is cut into. The value of the business is enhanced when debt yields benefit and allows the earnings of the organization to be shielded from taxes (Modigliani & Miller, 1963). This theory does also align with Modigliani and Miller’s (1963) notions that the value of a business which has been leveraged can be compared to a business that has not been leveraged if you consider the value after considering the benefit the business receives from tax savings debt financing. Since the business can deduct the interest from loans, the tax deduction is considered an incentive to take on more debt than equity. Modigliani and Miller (1963) indicated that the value of a business is independent of the financial capital structure the business selects. The capital structure of the small business is dependent on how the debt of the business is managed (Fukui et al., 2022).

When comparing the trade-off theory to the pecking order theory, while the pecking order first encourages the use of internal financing, the trade-off theory encourage business owners to finance the business using a target debt level. This theory, like the pecking order theory, attempts to limit the debt level the organization accrues. The small or minority owned business can increase the value of their business value when they consider both the costs and benefits of financing their business with debt and/or equity (R. Ahmad & Etudaiye-Muhtar, 2017).

The goal of all minority small business owners is to manage their debt and to maximize the value of their small business. This goal can be met when the business owner adopts a financial strategy that allows them to balance the costs and benefits of debt and equity finance (R. Ahmad & Etudaiye-Muhtar, 2017). In business, information asymmetry and the cost of bankruptcy are factors that can negatively impact the ability of the small business to leverage ratios.

Demonstrating support of the trade-off theory; Modigliani and Miller (1963) suggested that the value of a business when appropriately leveraged was equivalent to that of an unleveraged business. In other words, once consideration was made for the current value of tax savings received by the business from debt financing are added and the present value of any projected costs related to anticipated financial difficulties was deducted. Since interest on debt is tax deductible the minority and small business owner is incentivized to incur more debt than equity.

Trade-off theory does contrast with the pecking order theory in that the trade-off theory encourages minority and small business owners to obtain financing for their business externally while the pecking order theory is more conservative and recommends minority and small business owners finance using internal capital to sustain the business. The premise of the pecking order theory is that a business uses debt or equity financing only after they have first utilized internal funding, and this should be done based on the needs of the business, but with caution. While there are several internal financing sources, a crucial part of internal financing is retained earnings, which new businesses tend to struggle with, limiting their efforts to fill any gaps in their financing strategy (Begenau & Salomao, 2019).

Companies can be conservative regarding their leverage (Ricca et al., 2021). The trade-off theory supports making financial decisions with either debt or equity financing (Dao & Ta, 2020; Khoa & Thai, 2021). There is a benefit to business owners who acquire debt or equity to obtain capital for their businesses, as debt does offer tax benefits to the business owner.

Minority and small business owners struggle with identifying an effective financial strategy. The data collected from the trade-off theory has shown that business owners are not consistent when attempting to establish financial strategies related to selecting the use of internal funds over the use of external funds (Park & Jang, 2018).

During a search of the empirical literature to discover effective financial strategies used to sustain businesses beyond 5 years, I discovered four significant themes: (a) capital structure, (b) crowdfunding, (c) financial strategies, and financial lending.

Capital structure theories have helped company leaders select the financing strategy that aids the optimization of their company's value and financial stability. Abeywardhana (2017) reviewed capital structure theories and identified several theories that were developed based on the model of the irrelevance theory. The irrelevance theory is based on characteristics of a firm's debt and equity. The models identified include the pecking order theory, the trade-off theory, and the market timing theory.

The pecking order theory assumes that the leader of the company must follow a financing hierarchy that allows them to reduce the problems associated with information asymmetry. The principle of the trade-off theory is that company leaders must select an optimal debt ratio and then trade off the cost as well as the benefits of financing with debt and/or equity. The analysis by Abeywardhana (2017) determined that neither the pecking order theory nor the trade-off theory provided a comprehensive description of why some company leaders preferred debt, and other leaders held a preference toward equity financing when faced with different circumstances. Abeywardhana also looked at the market timing theory, which is based on the premise that once a stock reaches a price that exceeds the value of the stock the company leaders will seek leverage projects using debt, otherwise, they will rely on equity financing. The author concluded that the question "How do firms choose their capital structure?" remains unanswered. Yet, market timing behavior research continues and is well established empirically by domestic and international researchers (B.G. Choi & Lee, 2019).

International Studies

Capital structure has been studied nationally and internationally. Depicted here are the critical analyses and syntheses of international research related to capital structure along with associated measures, methods, and theories. R. Ahmad and Etudaiye-Muhtar (2017) examined the capital structure of non-financial businesses listed on the Nigerian Stock Exchange. The results showed that businesses in Nigeria must focus on identifying their consumers to assist them in lowering transaction costs. Firms in Nigeria must recognize their optimal capital structure is also affected by the growth opportunity of the business, the ability to have physical assets, the firm size, as well as profitability, and the impact of inflation on the business. A second study was conducted in Nigeria by researchers Akingunola et al. (2017). The researchers examined 22 non-financial firms listed on the Nigerian Stock Exchange for a 5-year period (2010-2015). The researchers examined the impact of long-term debt to total assets (LTDTA), short-term debt to total assets (STDTA), and total debt to total equity (TDTE) on return on equity (ROE) and return on assets (ROA). The data revealed that the size of the firm positively affected both return on equity and return on assets. The findings implied that minority small business owners could positively affect their equity shareholders by including short-term and long-term debt.

Some international studies also align with national studies conducted in the United States. Koralun-Bereźnicka (2018) examined 11 European countries from 2000-

2013. The findings provided proof that the choices selected by small business owners on financing options provided additional support for the pecking-order theory and revealed that owners of medium to large businesses leaned toward aligning with the predictions of the trade-off theory on leverage. The authors concluded that the trade-off theory appears to apply to business owners with short-term debt, while the pecking order theory was more applicable to businesses with long-term debt.

Researchers conducted a study in Indonesia and examined how non-financial companies organized their capital structure. Simatupang et al. (2019) used a causal comparative research method to investigate data from 154 non-financial businesses that were experiencing a surplus of funding. The companies investigated were nonfinancial businesses that appeared on the Stock Exchange in Indonesia (IDX) during the years 2014–2017. The goal of the investigation was to identify the effect of nondebt tax shield, sales growth, surplus in funding, profitability, and the tangibility of assets on the capital structure. The results of the research revealed that capital structure was not affected by nondebt tax shield and growth in sales. However, capital structure was positively affected by a surplus in funding and was negatively affected by profitability and tangible assets.

Similar to the work of Simatupang et al. (2019), another researcher examined how financial institutions chose their capital structure by collecting data from a stock exchange in Pakistan. Martinez et al. (2019) examined methods used by conventional and Islamic commercial financial institutions that influenced decisions on capital structure technique used by the institutions as well as the significant factors that contributed to how they selected a capital structure. Data were collected from 2004-2014 using the annual reports of commercial banks listed on Karachi Stock Exchange Pakistan. The researchers found that the Islamic banks were leveraged at a lower rate than the conventional commercial banks. The review revealed that the conventional commercial banks had safer earnings, were larger, and more profitable. The review also revealed that the Islamic banks had larger fixed operating assets and more growth in total assets when compared to those of the conventional commercial banks. The findings also showed that while the Islamic commercial banks and conventional commercial banks each have identified techniques and strategies that differ in selecting the method used to structure capital from the banks, non-financial firms in Pakistan were all affected by similar variables.

Capital structure is important to international business as it directly has an impact on profitability. It can reveal to stakeholders how well the business is managed. The goal of every organization is to be profitable; thus, having a high level of profitability can aid in both the sustainability of the organization and improve the company's value. However, research concerning capital structures continues to be questioned, as noted by Abeywardhana (2017). Crowdfunding is another form of raising capital that has gained momentum.

Crowdfunding

Financing a new business venture can be difficult for minority small business owners as they often lack access to traditional means of raising capital. Bank financing can also be a challenge for new minority and small business owners as they are often faced with insufficient collateral or do not have a relationship established with a financial institution (Y. Liu et al., 2021). The result is that many financial institutions will not lend to minority or small business owners as they are considered high investment risks.

New minority and small business owners must find creative means to find capital for their business. Bellavitis et al. (2017) studied financial capital prior to 2017, and there was additional literature related to entrepreneurial financial capital that had advanced significantly as well. Not only had the new phenomenon known as crowdfunding emerged, but researchers had emphasized the presence of additional financial sources for new business ventures and used various theories to understand how these sources impacted the startups (De Crescenzo et al., 2021; Fraser et al., 2015; Xu et al., 2021). The new trends called for an explanation of how new business owners financed and grew their new business ventures. Although the idea of crowdfunding was peer-to-peer or business-to-business. The U.S. Securities and Exchange Commission (SEC, 2016) regulates businesses that raise capital using crowdfunding, and all monies received must be reported. The regulation permits eligible companies to crowdfund with securities to raise capital. The regulations also require that businesses record all crowdfunding transactions through an SEC-registered intermediary. The rules of the SEC govern the amount an individual can contribute during a 12-month period and limit the amount that a business can raise in a 12-month period to a maximum aggregate amount of $5 million (SEC, 2016). Minority and small business owners use crowdfunding to raise funding and to alleviate poverty (T. Chen, 2020). Crowdfunding is done via various public online platforms with visual displays of the goals as well as the names of those who have contributed (Chemla & Tinn, 2020). Although crowdfunding offers minority businesses an opportunity to raise funds, they are still at a socioeconomic disadvantage as the sites that have the most funding success also have the most resources applied to them (Koh et al., 2023). Crowdfunding, like every other method used to raise capital, requires capital.

Crowdfunding is growing as a means to raise capital for start-ups, as the lack of bank financing has required a diversification in how startups access capital. There are two types of crowdfunding we will explore: peer to peer, and reward based. Y. Liu et al. (2021) found that information asymmetry affected the small business owners they studied and made it difficult to assess the fundraisers' true motives. Information asymmetry may make it difficult for the minority small business owner to obtain funding from banks or financial institutions.

Crowdfunding is an attractive financing option for minority small businesses because it allows them to obtain funding that they may not qualify to receive from banks or financial institutions. Although this form of raising capital has progressed, small business owners are still developing their digital platforms and ways to manage its use.

Reward-based crowdfunding is another form of raising capital used by minority and small business owners. It allows firms to raise capital by rewarding the consumer with a promise of a future product, a small gift or simply acknowledgment of their gift. The reward-based crowdfunding model allows the business owner to measure the potential level of interest in their product. Chemla and Tinn (2020) developed a tool for business owners that use the reward-based crowdfunding to receive a reliable proof of concept early in their production cycle: the tool allows business owners to use data from preordering of new products to measure the demand for the product by offering the product to a group of targeted consumers.

The ability to identify consumer interest in a product through crowdfunding creates a valuable option to determine if consumers will be willing to invest in the product. The tool allows the minority small business owner to measure the demands from consumers and based on the demand; production of the product could be stopped or delayed if the expectations for consumer demand are not sufficient. Chemla and Tinn (2020) found this method to be a great technique for business industries where consumer preference has a high degree of uncertainty. Reward-based crowdfunding is a capital raising process that minority and small business owners may find helpful before taking their products to full production.

