



**Research Service**



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## Immigrant business creators and microcredit

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## Business creators and microcredit

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# INTRODUCTION

## *Research framework*

In 2005, the **European Microcredit Network** launched an 18 month programme to **improve microfinance services available to immigrant groups** in the EU member states. This programme was developed in partnership with six European microcredit institutions including Adie from France.

Financing for the project was provided under the **European INTI programme of the DG Justice, Freedom and Security** which is responsible for promoting integration of non-European Union nationals in the member states.

The aim of the first stage of the project was to provide an overview of the issue “Migrants, entrepreneurship and microcredit” in each of the six countries involved. Following a presentation of conclusions from each country (including a seminar in France planned for September), the best practices and specific recommendations are to be compiled in a publication for the whole of Europe. In parallel with this, training modules for people working with these people will also be prepared.

A **European Conference** foreshadowed to take place at the end of the project will provide for a broad distribution of the results of the project.

## *Objectives and implementation of the research*

This report outlines the conclusions of the Adie study of the French situation. The overview will focus on the three following themes:

1. **The overall context of migrants in France** (number, employment situation, business creation, etc.)
2. **The context of support and financing bodies for self-employed migrants** (analysis of needs and available services directed toward migrants including both general and specialised provisions, etc.)
3. **Regulatory and legal environment** (identification of specific constraints that may affect immigrant business creators)

This study was carried out between December 2005 and March 2006. It was based on a compilation of statistics, a review of the literature on the subject, interviews with the main support and financing bodies as well as qualitative interviews with immigrant business creators.

## *Research outline*

The study illustrates the relative dynamism of immigrants in business creation compared with the overall French population. This little known phenomenon can be explained in part by the unsatisfactory situation of immigrants in the job market, which also underlines the value added by business creation for this population group.

Given their more precarious position with respect to unemployment, immigrant business creators often face difficulties in obtaining access to bank credit. In this sense, microcredit plays an indispensable role in supporting their efforts.

**The result is that immigrant business creators comprise a quarter of Adie clients, a proportion much higher than the proportion of immigrants in the French population generally.**

However, microcredit on its own is not sufficient. This study highlights a number of other constraints that may weigh on immigrant business creators as a result of their nationality or origin (access to information on business creation, assistance from support structures, administrative formalities, etc.).

The study concludes with a series of recommendations addressed to Adie and other business creation support structures for an improvement of the regulatory environment so as to better assist immigrant business creators in France.

## Exceptional dynamism in spite of unfavourable circumstances

Over the last four decades, business creation by immigrants from non-European Union countries has been growing strongly in France, which is all the more remarkable considering that it has occurred in an overall context of stagnation.

Initially, it was the **Algerians arriving as immigrant workers** who first started to become entrepreneurs. They were joined later by other groups arriving in the 1960s and 70s, such as **Tunisians**, then during the 1980s by **Moroccans, immigrants from South-East Asia and Turks**. During the 1990s, Africans and Indo-Pakistanis also contributed to the dynamism of **immigrant entrepreneurship**.

Within the active population there are more entrepreneurs (industrial tradespeople, business heads, retailers) among immigrants than among people of French origin (8.4% of immigrants compared with 6.9% of native French)<sup>1</sup>.

Immigrant tradesmen, retailers and business leaders comprise **13% of the total number of entrepreneurs<sup>2</sup>** in France.

75% of immigrant business creators are men, which is higher than the national average for entrepreneurs.

### Definition of the immigrant population

The concept of “immigrant” is based on one invariable characteristic, namely the place of birth. The immigrant is a person born as a foreigner in a foreign country but who lives in France. After arrival in France, he or she may become French (French immigrant) or remain a foreigner (foreign immigrant) depending on the possibilities available under French nationality laws.

The immigrant background group refers to persons born in France of immigrant parents. In this study, we are concerned only with immigrants and not with those of immigrant background.

<sup>1</sup> INSEE Première - « L'emploi des immigrés en 1999 », May 2000

<sup>2</sup> « Favoriser l'initiative économique du public en difficulté issu de l'immigration en Ile-De-France », 3CI Délégation Ile De France, Patrick Koumarianos, December 2004

## I- Factors that account for this dynamism

The entrepreneurial dynamism of immigrants may be explained as a consequence of limited choices available to them but it is also a result of the resources available and of an environment full of opportunity.

