EMEN

European Migrant Entrepreneurship Network

Crossing borders for financial and business development services

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Migrant Entrepreneurs and Access to Finance

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This paper has been especially prepared for the European Migrant Entrepreneurship Network (EMEN) project. it is partly based on a lecture note on Financing for Transnational Diaspora Entrepreneurs (TDE) prepared by the author in 2015 for the University of Stockholm and a book on financing of SMEs written by the author and published in 2017 by the Hague University of Applied Science (Molenaar N., Financiering voor het MKB en de ZZPer is meer dan lenen van een bank, 2017).

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Access denied

Many institutions, organisations and policy-makers in Europe consider it important to develop mechanisms to assist newcomers, refugees and asylum seekers[1] in setting up and developing their own businesses. The final aim of these mechanisms is inclusion. They are expected to enable newcomers to start their own business and generate their own income. As such, they can become full, active members of society.

The European Migrant Entrepreneurship Network (EMEN) is a project funded by the European Commission (under the COSME programme). EMEN has a challenging objective: *The aim is to develop, share and promote support schemes not only for individual migrant entrepreneurs but also for social and inclusive enterprises benefitting migrants. Ultimately the knowledge gained will be of use for those developing and promoting support schemes for migrant entrepreneurs, leading to a more inclusive society.*

Three Communities of Practice (CoPs) are active, one of which deals with the issue of Access to Finance for (prospective) migrant entrepreneurs. This CoP is led by the Research Group Financial Inclusion and New Entrepreneurship (FINE) of The Hague University of Applied Sciences.

[1] Preferably newcomers with a more permanent status

1 Know your clients

Access to finance is mainly seen as access to external finance from traditional banks. In addition, it is still generally assumed that:

a. The migrant entrepreneurs to be financed have no our very few opportunities, assets and capabilities to start a self-employed activity;
b. The prospective migrant entrepreneur to be financed ought to be engaged in that business on a full-time basis;
c. The envisaged evolution of the said business (from plan to reality and growth) should be set out in a (comprehensive) business plan.

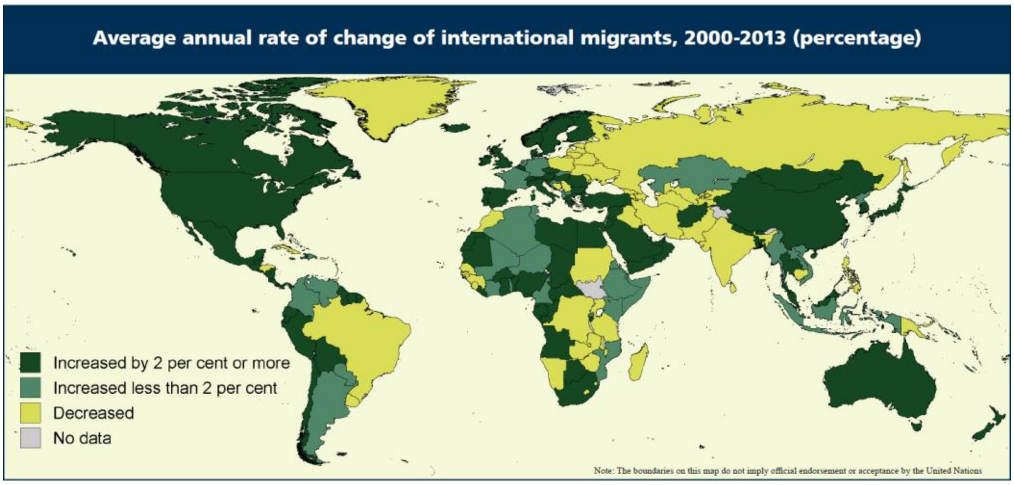
Limited access to finance is then blamed for the difficult position the migrant is in, his or her reluctance to take the plunge and start a full-fledged business, the low quality of the business plan that must describe all possible scenarios, risks and challenges, and the quality of the prospective entrepreneur who is expected to master all elements of such business plans. Given that the world is undergoing change, the horizon for businesses has altered and people have other ideas about enterprises and doing business, which are not (yet) taken into account. We see a persistent belief amongst bankers and policy-makers that one needs to assist people to prepare full-fledged business plans as a prerequisite to starting a business. On top of this banks continue consider starting migrant entrepreneurs as high risk, whereby they evaluate the prospective entrepreneurs as people with limited business knowledge and insufficient assets to pledge as collateral. To understand better the various financial needs, one needs to first identify well what type of entrepreneurs we are talking about, what type of businesses they may wish to set up, what their characteristics are and what the desired financials services could be.

1.1 Newcomers in a more diverse Europe

In 2008 I completed a research study for the European Commission on Ethnic Entrepreneurship in Europe. In the concluding part of the final report, we argued that our society has structurally become a more diverse one subject attributable to Growing Mobility and migration, increased Connectivity (social media), faster changes in Technology and innovation, and more intensive Globalisation (markets). These changes require us to adjust our vision of entrepreneurship and the expectations we have of enterprising people and the way they will set up businesses (Molenaar N., 2013). New breeds of entrepreneurs are coming up, and migrants play an important role in such processes as well. Migration is not of the past decades. Every year not more than 3% of the world's population decide to migrate and leave their country or place of residence. Although this percentage has been relatively constant over the past decades, the relative changes in some countries have led to changes in composition and thus in diversity.

So some countries have experienced a positive migration effect that eventually also results in more diversity in such countries. It is interesting to note that this is taking place most in more developed economies, creating a more diversified society in those countries and thus endowing them with a more diverse population of people who have learned to look across and beyond borders and who bring different ways of working, living – and thus being enterprising – with them. This enriches society at large. (United Nations, Department of Economic and Social Affairs Population, 2013). (See Figure 1.)

Figure 1 Average annual rate of change of international migrants



Source: International migration, Graphs and Maps from the 2013 Wallchart, 2013

Most studies on migrant entrepreneurs embrace the broad spectrum of migrants ranging from recently-arrived refugees to the second, third or even fourth generation. But this spectrum covers both persons completely deprived of all assets (and sometimes hope) in need of specific assistance as well as well-trained, educated individuals endowed not only with an enterprising attitude but also with financial and social capital. The latter would need just the same support as any other starting entrepreneur. Access to finance for all these segments is different: the completely deprived person wishing to engage in part-time solo self-employment to generate additional income on top of social welfare benefits – or the experienced person with a longer track record and with assets at hand who wants to become fully independent? The newly-arrived or the ones who have already been in their new country of residence for years?