Additional studies have shown that crowdfunding campaigns can be potentially influenced by the reputation of the campaign founder, and the reputation may negatively affect their project-sharing when marketing through social networks. The impact of social influence on crowdfunding performance was examined by reviewing two crowdfunding sites in China, Jingdong crowdfunding and Weibo (Y. Liu et al., 2021). Their results showed that the performance of a crowdfunding campaign is dependent on the number of followers and the method by which the campaign was shared. The success of a crowdfunding campaign can be leveraged through the use of social network integration.

Crowdfunding campaigns can also be affected by racial cues identified on the crowdfunding platform. Rhue and Clark (2022) identified that although personal information shared by the organization is vital for facilitating trust, the sharing of racial identity information can also have an adverse effect on the campaign. The authors studied the relationship between racial cues and their effects on the outcome of the crowdfunding campaign. Rhue and Clark (2022) studied data from more than 100,000 projects gathered from Kickstarter.com, a crowdfunding platform. The data categorized racial cues based on the identity of the creator and the product, resulting in racial cues of two different methods: photo vs. textual. Once the categories were identified, the authors used propensity score matching to determine the effects of racial groups, categories, and various media. The authors identified that crowdfunding campaigns associated with African American creators or African American products resulted in lower success rates.

The results were not consistent among all minorities. Creator-based cues associated with those identified as Asian also had lower rates of success, much like African American creator-based cues; however, Asian based products were more successful than African American products. Furthermore, when product-based cues and creator-based cues were viewed separately, the authors found that the campaigns that were not associated with the racial identity of the creator were more successful. Therefore, the results of this research project suggest that those seeking financing through crowdfunding should attempt to have racial anonymity, as this contributes to a higher rate of success when compared to crowdfunding campaigns that reveal the race of the creator.

The success of crowdfunding is mitigated by the trust that potential donors are provided by the crowdfunding campaign. Crowdfunding provides minority and small business owners an avenue to raise capital, and it allows small business owners to gain feedback on their products. Based on a trustworthiness perspective, Lui et al. (2023)

found that consumers research the crowdfunding business for cues of competence trust and benevolence trust, and this influences the success of the crowdfunding efforts to include the money raised, the overall number of contributors.

The reward-based crowdfunding model allows the business owner to determine what level of interest exists for their product. Chemla and Tinn (2020) developed a reward-based crowdfunding model which allows the business owner to obtain information on the potential success of their product: they obtain information about their consumers who may be interested in preordering their product. Gaining information through the crowdfunding efforts allows the business to access valuable information on consumers who may invest in their product if given the information they need. This information will be valuable for the minority or small business that is facing a high degree of research and development cost, and they will possess information regarding the preferences of their potential consumer. Although the success of the crowdfunding campaign decreases with sample size, the business can expect to maximize funds with intermediate sample size. Chemla and Tinn's research show that if funders trust the project it will result in an increase of crowdfunding success.

Geography also influences the success of crowdfunding. Ryu et al. (2022) researched how crowdfunding was influenced by venture capital investments in startup businesses utilizing a signaling theory perspective. The authors found that independent venture capitalists were less likely than corporate venture capitalists to fund a startup financed through crowdfunding. The result showed that crowdfunded startups were less likely to receive funding from venture capital funding. Venture capitalists were also influenced by the location of the business, and funding was less likely for startups located outside of a region where a city of startup clusters existed.

Al-Edrus et al. (2023) collected empirical data from 300 crowdfunders. They studied the factors that influence the acceptance of crowdfunding and the perceived trust and usage intention. The authors found that the use of crowdfunding is still low. The results of the study indicated that social influence, performance, user habit, expectancy, and perceived trust significantly predicted the intention of the users. The use of crowdfunding as a part of a financial strategy, coupled with the appropriate capital structure, may ensure that companies can raise the capital needed to establish their business.

Financial Strategies

A financial strategy provides a small business owner with a comprehensive plan that identifies how the business will manage its financial resources to achieve sustainability. It involves establishing a decision-making process related to the development and management of financial assets and liabilities to maximize the value of the small business.

Krishnan et al. (2015) analyzed how the deregulation of interstate banking increased access to bank financing and affected the total factor productivity of new businesses. The authors used a regression discontinuity approach, as they followed the eligibility criteria of the SBA's funding eligibility criteria, and through their research the authors were able to identify that the total factor productivity for small businesses was raised after banking deregulation which had a positive impact on businesses that were experiencing financial hardship. The results suggested that business owners who are granted access to funding improve the owner's ability to invest in more projects (Krishnan et al., 2015).

The method that small businesses use to determine the amount of corporate cash holdings is also a financial strategy. Weidemann (2018) examined the widespread theoretical basis of corporate cash policies. Factors that encompassed several theories that stemmed from research on capital structure methods were reviewed by the author; he specifically looked at both the pecking order and trade-off theories. Weidemann also examined factors that focused on agency conflicts and identified common themes seen in practical research. Once the themes were identified the author then sorted the themes into general categories of factors, including firm size, leverage, growth opportunities, and corporate governance. Once the factors were identified, Weidemann compared their predicted outcomes according to different theories. The author found that each of the themes may have an impact on the corporate cash holdings.

Yasmin and Rashid (2019) used data collected from nonfinancial firms in Pakistan during the period of 1998-2014 to explore the frequency and causes of financial conservatism. The authors examined several business variables to identify their influence on several theories, the authors also examined how macroeconomic conditions and business group affiliation would impact the theories. The outcome revealed that 14% of the businesses observed during the first year were conservative with their finances. The financial conservatism of the businesses continued to remain conservative with nearly twice as many businesses demonstrating conservative practices over the period of 11.25%

in 1999 to 20.76% in 2014. The authors found that the businesses that demonstrated financial conservatism were more profitable, took less risk, and paid higher dividends than the businesses that did not exercise financially conservative practices. The results revealed that the businesses that utilized a financial hierarchy in addition to exercising financial flexibility were the most likely to avoid the need to finance debt. Finally, the researchers showed that financially conservative business owners were significantly more likely to be financially conservative if they associated with other business owners who were financially conservative.

The financial strategy selected by many SMEs can be influenced by various factors. Wasiuzzaman and Nurdin (2019) examined the factors that contributed to the leaders of SMEs considering borrowing money by applying for bank loans. The researchers analyzed the data from 145 SMEs who participated in surveys by Selangor and the Federal Territory of Kuala Lumpur. Wasiuzzaman and Nurdin discovered that the choice of the business leader to pursue debt financing was influenced by the company's access to finances, as well as the current financial performance, and the company's legal formation. The private limited SMEs with a strong performance record tended to have more options to seek financing and had a higher tendency to seek debt financing options. Surprisingly, the findings also demonstrated that SMEs with a negative experience on their credit history and those with a poor history of credit also tend to apply for debt financing, and those with a poor credit history were more likely to apply for debt financing than those with a negative experience on their credit history.

Linder et al. (2020) examined how varying levels of capital endowments among entrepreneurs influence their survival prospects. The authors utilized the subjectivist theory of entrepreneurship to explore the issue along with a configurational approach. Their findings indicated that although a combination of human and social capital is crucial for business survival, it is not as beneficial of have an excessive focus on financial capital. The researchers also identified that there is a gap between recognizing the views of a subjectivist and taking advantage of opportunities from the view of a subjectivist. These insights allow for a varying perspective on the ongoing debate about whether different types of capital act as substitutes or complements.

There has been and continues to be a great deal of research on the challenges that minority small business owners experience in utilizing successful financial strategies to acquire capital to sustain their businesses (U.S. Department of Commerce Minority Business Development Agency, 2021b). To achieve effectiveness in controlling systems, minority small businesses will need to develop a financial strategy encompassing various aspects such as budgeting, cost control, and financial reporting. By setting up effective control mechanisms, small businesses can monitor their financial performance and ensure that resources are allocated efficiently. Small businesses consistently lack access to financial resources as they often have limited access to personal funds or internally generated funds, and they also have difficulty raising funds (Svatošová, 2021). Brown et al. (2020) also found that minority small businesses are often affected by funding gaps, although they have an established business in one of the most developed capital markets in the world, the United States. The development of a financial strategy should be aligned with the long-term goals and objectives of the small business. Most minority small business owners will take advantage of their network of family and friends, personal savings, personal and business credit cards, and the equity in their home, as they may not have access to trade on the public market (Koh et al., 2023). The minority small business owner should take into consideration factors such as market conditions, competitive landscape, and regulatory requirements. Additionally, the minority small business owner should be flexible enough to adapt to changing circumstances and evolving business needs.

Small businesses are a vital part of the Florida economy. According to Myhre (2014) with the Florida Small Business Development Center, there were 2.3 million small businesses in Florida. These businesses were responsible for employing 4.6 million people, which equated to one out of every three Floridians being employed by a small business. A financial strategy is crucial to the success of minority small business owners, as it identifies the methods and approaches used to raise and manage funds within the business. According to Svatošová (2021), financial strategy can be observed in relation to a logical, cohesive arrangement of strategic financial rules, objectives, and approaches that strengthen financial planning. Although financial strategies used by minority small business owners may vary from those employed by large corporations, the strategy selected will depend on the organization’s life cycle.

Minority small business owners need to develop financial strategies to raise funds for working capital and generate investments to sustain their businesses past the first 5 years. Brown et al. (2020) identified that the inability of small businesses to access financing negatively inhibits small businesses and prevents them from demonstrating the value they offer to their target market. Sustainability can offer many benefits to an organization, such as financial gains, an enhanced corporate reputation, brand loyalty, and improved relations.

Sustainability

Organizations make finance decisions that are critical to the sustainability of their business (Boateng et al., 2022). Sustainability is a widely discussed topic in the business world, and its definition has evolved. According to S. Liu and Yan (2018), sustainability involves meeting the needs and expectations of stakeholders while continuing to develop investment and managerial strategies to ensure growth, future profitability, and social well-being. Although these expectations may have a positive impact on the business, they can also be a hindrance to its success (S. Liu & Yan, 2018). Thus, sustainability can improve the new ideas and new visions which can lead to new business opportunities (Serrasqueiro et al., 2023). One of the challenges of sustainability is meeting the regulating requirement.

As the world becomes increasingly interconnected, customer demands and needs are constantly evolving. Although business owners desire to meet the demands of their customers, attempting to meet customer expectations can also be a hindrance to the business (S. Liu & Yan, 2018). Bag (2024) suggested that business owners must be prepared to make changes to their strategies and be willing to follow trends on current ethical, environmental and social parameters. The flexibility will put the business in a position to sustainability. From a conservation perspective, sustainability refers to selfpreservation, often in the face of extraordinary natural challenges. From a business perspective, sustainability refers to how the business is managed in the face of an environment that can see robust consumer growth as well as changes in customers (Bag, 2024), which require determination and competitive provisions. These strategies will require the business owner to adjust in order to meet the financial challenges, the need for skills, access to resources, and sustainability challenges (Fok et al., 2021). A business should always be prepared to expand upon the services and/or products that it offers to its customers. This includes expanding their business in range and scope, as well as expanding into new market regions.