### 1. Exclusion from wage-earning and personal resources<sup>3</sup>

#### Exclusion from wage-earning

- Business creation appears to be a strategy to get around the wage earner crisis and its corollary, unemployment, which particularly affects immigrants from outside the European Union<sup>4</sup>:

	Percentage of the unemployed
French	8.3%
Foreigners	18.4%
EU	7.4%
Non EU	<b>25.1%</b>
Overall	8.9%

The proportion of job seekers among non-EU foreigners (25.1%) is even higher for young people aged between 18 and 25 years (36.6%). Unemployment particularly affects people with **North African, sub-Saharan African and Turkish backgrounds**.

- Business creation is also a way of overcoming an unsatisfactory work situation since **two-thirds of immigrants are unskilled workers**.

Non-EU foreigners are also employed more often on an **interim or part-time basis** (14.3% versus 6.2% for French nationals) with foreign women being overwhelmingly employed as part-time. The average wage for immigrants is also around **11 points below** that for the whole active population at national level.

- Paradoxically this difficult context may have favourable consequences for business creation. This is the result of:

<sup>3</sup> Source: Mohamed MADOUÏ (CNAM) & Mouloud KOUDACHE (EHESS), *Entreprises et entrepreneurs issus de l'immigration maghrébine : de la stigmatisation à la promotion sociale*, FASILD

<sup>4</sup> « L'emploi des immigrés en 1999 », INSEE, May 2000

- **Very strong determination** on the part of immigrants to integrate themselves and their families socially. This is especially so since, while they are aware of the difficulties of finding a job, they are highly motivated to succeed in France and thus to complete their immigration process.

- **Possession by immigrants of a certain level of know how** derived from various technical or manual occupations in France (or previously in the home country) or from carrying on an informal sector activity that supplements social welfare payments or insufficient wages.

### Factors relating to exclusion from employment

- *Jobs closed to foreigners*
- *Language difficulties*
- *Level of qualifications often lower*
- *Lack of preparation for the job market*
- *Discrimination issues*

### Personal resources

A range of “ethnic” factors may also contribute to explaining the dynamism of immigrant entrepreneurs:

- **Migrating is a factor that favours entrepreneurship** since the very fact of migrating implies the achievement of a successful project in itself. It is noticeable that the stronger the factor leading to migration, the more people will tend to be entrepreneurial. Thus political refugees are proportionally those who create the most businesses.

- Immigrants may also have **entrepreneurial traditions** and/or possess various skills. These result from the **predominance of self-employed activity, especially trading, in certain countries of origin** (which may be linked to the **absence of salaried employment** or to a **combination of salaried and self-employed employment** in their countries of origin). Some studies also claim that longer stays in France lead to a lower propensity to launch a business. **Some ethnic groups also have strong trading traditions**, e.g. Berbers.

Moreover, **self-employed work also seems to enjoy a high status** among immigrants and social recognition is strong even if social mobility is sometimes more horizontal than vertical (low income and higher work volume).

- Finally and most importantly, the main assets of immigrants may in fact be those derived from the existence of **highly developed mutual assistance networks within certain**

**communities**. This is particularly advantageous in terms of **recruitment, access to financing, sourcing supplies and also clientele**. In **general terms, it may even be possible to speak of an ethnic economy**, often informal and based on mutual trust.

Creating a business, especially via the purchase of an existing business, thus becomes possible with the help of loans from family, friends and compatriots.

In the Asian community, intra-community loans play an important role in the provision of start-up capital. Both Asian and sub-Saharan African communities also make use of ROSCAs (rotating savings and credit associations).

We also observed that intra-community loans were equally well developed in the North African community although some members of that community note various limitations:

### The intra-community loan

*“I have a friend who started a business about five years ago and he borrowed from everything his friends and family depending on their means. I also lent him some money. He started his business and it’s going very well. He has at least 4 or 5 employees... We know that he will reimburse us but we don’t know when. When you lend money, it should not be money that you need right away. The idea is not to ask for something in return nor to become a partner if things go well. The idea is simply to help someone get started.*

*[...] It is possible to get help but there is always the risk that the business won’t go well and that the person will be unable to repay. At the bank you have monthly repayments, you know what you have to pay. [...] It is better to repay a bank debt than to reimburse your friend in a lump sum when he puts pressure on you because then you lose everything including your friend. [...] Furthermore, some people dare to ask while others like me don’t do it because we always fear the worst.”*

*A Moroccan entrepreneur financed by Adie*

## 2. Market opportunities<sup>5</sup>

- The industrial trades are also evolving **towards sub-contracting**, especially in sectors such as **construction and public works or clothesmaking** where many activities are no

<sup>5</sup> Source: « *L’entrepreneuriat ethnique en France et dans le monde anglo-saxon : bilan des connaissances, analyse bibliographique commentée* », DINH Bernard, Note de synthèse pour le FASILD

longer considered to be profitable. The result is that there are many immigrants who launch businesses in these sectors.

