

How Do Support Organizations Respond to Finance Needs of Refugee Entrepreneurs?¹

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ABSTRACT

The increase in refugee flows between 2014 and 2017 has given rise to the interest in and support for immigrant or refugee entrepreneurship. Multiple support organizations have emerged in different EU countries. In the Netherlands, a wide variety of support organizations for immigrant and/or refugee entrepreneurs have helped start-ups in tackling the local and national contexts. In this paper we examine different organizations in the Netherlands in their financial support for immigrant and refugee entrepreneurs on the route to starting their (small) business. We first map the characteristics of different organizations surveyed, we then describe what they perceive what the needs are of refugee entrepreneurs that want to start a business. These needs were formulated from the observations of the support organizations. The results are framed in different phases of the entrepreneurial process. They are linked to three contexts of reception: a framework in which an analytical separation between government, local (labor) market and ethnic group barriers and benefits can be made. Overall, newly arrived migrants face bureaucratic hurdles that affect their financial choices. The government and the local contexts are complex and can offer little financial support while the settlement is too recent to benefit from the group context. Support organizations should focus on tackling institutional barriers for start-ups.

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INTRODUCTION

The increase in refugee flows after 2014 to the European Union has given rise to the interest in immigrant or refugee entrepreneurship as an alternative for mainstream labor market participation. Immigrants face specific barriers on the road to entrepreneurship. Refugees are confronted with similar barriers as immigrants, but with additional hurdles. To overcome these hurdles faced by refugees, multiple support organizations have emerged in different EU countries. In the Netherlands, a variety of organizations for immigrant and/or refugee entrepreneurs have supported starting businesses tackling the local and national contexts.

Research on the effectiveness and reach of the support organizations has emerged (Engbersen et al., 2018; Lysias, 2018; Nijhoff, 2019a). These studies point at multiple institutional barriers for refugees on the route to a business in the Netherlands; financial barriers are one of the hurdles. Our study is one of the first attempts to map the options of financial support for immigrant/refugee entrepreneurs. It is the first study in the Netherlands that explores the financial needs of starting immigrant entrepreneurs. Financial support organizations in the Netherlands have been approached to discuss their experiences with the refugee entrepreneurs they assisted on the road to entrepreneurship. Immigrant and refugee entrepreneurs face barriers and advantages in the new society. These have been analyzed using the framework of contexts of reception as described by (Portes & Rumbaut, 1996) The contexts of reception offer an analytical tool that helps understand exclusion, barriers and benefits.

The study focused on financial support organizations for newcomers in the Netherlands. Nationally, refugee participation and integration legislation creates a framework in which municipal actors are assigned to enact that legislation. Municipalities have different ways to fulfill the requirements of the law; one example is through refugee entrepreneurship support. This is executed differently by municipalities but generally, the support has been outsourced by municipal employers to (semi-)private organizations (de Lange et al., 2019; Lysias, 2018).

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The experiences of these organizations have been mapped according to different stages of the start of a business. We looked at: what financial services are offered and what do these organizations think newly arrived immigrants and refugees need to start up a business.

MATERIALS AND METHODS

The main objective of the initial study was to explore funding options offered to refugee/immigrant entrepreneurs in the different European Union countries. The main question was how support organizations responded to the (perceived) financial needs of immigrant/refugee entrepreneurs.

The focus was on support organizations (directly or indirectly) connected to the European Migrant Entrepreneurship Network¹ (EMEN) project. Forty-three organizations were approached: a first selection of 22 organizations was through the existing network of Community of Practice 2 (CoP2) of EMEN, followed by snowball sampling where another 21 organizations were reached.

Of the 43 organizations, 15 filled out the questionnaire. Survey questions were developed using the Delphi model. The first version of the survey was drafted and then distributed to experts for feedback. The received comments were incorporated into the next version of the survey and further comments were solicited. The process undergone three iterations, and the fourth version of the survey became the final version. The final version of the survey included 18 questions: 7 were multiple-choice questions and 11 were open-ended questions (see Appendix). The questionnaire was designed to answer questions on two main topics. First the respondents were asked to specify the (financial) services they provided for immigrant entrepreneurs. In the second series of questions, the questionnaire asked about the needs of immigrant entrepreneurs that the organizations identified. The organizations were asked to fill out the questionnaire online, using Microsoft Forms. MS Forms allowed for interactive answers while the results could be analyzed per organization and per question.

The organizations that filled out the questionnaire were from The Netherlands (9), Romania (2), Spain (1), France (1), Greece (1), and Belgium (1). The responding organizations were contacted again by email, Skype or in-person in order to validate the data and to clarify answers to the survey questions. Due to the small number of responses to the survey, and the overrepresentation of Dutch organizations, we limited the study to the Netherlands. The Dutch organizations were located in different parts of the country, in smaller and larger cities. One of the organizations works only on a regional base (in one of the main cities of the Netherlands); others work nationally. The survey was analyzed to obtain an overview of services provided and the financial (and other) needs that were identified by the organizations. The follow-up interviews asked in more depth about these services and about the identified needs. Because of the explorative nature of this study, we do not aim to generalize the results. The responses are anonymized.

The first step was to broadly map the services of the nine Dutch organizations that filled out the survey. This step was followed by a qualitative analysis of the questionnaire and the phone/skype/ in person conversations. The survey was analyzed per question to assess where the interviews needed to focus. The interview questions were formal, to keep the answers closely to the topic (standardized interviews closely linked to the survey answers: (Lichtman, 2014). The answers of the interviews were recorded and transcribed. In the analysis, different indicators were organized around the theoretical concepts for financial and other needs in different stages of business development (Babbie, 2018; Emans, 1985; Wester, 1991).