Since very little specific attention has been paid to the recently-arrived newcomers (both refugees and economic migrants) EMEN has decided to pay special attention to this group of migrants, especially those wishing to become a small micro-entrepreneur or self-employed trader. Thus, where in this paper mention is made of “migrant entrepreneur”, we refer mainly to recently-arrived persons, with the explicit condition that they have an enterprising attitude and are endowed with the basic entrepreneurial characteristics known as attributes for successfully starting and developing a self-employed activity or setting up a small business. Hence besides being *eligible* (i.e. belonging to the group of newcomers) there must be a clear *selection moment* at the outset of those whom we consider potentially successful as self-employed people or entrepreneurs.

1.2 Which migrant entrepreneurs to focus on?

To determine what type of financial services might suit migrant entrepreneurs’ needs best, it is important to make a clear distinction between:

a. the type of migrant entrepreneurs to be supported; and
b. the type of business activities they might wish to set up and develop.

And we need to take into consideration that full-time entrepreneurship is no longer the only option in our fast-changing society.

Migrant entrepreneurs might be endowed with different talents, have different resource/asset bases, and have a variety of (previously acquired or latent) entrepreneurial capabilities, as well as their aspirations and long-term visions regarding staying in the new country of residence.

It is relevant to ask oneself whether the enterprise is set up out of necessity or to exploit an opportunity. There are three distinct options:

- *Necessity-driven migrant entrepreneurs:* migrants who have no or difficult access to the formal labour market; they often have a relatively low educational background and limited experience in businesses; they may tend to prefer to depend on social security benefits and decide reluctantly to engage in income-generating activities to survive and thus become "entrepreneurs" to sustain their livelihood through necessity rather than choice;

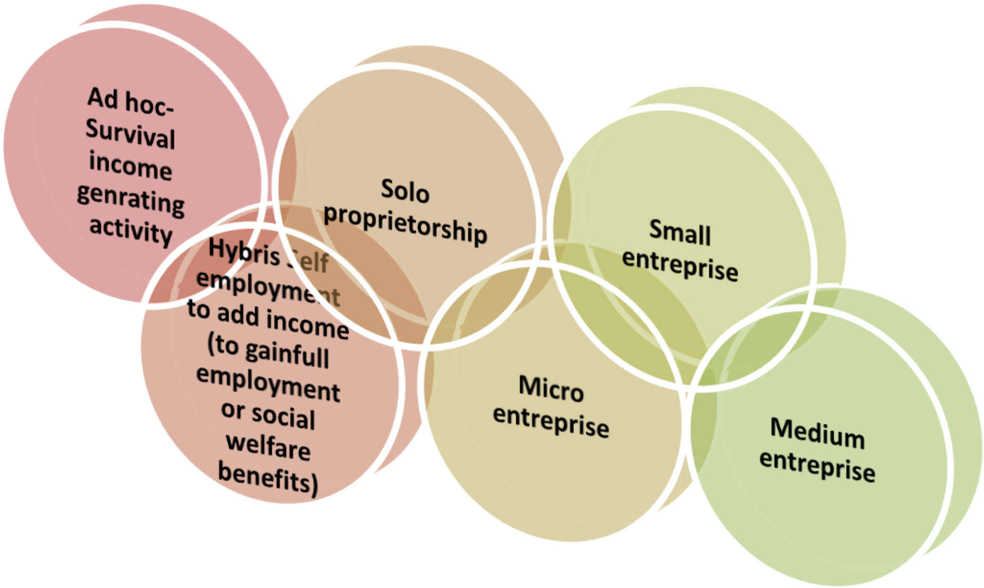
- *Opportunity-driven migrant entrepreneurs*: migrants with previous experience in businesses – although not in modern or fast-growing ones – but without real resources brought with them and who wish to take up such activity again and see an opportunity in the market in the country of residence and decide to set up their own business, developing a clear plan to do so, and pursuing the idea (and eventually continuing, stopping or selling at an attractive price, as happens in the IT sector); and

- *Growth-oriented migrant entrepreneurs:* enterprising migrants with a strong entrepreneurial background, with the necessary capabilities and possibly even (financial) resources – which they might have already exported from the country of origin – who decide deliberately to start and develop a business with relatively high capital accumulation or job creation potential – and often with great innovation capacity and a clear market orientation.

1.3 There are more options than micro and small enterprises

All three types of entrepreneurs can opt for different types of business activities. These can range from survival income generating, to (hybrid) self-employment, to full-time run micro-enterprises and small or medium enterprises. See also figure 1 for a representation of the various options.

Figure 2 Classification of income generating activities and types of businesses



Source: *Based on classification by Farbman and Lessik* (Gosses & Molenaar, 1989) *and further adapted by the author.*

This classification should be seen as a continuum since there are always some overlaps between categories. The necessity migrant entrepreneurs are found more at the left-hand side, while the type of economic activities also tends to differ slightly with service-based activities more taken up by the self-employed and production-related activities more by small and medium enterprises. However, evidence exists (Mead & Liedholm, 1998) that graduation from for instance self-employed, micro to small or medium enterprise level hardly exists – which will be true for migrant entrepreneurs as well.

