

Financing the creation of microenterprises with microcredit: Does being an immigrant make a difference?

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First published: 04 March 2022

<https://doi.org/10.1002/jsc.2495>

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Abstract

Financing immigrant microenterprises has emerged as an important economic and social issue in Europe, yet this is an area that presents specificities only partially investigated by extant literature. Using a bank's loan dataset containing information on 669 small loans granted in Portugal between 2016 and 2019, this paper explores differences between immigrants and nationals in financing microenterprises in small loans programs. The results obtained with nonparametric statistical tests allow us to conclude that immigrants are different from their national counterparts in terms of human capital and location of business activity. However, no significant differences were found between immigrant entrepreneurs (IEs) from their national counterparts in the credit amount, sector in which businesses are created and small loan repayment. Our study contributes toward broadening the literature on the financing of IE by empirically testing the thesis that claims "discrimination against minorities" by credit institutions and explores less investigated aspects with geographic or business sector focus. Results are also useful for policymakers and support providers who often face many obstacles in designing and implementing support policies for entrepreneurial immigrants.