IMMIGRANT ENTREPRENEURSHIP

In the early 1980s, a renewed interest in migrant or ethnic entrepreneurship emerged in different social sciences in Europe and the US/Canada. The restructuring of the economy seemed to give rise to the growth of small businesses, including small businesses run by migrant or ethnic entrepreneurs. Migrant entrepreneurship rates have grown since, and theorizing about this sector of

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the economy has grown accordingly (Boissevain, 1984; Light & Gold, 2000; Mars & Ward, 1984; OECD, 2010).

In the Netherlands, scholars focused on immigrant businesses in the bigger cities of the country, where most (absolutely and in percentages) immigrants reside. Of special interest were the textile industry, halal food sectors and service industry (Alvarado Valenzuela, 2019; Kloosterman et al., 2002; Raes et al., 2002; Rath, 2002a; Rath, 2002b) or specific groups (Boissevain & Grotenbreg, 1988; Solano, 2016). The numbers in table 1 are compiled from data of the Dutch Bureau of Statistics (CBS)³:

Table 1: Self-employment among immigrants with ‘non-western’ origin in the Netherlands

	2010	2015	2016	2017	2018	2019
Total labor force (x1000) ⁴	840	946	936	994	1056	1105
Total active on the labor market	742	802	836	883	972	1024
Total self employed	84	107	116	122	138	150
Self-employed, no employees	58	74	78	89	101	115
Self-employed, with employees	23	27	32	29	34	32
Self-employed, with family member(s)	3	6	6	4	3	3

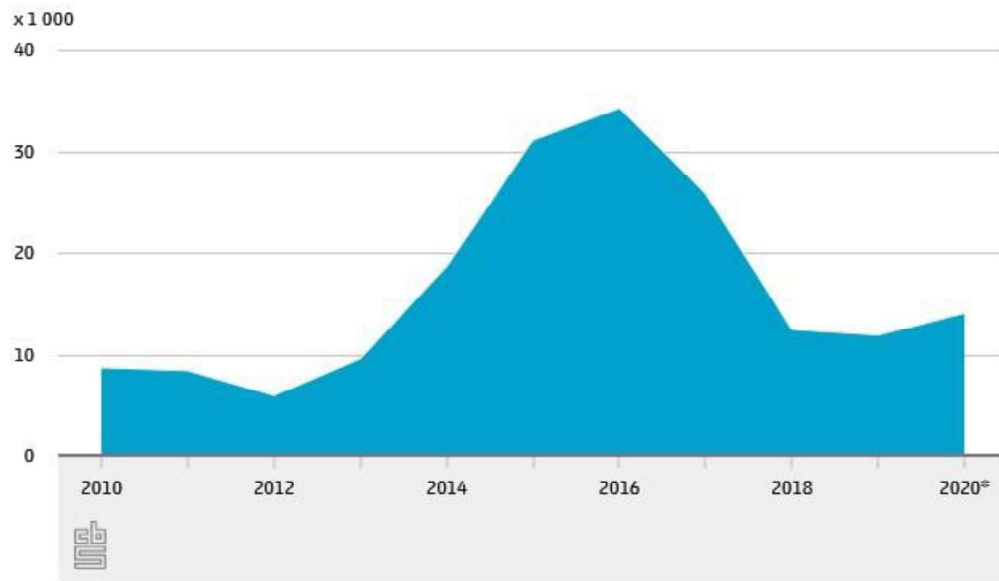
Refugee entrepreneurship was not a focus until the increased inflow of refugees since 2014-2015 (see Figure 1). In 2019, about 3% of refugees in the Netherlands were self-employed (de Lange et al., 2019).

³ CBS data do not give separate numbers for refugee or immigrant employment, the Dutch categorization is in ‘western’ or ‘non-western’ migrant origin where immigrant from ‘non-western origin’ include people with a refugee background. Immigrants with a western origin come from safe countries where asylum would be immediately rejected. Immigrants from ‘non western origin’ have large range of migration motivations, among which asylum and refuge. <https://opendata.cbs.nl/#/CBS/nl/dataset/82809NED/table?ts=1654854062752> (10/06/22)

⁴ Total professional population of non western immigrant origin, ages 15-75

The increased inflow of refugees since 2015 in Dutch society (see figure 1) has generated different support programs for starting-up a business. Some of these programs already existed but shifted their focus to accommodate the needs of this specific target group. Other programs were initiated to support refugees because of perceived barriers in society. Most programs are private initiatives, funded on project base, working closely together with municipalities (Nijhoff, 2019).

Figure 1: Asylum granted, Netherlands, 2010-2020



Source: <https://www.cbs.nl/nl-nl/dossier/dossier-asiel-migratie-en-integratie/hoeveel-asielzoekers-komen-naar-nederland-> (8/6/22)

Starting a business can help in solving immigrants or refugees' employment problems: small enterprises and sole proprietorships are considered to be important sources of self-employment, job creation and economic development (Alvarado, 2018; Khan & Lightfoot, 2011). *"In the Netherlands, entrepreneurship is an important driver for economic growth and job creation, accounting for 70% of total employment. Small, family-owned businesses employing family members form a large part of the MSME sector."*⁵. Immigrant entrepreneurship is currently increasing and expected to increase more (Baycan-Levent & Nijkamp, 2009). Self-employed immigrants can be a valuable part of the

⁵ <https://coebank.org/en/news-and-publications/news/ceb-supports-small-businesses-and-entrepreneurship-netherlands/>

society, they are able to provide for themselves and their families (Chrysostome & Lin, 2010). Not all immigrant entrepreneurs are successful; the possibilities for growth can be limited, and competition can be fierce, dependent on the type of business (Chrysostome, 2010; Naudé et al., 2017).