However, the risks are high because the pressure is enormous and the balance of power between clients and micro-entrepreneurs is highly distorted.

### Fragility of sub-contracting businesses

*“A big company will say: ‘If you start your business, I have 2 million worth of bricklaying work.’ They give you 100,000, then another 100,000, then no more! If the sub-contractor complains, they say ‘here’s another 100,000, now shut up’. If the immigrant continues to complain, the company will then say ‘OK, take me to court. Even if I lose a bit of money, I will still be here but you will lose everything.’ In reality, 100,000 francs is 1% of the budget for one and the end of the world for the other.”*  
A business support specialist

- Because there is a high immigrant population in France (9.6% of the population)<sup>6</sup> coming from very diverse backgrounds, there is a corresponding strong demand for ethnic products and services based on the needs of the various communities.
- As the community evolves, there is also a growing demand for exotic products, especially in food and restaurants, as well as a trend towards fast food and to the consumption of pre-prepared meals.
- Generally speaking, French retailers tend to be ageing and there are a number of sectors that have been abandoned by French nationals, especially in the areas of neighbourhood shops and services.

→ The sectors in which immigrants work are also indicative of these opportunities. For example, foreigners are more numerous than French nationals in “**construction**” and “**cafes, hotels and restaurants**”.

While they have a similar presence in “**retailing**”, they have a lower presence in “**home services**” (education/health,

recreational, cultural and sporting activities) and “**business services**”<sup>7</sup> :

	Non EEC Foreigners	All creators
- Retailing	36.5%	36%
- Industry	9%	8%
- Construction	23.5%	14%
- Transport	4%	4%
- Hotels Cafes Restaurants	15,5%	9%
- Home services	4%	11%
- Business services	8%	18%
- Total	100%	100%

There are also significant differences between the various communities with North African retailers having the highest presence in the retail sector whereas Turks tend to have a greater presence in the construction and clothing industries.

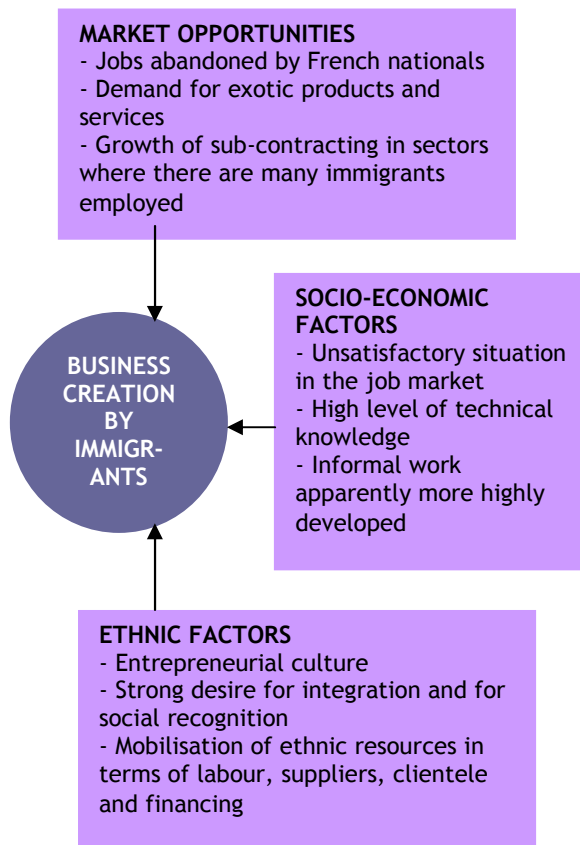
<sup>6</sup> « Les immigrés en France, une situation qui évolue », INSEE Première, September 2005

<sup>7</sup> Observatoire de l’APCE (Agence pour la Création d’Entreprise), « Les Créateurs d’origine étrangère (hors CEE) : profil et taux de survie », André LETWOWSKI, April 1999

### 3. Developing a model of immigrant entrepreneurship

The table below summarises the various factors that explain the dynamism of immigrants:

A dynamism operating within a range of limited choices and market opportunities



44% of ZUS (Sensitive Urban Zone) residents with a parent or grandparent of foreign origin claim to want to start or purchase a business (whereas the overall average for the ZUS is 27%)<sup>8</sup>.

Starting a business may also compensate for educational failures since for a variety of reasons the level of qualifications among this group is relatively low (40% of young French people have a high school +2 level qualification compared with 23% of young people with at least one parent born overseas)<sup>9</sup>.