Sustainability looks at how an organization can achieve the social objective of taking care of their employees, and the environment while making a profit. Experience and education in business operations can assist with the ability to sustain a small business. Small business owners that use internal funding strategies and can maintain cash flow to pay salaries develop may sustain their businesses past the initial 5 years.

Financial Lending

Minority and small businesses are often seen as vulnerable due to their reliance on credit from local banks. The competition among banks in local markets has increased due to a reduction in the number of independent banks because of deregulation. The result is that local branch networks of larger banks are more selective in lending to the small business owner seeking a bank loan. Bindal et al. (2020) investigated how bank mergers and acquisitions affect how small business owners obtain financing. The authors found that large banks with thresholds above $10 billion offer a reduced number of loans to both small and large business owners when compared to banks with thresholds below $10 billion. It appears that as new banks enter a local market, the initial impact is felt greatest by small and minority business owners as they receive less bank funding.

Lending can be influenced by policy. B.G. Choi and Lee (2019) found that when the SBA temporarily expanded its loan subsidy program from 2009 to 2010, the result was an increase in the number of loans issued in addition to the amount of the loans. Although many small business owners benefited from this change in policy it resulted in the greatest benefit to those small business owners who were enrolled in the SBA's Preferred Lender Program. The study also revealed larger financial institution which issue the largest volume of small business financing did not make any changes in their lending despite the SBA increase in subsidizing loans. To increase the availability of credit to small business, Amel and Mach (2017) noted that the Small Business Lending Fund (SBLF) was established as a part of the 2010 Small Business Jobs Act. The goal of the fund was to provide community banks with the ability to lend to small business owners at a reduced cost.

Lending to small business owners is affected by relationships. Jagtiani and Maingi (2019), and Srivastav and Vallascas (2021) provided evidence supporting that community banks offer small business owners more loans than non-community banks, which tend to be denied by non-community banks. The community bank has a significant impact on small business owners looking to obtain bank loans. In communities where Esubalew and Raghurama (2020) studied how the capability of small business owners and their relationship with bank finances influenced the performance of micro, small, and medium enterprises MSME's. The authors identified that the ability demonstrated by the small business owner did not have a meaningful impact on the relationship with the lending institution. Lux et al. (2020) also identified that relationships have a direct effect on the performance of a business. The development of relationships with financial institutions is needed to improve the opportunity to receive financing.

Criticisms of the Pecking Order Theory

The criticism of the pecking order theory highlights the potential impact on funding decisions made by small business owners. During the startup phase, small companies may struggle with internal funding and select crowdfunding to generate capital (Meghouar et al., 2024). Critics of the pecking order theory have argued that a company's choice of capital structure may vary depending on the prevailing economic conditions (Hastutik et al., 2023). It suggests that external factors such as economic conditions and company size can significantly influence the practical application of peer-to-peer structure theories. While the pecking order theory has been influential in understanding capital structure decisions, it is important to consider the criticisms and contextual factors that may affect its applicability in real-world scenarios.

Barriers to Minority Small Businesses

The importance of minority-owned small businesses can be demonstrated by the revenue they generate. According to the SBA (2021a), the revenue of minority-owned small businesses increased annually by $400 billion between 1997 and 2019, from $907 billion to an average of $1.3 trillion. The value of minority-owned small businesses can be further demonstrated by their presence, as 18.7% (1.1 million) of U.S. employer businesses were minority-owned (SBA, 2021a), and 99.9% of minority-owned businesses with employees are small businesses (SBA, 2021a). These businesses also contribute to job creation, as evidenced by the fact that 1 out of 10 Americans is employed by a small minority owned business. There is an emphasis on supporting small businesses as they attempt to develop sustainability, as they have demonstrated that they make a significant impact on the U.S. economy. The concept of developing ownership is important for minority small business owners, including home ownership, equipment purchases, and other components of their business; ownership can support economic development in minority neighborhoods as well as minority wealth. (Cervantes et al., 2021). Despite the importance of minority small businesses to the U.S. economy they continue to face challenges obtaining financing. Literature on business financing highlights the importance of government support and an increasing need to preserve cash (Belitski et al., 2022).

Minority business owners have a history of not being granted credit in the United States. The history includes the illegal transfer of land from several African American farmers to white farmers by the U.S. Department of Agriculture in the 1950s through the 1960s (Newkirk, 2019). The illegal transfer was verified by the U. S. Commission on Civil Rights in 1965. In addition, the Farmers Home Administration (FmHA), an agency of the U.S. Department of Agriculture which was designated to provide financing and insurance for housing and farming needs, engaged in discriminatory practices.

History reveals that in the 1950s and 1960s, African American farmers were being denied and blocked from receiving conventional bank loans. White farmers were offered larger loans at an increased loan approval rate when compared to African American farmers with similar financial backgrounds. (Newkirk, 2019). The African American farmers were forced to apply for FmHA loans, which were ultimately denied to many African American farmers across the South, and these denials led to the Great Migration north (Newkirk, 2019). The African American farmers who were approved for FmHA loans reported being subjected to numerous loan scams that led to defaults and the subsequent loss of land.

This history of unfair lending practices in the U.S. continues to affect the minority small business owner negatively. Ometto and Offidani-Bertrand (2022) explored challenges entrepreneurs of color faced in accessing start-up capital. The authors interviewed 14 entrepreneurs and mentors, collected data from multiple sources (i.e., media and documents), from the participants, and observed behavioral patterns using an ethnography approach to capture meaningful data. They found that entrepreneurs of color used camouflaging strategies, as other markers to identify with a possible market (e.g., military background), and build strategic alliances with those of other races to gain resources needed to achieve their goals. The ability of a minority small business owner to establish alliances should aid in the amount of support they receive and their ability to gain access to funding but should not be the main determining factor.

Rijssegem et al. (2024) identified that when business owners have strong financial knowledge, it improves the ability of the business to obtain financing. There are many financial decisions that every small business owner must make; these decisions will impact business owners, especially minority-owned businesses, in a variety of ways, and research provides documentation that the capital structure of small businesses is the most significant and influences the sustainability of the business (Babanić, 2018). Additionally, Martinez et al. (2019) emphasized that small businesses that relied heavily on debt or equity were more susceptible to experiencing business failure when compared to those that were able to utilize internal funding. This can be seen with minority small business owners who often experience financial challenges in business success, as well as decades of obstacles from minimal policy changes and improvements derived from research (Meyer & Schweitzer, 2022). The barriers to the success of the minority business vary.

Research conducted by Bates et al. (2022) identified that one of the greatest barriers for minority small business owners is that a few small business owners have the knowledge required to develop a financial strategy that will support establishing a viable business. Minority business owners continue to face challenges when applying for credit. Fairlie et al. (2022) identified one challenge for minority small business owners is how lending institutions evaluate the creditworthiness of the minority applicant. (Robb & Robinson, 2014). When comparing white and minority applicants who were seeking to obtain bank loans, researchers often found that black applicants were treated different when inquiring about loans and were denied the loan more often in comparison to white applicants with similar circumstances (Amin et al., 2023; Bates et al., 2018; Scott et al., 2024). Financing is a significant issue affecting the success and survival of minority business ventures (Meyer & Schweitzer, 2022). There are various factors that determine the creditworthiness of a borrower, but the ethnicity of the borrower should not be a factor.

In addition to possessing a challenging personal or business credit score, household wealth is a factor that hinders many minority business owners from obtaining approvals for their loan applications. In a study conducted by the Kauffman Foundation, it was discovered that white business owners when compared to Black and Latino business owners (68% to 61.7%) who have personal wealth of at least $250,000, the white business owners were more likely to have their application to be categorized as low risk. (Bates et al., 2022). Meyer and Schweitzer (2022) found that in 2020, minority business owners applied for credit at rates comparable to nonminority business owners, but they experienced lower approval rates. When minority business owners were seeking financing to assist with covering operating expenses and reported that when they did receive loan approvals, they often did not receive all the financing that they applied for.

Exploring data from 2022, minority business owners reported more difficulties obtaining loans to sustain their business. Even while controlling for creditworthiness, Butler et al. (2022) discovered that Black and Hispanic applicants' approval rates were 1.5 percentage points lower than those of non-minority business owners. The results further explain that in areas where strong racial biases exist, the ability for minority business owners to obtain financing is further complicated as lending competition is lower. Further data reveals that although minority business owner pay higher interest rates, they default less on their loans, and this supports the presence of racial bias and not the presence of statistical discrimination. Explored the racial differences in gaining access to capital. Their intent was to view any differences between the financing of minority and non-minority entrepreneurs.

Financial distress is one of many barriers resulting in the failure of a minority small businesses within the first 5 years of operations; however, there are organizations that support and offer resources to the small business owner on their journey to succeed. Pinna et al. (2025) identified the importance of family businesses discussing both the family and the business when dealing with issues concerning business financials. The inability of the business to remain current on its obligations to its creditors is financial distress (Y. Chen et al., 2022). When the liability of the small business exceeds its assets, the business is experiencing financial distress (Panigrahi, 2019).

Financial distress results in frustration and adversely affects the operations of the business (Casey et al., 2023). Finance literature states that when financial distress occurs, the small business is at the point where it has moved from being financially healthy to having developed a financial illness that requires corrective actions (Stoiber et al., 2025). Once the small business is no longer financially healthy, it may not have the ability to course correct, and the business may end up in financial distress. Many minorities small business owners could avoid financial distress by utilizing the resources from organizations such as the SBA and its many partners. The local Chambers of Commerce and other organizations established to empower minority and small business owners are often viable options to prevent financial distress.

Black households often lack access to the financial information networks that white households utilize, and this includes the lack of support that black households experience in establishing relationships and gaining access to formal financial institutions (Amin et al., 2023; Charron-Chénier & Seamster, 2021). Minority small business owners may not want to owe others as they establish or maintain their businesses. Many minority small business owners prefer to use funds from internal sources before seeking funding from external sources. If minority small business owners were able to understand the various ways to leverage their debt as a second source of financing, such as the use of collateral, loans, or credit lines, it would assist the minority small business owners in identifying the appropriate level of debt financing that they can use without putting the business at risk.

The internal funds may include a savings account, retirement or even credit cards. If they are not able to finance the small business independently, they may also ask family and friends to donate to their business through crowdfunding. When making business funding decisions, minority business owners consider many options, including bootstrapping, crowdfunding, taking out a loan, or seeking investors, to name a few, and this strategy has been termed a pecking order (Fisher & Donaldson, 1962; Myers, 1984).

Despite financial institutions implementing changes and the development of educational programs targeting minorities, there continues to be a disparity; there has been some improvement and a reduction in barriers toward minority entrepreneurship, but many more are still needed. Mutamimah et al. (2021) examined the role of financial literacy in strengthening the ability of small business owners to be transparent, accountable, responsible, and independent while reducing their credit risk. They analyzed the records of approximately 254 business owners who had been approved for credit.