A) Refugees and Business in the Netherlands

The history of immigrant and refugee flows to the Netherlands is extensive. Throughout centuries, people have found refuge in the main cities. For example, the city of Amsterdam saw French Huguenots, Portuguese and Spanish Jews and other diasporas. In the day, these groups lived in separate areas of the city but there is little evidence of separate economies (Hondius et al., 2018; Kuijpers, 2005). Today, the largest immigrant group in Amsterdam is from Moroccan origin: 15.8%, followed by Surinamese: 12.9%⁶. These percentages include three generations of migrants that came to the Netherlands for other reasons than seeking asylum (2021)⁷. Similar numbers on immigrant populations can be presented for other Dutch cities; the settlement of refugee groups in these cities is much harder to trace. Their numbers are generally too low to appear per origin group in the statistics. Table X presents the largest refugee diasporas in the Netherlands (2021). These diasporas are based on national origin: internal divisions within the diaspora are not reflected in these numbers. Political views and other characteristics can divide groups of national origin in different and oppositional sub-groups (Haider, 2016).

Table 2: Refugee populations in the Netherlands, January 2021 (refugees and their descendants)⁸

Origin	Total
Afghanistan	51830

⁶ <https://allecijfers.nl/gemeente/amsterdam/#migratie> (09/06/22)

⁷ <https://onderzoek010.nl/dashboard/onderzoek010/bevolking/> (09/06/22). Most inhabitants of Turkish origin came to the Netherlands through guest work programs in the 1960s en 1970s, and through family reunification and family formation in the decades after. Only recently is there an increase in asylum applications from refugee seekers with a Turkish background

⁸ Table adapted from: https://www.vluchtelingenwerk.nl/sites/default/files/2021-12/Vluchtelingen%20in%20getallen%202021_publicatie.pdf, p.6 (09/06/22)

Egypt	28399
Eritrea	23207
Ethiopia	27139
Iraq	66216
Iran	49723
Nigeria	12034
Pakistan	25938
Somalia	40701
Sri Lanka	14247

Refugees do not leave their country to find new opportunities; their arrival in the new country is different from other migrant groups. After arrival, the trajectory to labor market participation is also different, with more municipal support and guidance. In the literature on immigrant businesses, a distinction between the opportunity hypothesis and the necessity hypothesis is made: immigrants start a business because they see an opportunity or immigrants start a business because they are excluded from the regular labor market. For refugees, these hypotheses may be less pronounced. This is especially the case for refugees aiming to start a small business (as opposed to growth oriented entrepreneurs or innovation driven entrepreneurs) (Aliaga-Isla & Rialp, 2013; Aulet & Murray, 2013; Kloosterman & Rath, 2014; Volery, 2007). In this study, the main target group of the support organizations were small business entrepreneurs.

Barriers and benefits

Portes and Rumbaut (1996) described different contexts of reception to analyze barriers immigrant face in the new country. The government context of reception, the policies of the receiving government, shapes the regulatory and institutional system in which newcomers start their business. Immigrant status, refugee provisions, access to education, work, and other aspects affect

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opportunities in this context. The labor market context of reception describes the opportunities on the (local) labor market: opportunities that arise from the surroundings where the migrant is settled. Urban areas offer different labor market opportunities than rural surroundings; areas with concentrations of migrants create a different structure than surroundings consisting of a native population only. The third context is the ethnic group context of reception where support from co-ethnics and social capital in the group is used to overcome (initial) barriers.

In general, tax and other regulations in the Netherlands are complex. Labor law, fiscal law, social security, environmental requirements: the system is elaborate and difficult to understand, especially when you are new in the society. The safety net of the Dutch welfare state can also impede the start of a business (Engbersen et al., 2018; UNCTAD, 2010; UNCTAD, 2018).

Status issues and legal limitations in the government context of reception can hinder immigrant entrepreneurship and are central in refugee entrepreneurship in the Netherlands. The (temporary) status of a refugee in the first years of arrival can be cause for restrictive practices. For example, banks and other institutions can hesitate to provide a loan or other forms of financing when an applicant does not have the required residency permit (Naudé et al., 2017).

In the Dutch system, the labor market context for refugees is strongly determined by government and by local contexts. Refugees are first received in national centers where their claim for asylum is evaluated. When asylum is granted, the 'status holder' (a refugee holding a temporary residence permit) is then allocated to a municipality, based on availability of municipal spots, not on choice or preference. The municipality then becomes responsible for guiding the newcomer to integration and participation. In Dutch migration policy, every newcomer (from outside of the EU) needs to follow a civic integration trajectory of three years. If they do not pass the tests, they may not get a permanent residency status. National participation legislation is also delegated to the municipal level. Recent refugees receive welfare benefits from the municipality if they do not have another income; municipalities have the task to limit the number of inhabitants dependent on

welfare. As such, municipalities aim for quick exit out of welfare (Razenberg & de Gruijter, 2016; Razenberg & de Gruijter, 2020).