Starting a business also enables people to get around discrimination based on origin or place of residence in finding a job. For example, a man who has a North African first name and surname has a 5 times lower chance of being called for a job interview than a man with a French first name and surname who sends a similar CV<sup>10</sup>.

For people of immigrant background, starting a business is also a way of proving their desire to establish themselves in the French socio-economic space. It also illustrates their desire to break out of a family cycle and to start moving up the social ladder.

This group of people may also have the opportunity to mobilise both cultures and networks. They may also benefit from an entrepreneurial family model although there is sometimes a tendency to reject ethnic businesses which are not particularly synonymous with integration.

## II- A difficult operating environment

Immigrants especially when they are also foreign nationals face many particular difficulties in the French legislative, social and cultural environments.

### Focus on the following generations

People from an immigrant background also exhibit exceptional dynamism as shown by the 18% increase in the number of entrepreneurs among this group over the last ten years (1990-99) compared with a 2% decrease in the number of businesses created at national level over the same period. An IFOP survey also showed that

<sup>8</sup> IFOP survey of 700 residents of ZUS (sensitive urban zones) carried out for Adie and the Crédit Immobilier de France from 22 to 29 March 2006.

<sup>9</sup> *Les trajectoires socio-professionnelles d'une cohorte de jeunes adultes français d'origine maghrébine*, Migrations Etudes No. 121, March 2004.

<sup>10</sup> Testing carried out by the Observatoire des Discriminations in April and May 2004, under the supervision of Jean-François AMADIEU, Professor at the Université de Paris I, with the assistance of the interim agency ADIA.

## 1. A restrictive legislative framework

### Closed or regulated access to the independent professions<sup>11</sup>

- With respect to the **liberal professions** (including medical practitioners, lawyers, architects...) French nationality has been a requirement for a very long time and the law also usually requires practitioners to hold a French diploma.

This restriction explains the fact that foreigners only account for **1% of liberal profession practitioners** in France.

- **Many self-employed professions** that would be likely to be of interest to foreigners are also off limits, including managing a bar or tobacco shop, starting a security business or a transport business.

These closed professions represent at least **200,000 self-employed positions** from which foreigners are excluded.

- Many independent professions also require a French diploma. These include managing a **hairdressing salon**, an occupation of great interest to many immigrants of African background because of the strong demand within the community.

Equivalencies are extremely difficult to obtain. Immigrants sometimes need to engage in subterfuges in order to succeed. For example, a qualified worker (sometimes fictitious) may be employed or a “hairbraiding salon” may be opened rather than a hairdressing salon.

- The itinerant sales profession, which employs a high proportion of immigrants, is also subject to **supplementary administrative controls** and requires **five years residence in France**.
- Finally, in order to set up as a self-employed worker, foreigners **except for Algerian nationals** need to **possess a resident’s card**.

In any case, the person needs to prepare an application for a **foreign trader’s card** which must be submitted to the Prefecture. Since 2004, the procedure has been simplified and in theory the card should have been abolished. However, because the decree implementing the measure has not yet been published, it is still necessary to approach the Prefecture to obtain the necessary authorisation, which imposes an

<sup>11</sup> Source: « *Les emplois du secteur privé fermés aux étrangers* », Bernard Brunhes Consultants, May 1999, Report for the Directorate of Populations and Migration (Ministry of Employment and Solidarity).

extra administrative burden and may compromise the start-up of the business.

### Application for authorisation from the prefecture

*“It is extremely difficult for business creators. They have to wait three months for authorisation. There is an enquiry on the person and on the nature of the project... In reality it takes more than six months. People sometimes find themselves obliged to start their business in the black because the wait is too long.”*  
An Adie counsellor

### An unfavourable framework for carrying on very small businesses

Many immigrants in France are employed in jobs that are **less highly qualified than those of people of French origin** and they are **more often employed part-time**. Thus, they are often “working poor” who find it necessary to carry on a self-employed business to supplement their income and/or with the objective of eventually leaving their jobs. An example of this kind of business is the production and sale of local goods and services (cooking, hairdressing, dressmaking) by women of foreign origin who will also do two or three hours of housekeeping work per day for a cleaning company.

At present, the law does not encourage the registration of very small businesses:

- In reality, welfare state contributions are too high compared with the turnover of such businesses. It is not reasonable to pay 54% in social contributions on an income of 400-500 euros a month. This means that people with only a small turnover are unable to register their business because of the cost of social contributions.
- In addition, people who combine salaried and self-employed work are required to contribute to schemes for both salaried and non-salaried workers. However, they are only entitled to receive benefits from each scheme on a pro rata basis depending on how much they have contributed.