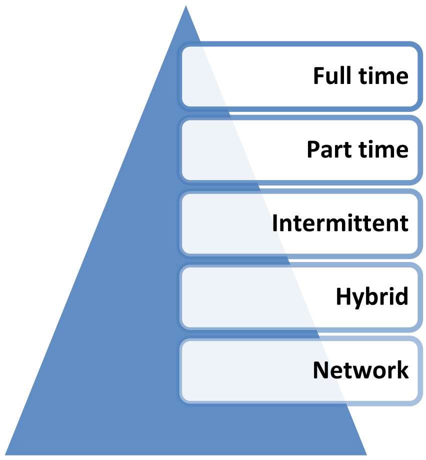
1.4 And combinations as well

Our society is changing because of mobility, diversity, globalisation and connectivity and so must our expectations. The (labour) market offers new opportunities and a wealth of unexpected possibilities with "lifelong (self) employment" and "lifelong unemployment" gradually disappearing and being replaced by other forms of work. Explorative research by the research unit on Financial Inclusion and New Entrepreneurship (FINE) of The Hague University of Applied Sciences (THUAS) reveals that more than 30% of the self-employed combined this with wage employment or with social welfare benefit (although often in the informal economy since laws prohibit this combination) (Molenaar N. , 2016). Based on studies carried out by FINE we come to the following categorisation of new forms of entrepreneurship (see also Figure 2):

- The *part-time entrepreneur*: the person without other waged employment, often taking up household tasks (unpaid work) or the retired one who operates a few days a week as an entrepreneur (or self-employed person);
- The *intermittent entrepreneur* (or intermittent self-employed person): the person who engages in waged employment for a given period then becomes self-employed and maybe later seeks employment again;

- The *hybrid entrepreneur* who simultaneously combines formal waged employment (or social welfare benefit) with self-employment (either as a freelancer or as a small or micro entrepreneur (EIM, 1999));
- The *network entrepreneur*: full-time entrepreneurs employing people are outnumbered significantly by self-employed people with no intention to employ anyone; he or she rather seeks to collaborate with other self-employed people if workload demands.

Figure 3 Full-time and hybrid forms



Source: Author (Molenaar N. , They are not yet seen... but...Hybrid Entrepreneurship emerging is changing society, 2016)

Like all other enterprising people, migrants may also prefer part-time self-employment or self-employment in combination with social welfare benefits or part-time paid employment: these are known as hybrid entrepreneurs. Financing instruments for migrant entrepreneurs must thus also cater for the needs of these hybrid migrant entrepreneurs.

2 Financial needs and channels

Access to finance is not just a matter of offering (micro) loans to migrants. Not all financial intermediaries are in a position to offer the appropriate financial services. Each channel has its own characteristics, qualities and possibilities. Proper matching is the basis for effective use of finance. Not all activities are best off with a loan. Some migrant entrepreneurs might be better off with a grant, while others are in need of comprehensive financial services. Prospective migrant entrepreneurs searching for finance are now able to approach a broad range of formal financial intermediaries, but new ones are coming up as well. it is thus important for them to become familiar with the new financial landscape. This landscape is changing dramatically with the emergence of internet-based channels and financing mechanisms that are set up for and by members of the diaspora themselves. Proper access is a thus a matter of matching migrant entrepreneurs with the actors in the financial landscape and striking the right balance between needs, capabilities and actual services at hand.

2.1 Migrant entrepreneurs need more than just (micro) loans

Various kinds of special financing initiatives can be set up to enable migrant entrepreneurs to get started or to expand their operations. These services are offered by different kinds of institutions, depending on the different types of entrepreneurs. Poor people who undertake income-generating activities for their immediate survival usually rely on socially-driven government or non-government organisations (NGOs). Over time the needs for specific financing change: while at the outset grants are useful to kick off/kick-start, over time the (migrant) entrepreneur needs more general banking services as well. He or she thus starts as a *grant-worthy* subject who eventually ought to become *bank-worthy* in order to be eligible for support from the formal banking systems (see Table 1).

Creditworthy micro-entrepreneurs usually deal with microfinance institutions. Small and medium-sized enterprises normally try to obtain loans from banks

Each stage of development the businesses are in calls for a different financing package. What is noteworthy?

Table 1 Need for financial services among different types of (migrant) entrepreneurs

Type of entrepreneur	Needs and expectations
Grant-worthy	Migrant people who want to undertake basic income generating activities for day-to-day survival purposes without making consistent profits. They need financial services that make them less vulnerable, such as savings schemes and emergency loans. The provision of grants instead of loans may be appropriate. *Most of the economic activities in this category can be classified as (additional) Income Generating Activities (IGAs).*
Creditworthy	Migrant entrepreneurs, who set up businesses that generate sufficient revenues to repay a business loan, provided there is an appropriate credit methodology adapted to their needs (such as alternative collateral or group

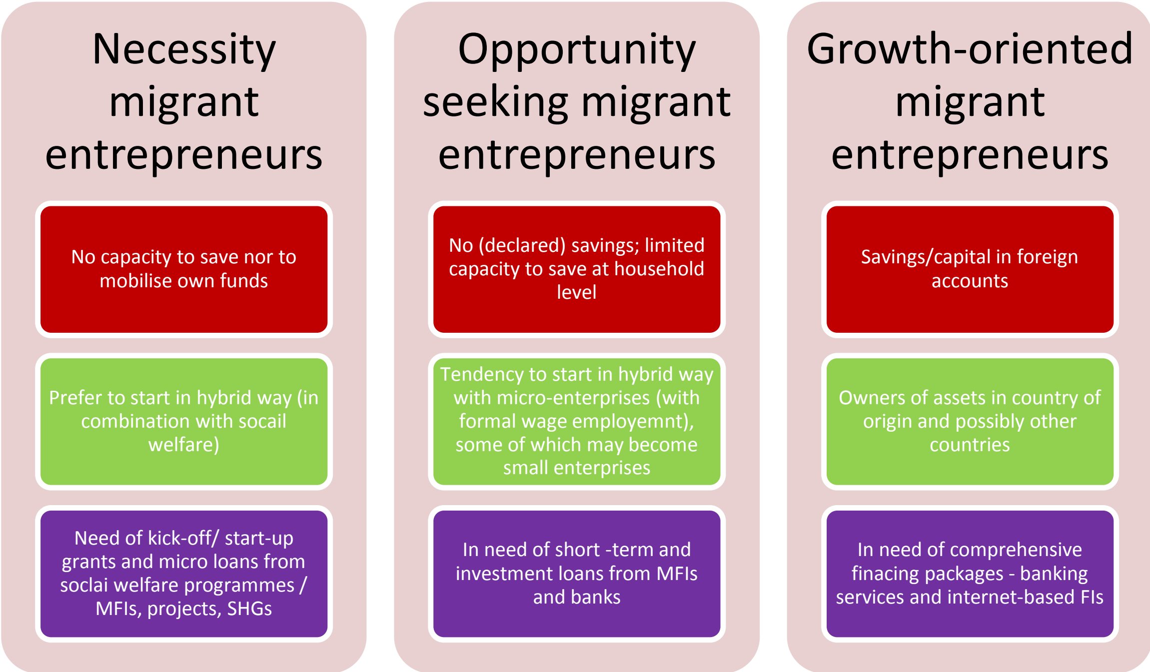
	formation). *Both micro- and small enterprises can fall into this category.*
Bank-worthy	Entrepreneurs who operate a stable and profitable business and who need a wider range of financial services for their business including different types of loans, payment services and insurance. Many of these entrepreneurs may be able to obtain a bank loan under normal banking conditions. *This category comprises both small and medium-sized enterprises.*