Refugees are dependent on municipal support and approval in the first years of settlement. Municipalities thus play a crucial role as gatekeepers in access to the (local) labor market. The focus is commonly on (quick) access to the mainstream labor market. Municipal support systems generally are built around this route whereas support to entrepreneurship is outsourced for selected candidates through external programs. The selection of candidates differs per municipality; in some municipality there is hardly any focus on support, others have more extensive programs. Similarly, the selection of candidates varies: in some municipalities there is a strict selection based on previous experience and business idea, in others the selection is less rigid (Engbersen et al., 2018; Hooper et al., 2017; Nijhoff, 2019b).

Local (municipal or regional) markets can be beneficial for immigrant entrepreneurship, but success is strongly dependent on the context. If the type of business is started in a sector that experiences intense competition, it can face problems (OECD, 2010; Rath, 2000b; Waldinger et al., 1990). Similarly, a local (ethnic) enclave or niche can support starting entrepreneurs by providing a demand for a product (Auster & Aldrich, 1984; Fong et al., 2007; Light & Rosenstein, 1995; Waldinger et al., 1990). In a city as Miami, with a large Cuban population, the enclave economy was able to grow and prosper (Portes & Stepick, 1993). Migration to the Netherlands has seen concentrations of certain origins, but none comparable to these types of migration patterns to the US (Rath, 2000a; Rath, 2002b). As such, if a business cannot grow beyond a niche or enclave, success will be limited. There are larger diasporas in the bigger cities but niche markets have remained limited (OECD, 2010).

The group context of reception is not only important for the potential customers but also for its social capital. Social capital is defined as *“(...) the extent of the network of social ties that can be mobilized and the amount of financial, cultural and political capital that members of collectives or*

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networks can muster." (Faist, 2010, p. 73). Social capital can create a web of connections and support that is highly beneficial to a starting business. Social capital is commonly mentioned as one of the main advantages immigrants can have (Portes & Sensenbrenner, 1993; Portes et al., 2001; Rath & Schutjens, 2016; van Meeteren et al., 2015). The positive impact of immigrant (ethnic) solidarity also has a negative side where people expect support in return. The business and the business owner may have to provide for a large network of dependents (Faist, 2010; Fong et al., 2007; Portes & Sensenbrenner, 1993). Additionally, the ties of the immigrant entrepreneur can be limited to the own group and not reach to other groups of society, thus limiting access to resources (Faist, 2010; Sharada & Iyer, 2015).

Within these contexts of reception, individual characteristics and human capital of the entrepreneur play an important part. *"[...] immigrants have a particular configuration of their human and social capital and behavior that influences in start-up activities in a different way, as compared to their counterparts who are born in a specific host country."* (Aliaga-Isla & Rialp, 2013, p. 4). Because of the configuration of human, social and cultural capital among immigrants and refugees, there are certain characteristics beneficial for self-employment for migrants and refugees but also certain barriers specific to their route to entrepreneurship. Individual (human capital) characteristics and motivation have an effect on the chances of success of a starting business. Language knowledge, education level, labor market experience, previous entrepreneurial experiences but also length of stay in the new country or gender of the entrepreneur are all aspects connected to business success (Bizri, 2017; Fong et al., 2007; Joyce, 2018; Molenaar & Nijhoff, 2017; Triodos Facet, 2008; Volery, 2007).

The different contexts of reception are important in the start of a successful business. Support organizations can help tackle the barriers in the country of reception. Financial barriers are cited as one of the main obstacles by the OECD (2010). This barrier is faced on different levels. The group context of reception commonly is facilitating for entrepreneurship: according to Waldinger et

al (1990), *"Most of our informants told us that they had acquired the bulk of their capital through their own savings, a universal finding in studies of small business founding"* .(p.137). Most immigrant businesses are started with personal funding, partially due to the lack of access of (new) immigrants to other forms of financing.

Different aspects in government and labor market context of reception hinder immigrant/refugee entrepreneurship. Lack of access to funds or financial resources is a common cited barrier: because (new) immigrants do not have a credit history or assets, official channels to credit are often hard to reach (OECD, 2010; Rath & Schutjens, 2016). This is related to a lack of knowledge of these official credit options: the road to different institutions is often hard to find. For (new) immigrants, the possibilities to save capital were disrupted. Their capacity and capability to build an asset base is limited (Molenaar & Nijhoff, 2017; Molenaar, 2014) .

A) Financing

Looking for financial support is more complex for starting immigrant or refugee entrepreneurs than for (most) native start-up: language, networks, and lack of societal knowledge create additional barriers for these newcomers. Additional issues may be linked to discriminatory practices by lending organizations due to distrust of newcomers. Finally, some of the difficulties, as repayment of loans, will be similarly difficult for entrepreneurs who have been part of Dutch society for a longer period (if not native).

The literature provides different views and examines various options for new (migrant) entrepreneurs to fund their businesses. The main form of alternative financing is using savings from friends and family as startup capital to support a business at the startup stage. The main advantage is the ease of access. This advantage is commonly not a characteristic of traditional ways of financing. A disadvantage is that smoothing cash flows are not ensured. Additionally, the ties created by loans might create a heavy burden (Khan & Lightfoot, 2011; Waldinger et al., 1990).

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Government grants and subsidies represent one type of traditional financing. There is no payback (for grants) and very low/no interest rates for loans. If the entrepreneur opens a business in the field of high interest to the government, for example, in educational, social or elderly projects, funding can be more accessible. The drawback is that the monetary amounts are limited, and usually cannot cover all funding needs. It is more practical to use this type of funding as supplementary funds. Also, this type of funding is usually provided to the small business which have already been established for some time. It not always possible to get financing for the stage of business idea development.