## 2. A negative view of immigrant entrepreneurs

### Local politicians

Testimonies from business creation professionals working in areas with a high proportion of immigrants both in the Paris region and in the provinces indicate that certain local politicians want to **slow down the opening of businesses owned by immigrants**.

These politicians believe that they will improve the image of various neighbourhoods by preventing the development of businesses with an ethnic character. They may also attempt to prevent the development of areas dominated by a only one kind of business, e.g. as in the high number of Chinese clothing wholesalers in the 11<sup>th</sup> district of Paris.

### Administrative staff

Some support staff also note that there appear to be **restrictions on the number of authorisations given to foreigners who wish to establish a self-employed business**. Foreigners in the departments of **Hauts-de-Seine or Seine-Saint-Denis** may sometimes need to wait for up to two years before obtaining authorisation. For example, it has now become **virtually impossible for a foreign business creator to obtain authorisation to set up in Seine-Saint-Denis as a clothing retailer in outdoor markets**.

This results from a desire to **limit the number of foreign business people** in these departments.

### Owners of premises

The second barrier that immigrants may need to overcome in the process of starting a business is a **form of discrimination by commercial premises owners**. We met a number of immigrants who were particularly bitter about this because of the impact that it had on the launching of their project and even on the possibility of launching their project.

### Clients

An entrepreneur of foreign origin may also experience racial discrimination in the carrying on of his business from individuals or even in winning business contracts<sup>12</sup>.

### Local population

We also came across immigrant entrepreneurs who felt that they had been victims of racism from the general population in carrying on their businesses. They may suffer from racist acts targeting either the entrepreneur or his property, including insults, broken windows, burnt out trucks, etc.

#### *Testimonies on discrimination*

##### **Premises**

*"I bought my stock from a business that had closed down. The idea was for me to keep the*

*premises. But the landlord did not want to renew the lease to me. It took me a very long time to find new premises. It was not because I did not have enough money. I am now leasing premises that are twice as big and twice as expensive. I later checked what happened to the other premises and they had already been leased to a person of French origin whereas the owner had told me that the premises were not going to be rented out any more."*

*A Moroccan business creator forced to wait eight months to start his business for lack of premises.*

*"I just wanted to open an Asian food shop but they did not want to rent the place to me, saying that the business wouldn't work. In reality it was because of my nationality. The shop stayed empty for a year! It would have worked really well because there are lots of Pakistanis here and I could have bought products in Paris to sell here and I would have been the only one in the market! But now another Pakistani has turned his house into a shop."*

*A Pakistani entrepreneur who started out in the market*

##### **Clientele**

*"When you are an immigrant, you face the same problems in business as when you are an employee. When you go to a house to do a repair, there is a problem. I already faced this when I was an employee at Conforama. I would go to a place and they would not open the door. Later, the clients would phone the store to complain that they had sent an Arab. That's why I'm going to employ someone of French origin to do the home visits while I look after the buying, selling and administration."*

*A North African entrepreneur*

For most immigrants whom we met, access to bank loans and also to premises were the main difficulties that they felt that they had encountered in endeavouring to establish their businesses in France, a process that they described as an "obstacle course".

##### **An "obstacle course"**

*"Being a 'migrant', at first, I didn't want to start a business but in the end I was forced to do so. At the bank and also in looking for premises, I encountered a lot of mistrust. I let it go. It's a reality but it doesn't stop me. I've already faced difficulties like that as an employee. You just know that you have to work twice as hard to convince them."*

<sup>12</sup> This is based on testimonies from immigrant business creators who are clients of Adie and from business creation professionals.

## - CONCLUSIONS ON IMMIGRANT ENTREPRENEURSHIP -

Immigrants comprise a significant percentage of the French population (9.6%). Among these, the proportion of immigrants of non-European Union origin (59%) continues to rise.

These people who are mostly of African and Asian origin face structural difficulties on the job market and a large number are unemployed or still trapped in under-qualified or precarious jobs.

As a result of the failure of the education system and also because of the recognised problem of racial discrimination in business, this situation is reproduced from one generation to the next.

At the same time, the entrepreneurial dynamism of immigrants and French citizens of immigrant background is remarkable, especially considering the rise in business creation at national level, which implies that business creation has become an important means of professional insertion. In this field, ethnic origin becomes an advantage enabling people to draw on various resources in terms of labour, suppliers, clients and access to financing. Immigrants also benefit from the evolution of the market towards the abolition of salaried work and the rise of sub-contracting and small neighbourhood businesses.

This dynamism is all the more noteworthy given the existing legislative environment for business creation which is particularly restrictive for foreign nationals and given that generally speaking immigrants may be victims of racial discrimination in access to loans, business premises or to markets.