There is a persistent belief that migrant entrepreneurs need microfinance e.g. micro-loans. Of course, there are many migrants who are excluded from regular society; indeed, with a small loan they can regain self-confidence and feel empowered, start small economic activities that generate some additional income, and become more respected members of society. Of course, there are many migrants who have already found part-time jobs, and who want to gain more income through additional self-employment. This type of hybrid migrant entrepreneur can indeed by supported with a relatively small micro-loan. But that is not true for migrant entrepreneurs. Some of them would be better off with a small grant just to kick-start activities, while others need more complex financing.

There are often migrants who are quite resourceful when they arrive in their new countries of residence, enterprising and with greater ambitions and assets than we seem to understand or see. They are people who have completed their education, and as professionals wish to participate in our society. They are people who have crossed borders and by doing so have brought with them new insights and market intelligence that many of us lack; marketing insights with which they aspire to set up small and even medium enterprises that contribute to sustainable development in our societies and in their countries of origin. But many of them have limited or no access to formal financial services as they seldom fit into the mindset of bank staff or the evaluation schedules that banks use.

The more successful (migrant) entrepreneurs start their businesses with their own financial resources and, of course, their knowledge, vision, drive and ambition. In the beginning – the start-up phase – next to their own savings they tend to rely on loans from family or friends and credit provided by input suppliers. This is also true in the new country of residence. (See Figure 3.)

Figure 4 Different categories of migrant entrepreneurs and their possible financing needs

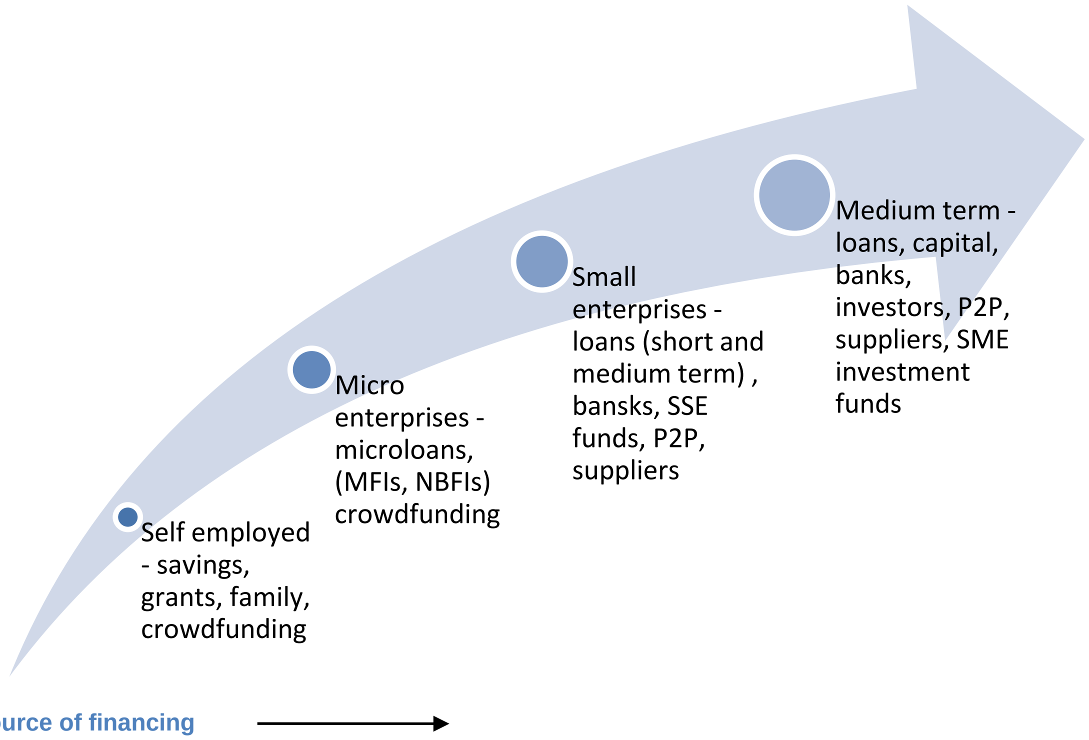


2.2 Different stages and their preferred financing

If the start-up phase turns out successful, the entrepreneur will want to invest more and will also want to have enough working capital for the business to provide a reliable and sufficient stream of income. The profits made at this stage will not cover these requirements, and external financing is needed. First it will be in form of short-term loans (for working capital), later followed by a need for long-term loans and sometimes venture capital.

In assessing SME financing the business life cycle approach (Figure 4) is an effective tool to define what type of (external) financing is needed at different stages of evolution. Whether one wishes to engage in self-employment (without people employed) or in micro or small enterprises, all have varying financial needs at different stages of the realisation of their plans. Again, this must be related to their asset base at the different stages. Entrepreneurs thus have different financing needs during the life cycle of their businesses (Berger, 1998): they will use their own funds (savings and borrowing from people in their immediate environment) in the start-up and early stages, and gradually require external financing during the growth and expansion stages. In their view an SME would thus seek support from banks in the growth stages and from venture capitalists at later stages. These days this assessment needs to be refined to reflect the understanding that SMEs in general, and thus migrant enterprises as well, seek more comprehensive financing packages over time. One single financial service provider offering a single product (often loans) is no longer sufficient. Present-day entrepreneurs make more use of web-based facilities such as crowdfunding, peer-to-peer lending, business angels and informal investors, but also of locally operating savings and credit mechanisms.