Access to bank loans is difficult: extensive paperwork, time consuming approval process (credit history, financial situation of the borrower, detailed business plan and cash flow forecast and other requirements), existence of the guarantor and/or strict repayment policy make it difficult for immigrant or refugee entrepreneurs to meet the requirements. Short-term bank loans usually carry higher interest rates which may be challenging for new entrepreneurs, while the interest rates on long-term bank loans are more affordable. Another advantage of long-term loan is the possibility to borrow a larger amount of money (Khan & Lightfoot, 2011; Ullah & Wei, 2017).

Khan and Lightfoot (2011) argue that traditional ways of funding are difficult to access for recent arrivals because of funding constraints. These constraints are mostly originated from asymmetric information which results in lenders' reluctance to lend under imperfect circumstances. As a result, the difficulties to obtain formal funding make new entrepreneurs to exploit alternative ways of financing their start-ups.

B) Alternative (and/or innovative) approaches

When personal ties have exhausted financial options, different alternative modes of finance exist, mostly derived from the developing world.

Microfinancing is used by financial institutions or non-government organizations issue this type of financing relatively easy because the amounts are small. The disadvantage is high interest rate as in the case of short-term credit (Bruton et al., 2014). Rotating savings and credit associations refer to

associations with a certain number of members making an affordable contribution to the association on monthly basis. These contributions can be lent to members or non-members with interest (rotating savings) or they are kept in a pot, and members of the association take turn in obtaining the entire amount of the collected money (credit associations). Important benefits of credit associations are that members get money faster than they could save the same amount themselves (except for a member who gets the money last); the monthly contribution is adjusted to the financial status of the members and is affordable for each member; there are no bureaucratic approval procedures; money can be used as a startup capital or for managing business cycle or to cover urgent needs of startups; a smooth cash flow can be achieved. The drawbacks of this type of financing are limitations on the available funds and some risks related to the reputation of association members. Another risk is the default of participant before or after receiving money. In this case the organizer or another member is asked to continue in the place of the defaulter, and the defaulter pays his/her contribution last (Khan & Lightfoot, 2011).

Crowdfunding is a popular form of alternative financing that is constantly growing. It provides for good opportunities for startups in finding start capital (Bruton et al., 2014; Forbes & Schaefer, 2017; Tomcsak & Brem, 2013). Crowdfunding is valuable in providing seed capital when friends and family cannot or cannot sufficiently support with capital. Crowdfunding can also be of value when the sum needed is relatively small and the business is not appealing to other investors – as angel investors or venture capitalists⁹ (Gompers & Lerner, 2001; McKaskill, 2009; Tomcsak & Brem, 2013). According to Forbes and Schaefer (2017), modern crowdfunding can be reward-based (investment in exchange for gifts or products), equity-based (investment for a percentage stake), lending-based (peer-to-peer lending) and donation-based (charitable giving). Internet crowdfunding platforms are widely used to perform crowdfunding activities.

⁹ An angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity (McKaskill, 2009). Venture capital is a type of private equity, used to finance small or young enterprises expected or demonstrated to have a high growing potential (Gompers & Lerner, 2001)

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Peer-to-peer lenders give loans online directly to small- or medium-size businesses. On peer-to-peer equity investing platforms *“investors directly provide equity capital to startups and small and medium sized enterprises online”* (Moenninghoff & Wieandt, 2013, p. 470). Both categories allow multiple providers to pool their funds in order to fund projects or offer tools to disperse large amounts of funds from a single investor across a large number of borrowers (Moenninghoff & Wieandt, 2013). Offering services similar to traditional banks, peer-to-peer lending disintermediate most of intermediary lending functions (bank involvement into transaction). According to Prosser (2018)², the European online alternative market is continuously growing: across Europe it grew by 41% only during 2016. It offers wide range of alternative funding for small- and medium-sized businesses which were not able to obtain financing from traditional sources. France, Germany and The Netherlands are the three largest alternative finance markets outside the UK. Consumer lending remains the biggest part of alternative financing industry and peer-to-peer lending has 34% of the market. Small and medium enterprise (SME) funding comes to 40% of the market including peer-to-peer business lending, invoice trading, equity-based crowdfunding.

Stages of Business Development

Business development starts with the idea or the decision to become an entrepreneur. The identification and evaluation of an opportunity, or the discovery of an opportunity, is generally considered the start of the process. In this first stage, the entrepreneur looks into the different options, possibilities and markets. Theoretical approaches show that immigrant entrepreneurship can be motivated by necessity or opportunity – or by a combination of pull and push factors. Opportunity immigrant entrepreneurs may have considered their possibilities before departure, especially if they were entrepreneurs in the country of origin. For refugees, this is a less likely assumption, and opportunities may only be explored upon arrival in the destination (Molenaar & Nijhoff, 2017; Rath & Schutjens, 2016).

In the second phase, the opportunity is evaluated, and the business plan is developed. This stage is closely connected to the third stage where the planning is further developed. In the fourth stage the enterprise is launched, and the company started. The fifth stage can be the phase of growth and expansion (Gelderen et al., 2005; Branham, 2017; Scott & Bruce, 1987). In each phase different financing needs can be identified (Berger & Udell, 1998; Cui et al., 2010; La Rocca et al., 2011; Molenaar, 2009; Salamzadeh & Kawamorita Kesim, 2015).

In the survey of this study, the stages were defined in three steps relevant to the support programs. The first stage, 'first months of stay' was used to determine the needs upon arrival and in the initial contact of the entrepreneur with the support program. The starting stage, the stage of planning and/or resourcing was labelled to look at the starting period of the business – including the resourcing. This phase is taking stages three and four of the model combined. The businesses were generally started too recently to discuss growth and expansion needs.