Finally, as a result of their visibility, immigrant entrepreneurs carrying on their businesses may also occasionally fall victim to racist acts including damage to their work tools such as vehicles, shop windows, etc.

The internal dynamics among immigrant creators as well as the present economic environment have thus tended to favour self-employment among immigrants even though they also need to overcome various constraints within French society based on their origin.

We will now examine the degree of consideration given to this group in the business creation environment, in particular by various business creation support schemes and policies.

# Immigrants in the public and associative environment for business creation

## I. Great reliance on microcredit

### 1. Potentially high demand

#### Business creators who tend generally to be in a more precarious situation...

As we have already seen, immigrants tend to experience difficulty in professional insertion. Business creation by immigrants may come into the picture at various stages but ultimately there is usually one simple reason, namely to provide employment for oneself or to create employment for another member of the family.

APCE statistics show that foreign business creators on average are in a more precarious situation than the national average<sup>13</sup>:

	Foreign creator	All creators
<b>Situation at the time of start-up:</b>		
- Active	36%	44%
- Long term unemployed	21%	16%
<b>Previous employment</b>		
- Employee or worker	54%	41%
- Managers	12%	28%
<b>Level of education</b>		
- High school & further	21%	24%
- Professional training	21%	38%
- Primary school	48%	22%

Source: APCE Statistics

→ Immigrant business creators are more often drawn from groups of long term unemployed than business creators in general and they have more often been manual workers or employees previously. In addition, they tend to have fewer qualifications than business creators in general.

<sup>13</sup> Observatoire de l'APCE (Agence pour la Création d'Entreprise), « Les Créateurs d'origine étrangère (hors CEE) : profil et taux de survie », André LETOWSKI, Avril 1999

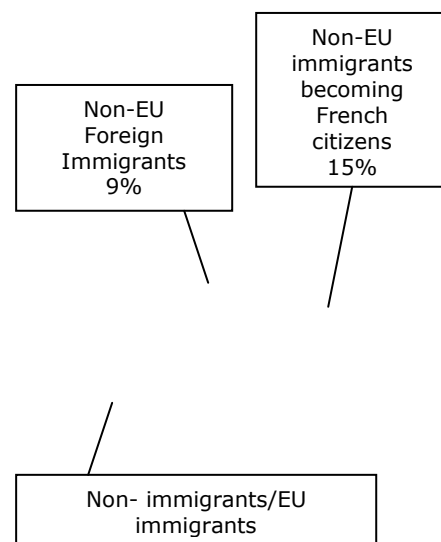
#### Immigrants create more very small enterprises with less start-up capital...

Immigrant entrepreneurs create small businesses (in their own names) at a rate well above the national average, namely **65% versus 54%**. They also have **much less start-up capital available (58% versus 50% start have less than €7500)**.

### 2. One quarter of Adie clients are immigrants

By adapting the microcredit concept to French conditions, Adie assists people who are excluded from the job market (unemployed, social welfare beneficiaries, etc.) and from the classical banking system to launch their own businesses and their own employment.

Adie's mission is to assist any person in a situation of exclusion but its services are particularly highly valued among the immigrant community. One quarter of Adie clients from 2002 to 2004 were immigrants of non-EU origin:



Source: Adie client files

In total, **24.1% of loans disbursed were made to immigrants**, comprising 14.7% foreigners and 9.4% who had gained French citizenship. The proportion of immigrants in the Adie portfolio is

thus much higher than the percentage of immigrants in the French population, which is 9.6% including immigrants from the European Union.

To date, Adie has not undertaken any particular measures at national level to target this group. The massive reliance on microcredit by immigrant business creators is therefore a consequence of its **great usefulness to this population group**.

The table below illustrates the distribution of immigrant business creators among Adie clientele based on their nationality:

Adie Immigrant client portfolio	
North Africa	48.7%
Sub-Saharan Africa	33.1%
Asia	5.5%
Turkey	5%
Middle East	2.8%
Eastern Europe (Non-EU)	2.5%
Latin America	1.9%
	100%

→ Half of immigrant business creators are of North African origin, a third from sub-Saharan Africa, 10% from Asia, including half from Turkey, with the rest coming from other continents. These proportions correspond roughly to the composition of the immigrant population in France.