Figure 5 Business life cycle and changing financing needs



2.3 Web-based mechanisms

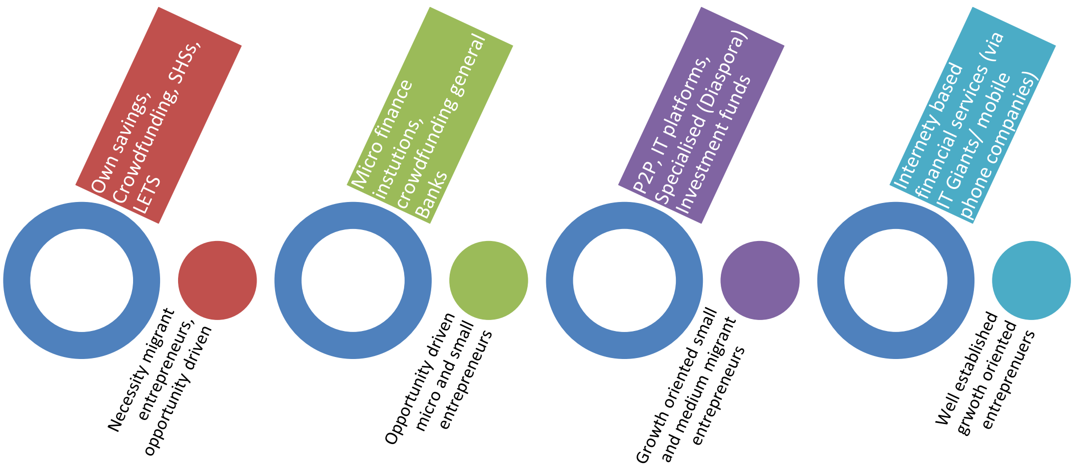
In past decades the financial landscape has become more complex with the emergence of new web-based mechanisms. New technology-driven innovations have influenced (and disrupted) the financial sector. Some of these innovations can be seen as a natural evolution of the increased connection among individuals, via Web 2.0 technologies, which have created vast social networks like Facebook and LinkedIn. We see IT-based financing (for SMEs) developing in two directions: one where profit-making based on marginal income from larger numbers of clients is the determining factor, and the other where seeking direct control over one's own money is the leading principle.

Like all members of society at large, migrant entrepreneurs have also become more connected through the internet, mobile phones and social media. They know more and often better than a few decades ago; at least they have access to more information, they want to use their talents, and they want to participate in the decisions about talent and assets. This is also found in their desire to be part of processes related to the use of their money. The emergence of informal savings and lending groups, the decision to start new cooperative banks, the revival of community-based lending and savings, or of mutual insurance schemes set up by self-employed or elder people, the increased number of platforms for crowdfunding and peer-to-peer lending, and the emergence of diaspora funds – all offer new opportunities to access finance.

The internet offers new opportunities for financial services for new entrants. Larger data companies offering non-banking services on the web are also (becoming) active in offering financial services to their clients. What most have in common is their sense of exploiting the possibility to reach out to a large number of existing clients through the internet with financial services at low cost. It is feasible for them to build their service delivery systems around and on the existing IT systems they use for their regular services. Most of those services are rather simple ones such as payment services, automatic short-term loans, insurances, and direct money transfers. More complicated ones, such as operating bank accounts, long-term loans, syndicated investments and mortgages, are unlikely to be offered.

Although not yet mentioned in evaluation reports and best practice guides, we may assume that migrant entrepreneurs will also make use of these new options to access (external) finance. Diaspora funds have been recognised as a new channel of late, but crowdfunding and peer-to-peer lending platforms also offer new opportunities to create linkages beyond and across borders, away from the traditional financial intermediaries. So far, we tend to focus mainly on special schemes as part of local or national projects, or assume that micro-finance institutions are best positioned to serve migrant entrepreneurs. The new channels will certainly become more popular since these innovative methods will be able to connect people directly, organise funding amongst people with similar backgrounds, and might be faster in responding to financial needs.

Figure 6Migrant entrepreneurs and possible channels for financing



2.4 Financing packages rather than one size fits all

And there is another trend to take into consideration as well: (migrant) entrepreneurs not only need loans to finance the start and evaluation of their ventures; at certain stages they are better off with grants, and over time they look for packages of financing services composed of both loans and investment capital, of short-term and long-term funding, of financing from formal and informal investors and financiers.

These more comprehensive financing packages cannot be offered by one single financial service provider. The existing financial intermediaries are used to extending traditional financial services in the forms of (micro) loans or guarantees. They are not in a position to simultaneously offer services from web-based facilities such as crowdfunding, peer-to-peer lending platforms or financing by business angels and informal investors. They certainly cannot liaise with locally operating savings and credit mechanisms. But prospective migrant entrepreneurs may still be better off with a package. As we already see happening at some banks, the credit analyst will need to become a financial adviser and broker. He or she will first assist the new client to assess their actual financing needs and then seek to compose a basket of finance bringing together the offers of various financial intermediaries.

3 It is also a matter of (removing) barriers

To determine which actions to take to ensure that migrant entrepreneurs have appropriate access to the right financing services, it is important to take in mind that:

a. There are three categories of migrant entrepreneurs, each with their own entrepreneurial profile;
b. Migrant entrepreneurs might opt for different forms of entrepreneurial activities;
c. The financial landscape is changing and new avenues are opening.

This all calls for a precise selection at the early stages of the enterprise support process – and a proper matching of needs and services (packages). But even then, effective access is still a problem as there might be various barriers across processes that have to be overcome.

Programmes in support of migrant entrepreneurs will be effective if they reflect an understanding of the world enterprising migrant people operate in; a world often full of barriers – both external ones and barriers within the prospective migrant entrepreneurs themselves.