Mutamimah et al. found that financial literacy did not increase the ability to be approved for credit; however, they did identify that transparency and accountability were able to improve the opportunities for credit approval. Minority small business owners seek financial assistance to assist with business growth, support during times of hardship, and other risks. Financial education programs for minority small business owners should be available and should offer training on preparing business plans that can be presented to financial institutions, reading financial statements, balance sheets, and income statements (Arrieta-Paredes et al., 2020). Financial literacy is needed, but minority business owners can also benefit from learning wealth-generating habits and risk tolerance. Financial literacy can assist minority small business owners with understanding their options to leverage capital to grow their investments.

As described, minority small business owners must develop financial strategies. Financial strategies will allow the minority small business owner to seek new funding opportunities that do not require tangible assets or credit needed to sustain their business (Dyer, 2021). This includes the identification of potential sources of funding, such as equity, debt, and hybrid instruments, and selecting the most appropriate source based on the needs and circumstances, which may allow them to sustain their business beyond the first 5 years.

To help support the disparities among minority business owners, the U.S. Department of Commerce Minority Business Development Agency (2021a) passed the Minority Business Development Act of 2021. This act was a part of the Bipartisan Infrastructure and Jobs Act. The Minority Business Development Act is now a permanent part of the Department of Commerce. This will allow the programs provided by the MBDA to be expanded throughout the country. This change will also help with the support needed by the minority small business owner and will provide an Undersecretary of Commerce for Minority Business Development at the Department of Commerce. One of the mandates is the establishment of a grant program to be developed that will help mentor and develop future minority entrepreneurs on HBCU and MSI campuses.

Transition

In Section 1, I described the background of the problem, introduced the business problem focus and project purpose. The research question was revealed as well as the assumptions and limitations. In Section 2, I described the professional and academic literature. In Section 3, I will describe the role of the researcher while collecting data and the steps used to ensure data security. Additionally, I will describe the project ethics, nature of the project, the population, sampling and project participants, data collection activities, the interview questions, data organization analysis techniques, and reliability and validity. I will conclude with Section 4, presenting of findings, business contributions and recommendations for professional practice as well as implication for social change.

Section 3: Research Project Methodology

Project Ethics

As a researcher performing a qualitative pragmatic inquiry research project, I was responsible for organizing and analyzing the data, identifying themes, interpreting the results, and presenting the data. I followed ethical guidelines, as ethics in qualitative research are essential to ensure reliability and validity within the research project.

The role of the researcher is to act as the primary instrument in the collection and analysis of data (Karagiozis, 2018). I did not have any relationships with the topic, the project participants, or this area of my research. I followed the principles outlined in *The Belmont Report* as it provides a summary of the ethical principles and guidelines for the protection of humans, U.S. Department of Health and Human Services (2020).

As the primary researcher, I ensured that the privacy of all project participants was protected and followed three principles of *The Belmont Report*: (a) respect for persons, (b) beneficence, and (c) justice (U.S. Department of Health and Human Services, 2020). Karagiozis (2018) identified that researchers must ensure that they protect the identity of their project participants as well as the privacy of the organizations owned by the project participants. I spent time chatting with the project participants prior to the start of the interview to develop a rapport with them in order to gain a sense of trust and develop a connection with each project participant, which allowed me to understand the information they shared (Park & Jang, 2018).

The researcher must make the interview environment comfortable and private. The researcher will need to develop a good rapport with each project participant and encourage active participation during the interview process (Karagiozis, 2018). A researcher must be aware of the ethical concerns that may arise during the research process; they must consider the process from the formulation of questions to the presentation of results (Cumyn et al., 2018). The researcher must ensure that the project participants can develop a sense of trust so that they are both comfortable and confident discussing the financial strategies they used to sustain their small business beyond 5 years (Wilson & Turner, 2024). The interviewer must show genuine interest, remain focused on the information that the project participant is sharing, and listen without judgment (Wilson & Turner, 2024). The researcher will not only be required to keep the project participants focused on the topic but will also be required to remain open to answering all the project participants' questions (Karimi & Khawaja, 2023).

The researcher must be very familiar with the interview questions, speak with confidence, and be comfortable with silence, allowing the project participant to pause and collect their thoughts prior to responding to the questions. The researcher is also expected to avoid asking leading questions or influencing the responses from the project participants by conveying their own views, whether implicit or explicit (Wilson & Turner, 2024). Although the researcher is required to keep the project participants on topic, they must also ensure that they do not allow the topic to linger too long, as this could stall or hinder the exchange of information (Karimi & Khawaja, 2023). The researcher must do this without interrupting the participant during the interview process.

Researchers will face and must address ethical principles in a study. In this research project, I took every opportunity to incorporate and follow the best practices of ethical principles. I did not have any relationships with potential small business owners, and I did not have much knowledge of the business problem other than that obtained while researching this phenomenon.

Researchers should treat all project participants in a humane manner, and every interaction with project participants should be conducted ethically and with integrity (Cumyn et al., 2018; Karagiozis, 2018). When conducting qualitative pragmatic inquiry, a researcher needs to practice techniques to protect the identities of the project participants and all the information that has been collected from project participants (Yin, 2018). I followed the principles identified in *The Belmont Report* to protect my project participants (U.S. Department of Health and Human Services, 2020). I also ensured that the privacy of all project participants was protected and followed three principles of *The Belmont Report*: (a) respect for persons, (b) beneficence, and (c) justice. (U.S. Department of Health and Human Services, 2020). To ensure compliance with these principles, I informed all project participants about their rights to confidentiality as well as their ability to leave the research project at any time.

Informed consent is a requirement to ensure that regulatory and ethical requirements are met, which have been established by the federal government and enforced by the Walden Institutional Review Board (IRB). Gesualdo et al. (2021) highlighted that informed consent ensures that measures are in place to protect project participants' identification and their right to privacy. The informed consent also ensures that all project participants are treated humanely and with respect. Informed consent is the process by which the researcher ensures project participants understand the purpose of the research project and why the research project is important. The consent form also confirms the ethical protection for project participants and builds trust between the researcher and the project participants (Gesualdo et al., 2021). The informed consent form has the details of this qualitative pragmatic inquiry. Each project participant will have the option to withdraw from the project without any retribution. Some researchers offer incentives for participation in research studies. However, there were no incentives offered for participating in this research project.

To protect project participants' confidentiality, McQuarrie (2016) advocated labeling and categorizing data for consistency. To mask the identity of each project participant, I assigned P1-B1, P2-B2, P3-B3, P4-B4, P5-B5, and P6-B6 alphanumeric codes to maintain confidentiality. The "P" represents each project participant with corresponding numbers (i.e., 1, 2, 3, 4, 5, 6) and the "B" represents the small business with corresponding numbers respectively. I will store all the data in an encoded file on my computer for 5 years and destroy it afterwards. This qualitative pragmatic inquiry was approved by the IRB and Walden University's ethics approval number for this research project is 01-21-25-0381459.

Project participants had the option to withdraw from participating in this project by notifying me verbally or in writing of their desire to withdraw. I had informed all project participants of their right to withdraw verbally, and it was also stated on the Consent Form. I also communicated with each project participant their ability to withdraw from the research project at the start of each interview as stated in the Interview Protocol (see Appendix). There were no incentives or compensation provided to project participants for their participation in this qualitative pragmatic inquiry as this project was completely voluntary.

Nature of the Project

I used a qualitative research method. Qualitative researchers use this methodology to identify and explore social and cultural experiences and perspectives in detail to find meanings (Creswell & Creswell, 2018). Bell et al. (2021) and Lanka et al. (2021) identified that qualitative methodology is used by researchers to gain insight into a phenomenon by exploring it through knowledge gained from project participants who have experienced the phenomenon. Creswell and Creswell (2018) described the qualitative method as process that allows researchers to explore and understand social and human issues. The qualitative method was appropriate for this research project because the project participants shared their experience developing effective financial strategies used to sustain their small businesses beyond 5 years.

In this research project, I used the pragmatic inquiry design. Researchers this design when they want to identify and explore actionable knowledge, recognize the interconnectedness between experience and knowing and acting, as well as the inquiry as an experiential process (Holdo, 2023; Kelly & Cordeiro, 2020).

Population, Sampling, and Participants

The target population for this research project was six minority small business owners in South Florida who were at least 18 years of age and had utilized successful financial strategies to remain profitable. Additional eligibility requirements for the project participants were that they had to meet the following requirements: (a) a minority owning 51% or more of the business, and (b) must have successfully operated the current business in the southern region of Florida for at least 5 years. Wilson and Turner (2024) referred to the population as the entire set or collection of participants. The sampling method used for this research project was purposeful sampling and snowballing. The snowball technique is often used as a method to obtain recommended participants from a researcher's initial contacts (Parker et al., 2019). Falorsi et al. (2023) found snowball sampling meaningful when seeking to study sensitive topics, capture rare traits, connect with personal networks, and develop social relationships. The project participants were gained through recommendations of small business owners through relationships made with the local chamber of commerce, in addition I spoke with volunteers from SCORE (previously known as Service Corps of Retired Executives), who also recommended clients that were eligible for participation. I also asked each project participant for additional recommendations of minority small business owners who may be willing to participate in the research project.

Preference was given to minority small business owners who have been in business for a minimum of 5 years and who had a desire to share their experience with me. Nine minority small businesses were identified for the research project: however, only six participated. To establish a relationship with the project participants I used the interview protocol (see Appendix) to meet with potential project participants in person and/or via telephone to introduce myself and to explain the research project and answer any questions or concerns they may have prior them agreeing to participate in the research project as recommended by DeJonckheere and Vaughn (2019). Sampling allows the findings from data collected from a subset of a population of the project to be generalized to represent that entire population (Creswell & Creswell, 2018). Mthuli et al. (2022) defined the sampling frame as the list or quasi list of elements, out of which samples are selected for a study.

The sample size of the study will impact the reliability and validity of study (Karimi & Khawaja, 2023). The selection of an appropriate sample size increases the dependability of the findings of the study (Molina-González et al., 2024). Karimi and Khawaja (2023) suggested that number of participants in qualitative study sampling is not clearly defined, and the size of the sample will depend on factors relevant to theory selected, and methodology. However, the sample size for qualitative studies must be large enough to generate enough data that saturation is achieved.

Selecting project participants was accomplished through a nonrandom sampling method- purposeful sampling as well as snowball sampling. It is acceptable to use purposeful sampling for a qualitative research project (Hjertstrand et al., 2021). I used both purposeful sampling and snowball sampling methods to select a total of six project participants for this research project. Qualitative researchers commonly use purposeful sampling to identify and select project participants who possess information related to the topic of the phenomenon being examined (Creswell & Creswell, 2018; Hjertstrand et al., 2021; Yin, 2018). Selecting the six project participants from various areas of specialization was done to help ensure that I had a variety of views in the collected data and gain knowledge on the financial strategies some minority small business owners use to sustain their business success beyond 5 years.

Data Collection Activities

As the researcher, I was the main source of data collection for this qualitative pragmatic inquiry (Cumyn et al., 2018). For this qualitative research project, I was the main data collection instrument. However, I did use additional data collection sources to obtain adequate data for this research project. Using multiple data collection instruments is best for pragmatic inquiry research (Yin, 2018). Methodological triangulation is the process of using multiple sources of data collection (Abdalla et al., 2018; Moon, 2019; Namey et al., 2020; Natow, 2020). Semistructured interviews, unstructured interviews, review of business website and any shared documents were the data collection sources used in this research project.