RESULTS

The results are presented in two sections: first, the organizations are mapped: what services do they offer and what is the reach of their programs. This is followed by an overview of the needs these organizations perceive for recent arrivals. The perceived immigrants' needs are presented in different phases of the start-up.

The organizations participated in the study were only non-government organizations. Seven of the nine organizations provided financing for starting immigrant entrepreneurs, two offered only advice and referrals. The programs all offer business trainings. The content and scope of the trainings vary. The organizations acknowledge that their program is not sufficient to fully comprehend all legal, tax, or finance structure of the country.

Figure 2: Summary of different characteristics of the organizations from the survey

	Focus	Number supported
Consulting	Consulting, coaching and/or mentoring	2018: over 20
	Consulting, coaching and/or mentoring	N/A
	Consulting, coaching and/or mentoring ³	2017: 9 2018: 11
Microcredit	Financing, consulting, coaching and/or mentoring	2016: 296 2017: 337 2018: 434
Crowdfunding and peer-to-peer	Crowdfunding, support in applications	New program
	Peer-to-peer lending	2018: 2
	Peer-to-peer lending	2018: 3
Savings groups	Saving group	Starts in 2018
Banks and financial institutions	Bank	Starts in 2018

Three organizations only focus on consulting, coaching and/or mentoring. They offer support in administration but also work with the entrepreneurs on soft-skill development and a better knowledge of the Dutch institutional context. These organizations do not finance businesses directly. They assist refugee entrepreneurs in their search for funding.

One organization provides microloans for immigrants, refugees, minorities and other vulnerable groups in society. They also help writing the business plan, they assist with administrative paper work, offer trainings and educational programs and provide online support tools. The

crowdfunding and peer-to-peer lending platforms raise funds to support (starting) entrepreneurs. They usually work with partner organizations and networks of contacts with professionals-volunteers.

The saving groups organization is launching a pilot project that will be oriented and tailored to immigrants and refugees. The organization develops and tests training materials, organizes training and coaching for supervisors of saving circles, organizes sessions where audiences learn how to control the financial situation, obtain self-management and teamwork skills, how to create a social network and where it taught how to deal with debts.

The bank in the Dutch sample worked with different forms of support for immigrants and refugees in business. They offered financial training related to financial products and services in the market and online consulting services in Arabic to raise clients' level of financial education. The bank plans to offer a wide range of traditional financial products such as personal and consumer loans, short- and long-term loans. These products will be tailored to new entrepreneurs' needs.

Immigrants' needs

Immigrant and refugee entrepreneurs have specific needs in financing, partially based on the specific barriers they face. We have asked the different organizations what their perception of these financial needs were. The answers were often not limited to financial needs. The questionnaire asked what the organizations identified as needs in different phases: the first months of stay (opportunity exploration), the preparation phase and the start phase.

A) First months of stay

In the first months after arrival in the Netherlands, recent arrivals that want to start a business face several obstacles. Waiting times and bureaucracy are barriers that are not specifically related to starting a business and also have an impact on other aspects of life. The start of the business is hindered by a lack of resources. These resources are financial and have their effect on

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options for housing or a location for the business; lack of a start salary or capital; lack of a Dutch bank account. The large crowdfunding organization indicated: *“Migrant entrepreneurs, depending on their businesses, need traditional financial services. This can be solved by including migrant entrepreneurs in current business incubation programs but also by reducing the barriers for access to finance. Also, we need to promote more and increase awareness around migrant entrepreneurship in Dutch society”*. The access to resources is not limited to physical resources, knowledge of *“Financial education, services that comply to their religious beliefs, local law and regulations, local cultural aspects”* is needed, according the traditional institutional organization.

In those first months, immigrant entrepreneurs are unfamiliar with the new society, especially if they had little time to prepare for the move (as is common for refugees). They need support of traditional services, the support needs to start sooner than is now the case in the Netherlands, and they need knowledge about the local business culture.

B) Preparation phase

One of the main obstacles for immigrant entrepreneurs in the preparation phase is the lack of credit history. A second obstacle is the lack of complete information: a good information tool would greatly help newcomers to find their way in the Dutch context. Different institutions now hold pieces of information, all needed to start a business. One of the advisory organizations suggests: *“The lack of experience in the Dutch setting can be solved by internships.”* All organizations agree that information is crucial and that some form of support money in the initial phase would be helpful. They disagree on the source of this funding. Some indicate this could come from government or local municipal funds, another indicates: *“In this phase, they can use existing financial schemes available for entrepreneurs in the Netherlands. However, what is needed is raising awareness among those institutions about migrant entrepreneurship for them to be inclusive.”* (peer-to-peer lending platform).

C) Start stage

In the starting phase of the business, the organizations indicate different entrepreneurial needs. The lack of networks and contacts in the new society is a major hinderance, not just in the start-up phase but in every step of the process. This barrier is not typical for financial issues but limits the start-up in all aspects. Financially, as in the preparation phase, support money is important to cover the cash flow of the entrepreneur and the business: *"In the beginning, migrants can use a grant to kick start their activities. The grant can be also designed as a revolving grant that can be converted into a loan or an equity investment when the company starts generating revenue. This can be solved by setting a Public-Private Partnership with the government/municipality, incubators, and financial institutions."* (peer-to-peer lending platform). Partnerships with Dutch companies as investors can also be a way to generate capital in the early phases.