Actually, the latter ones – the internal barriers – are often more overlooked than those within the financial organisations we expect to extend finance to migrant entrepreneurs. [2]

3.1 Barriers for financial service providers

Suppliers of financial services, in particular the formal ones, discriminate indirectly and unconsciously against members of underrepresented and disadvantaged groups in general and thus against migrant entrepreneurs as well. In general, there is a tendency to shy away from starting SMEs. The unknown is not wanted. In many cases they are people without a track record, and hence financial institutions claim to have difficulties in assessing their risk profile (using present evaluation systems). Properly assessing that risk and the prospects of the proposed business ventures would require personal relationships between the loan officer and the prospective clients. But experienced loan officers and credit analysts no longer exist and have been replaced by formalised evaluation procedures where personal assessments are not appreciated, by young people who just follow strict procedures and impersonal internet-based financing options. But this argument is not the only one. The barriers at suppliers' level are manifold and at different levels:

- *Awareness level.* Financial institutions and banks operate in a rather simple way. They need to protect and safeguard the funds and capital entrusted to them. This requires prudence but also triggers extreme caution and risk-aversion when bankers lend out these funds – temporarily – to others. Surprisingly when it comes to assessing potential borrowers they are even more careful in evaluating business propositions and assessing the risks that money loaned out can(not) be recovered under all circumstances. These are independent decisions. Starting migrant entrepreneurs are seen as an even bigger risk. Banks claim that it is neither their explicit task nor their responsibility to introduce social changes in society by focusing on such groups. Migrants are only considered as clients if they meet the general criteria banks adhere to and the business case can be proven. To

[2] In describing the barriers, we have followed the structure of the APIS model (Molenaar, 2005), making distinction between Awareness, Political, Institutional and Service level

change this requires a debate at high policy and managerial level to define the role of financial institutions in reaching out specifically to such special groups. Raising awareness is the way out; and proving that there is a business case.

- The *policies and procedures* that financial institutions have adopted and follow are not always positive for migrant entrepreneurs. They are designed to select a prototype of clients, and indirectly discriminate against the unknown or at least would not give preference to special target groups. To increase the percentage of members of under-represented groups who are served also requires special programmes – and with that (temporary) adjustments of procedures and evaluation processes. This may imply changes in the working, appraisal and approval processes; but also, in the prevailing staff appraisal systems. Paying attention to special groups may require more staff time in serving clients and may result in investing in changes in evaluation procedures and even product design. This again is only possible if leadership really subscribes to such changes and sends out the message that they support it and see it as a responsibility of financial institutions to facilitate such changes in society.

- The *internal organisation* within the banks is often not positive for migrant entrepreneurs. The latter are not seen as real clients and are associated with high risks, high costs and time-consuming processes at the counter. The problem could be partly solved by setting up special programmes or departments and by assigning or contracting staff from such groups as credit analysts. This can only be done when prejudgments and prejudices are eliminated and a positive profile of the clients is promoted.

- The *way clients are treated and the services offered*. To understand the barriers that clients face, credit analysts need to have a general understanding of the way these groups function in society. One way to achieve this is by ensuring that the credit analyst is a member of the migrant community. This could create a level of understanding, since they have a basic knowledge and experience of how minority groups for instance operate, think and do business. At first sight this is attractive, but it might also serve as an excuse for other staff not to pay attention to such a challenge. A second option would be special introductory courses for all staff and brining about structural changes in attitude and mindset amongst staff members.

- The *products and services* offered and the way they are delivered are not compatible with the characteristics and ambitions of the target groups. They do not dovetail nor fit in with the way migrant entrepreneurs might compose the finance package they need. Loans, participation or grants from family and friends, undeclared savings and direct loans from other members of the diaspora and finances attracted or obtained through the internet are part of the package.The external finance applied for does not always fit directly into that package. In addition, migrant entrepreneurs tend to start on a part-time basis, during the first stage of their integration process. They operate in a rather hybrid way and would benefit from financing that reflects this.

3.2 The personal barriers of the migrant entrepreneurs

The internal barriers can be divided into five categories:

- Those related to *attitudes* in society towards migrants and prospective migrant entre-preneurs. This is related to whether society is aware of the presence of migrants and the role they can play in society. Acceptance is a result of mutual awareness. Through active participation in awareness campaigns and promotion activities, *perceptions and pre-judgments* about support to starting small entrepreneurs and in particular to migrant entrepreneurs can be influenced in a positive way.

- Those related to *policies,* procedures, rules and regulations. To what extent does a level playing field exist and will policies lead to active participation of the target groups? Again, proactive participation in the policy dialogue is required to create such an enabling environment. This is better than waiting for others to take the necessary steps.

- Those related to *organisations and institutions*. This is apparently an external factor, but very often the isolation of the target groups can be a result of the way they have organised themselves. Evaluations of special programmes set up to serve migrant entrepreneurs groups reveal the need to ensure that programmes are mainstreamed. To operate in special target-group-focused organisations may be relevant in the early stages to promote empowerment of the members and make such groups visible. However, to ensure that service delivery is effective, efforts must be deployed to integrate services for the target groups into mainstream services. This also requires a positive attitude by members of the target group towards such developments.

- And the ones related to *specific personal traits*, characteristics and qualities of the members of the under-represented and/or disadvantaged groups. The three most common barriers in this category are:

  - *Information barriers*. The language one speaks and uses and the way one is under-stood and addressed are not always the same. It is not only the actual spoken language but also the business language that can differ in various cultures. Under-standing this will help members of the target group in their dealings with service providers and thus with financing bodies as well. Informing oneself about financing possibilities and about the related conditions may help overcome this barrier. That is not just a responsibility of the suppliers.

  - *Knowledge and skills levels.* The fact that one belongs to a disadvantaged or under-represented group does not imply that one does not need to acquire the skills and capabilities to set up and run a business. People must understand that attending training to acquire such skills and knowledge is a perquisite for success, and must not be seen as a ticket to ride e.g. as a condition for obtaining financing. Migrants must inform themselves actively about the possibilities financial intermediaries offer. Especially with the emergence of new phenomena such as P2P financing, crowd-funding, banking services by larger data and mobile phone companies, but also diaspora funding, this is needed as it offers new avenues – providing that the prospective entrepreneurs are well informed.

- Last, but definitely not least, comes the capacity to build a necessary *asset base* to start businesses. Like any person starting a business, saving money in advance is essential to be able to start up, and later to attract other external financiers. For the first two groups of migrant entrepreneurs (the necessity entrepreneurs and the opportunity-seeking ones) this is however rather difficult. They have left home without being able to set aside savings (abroad), and often depend on social welfare in their country of residence. This social welfare payment is often not enough to set aside money to invest later in new self-employed activity. Besides this one must take into account that with a growing interest in self-employment the composition of those who will start a business will change over time. Whereas in the past new entrepreneurs often came from entrepreneurial families that could provide start-up capital, the present generation have less access to such a wealth base.