All project participants were interviewed by me using semistructured interviews. The use of a semistructured interview allows the researcher to establish a casual yet professional environment with the participant (Molina-González et al., 2024). Open-ended questions allow researchers to gather data regarding a phenomenon from the project participants' perspective and can enhance the ability to obtain data saturation (DeJonckheere & Vaughn, 2019). I followed the interview protocol (see Appendix) consistently to collect information from all project participants, including the use of prepared open-ended interview questions. Qu and Dumay (2011) argued that having an interview protocol is helpful in ensuring your data is rich and valid. The set of interview questions used as a part of the interview process allowed me to keep the interview focused on the research topic (Whitmore et al., 2018).

Researchers should ask project participants open-ended interview questions to obtain adequate answers to the interview questions (Creswell & Creswell, 2018; Yin, 2018). Documents from the business provided me with additional background information about the business and possibly the business owner (McQuarrie, 2016). Analyzing these documents helped me understand the values and viewpoints of project participants from their perspective (McQuarrie, 2016).

I used three data sources that complemented one another from each project participant. Researchers may incorporate multiple data collection techniques to ensure the reliability of the data collected (Namey et al., 2020; Yin, 2018). The three data sources I used included the interview data, non-proprietary documents provided by the project participants, and any public information, which included information from the project participants' website, although not all project participants possessed a website. The use of these various data sources allowed me to use the information gained from one source to support other sources. The steps I followed to collect the data included conducting interviews in person or via telephone and recording the interview using my iPhone or laptop, seeking for clarification when necessary, during the interview process, and corroborating the non-proprietary data and public data with each project participants' response to the interview questions to ensure accuracy and alignment. I also used a journal to record observations from the interview in case the recording failed or resulted in poor quality.

I enhanced the reliability and validity of the data by interpreting the interviews, sending the written version of my interpretation to each project participant to ensure that I had accurately captured their responses. If the participant identified any omissions or misinterpretations, I made the appropriate changes and had them review the changes for approval. This process is called member checking. Member checking is a vital part of ensuring the reliability and validity of research (Brear, 2019; Coleman, 2021; Thomas et al., 2024). Similarly, Motulsky (2021) emphasized that many scholars such as editors, IRB member, peer-reviewers, and research leaders believe unless there is member checking research validity may be compromised. I continued to conduct member checking until project participants stated that everything is correct and no additional information is obtained, reaching data saturation. There were minimal changes that needed to be made as I also asked clarifying questions during the interview.

To enhance the understanding of data obtained through the interview, I also reviewed all documents provided by each project participant and the data available on their public website to enhance the validity of the research findings and to answer the research question to achieve methodological triangulation. According to Dalglish et al. (2021), document analysis is a useful tool to enhance understanding of content across time. The analysis of the documents enhanced the triangulation of the data collected and the interviews conducted.

Interview Questions

1. What initial funding did you include in your financial strategy?
2. How did you obtain the funding for your business?
3. What amount of funds did you include in your strategy for startup costs to sustain your business for the first year?

4. What influenced the financial strategies you used for funding your business?
5. What, if any, tactics did you use that assist you in securing funding from investors or traditional lenders?
6. What type of financial, or accounting software did you include in your financial strategy and how useful has it been for sustaining your business?
7. According to your experience, how important was it for your business to maintain a long-term relationship with banks?
8. What additional information can you add that may apply to the strategies that you used to obtain financing for growth and sustainability in your business during and beyond 5 years of beginning operations? What initial funding did you include in your financial strategy?

Data Organization and Analysis Techniques

To protect project participants' confidentiality, McQuarrie (2016) advocated labeling and categorizing data for consistency. Alexander et al. (2021) found data integration an important process when it is conducted real-time with participants. To mask the identity of each project participant I assigned P1-B1, P2-B2, P3-B3, P4-B4, P5-B5, and P6-B6 alphanumeric codes and to maintain confidentiality. The "P" represents each project participant with corresponding numbers (i.e., 1, 2, 3, 4, 5, 6) and the "B" represents the small business with corresponding numbers respectively. In addition, I used a journal to record observations from the interview in case the recording failed, or the recording results were of poor quality. Yin (2018) suggested maintaining journals to keep a record of the observations made during the interview process that cannot be gathered from audio recordings, such as nonverbal cues and body posture. Probing also provides researchers with additional data that can be used to increase the accuracy of the information from the interview and provide a method to check research accuracy (Robinson, 2023). The recording was of good quality, and no journaled observations were used.

Analyzing the data in qualitative research involves the researcher reviewing the interviews to prepare transcripts of the interviews and observing notes taken during the interview to identify inconsistencies to increase the understanding of the phenomenon (Creswell & Creswell, 2018; Yin, 2018). Once the data have been analyzed, the researcher organizes the data into themes by coding, condensing the codes, and displaying information through figures and tables (Creswell & Creswell, 2018). The researcher is required to interpret and analyze the data to produce relevant information and meaningful findings (Allen, 2020). Abdalla et al. (2018) identified four types of triangulation for qualitative researchers to enhance reliability and validity: data, theoretical, researcher, and methodological triangulation. I used methodological triangulation in this research project, which involved using multiple methods to obtain detailed data about the phenomenon (Abdalla et al., 2018). Researchers use methodological triangulation to overcome the inconsistencies, to correlate data from multiple data collection methods, and to examine various perspectives and points of the same phenomenon (Abdalla et al., 2018). I conducted live interviews face-to-face, some via telephone, and some via Zoom (https://www.zoom.com) using semistructured interview research questions, audio recordings, and note-taking to enhance the reliability and validity of the research project findings.

Data collection and data analysis work together to identify the information shared by the project participants (Mahlamäki & Nieminen, 2019). Qualitative data analysis requires the researcher to convert the data into information that can be shared in a manner that helps others understand the data so that it can contribute to the current data (Taboada & Han, 2020; Thomas et al., 2024; Yanto & Ramdani, 2023). When the researcher interprets and analyzes data, they should offer details on how the data analysis was performed. (Matthews, 2024). The process of data analysis should occur throughout the interview process, and data should be analyzed after each interview to minimize the loss of information due to human error and will also aid in achieving data saturation (Matthews, 2024).

Through data analysis, researchers can obtain insights from all the qualitative interviews. Researchers will identify and understand the data that is relevant to the research question, and early identification will help to improve the quality of future interviews and understanding of the findings (Taboada & Han, 2020; Yusup et al., 2019). During my analysis of data, I reviewed the information obtained from each project participant during their interview. After reviewing the interview and generating transcripts, I shared the transcript with each project participant to ensure agreement. Once the project participant confirmed that the information was correct, I began to generate themes. O'Boyle et al. (2019) explained that once researchers have collected the data, they proceed to analyze the data, and then they can interpret themes that emerge from the data. The use of Excel helped me organize the information collected and helped to ensure the reliability and validity of the data (Dalkin et al., 2021; Gilmore et al., 2019). Although I have selected to use Excel, researchers conducting qualitative research often use computer-assisted qualitative data analysis software, such as NVivo, to secure, store, manage, code, and interact with the data (De Barros, 2021; Maher et al., 2018). When utilizing software to manage data, it is important that the researchers remember that the software is a tool to assist the researcher, and that the researcher remains the primary analytical instrument (De Barros, 2021).

Reviewing the approved transcripts of the interview was just the beginning; I also took notes on the non-verbal cues, distractions, and so forth to allow me to gain a closer connection with the project participant and to identify whether there were any things that could be misunderstood.

Once transcripts were thoroughly reviewed, I was able to identify themes that occurred in the project participant interviews. Member checking was used to assist with ensuring the appropriate themes are associated with each interview and were adjusted after feedback from the project participants. Researchers conduct member checking with the project participants to ensure an accurate understanding of the data collected to address the dependency of the research results (Candela, 2019; Thomas et al., 2024).

To assist with identifying the themes generated, I used Excel to develop a notebook to track the themes and codes identified while reviewing the data from the interviews. Themes identified behaviors observed during the interviews that are shared by the project participants. (Creswell & Creswell, 2018). Coding the information from the project participants allows the researcher to combine similar codes into themes which assist the researcher in achieving reliability, and validity (Yin, 2018), While analyzing data, I was very cautious as I wanted to ensure the data was reflective of the information and techniques used by project participants to gain successful financial strategies. Upon completion of this research project, I will store all raw data in a secure file on my locked computer for at least 5 years.

Reliability and Validity

Reliability

To enhance the reliability of the data I collected for my pragmatic research project, I utilized member checking. Reliability ensures that the research project is presenting data that is accurate, which is achieved through consistent and precise research procedures (Satchell et al., 2023). The use of consistent and precise research procedures in qualitative research is required as it influences the ability of the research project to be replicated. Researchers must be able to describe their research process in a manner that allows future studies to use their techniques to replicate a similar project and obtain the same or similar results (Maher et al., 2018). Documentation is important so researchers can provide evidence that they followed a consistent process of collecting data to enhance dependability (Maher et al., 2018).

Member checking is a process that permits the researcher to continually assess and reassess the data that is collected from project participants during the interview (Thomas et al., 2024). Member checking enhances dependability, which helps researchers develop findings that can be replicated (Aguinis & Solarino, 2019). The interviews for this pragmatic inquiry were audio recorded. All interviews were transcribed and compared to the audio version of the project participants' responses. I analyzed the data, corroborated the project participant's responses with the non-proprietary documents shared and public website data and described my interpretations in a Microsoft word document. I emailed my interpretations to each project participant. Once I determined that I had no data discrepancies, I provided the project participants with my interpretations to verify the accuracy. The project participants verified their responses, and each found my interpretations accurate. The data was thematically analyzed using Microsoft Excel to categorize the themes.

Validity

Validity demonstrates that the study has the capability to be replicated by future research (Satchell et al., 2023). For a study to demonstrate validity, it must have credibility, transferability, and confirmability. One way to enhance credibility is to utilize member checking, as it involves the project participants in the role of verifying and validating data (Brear, 2019).

Member checking is a vital part of ensuring the reliability and validity of research (Coleman, 2021). Methodological triangulation was used to aid in establishing validity in this pragmatic inquiry research project. Triangulation can be used to achieve credibility and strengthen qualitative research (Brear, 2019). The steps I took to collect the data included conducting the interviews in person or via telephone and recording the interview using my iPhone or my laptop, seeking clarification when necessary, during the interview process, and corroborating the non-proprietary data and public data with each project participants' response to the interview questions to ensure accuracy and alignment. I also used a journal to take notes from the interview in case the recording failed, or the recording quality was poor.

Transferability is achieved when the findings of a study are not limited to the study but rather can be generalized to other groups in future studies (Brear, 2019). As suggested by Maher et al. (2018), a study may be seen as transferable when the purpose of the study is clearly defined, and the findings can be replicated by a separate group of researchers. The information shared by the researcher should provide the reader with sufficient information to decide if this information can be generalized. Studies that have transferable processes can be used by future researchers to save time as well as finances and should provide all steps necessary so that it can be replicated anywhere (Brear, 2019). To aid in transferability, explanations were provided to ensure clarity of why certain methods and resources were selected and used in this research project.