After a year, a growing business will be easier to finance according to the organizations. The microfinance organization indicated: *"Private equity or venture capital is an option. Loans will also be easier to obtain."* The bureaucratic context is still seen as a major hurdle.

D) General constraints in funding options

In different stages of the start of the business, different barriers were identified. The complex bureaucracy and access to finance were seen as obstacles in most of the start-up period. Knowledge was important in the first months; networks and contexts were missed in the preparation phase. The survey also asked about general constraints for starting immigrant and refugee entrepreneurs – not bound by a certain period of the start-up phase. This question was repeated in the follow-up interview with the organizations.

The constraining impact of the elaborate bureaucracy was stressed again. All supporting organizations replied that 'less bureaucracy' was a need for all immigrant entrepreneurs. This is a broader need spanning more topics than finance. All programs offer various activities to learn about and deal with bureaucracy (governmental, traditional banking and others). The two funding

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providers focused their training on business and financial services. They referred clients to other organizations, as social or municipal institutions, for bureaucratic hurdles.

One main hurdle in the bureaucratic structure was linked to refugee status: refugees have a temporary residence permit. Financial support through the traditional providers is difficult to attain with a temporary status. The traditional organization of our sample summarizes the barriers: *"Duration of the residency permit, lack of personal savings, lack of credit history, bureaucracy."* If the entrepreneur arrived as a refugee, stress is another important aspect in their life, partially related to an unsteady home situation.

Other general aspects that were mentioned were the cultural differences and the language. Additional financial constraints that were emphasized in the responses of two of the organizations were the lack of networks and the lack of personal assets or collaterals.

The organizations also offered solutions. One way to improve network building and financial access could be through: *"Partnerships with Dutch companies, investors, creating joint ventures, loans that are easy to obtain, affordable interest rates, or creating SME funds for this group"* (Crowdfunding organization). These suggestions were also brought forward by one of the peer-to-peer platforms. They added the need for reliable information about financing options and programs tailored towards recent immigrants and refugees.

The organization that provided microloans also suggested that local governments can play a more active role in paying for trainings. Their organization has collaborated with a municipality to successfully organize migrant entrepreneur trainings. They also suggested internships to gain some experience in the Dutch context.

One of the consulting organizations suggested a cash flow during the start-up phase, for personal income and expenses- this could be during the first six months with an option to extend to twelve months. To help in those first months, one of the advising organizations suggested short- and

long-stay lodging at reduced rates. They have several suggestions to get the business started:

“Connection with local entrepreneurs and creation of a business network; talent analysis; co-working with others that have similar ideas; make migrant or refugee business ideas evaluated by well-known entrepreneurs (like in the tv show Dragon’s Den).”

Based on their experiences, the bank that was part of the sample indicated that there is a need for financial education of newcomers, with the local laws, regulations and local cultural aspects. Lack of financial knowledge is a major obstacle, just as cultural differences between country of origin and the Netherlands. Banks and financial institutions generally do not trust easily, especially when they do not know the history of the person. This is something that must be addressed: banks should cooperate with local governments and/or international organizations. Other way to build connections could be through mainstream incubator programs, according to one of the peer-to-peer platforms. In these programs, the development of business plans can be supported. This might be a way to solve for inequalities in access, provided that there is awareness about the specific situation and needs of immigrant entrepreneurs.

Discrimination and prejudices play a part in the lack of trust. Banks and other financial institutions claim certain financial guarantees that can turn out to exclude certain groups. Cultural differences and lack of knowledge of the Dutch financial context do not just hinder recent migrants: these aspects also play an important role in how the receiving society treats and supports newcomers.

CONCLUSION AND DISCUSSION

This qualitative preliminary study on financial barriers for immigrant entrepreneurs has resulted in an indicative analysis of the situation of recent migrants and refugees in the Netherlands. There is little research on the topic, since most immigrant businesses start with financial support out of private funds. In the Netherlands, financial support for immigrant entrepreneurship was only available through mainstream organizations. Today, the support sector has grown. The traditional

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(banking) options are supplemented by alternatives. There are alternative organizations providing funding through microfinancing, crowdfunding, peer-to-peer lending and saving groups.

This study was a first attempt to create an overview of the different organizations and services they offer. Unfortunately, the response rate was low. The low response rate is at least partially due to the selection methods: the focus of the study was on non-governmental organizations. In the Netherlands financing is often provided through municipal money or self-financing. There is little experience or history of financing through other channels. The alternative or experimental constructions have not existed for a long time. Additionally, the Community of Practice created around financing immigrant businesses in the EU was not functioning to its fullest power yet and sharing information may not be habitual for these organizations.

Another limitation of this study is that we did not include the experiences of starting refugee or immigrant entrepreneurs themselves. The results are thus from the viewpoint of the receiving society. We have not assessed if and how practices are experienced by the entrepreneurs, and how they feel that practices and customs are affecting their opportunities. The experiences of starting entrepreneurs themselves could also shed more light on the relationship of their individual (human capital) characteristics and access to financial resources. It could also give more insight in specific needs for refugees – the support organizations did not specify if their customers were mainly refugees or mainly other recent immigrants.

It can be a long journey to obtain funding needed to implement a business idea. There are serious obstacles. Financial barriers are linked to access to funding. Access to funding is limited because of lack of credit history and lack of connections. The networks of immigrant and refugee entrepreneurs are limited. They are unfamiliar with the new society and the (local) business culture. The ethnic context of reception does not have enough social capital (yet) to generate support for business success. Financial or other support may exist based on private networks of the individual entrepreneur, something that was not revealed through the interviews with support organizations.