There is a tendency to blame external parties, and particularly the banking sector, for barriers to financing. This is partly true, but much depends as well on the willingness of migrant entrepreneurs to lower or remove the internal barriers. Failing to do so will result in a self-fulfilling prophecy when members of groups adopt the role of the victim in society. This attitude creates an unwanted distance from financial institutions and provides the latter (and particularly banks) with the arguments to justify their lack of interest or limited capacity to serve migrant entrepreneurs.[3]

3.3 Who can do what?

Both financial institutions s and migrant entrepreneurs have a responsibility to take steps to remove or lower the barriers and thresholds. In Table 2 an overview of the possible steps and actions is given.

Table 2 Barriers for migrant entrepreneurs and possible steps to overcome them

Levels of intervention[4]	Barriers with service provider	Barriers with migrant (entrepreneur)	What migrant entrepreneurs can or should do
AWARENESS AND CULTURE	Perceived prejudgments	Perceived prejudgments about providers	Set up groups/associations to participate in promotion and publicity campaigns for general public
	Perception of the real client is negative	Attitude towards service suppliers	Organise training and information campaigns among migrants
POLICIES	Rules and procedures	Rules and regulations	Participate in working groups that review of rules and regulations and feed back to migrant entrepreneurs
	Evaluation systems in financial institutions		Assist financial sector in review of systems
		Capacity to lobby / advocacy	Assist sector in organising
ORGANISATIONS/ INSTITUTIONS	Understanding of reality limited	Mutual support	Organise seminars/ conferences
	Language and culture creating distance		Participate in training programmes of service

[3] An aspect which is often overlooked in financial education programmes is the training of bank staff in addition to the building of financial understanding amongst – potential – clients.

[4] In describing the barriers, we have followed the structure of the APIS model as developed by the author, making distinctions between the Awareness, Political, Institutional and Service levels.

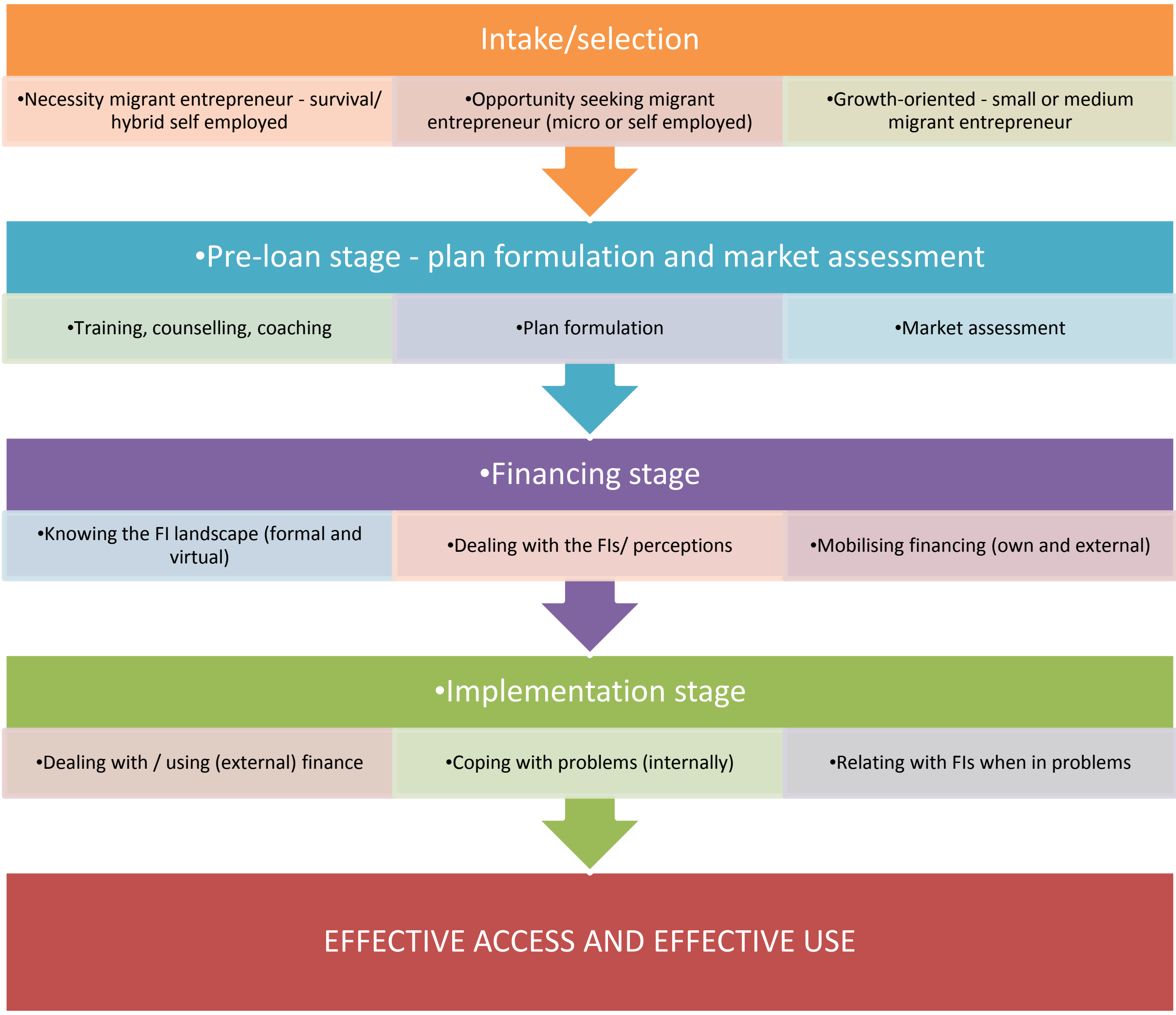
			providers
		Mainstreaming not accepted	Inform the migrant entre-preneur community of the importance of making use of mainstream services
SERVICES AND PRODUCTS	Attitude of staff	Knowledge and skills limited	Assist in the design of training programmes
	Location	Language spoken differently / with difficulty	Organise special training programmes for migrant entrepreneurs
	Products / services offered uniform / "one size fits all"	Capital / asset base limited, way of running businesses different	Assist service sector with product/service design

Access to finance for migrant entrepreneurs can only be improved if we are aware of the external barriers that exist and that can be removed by deciding on proper policies and adjusting programmes. It also depends on the willingness of migrant entrepreneurs to explore possibilities, formulate and determine the right financing packages, take a clear view of the possibilities and seek the proper assistance. Above all they must be aware of the possible barriers not only in the outside world but especially with themselves.