### 3. What role for microcredit for immigrants? Is it a substitute for the classical banking sector?

The figures for the number of immigrant entrepreneurs who become clients of the **classical banking system** are much lower than for business creators overall:

	Immigrant creators	All creators
Recourse to a bank loan	10%	28%

These figures can be explained by the fact that a higher proportion of immigrant project developers are in a precarious position in the job market and are thus less susceptible to be granted a loan than non-immigrants. But they also face a series of other handicaps:

#### Poor preparation to deal with banks

According to many professionals, immigrant prospective entrepreneurs lack the preparation necessary for presenting an application to the banks. They may therefore have difficulties in preparing a project in the required manner, e.g. budget, market study. They may also face language difficulties or they may have a culturally different conception of the project that is more intuitive and less reliant on figures. Finally, immigrant business creators are often not particularly familiar with the codes of practice to be followed. Support professionals say that they often have a tendency to present themselves “empty handed”, with no written document in support of their application.

#### **Poor preparation for loan applications**

*“Often they don’t have the means or the desire to prepare a dossier to present their business to the bank. In fact, in most cases, they begin without doing a market study, relying simply on a ferocious desire to succeed”<sup>14</sup>.*

*An adviser working with Turkish immigrants*

#### Victims of discrimination by some banks

Numerous testimonies from immigrant entrepreneurs and business creation professionals tend to credit the thesis that **immigrants face greater difficulty in obtaining bank loans because of racial discrimination**.

As the director of a support organisation said, *“this refusal on the part of the banks is totally unjustified, because these are people who have already obtained honour loans and who have successfully held all kinds of commissions.”*

In fact, we lack statistics to prove the existence of this phenomenon. It appears to result more from the personal attitudes of various employees than from a generalised policy of discrimination by the banks.

It is even more difficult to establish whether exclusion from a bank loan is based on ethnic origin or on the precarity of the prospective entrepreneur.

<sup>14</sup> « Les ressortissants Français au service de l'économie parisienne. Chapitre 3 : Les entreprises dirigées par des ressortissants turcs ».

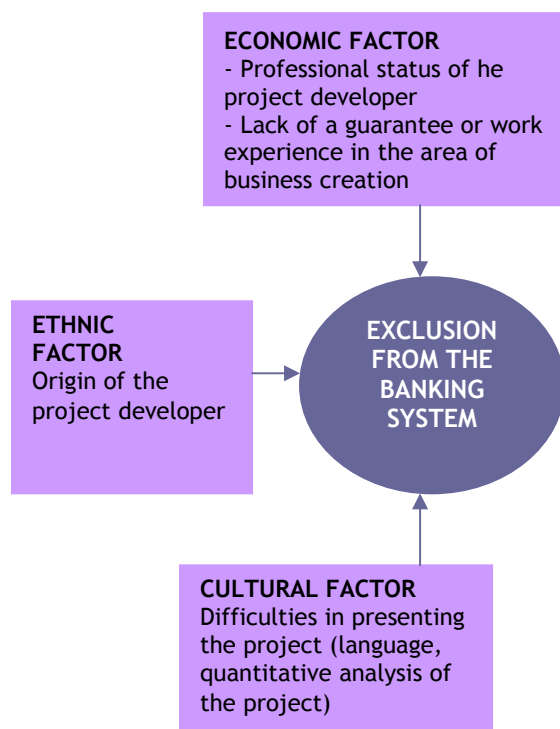
### Testimonies on discrimination

"I contacted nine banks in the city to try to obtain a loan and all I got were refusals... I did a course at the Chamber of Industries with 19 other business creators like me who were looking for financing. When we got back in contact later, there were only two of us who had not got a loan, myself and Hassan (another North African). Yet I was the only one to contribute such a high proportion of personal funds! When I made my application to Val d'Initiatives (an agency that provides interest-free collateral-free loans), they were amazed that I could not get a loan since I had 30,000 euros of my own funds and only wanted to borrow 20,000!"

A Moroccan entrepreneur

Can microcredit therefore be considered as a form of substitute loan for immigrants who actually experience a triple exclusion from obtaining bank loans as a result of their **greater precarity**, their **difficulties in presenting their projects in compliance with the requirements of the financiers** and ultimately because of their **origin**?

### Threefold exclusion from the bank lending system?



It is also important to emphasise that the lower rate of reliance on loans can also be explained by the fact that immigrant entrepreneurs may have a more **cautious way of managing their**

**businesses**. This encourages them either to borrow only in their immediate entourage or to start on a smaller scale instead of borrowing which involves greater risk<sup>15</sup>.

### 4. Specific limits to microcredit proposed by Adie

The principle behind Adie is to provide small loans at market interest rates with a guarantee of 50% required from the entourage of the entrepreneur. The objective is to integrate the person into the classical banking system over a period of time.