Confirmability is necessary for validity and helps to reduce the presence of researcher bias (Bergen & Labonté, 2020; Maher et al., 2018). Confirmability allows future researchers to follow the same procedures and replicate the study results (McQuarrie, 2016). To address confirmability in this research project, I maintained detailed documentation of my results as well as the interpretations of all data and the feedback from the project's participants. Naeem et al. (2024) found that using semistructured interviews for data collection during a pragmatic inquiry aids researchers in the achievement of data saturation. Data saturation is achieved once the researcher does not identify any additional themes or information, and the researcher has collected sufficient data (McQuarrie, 2016; Yin, 2018). After the completion of this pragmatic inquiry, member checking, and methodological triangulation were sufficient data to reach data saturation for this research project.

Transition and Summary

In Section 3, I explained the role of the researcher in collecting data and the steps used to ensure data security. Additionally, I described the project ethics, nature of the project, the population, sampling and project participants, data collection activities, the interview questions, data organization analysis techniques, and reliability and validity. I will conclude with Section 4, presenting of findings, business contributions and recommendations for professional practice as well as implication for social change.

Section 4: Findings and Conclusions

Presentation of the Findings

The purpose of this qualitative pragmatic inquiry was to explore effective financial strategies that some minority and small business owners used to sustain their small business beyond 5 years. The research question of this qualitative research project was the following: What effective financial strategies do some minority small business owners use to sustain their business success beyond 5 years? To answer the research question, I used semistructured interviews to gain information from minority small business owners. Project participants in this research project were six minority small business owners (P1B1, P2B2, P3B3, P4B4, P5B5, and P6B6) who have been in business for more than 5 years in South Florida. As depicted in Table 1, the "P" represents each project participant with corresponding numbers (i.e., 1, 2, 3, 4, 5, 6), participants' gender, ethnicity, and the "B" represents the small business with corresponding numbers and business industry respectively. Each participant's years in business is shown as well.

Table 1

Project Participant Summary

Project participant	Gender	Ethnicity	Business industry	Years in business
P1	M	African American	B1 Insurance Broker	21
P2	M	Jamaican American	B2 Auto Repair Shop	17
P3	F	Indian (India)	B3 Esthetician	12
P4	F	Puerto Rican	B4 Health Care School	6
P5	F	Haitian American	B5 Counseling Service	11
P6	M	African American	B6 Vet Tech School / Hospital	8

The conceptual framework for this qualitative pragmatic inquiry was the pecking order theory. I used the pecking order theory to evaluate and interpret the data collected from project participants to further supported the development of their themes. I developed themes utilizing my interpretations of each project participant response to the interview questions, information from company websites, proprietary documentation reviews, and notes taken during the interview. The themes identified comprise the business strategies used by minority small business owners to sustain their business operations beyond 5 years. The findings of this pragmatic inquiry suggest that most minority small business owners prioritized internal sources of finance before choosing debt as an option. In this section, the five emergent themes are analyzed and described with each project participant's response, and each theme ends with explanations for how the theme findings confirm, disconfirm, or extend knowledge from the initial literature to the current literature. Additionally, I correlated the findings to the pecking order theory and summarize this section with how the findings confirmed or disconfirmed the previous literature. I used Microsoft Excel to analyze, manage, and organize themes. The five themes that emerged were internal financing strategies, sustainability, customer satisfaction, experience in the industry, and financial lending.

Theme 1: Internal Financial Strategies

Internal financial strategies were the predominant method used by the minority small business owners in this pragmatic inquiry to establish and maintain their business. Table 2 represents the internal financial strategies the project participants used. The use of cash, 401(k) investments, credit cards, side jobs and loans from family and friends were the preferred methods for four of the six project participants. Using internal financing or support from family and friends minimized the need for debt or equity financing. Lall and Park (2022) found during their research that businesses that received financial support from families and friends took advantage of gaining access to funds faster than from loans provided by a financial institution. Lall and Park also found that internal funding allows the minority small business owner to allocate funds where they are needed rapidly and increases the probability of the business owner sustaining their business and remaining a viable competitor.

Table 2

Emergent Subthemes Within Theme 1

Theme	Number of project participants noting the theme ($N = 6$)
Cash from IRA, 401(k), or credit cards	4
Use of personal money	5
Family and friends	4
Salaries from side jobs	3
Use of profit generated from business	6
Start-up loans	2
Financing from other sources	2

Crowdfunding was projected to be a source used to raise capital as shown in my original literature review. Some researchers found that small business owners engaged in crowdfunding as a new phenomenon for startups (De Crescenzo et al., 2021; Fraser et al., 2015; Xu et al., 2021). The findings of this project contradicted the original research that small business owners engaged in crowdfunding as a method to raise capital for their venture. Although crowdfunding was not used by any of the project participants in this pragmatic inquiry, five of the six project participants did use internal funding sources to generate capital for their business start-up.

Because of limited access to traditional lending institutions, real or perceived, the use of internal funding sources provided the minority small business owner with the initial capital needed without acquiring external debt or giving up equity in the business. Internal financing emerged as the most common source of funding for this research project. Most of the project participants in this research project started their business using personal finances, with one exception: P3 did not use personal financing to start up her salon. P3 was initially hired to work as an esthetician (i.e., skin care professional), and after working at the salon for three months, she was presented with an opportunity to purchase the existing salon from the owner. P3 was able to negotiate a deal with the owner and made monthly payments from the funds generated by the day-to-day operations of the salon. Although she had not anticipated being a small business owner, P3 was able to take advantage of an opportunity and today she has expanded her business and now has an additional employee in the salon.

After initial start-up of their businesses, the project participants continued to prefer using internal means and sought minimal debt. Internal financing was the prominent method used by the remaining five project participants. P1 started their own insurance company after working as a broker for a major insurance carrier. P1 was required by the insurance carrier to sell all the insurance policies that P1 had written with the major insurance carrier back to the agency and P1 used those monies as well as monies from personal savings to start their own company. P2 started their business with personal savings and a short-term personal loan of $60,000 from a sibling. P4 worked in the education industry prior to starting a school. While employed in the education industry, P4 was approached by a co-worker about opening a school. P4 was able to develop a financial plan with the use of personal savings, 401(k), and personal credit cards to start their business. P5 worked for an agency where they were consistently helping others to achieve their goals of starting a business. P5 was initially hesitant to start their own business, but after being convinced by a mentor to start a business, P5 proceeded and started their business with personal savings. P6 cashed in his 401(k), personal savings, worked as a basketball referee on the side and obtained two business credit cards, 50k and 10k, respectively. These findings are supported by Miglo (2022), who found that banks offer credit to small business owners in the form of short-term credits (such as introductory rates on credit cards), overdraft protection on checking accounts, and lines of credit. These findings also align with those of Ye and Kulathunga (2019) and Faque (2022), each emphasized that most small business owners start their businesses with personal financial resources, including funds from self-financing, family members, and or friends, as capital for a business. The findings of this pragmatic inquiry were also supported by those of Singh et al. (2021), who reported that small business owners prefer internal funding over external funding sources. However, the findings of this pragmatic inquiry were contradicted by those of Meyer and Schweitzer (2022), who suggested that minority business owners seek credit financing more often than white business owners to cover operating expenses.

Theme 2: Sustainability

While internal financial strategies were identified as a prevalent strategy used by the project participants of this study, sustainability was a second theme identified that promoted growth, future profitability, and social well-being for the project participants of this study. Table 3 is a depiction of each project participants’ ethnicity, business industry and number of years in the business as evidence of the sustainability.

Table 3

Emergent Subthemes Within Theme 2

Project participant	Ethnicity	Business industry	Years in business
P1	African American	B1 Insurance Broker	21
P2	Jamaican American	B2 Auto Repair Shop	17
P3	Indian (India)	B3 Esthetician	12
P4	Puerto Rican	B4 Health Care School	6
P5	Haitian American	B5 Counseling Service	11
P6	African American	B6 Vet Tech School / Hospital	8

Sustainability involves leading an organization and developing strategies that place the business in a position that promotes growth, future profitability, and social well-being. Although these expectations can have a positive effect on the business, they can also be a hindrance to the business (S. Liu & Yan, 2018). Thus, sustainability can improve the new ideas and new visions which can lead to new business opportunities.

All project participants expressed that managing their business’s growth was a priority. As depicted in Table 3, project participants were able to sustain their business for an average of 12.5 years, ranging from 6 to 21 years. A. Abou-Moghli (2018) discussed the need for business owners to develop strategies that would guide them through the start-up phase and identify strategies for the long-term increase in their business sustainability.

Business expansion, if not well managed, can result in the business's failure. However, the project participants' strategies listed here ensured their business success. P1 was an insurance broker for a large insurance agency. P1 decided to break away from the major insurance agency to offer clients more options and to become completely independent.

P2 started their company after working for a car dealership as a mechanic. P2 started an auto repair shop as a one-person operation and did not hire another mechanic until the workload exceeded their ability to handle it. P2 also chose to lease special pieces of equipment as needed until there was financial capital to purchase the equipment.

P3 worked in a salon that generated approximately $100 a day and initially was not interested in the opportunity of owning a business because P3 did not see a future as a business owner. P3 worked at the salon for about 6 months and found hard work and excellent customer service were key to retaining the existing customers and growing the business without additional expenses. P3 negotiated with the owner and took over the shop on their terms.

P4 started a business by renting two rooms in a shared office space. One room was used as the business office and the other as a small classroom. Once the student population grew, P4 rented additional space in the same building and only expanded after maximizing the use of the space.

P5 initially rented office space for $350 a month in an executive office suite. After 3 years in the space, P5 realized that the meetings with most of the clients were in the field. P5 made the decision to convert the business to a home-based business and has not lost a client.

P6 took over a space that previously operated as a school and chose not to seek bank funding because P6 believed having access to many financial resources could contribute to overspending. The school opened and P6 did not take a salary for the first year to minimize expenses. P6 only acquired additional debt if there was the ability to project paying the debt off quickly. Successful small business owners develop and follow a business strategy that allows them to determine how to balance internal and external business finances.

Choosing the correct business strategy is essential to the success of a small business. In fact, Park and Jang (2018) found that to be the case. The sustainability of a small business can be challenging when faced with negative impacts or environmental challenges (Duchek, 2020). It is a benefit for business owners to understand how to manage their business (Diandra & Azmy, 2020).

The project participants of this pragmatic inquiry shared how they grew their businesses using limited marketing budgets. P6 intentionally did not seek much financing with a belief that excess funding could spoil the business. Debt financing was avoided by the project participants in this qualitative pragmatic inquiry. There were six business owners interviewed, and only two, P2 and P6 acquired any assistance from lending institutions, and the other project participants funded their business with internal financing options and loans from friends or family. The ability of the small business owner to understand and monitor business liquidity ensures they can retain healthy liquidity ratios, allowing them to withstand any disruptions that threaten business survival (Block et al., 2022). Ergün and Doruk (2020) supported the action that business owners monitor their finances and their financial constraints whether internal and external factors because they can affect their ability to grow their business.