3.4 Better access of we dare to intervene!

There are thus four distinct levels where concerted and focused interventions are needed to ensure a more effective access and efficient use to (external) finance for migrant entrepreneurs (figure 6).

Figure 7 The migrant enterprise development process and actions to improve access to finance



At the selection level

Here there is need to be more aware of diversity within the potential target groups. Selection must first focus on the three categories, and within those categories focus clearly on the possible success that the client will indeed start self-employed activity and continue to operate as an entrepreneur – as should be the case with all entrepreneurship and business creation programmes.

At pre-loan level – the action or business plan formulation stage

The more effective actions to be taken during the preparation stage by support organisations are related to building up a stronger countervailing understanding amongst prospective migrant entrepreneurs. Language lessons and general information sessions about finding one's way in the new country of residence are a must for all three categories. But it is generally understood that each category requires specific assistance in the pre-loan stage as well. The growth-oriented group is indeed in a position to draft their business plans on their own and would benefit from focused consultancy services to fine-tune such plans. On the other hand, necessity entrepreneurs will need fully-fledged assistance to draw up an action plan and a financing plan in addition to training in basic business skills. Growth-oriented entrepreneurs will be best assisted with information about the various forms of (short/long-term loans or venture capital, formal or virtual) financing that is available in the market, and the organisations to approach and channels to choose from. Opportunity entrepreneurs will benefit from focused information sessions on the institutions that could provide them with a tailored micro-loan in support of the micro-enterprise being set up.

At institution level – the financing stage

The growth-oriented group will require comprehensive financing and the opportunity entrepreneur could do with a micro-loan to start the business.

At institutional level interventions aimed at improving dialogue and communication between the professional and operational staff of the financial institutions and prospective clients are most needed. These would first be focused on credit analysts and evaluation staff who have to become familiar with this group of clients and their background.

At the same time the clients need training in how to deal with the staff. Through special training this can be taken up.

A review of the service package is needed as well. Most migrant entrepreneurs will probably not start on a full-time basis and will try to commence operations while going through their integration process. They will thus start in a hybrid way. The financing package must then be tailored to this starting situation. Furthermore, the first two categories, i. e. necessity and opportunity entrepreneurs, might prefer to continue in a hybrid way. They could do so by combining their business venture with partly depending on social welfare or with part-time waged employment. This will require varying financing packages and adjusted evaluation processes.

At implementation level/post-loan

For all categories it is important to be guided and trained in what to do when things go wrong, or when things do not go as planned. For some migrant groups running into problems may be awkward and shameful. At least it will not be something to talk about with third parties. The financier might be seen as the party to be repaid under all circumstances, and not as a partner in business. It might not be considered as the institution to approach for further help. But failure to discuss business when things go wrong might be negatively interpreted by the staff of the financial institutions. They may then consider the clients as untrustworthy and pay more attention to debt collection than to the refinancing that is needed.

Accessing the unknown

To date the various inventories of best/good practices in support to migrant entrepreneurs and guides to financing migrant entrepreneurs (OECD, 2016) generally pay more attention to the issue of (difficult/ limited) access to finance for migrant entrepreneurs. When they do so they do not mention more than the need to create access to mainly loan funding. In some cases, pleas are made to create a special lending facility for migrant entrepreneurs, or to set up a special guarantee facility, or to link these to mainstream lending to SMEs. There is no discussion about the need for mainstream programmes. Special target-group-focused programmes are mainly effective in kick-starting assistance to migrant entrepreneurs. But there might be more beyond the horizon, that is not yet seen either by policy-makers or by practitioners.

Migrant entrepreneurs are not people living in isolation. Even after their departure from their country of origin they retain strong ties with family, relatives, friends and other people left behind. With them they will stay in contact. The interconnectivity does not disappear. Migrants will seek contact with people from the same country, belonging to the same cultural and social groups. With them they will build up new social relations. Actually, their social capital, their network, will most definitely be of a more varied nature than local entrepreneurs tend to have.

These new social networks can also be used to mobilise funds and create access to previously unknown sources of funding. Crowdfunding and peer-to-peer lending operations cross borders as migrant entrepreneurs do.

The challenge is not only to acknowledge that such cross-border mechanisms and constructions exist. The real challenge will be to identify them and link them to the existing actions and programmes in support of migrants contemplating starting a new business venture and becoming self-employed. To link these new (unknown, unidentified, innovative) financing initiatives to training, counselling, mentoring and coaching. To take the new options into consideration when developing financing packages for the migrant entrepreneurs and together with the prospective entrepreneurs drawing up action plans on how to access these new initiatives or participate in them.

By accessing the unknown we will certainly be more effective in creating more access to financing for migrant entrepreneurs.

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About the author

Klaas Molenaar, Emeritus Professor on Financial Inclusion New Entrepreneurship, has a long track record in promoting, setting up and managing programmes supporting migrant entrepreneurs. His driving force is to beak way from traditional ways of looking at developments, by asking himself continuously: is this really true and effective? He worked for the ILO/UNHCR in Kenya as programme director of the Special Programme of Assistance to Refugee Entrepreneurs (SPAREK). SPAREK supported refugees from neighbouring countries wishing to set up a business in urban areas in Kenya. The knowledge gained there was later transferred back to Europe and applied in SEON and the IntEnt Foundation, both set up by the author. SEON implemented programmes supporting migrant entrepreneurs and long-term unemployed people to become self-employed, while IntEnt focused on migrants residing in Europe wishing to set up a new business in their country of origin. His experiences have been set out in the book: *Enterprising Migrants in the Driver's Seat* ((Molenaar N. , 2009)