Existing programs aim to serve the needs of newcomer entrepreneurs. Some improvements can be made to these programs in order to simplify access to financing for newcomer entrepreneurs. The Dutch bureaucracy is one of the main obstacles: the system is complex, access is limited by rules and regulations. There is no single integrated source of information available – on national levels or on local levels. In the Netherlands, different parts of (local) governments provide different parts of information. There is little communication between the departments, which inhibits quick access to information on financial questions. Some programs cover professional assistance in taxation and legal topics, but there is no central or single source of information. A similar fragmentation of information exists on national and European Union government levels. A source that integrates all topics relevant for a recently arrived migrant entrepreneur would be valuable. Information on legal aspects, funding options, funding requirements, support organizations, taxation issues etcetera is now scattered and not easy to access, especially when you do not speak Dutch. Support organizations can play a vital role in bridging these information gaps.

One of these obstacles, residence status, is legal in nature and cannot be tackled by start-up support organizations to improve the situation. At the same time, unresolved residence status has a great impact on access to financing for newcomer entrepreneurs: sometimes getting a residence permit takes years, but without it no business can be registered, or no financing can be obtained. In addition, a program improvement would be to increase awareness of immigrant and refugee entrepreneurship in local communities which can bring new customers and lead to establishment of joint ventures or partnerships with local businesses which, in turn, can facilitate access to funding. Increasing awareness of immigrant/refugee entrepreneurship can help new entrepreneurs to succeed and will benefit the entire society, both economically and socially.

There is a need for information related to all entrepreneurial topics: diverse and professionally developed business training conducted by qualified people, soft skills development, and networking with other organizations, local community and businesses. These improvements

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target development strong business cases which have to be professionally presented by newcomer entrepreneurs to financing approval committees in order to secure funding.

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APPENDIX ACCESS TO FINANCE – Survey questions

1. Name of your organization and contact person
2. Email address
3. Does your organization have a special program to assist migrants or refugees in financing of their small businesses? YES or NO
4. If you answered YES in question 3, please provide more details: In our program we assist migrant entrepreneurs:

Please check all applicable answers

- We finance migrant entrepreneurs ourselves
- We assist in developing a business plan
- We assist in preparing an application for financing from third parties
- We provide information about possible options to obtain financing
- We refer migrant entrepreneurs to third parties after having assisted them in preparing a business plan
- Other (please provide further details in question 18 at the end of the survey)

5. If you answered NO in question 3, please provide a reason:

Please check all applicable answers

- We refer migrant entrepreneurs to third parties without further assistance
- We treat migrants the same as other clients
- Other (please provide further details in question 18 at the end of the survey)

6. In case you provide financing, what kind of financing do you offer?

Please check all applicable answers

- Personal/ consumer credit/loan
- Kick-off grant
- Micro loans – mainly for working capital and small investments

- Short-term - investment - loans (repayment within a year)
- Long-term - investment - loans (repayment longer than a year)
- We participate financially (co-shareholding)
- We arrange crowdfunding
- We arrange peer-to-peer lending
- Other (please provide further details in question 18 at the end of the survey)

7. What role do migrant (entrepreneurs)/ Diaspora play in your program to finance migrant entrepreneurs?

Please check all applicable answers

- They are clients, nothing else
- They were consulted when we designed the program
- They participate in the decision-making processes
- They contribute financially to the financing program

8. RESULTS: How many migrant entrepreneurs/businesses did your organization finance in 2016, 2017 and 2018?

- In 2016:

- In 2017:

- In 2018:

9. RESULTS: How many migrant entrepreneurs who started in 2016, 2017 and 2018 are still in business?

- In 2016:

- In 2017:

- In 2018:

10. What are, in your opinion, the financial needs of migrants/refugee potential entrepreneurs during the first months of their arrival/integration, and how this can be solved/financed?

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11. What are, in your opinion, the financial needs of migrants/refugee potential entrepreneurs during the preparation stage of a business, and how this can be solved/financed?

12. What are, in your opinion, the financial needs of migrants/refugee potential entrepreneurs during the start stage, and how this can be solved/financed?

13. What are, in your opinion, the financial needs of migrants/refugee potential entrepreneurs after the start - first year, and how this can be solved/financed?

14. What are (in your opinion) the main reason(s) for migrant entrepreneurs for not being able to raise funding?

15. Do you know about special financing programs set up and/or run by any migrant communities or the Diaspora communities themselves in your country?

Please check all applicable answers and provide corresponding links in question 18

- Community-based (if yes, please provide a link to the program)
- Migrant or diaspora-based (if yes, please provide a link to the program)
- Migrant Peer-to-Peer financing (if yes, please provide a link to the program)
- Special funds for migrant entrepreneurs (if yes, please provide a link to the program)
- Other programs (if yes, please specify and provide a link to the program)
- Do not know of any programs

16. Do you know of any FinTech based approach that might be useful to channel external finance to migrant entrepreneurs? YES or NO

If YES, please provide a link to the program in question 18

17. Would you be willing to provide more information about your organization's financing approaches?

If YES, please indicate your preferred way for follow-up questions: via Skype (please provide your Skype name); by phone (please indicate your phone number); by mail.

18. Specify any important points (explanations, links to programs etc.) that you would like to describe.

If appropriate, please specify the question number for which you are providing information

¹ <http://emen-project.eu/>; <http://emen-project.eu/about/>

² <https://www.forbes.com/sites/davidprosser/2018/01/26/europes-alternative-finance-sector-accelerates/#45d0d4253d96> (04/09/19)

³ This organization did not agree to a follow-up session for additional information