After the analysis of the project participants' responses, not included in the initial literature review was the topic of networking found. The use of networking is an avenue that could contribute to small business growth and sustainability. Anwar and Ali Shah (2020) asserted that networking could be an important resource for the success and survival of small businesses as it supports access to additional resources needed for development and growth.

The project participants in this pragmatic inquiry used relationships in addition to financial strategies to sustain their business. Networking allowed one minority small business owner to meet other business owners who had different experiences, and they were often willing to offer valuable advice. In the case of P6, networking with other school owners and state organizations, allowed P6 to accelerate the process to open his school. Conversely, found after the initial literature review, other researchers, Khan et al. (2021) suggested that business owners be careful with those they network with, as these connections could result in negative impacts to their business. Taking advice from the wrong mentor can have an adverse effect on the company. Although these findings are not directly correlated with the pecking order theory, minority small business owners may find it helpful to apply the suggestions carefully. Another theme found was customer satisfaction as a strategy for success.

Theme 3: Customer Satisfaction

All the project participants in this pragmatic inquiry discussed how important it was to build a trusting relationship with their customers. Each participant discussed how they did not invest in a large marketing budget and did minimal advertising. Referrals were their method for increasing their customer base and were the key to their business expansion. This was a significant factor that contributed to their success.

During the interview, all project participants indicated that customer satisfaction was an intentional goal, and they strived to provide service that was worth talking about. P1 stated that providing insurance can be a challenge as the customer does not have anything tangible in their hand. P1 established trust by always giving their clients options. P1 explained that by giving customers options and the pros and cons of each, the clients tended to feel empowered. P1 explained the pros and cons of the coverage and allowed the clients to decide how they would like to proceed. P1 stated that by giving the clients all the information they needed, they did not regret their decision as they knew what they needed.

P2 learned from a mentor at the dealership who provided advice that P2 always followed: "do not mess with people's money." Do what you say you are going to do, and if the customer does not need a new tire, do not tell them that they need a tire. It is about trust; P2 was taught to always tell the truth when repairing cars, never to exaggerate services needed.

P3 credited the success of their business to being humble and providing great customer service. P3 held the notion: not to run after the money, just work hard, and the money will come to you. This has held true for P3.

P4 credits treating their team and students well. P4 always listened to what they thought they needed and even if P4 could not give them exactly what they asked for there was an attempt to create outcomes everyone could find satisfactory. This was the key to student happiness, and students were the greatest marketers for P4's school.

P5 has never advertised their business, the business grew completely through word of mouth. Once P5 helped clients solve a problem, the client would tell others in similar situations about their experience, and they sought out P5's services.

P6 credited relationships with the success of his school. In P6's experience it typically took 2 to 2.5 years to go through the process of opening a school. However, because of the relationships P6 had established in the field as well as with state officials, the school was opened 6 months after the initial application.

Ullah et al. (2020) described findings that confirmed that small business owners can maintain business operations and generate profits by providing customers with quality products and a customer experience that exceeds customer expectations. Hawkins and Hoon (2019) found that small business owners with a pool of satisfied customers have an increased rate of profitability and competitive advantage.

Small business owners recognize the importance of meeting the current and potential customers' needs. In meeting or exceeding the expectations of their customers, they may receive referrals. Small business owners who are attentive to the needs and wants of their customers tend to meet customer satisfaction goals. Additionally, business owners who recognize that the purchasing tendencies of these customers may be used to enhance products and services to ensure customer satisfaction can be helpful (Zieba & Kończyński, 2020).

After the initial literature review, I found managing customer relationships on a personal level and managing the organization toward a more efficient response a topic of discussion. Elfarmawi (2019) found managing customer relationships paramount and using information communication technology is key to satisfying customer needs. Majukwa et al. (2020) found that firms benefit from nurturing long-term relationships with their customers by prioritizing customers' needs which leads to enhanced customer loyalty and increased future sales. Customer loyalty is the intention of continuing the relationship and repeatedly choose a familiar brand's products or services (Majukwa et al., 2020). Small business owners maintain their business operations and profitability by providing quality customer service and products in an exceptional manner that surpasses customer needs, leads to increased customer satisfaction, develops customer loyalty, and enhances competitiveness (Ullah et al., 2020).

Customer satisfaction can be achieved through effective relationship management. Ullah et al. (2020) found that firms that align their processes, products, and services through building strong customer relationship management tended to increase their sales. When customers demonstrate loyalty to a specific brand, they are willing to pay more if they get the same quality product or service (Ullah et al., 2020). Customer loyalty requires the business owner to be intentional as they cultivate the relationship and establish the customer confidence need to continue to purchase brand products and services from their business (Majukwa et al., 2020). Customers who are loyal to a specific brand are willing to pay more if they get the same quality product or service (Ullah et al., 2020). Technology can be deployed to assist with managing customer relationships and improving customer retention, small business owners must develop efficient ways to respond to the needs of their customers.

The ability to adapt to customer needs can be achieved more quickly within a small business. The business owner will need to focus on establishing and maximizing the relationship they build with their new and existing customers. For small business owners, operating in a highly competitive environment, retaining customers is significant for a firm's survival (Majukwa et al., 2020). Customer retention is a process in which small business owners can manage the purchases and interactions made by customers and utilize this information to minimize attrition (Hawkins & Hoon, 2019). Customer retention involves business leaders seeking to retain existing and new customers by establishing, maintaining, and maximizing mutual long-term benefits that strengthen and extend the cooperative relationship between two parties (Hawkins & Hoon, 2019).

An additional theme identified was that of experience in the industry. Overall, the project participants seemed to have experience in their industry. Identified are the details of each project participant experience coupled with various researchers' findings concerning how success or failure influenced various small business owners' experiences.

Theme 4: Experience in the Industry

Gaining knowledge from working in an industry has added to the success of the project participants in this pragmatic research project. During the interview, the project participants noted that having business knowledge in their area of expertise was a significant resource because business knowledge directly affects business performance. P1 worked as an insurance broker for a larger insurance agency before opening his independent insurance agency. P2 was an auto mechanic for a major auto manufacturer prior to opening his own mechanic shop. P3 worked as an esthetician and an esthetics instructor prior to acquiring the salon and worked for the previous owner. P4 worked in proprietary education before opening their own school. P5 worked for several businesses, improving business operations and generating revenue for their employers before starting their own consulting company. P6 also worked in proprietary education prior to their last school system profession before their employer closed the business, P6 also stated the closing was motivation to open their own school.

The findings of this pragmatic inquiry aligned with the initial literature review and literature found since. Additionally, the findings of this research project coupled with the significance of the minority small business owner having experience in the industry and how the success or failure was influenced by experience are also discussed by various researchers (Aureli et al., 2019; Erdogan, 2019; Gomoi, 2020; Nurjaman et al., 2021; Rua et al., 2018; Tomé & Gromova, 2021).

Business knowledge can be conducive to business success. Business knowledge represents a significant resource to create value and help sustain competitive advantages

(Rua et al., 2018). Knowledge gained from previous experience offers the minority small business owner an understanding of customer needs and preferences, business environments and dynamics, staff skills, experiences and potentials, and business overall foreseeable direction (Aureli et al., 2019). The findings of this research project along with the literature found suggests that small business owners who understand their business and the clients they serve may provide their customers an exceptional experience and the more exceptional experiences customers receive the more they will share your business with others. Good service is not enough; it must be exceptional.

Business efficiency influences the minority small business. Business efficiency allows the business owners to develop ways to strengthen and support the business. They can do this by using better business standards, processes, products, and services (Nurjaman et al., 2021; Tomé & Gromova, 2021).

Aviv et al. (2021) explained that environmental and dynamic strategies are also critical sources of business knowledge. These strategies can assist the small business owner in gaining a competitive advantage. The development of local and international politics, economy, technology, and society also impact business goals and growth.

The findings from the project participants' responses align with previous research highlighting the importance of small business experience and education in determining the success or failure of small business owners (Erdogan, 2019; Gomoi, 2020). In addition to industry experience, Gomoi (2020) emphasized that effective cash flow management requires financial forecasting or financial education. Small business owners with experience and/or high levels of education may be better prepared to navigate challenges and to sustain their businesses.

In summary, the findings that emerged from the project participants' responses align with those of some scholars. These scholars found small business owners with experience and education would likely be successful (Erdogan, 2019; Gomoi, 2020). These findings coupled with the appropriate financial lending process can also ensure success.

Theme 5: Financial Lending

The project participants in this research project lacked relationships with banks which impacted the confidence they had in obtaining a loan (see Table 4). External funding was not seen as an option initially sought by the project participants in this pragmatic inquiry. This research project supports the findings from the literature review that minority small business owners did not seek funding from financial institutions and voiced concerns with not having a past relationship with banks out of fear of being rejected. Jagtiani and Lemieux (2019) revealed that some business owners were hesitant to take out loans because of the perceived high-interest rates. Additionally, Theodos et al. (2024) observed that small business owners did not seek loans from the SBA as they found lengthy processing times. However, five of the six project participants (P1, P2, P3, P5, and P6) did take advantage of the Paycheck Protection Program offered by the CARES Act and administered during the COVID-19 (SBA, 2021b).

Table 4

Emergent Subthemes Within Theme 5

Theme	Number of project participants noting the theme ($N = 6$)
Credit Card Debt	3
Bank Loan	1
Equity Financing	0
Hard Money Lender	1
SBA Paycheck Protection Program	5

Additionally, as noted in Table 4, P1, P2 and P6 did take-out short-term loans using business credit cards. They each stated that this was a pivotal point for their businesses as they were able to sustain the business during the toughest period of the business growth. Four of six participants chose not to seek external financing using financial institutions as the price of credit and interest rates were higher for minority small business owners and start-ups.

The project participants who expressed an interest in obtaining loans stated that were not confident that they would qualify for the loan, and they chose to apply for bank credit. Small business owners find it hard to obtain debt financing because of the high demands from lenders that may not be met by the limited financial scope of small businesses (Fadil & St-Pierre, 2021; Legesse & Guo, 2020; Y. Liu et al., 2022; Rao et al., 2023). The participants made a choice to attack their debt using the revenue generated from their business. Rather than taking on additional debt the minority small business owners in this research project focused on paying off debt and then considered reinvesting more money into their business. This process supports the recommendation by Fadil and St-Pierre (2021) that debt is rapidly retired as capital and sales rise. In cases where business owners borrowed money at low interest rates, they may choose to retain the loan and invest more money into the business.

The project participants in this pragmatic inquiry chose to use internal financing as their primary financing option. P1, P2, P3, P4, and P6 all showed a preference for internal financing with only P1 the insurance agent, utilizing debt financing. This could be a result of history with the new business. The business owner may be ready to work hard to make the business successful, but without supporting documentation the bank has to take risk and Bakhtiari et al. (2020) suggested isolated debt financing as an option that was out of reach for most small business owners in the United States because of the information asymmetries between small business owners and lenders.

The limited use of debt highlights the funding gaps faced by small business owners in the United States, which may contribute to the inability of small businesses to grow and survive beyond 5 years. Although internal decisions may contribute to the limited use of debt financing by small business owners in the United States, the difficulties they face in obtaining debt could also be a mediating factor. P6 did not want to burden the business with a huge loan that would require greater collateral and give a false sense of security, while P1 expressed that he was fearful of being denied by the bank and the embarrassment he would have felt. P2 only used debt financing when it was necessary and used a hard money lender, which charged interest rates that were higher than those of a traditional bank. The loan was also only for a year, a short period of time. It put additional pressure on the business. In hindsight, P2 stated that in the future, they would go to a traditional lender to apply for a small business loan. A report published in

2024 acknowledged that there remain many small businesses receiving partial denial of funding requests from banks across the United States (Sasso, 2024). Theodos et al. (2024) observed that factors such as high transaction costs and long processing times contributed to the underutilization of loan facilities provided by SBA. Dilger (2021) suggested that the U.S. Congress could stimulate economic activities if it were to focus more attention on the programs at the SBA. Access to affordable funding for small business owners can contribute to their growth and sustainability.

While these authors Dilger (2021), Sasso (2024), and Theodos et al. (2024) emphasized limited use of debt financing may be because of bureaucracy, it is difficult to downplay the fact that small business owners may have developed a negative perception of debt financing because of the long processing times and higher transaction costs associated with this form of financial lending. Debt financing is not a highly recommended option on the pecking order theory hierarchy; equity financing is a less recommended option in the hierarchy, and internal financing remains the preference for minority small business owners.

Although I just discussed the themes of this pragmatic inquiry derived from the careful analysis and identification of frequency of project participants' responses, I correlated two themes to my conceptual framework, the pecking order theory. The themes include internal financing strategies and financial lending.

Findings Correlated to the Conceptual Framework

Internal Financing Strategies

The pecking order theory refers to the preference of small business owners for internal funding sources over debt or equity financing to cover their firms' financing needs. Guizani (2020) supported through research that pecking order theory is a leading theory in capital structure and that small business owners prefer internal financing versus external financing.

The use of internal funding was the primary method used by the minority small business owners in this research project, which aligned with the conceptual framework. Although two of the six project participants in the research project did not use their own funding, they were able to generate revenue to fund their start up; P1 worked for a major insurance agency and when he chose to leave the agency he was able to sell the customers he wrote insurance policies for back to the insurance agency which he was a broker. He used the money from the sale to start his independent insurance agency. P3 was able to take advantage of an opportunity to purchase her business directly from the previous owner with no money down. She was also able to negotiate payment without the use of a secondary lender. P3 made monthly payments based on the revenue generated by the salon, and during COVID, when the business did not generate as much revenue, the payment that month was adjusted.

Financial Lending

Chaklader and Padmapriya (2021) found the pecking order theory valid when explaining the relationship between cash surplus and capital structure and that the firms they researched preferred internal financing over external financing. The pecking order was confirmed by all six of the project participants related to internal financing to establish and sustain their minority small businesses. Lall and Park (2022) agreed and suggested that small business owners collaborate with family and friends, as the collaboration could be helpful when raising funds to support a new business. Internal funding sources from family and friends align with the conceptual framework for this research project because the researchers demonstrated how the use of internal resources provided financial support to their project participants' new minority small businesses and positioned them for growth and sustainability (Ratten & Ferreira, 2017). The findings from this research project aligned with the pecking order theory. In fact, there was a correlation between preference of financing to that of using equity. Fisher and Donaldson (1962), the founders of the pecking order theory, illustrated as part of the statistical results from their selected participating companies' internal funding strengths. Of the 20 companies Fisher and Donaldson analyzed, 12 demonstrated the ability to generate 96% of their funding requirements from internal resources. While other companies were able to raise 11% to 54% of their funding requirements. Fisher and Donaldson also found internal financing was the preferred method of financing. Internal financing allowed the small business owners to retain complete and independent control of their businesses while managing their business growth.

Networking or using the minds of those who have established successful small businesses could be an advantage. Ribeiro-Soriano et al. (2020) suggested that small business owners may be able to achieve a competitive advantage by utilizing assistance from local and regional incubators. Mlotshwa and Msimango-Galawe (2020) agreed with Ribeiro-Soriano et al. and suggested that it can be a positive advantage when business owners seek external support and resources to succeed in the highly competitive business markets.

According to Brown et al. (2020), angel investors and venture capitalists in the United States can provide small businesses with more than $100 billion in lendable funds. However, it can be challenging to receive funding from venture capitalists, as they may shy away from investing in companies that directly compete with them (Prado & Bauer, 2022). Only one out of the six project participants, P2, applied to receive equity financing through the support of a venture capitalist, affirming the peripheral role that venture capitalists play in the survival of small businesses in the United States. Rahman (2019) identified that business owners prefer to finance their expansions with retained earnings, followed by debt (safe and then risky), and once they have no other option, they will use equity as a finance option. This is in alignment with the conceptual framework.

Business Contributions and Recommendations for Professional Practice

The findings of this project revealed that strong financial strategies, customer satisfaction, and industry experience each contribute to the success of minority small business owners. Minority small business owners may benefit from this project by identifying methods that will allow them to develop strategies that will improve their ability to establish, manage and sustain their small business.

This study is significant to professional business practice as it may provide new business owners with the knowledge needed to prepare them to manage their businesses better and enhance business growth. Business owners may use the findings of this study to develop and implement strategies to reduce business failures, improve organizational practices, and increase profits.

Implications for Social Change

The results from this research project could contribute to the ability of minority small business owners and local economies by adding to the strategies that minority small business owners use to sustain business growth. The successes of the minority small business owners may positively affect other small businesses in the community by increasing the amount of new and existing traffic, which could increase the number of new customers for all small businesses.

Increasing the success rate of minority small business owners can contribute to employment opportunities in their communities, thereby positively impacting the local economy (Lähdesmäki et al., 2019). The findings of this research project could enable minority small business owners to recognize financing options, encourage them to establish additional relationships, pursue customer loyalty, and minimize expenses.

Some minority small business owners may benefit from the findings of this research by adopting the recommended business strategies discussed and exhibiting positive behaviors that will foster positive customer interactions. Motivating and inspiring employees to demonstrate positive behaviors, small business owners can provide a significant competitive advantage for both the small business and the business community (Hitka et al., 2019). Minority small business owners might gain knowledge by implementing adaptive and agile customer strategies and behaviors to respond to market volatility and customer needs. Small business owners can acquire knowledge and gain experience in meeting varied customer requirements regarding prices. Positive behaviors displayed by employees will improve customer loyalty and increase business profitability (Langerud & Jordan, 2020). Therefore, minority small business owners can contribute significantly to their local economy by generating revenue and creating employment opportunities. It is essential that minority small-business owners have access to the resources they need to start and sustain a business. Empowering minority business owners enables them to generate economic and social capital, thereby opening a path to building generational wealth within their local communities. (Theodos et al., 2021).

Recommendations for Further Research

The sample size of my qualitative multiple case study was six minority small business owners in south Florida. The limitation of the sample size provides the basis of recommendations to expand the study to other minority small business owners throughout Florida, as well as other states throughout the United States. To broaden the scope of future studies, I recommend covering a broader geographical region throughout the United States and extending the study from minority small businesses to include minority medium to large-sized business owners. The findings from further research may enable minority business owners to develop the best financing strategies to ensure the growth and sustainability of their businesses.

Conclusion

The specific business problem is that some minority and small business owners lack effective financial strategies to sustain their small businesses beyond 5 years. This qualitative pragmatic study aimed to identify factors that can assist minority and small business owners in developing effective financial strategies and help them understand how these strategies can support their long-term sustainability. The conceptual framework for this study was the pecking order theory created by Fisher and Donaldson (1962). The data collection methods of this study included semistructured interviews, a review of the business website, and any shared documents.

The five themes that emerged from were internal financing strategies, sustainability, customer satisfaction, experience in the industry, and financial lending. Small business owners may use the findings to properly finance their new business, which would create jobs for local communities and increase contributions to the local economy. The findings from this study could help small business owners to understand the importance of developing business resources and implementing financial strategies that contribute to the success of the business.

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Appendix: Interview Protocol

Interview Introduction Script

Hello, I would like to thank you for agreeing to participate in this study. As you know, I am pursuing a doctoral degree in business administration at Walden University. I am researching strategies to improve the financial success for minority and small business owners. My goal is to identify financing strategies that contribute to their sustainability and growth during and beyond 5 years of beginning operations.

Your participation is essential for this study, considering your experience in the field under investigation. The interview will take about 1 or 1.5 hours, and if you agree, I will record the interview to ensure the gather the information you share accurately. It is important to let you know that your participation is highly appreciated but voluntary. Therefore, if at any moment, you prefer not to answer any question or want to end the interview just let me know.

Once I complete the transcription and interpretation of this interview, I will send you a summary by e-mail to ask you to review the information and confirm or deny that what is written represents your intended meaning. I will appreciate you taking some time to provide your feedback regarding your agreement or clarification request.

Finally, I would like to ensure that your identity and participation will be confidential; therefore, I will not use your name, the name of your company, or any data that can compromise the confidentiality of your participation. Do you have any questions?

Participant's Introduction

I would appreciate if you can provide me with a brief introduction of yourself.

Your name, age, highest degree level, years of experience as a business leader, years in the company, etc.

Interview Questions

During the interview, I will observe the body language of the participants, as well as any other no verbal signal to be considered. I will paraphrase as needed and will ask follow-up probing question if necessary. Also, I will promote the conversation to obtain richer responses.

The interview questions are as follows:

1. What initial funding did you include in your financial strategy?
   Probing Questions
   A. What factors did you consider choosing your business's funding?
   B. What kind of funding sources have the business obtained since its beginning?
   C. What is the composition of your company's capital structure currently?

2. How did you obtain the funding for your business?

3. What amount of funds did you include in your strategy for startup costs to sustain your business for the first year?

4. What influenced the financial strategies you used for funding your business?

5. What, if any, tactics did you use that assist you in securing funding from investors or traditional lenders?

6. What type of financial or accounting software did you include in your financial strategy and how useful has it been for sustaining your business?

7. According to your experience, how important was it for your business to maintain a long-term relationship with banks?
   Probing Questions

   A. Do you work with just one or more banks?
   B. How well does your banker know your business?

8. Were there any barriers to implementing your business's strategies for financing to grow and sustain your business beyond 5 years?
   Probing Questions

   A. How difficult was it to overcome the barriers?
   B. Which aspects of your leadership contribute to overcoming those barriers'

9. How did you assess the effectiveness of the strategies for financing your business through and beyond 5 years of beginning operations?
   Probing Questions

   1. How has the financing strategies that you have used enhanced your company?
   2. What can you provide as examples of the results that you can see after successful financing strategies?

10. What additional information can you add that may apply to the strategies that you used to obtain financing for growth and sustainability in your business during and beyond 5 years of beginning operations?

Interview Wrap-Up Script

These are all the questions I have for you today. Once again, I want to thank you for being part of this study; your participation is invaluable. In the next week, you will receive the summary of this interview to confirm your responses, and I may ask for clarification if needed. After reviewing the summary, please inform me if you have any additional information that will be helpful or corrections to my interpretations.