However, it would seem that these principles are problematic for a certain number of immigrant creators:

### Finding an employed guarantor

**Immigrant creators may also experience more difficulty in finding guarantors among their entourage**, especially the first arrivals. As an Adie referral partner emphasises: *"The only problem at Adie is to find an acceptable guarantor for newly arrived immigrants who often have few links in France. I know six people who were unable to get help from Adie because of this."*

Moreover, since the families of immigrants are sometimes in even more precarious situations, the prospective entrepreneur will still have difficulty in finding a **salaried guarantor** among his entourage.

### The Adie special group loan programme

In order to meet the need for guarantors for the immigrant population, Adie launched a loan offer for solidarity groups in 2002.

This programme was established following a series of experiments targeting the development and officialisation of informal activities carried on by persons from ethnic minorities in precarious situations. Adie identified a strong demand among the female population of sub-Saharan African origin. The group loan was particularly suitable for this group of people who are accustomed to the ROSCA<sup>16</sup> principle. This project also involved 300 persons in the Paris region since 2002.

The rate of reimbursement at the end of 2004 was 95.7% which is better than the overall Adie repayment rate.

**Note:** The target group reached was also very particular compared with the usual Adie

<sup>15</sup> Mohamed MADOU (CNAM) & Mouloud KOUACHE (EHESS), « *Entreprises et entrepreneurs issus de l'immigration maghrébine : de la stigmatisation à la promotion sociale* »

<sup>16</sup> Rotating Savings and Credit Association

clientele. Women made up 91% of the group, the general level of education was very low, and 42% were unemployed. These were “working poor” women who practised a multi-income strategy while launching their business activity within the community.

### Borrowing at interest

According to certain interpretations of the Koran, borrowing at interest may be considered as a sin of usury for Muslim business creators. Thus, religious principles prevent some Muslim immigrants from applying for an Adie loan.

### The Islamic religion and microcredit

“There is an unrealised potential there among people who are not reached because of interest rates, i.e. people who are looking for an organisation that lends at zero interest. When I first arrived in the area, many people approached me because they had heard by word of mouth and it was also on the brochure... This issue only concerns some Muslims. For some people it is not a problem while others obtain forgiveness for their sins by making a donation.”

An Adie counsellor working in a Sensitive Urban Zone (ZUS).

“Lending is prohibited unless you make up for all the interest that you have paid. For example, if you have taken a €4000 loan from Adie with €100 of interest, you then have to give €100 to the poor. In other words, to obtain forgiveness for your sin, you have to make an equivalent offering. Usually people are advised to make a gift to a welfare organisation like Secours Catholique rather than to give directly to families because these organisations know better what to do with the money. If you don't know, they are the ones with the knowledge... Credit is really for extreme situations when there is no other way out. For me, it was a real problem to borrow but you have to provide for your family.”

A North African entrepreneur and Adie client

### Achieving “banking status”

The basic principle of Adie in France is to provide a stepping stone towards the classical banking system. However, it is notable that the “banking status” rate among clients from Sensitive Urban Zones (ZUS), which have high proportions of immigrants and people of immigrant background, is below the national average.

This tends to confirm the hypothesis of a form of discrimination by the banks in regards to

immigrant entrepreneurs as the testimonies that we have gathered illustrate.

### “Banking status” of Adie business creators

Most creators whom we met say that they are victims of a lack of confidence on the part of banks even though they have a good level of business activity.

“All that I could get from the Post Office bank was a current account with no overdraft facility. I was even refused the ACCOR card (lunch tickets) although I had provided all the required items. When I asked why the person did not answer and told me to write a letter...”

A Pakistani entrepreneur and Adie client

“The bank and I were in open conflict. They are racists! My business is going very well but they refused to allow me an overdraft and I could not get a loan to develop my business!

When I made my application, I had 20,000 euros in personal funds! A French person would never have had so much difficulty to get a loan with such a personal contribution! It's pure racism! Personally, I was depositing big cheques regularly and they charge me every time I use credit card machine. It's really a one way relationship!”

An Ivorian entrepreneur

## II. Lower than average access to support schemes

While the figures for financing immigrant creators via microcredit are significant, it is notable that migrant creators tend to make less use of the various support schemes available for business creation.

### 1. Government assistance

Immigrant business creators receive less government assistance<sup>17</sup>, including assistance for unemployed business creators. 22% of immigrant creators received government assistance versus 31% for all creators whereas there are more unemployed immigrants. This assistance includes the ACCRE and EDEN schemes for business creators. However, only

<sup>17</sup> Observatoire de l'APCE (Agence pour la Création d'Entreprise), « Les Créateurs d'origine étrangère (hors CEE) : profil et taux de survie », André LETOWSKI, April 1999

one-third of eligible immigrants in the Ile-de-France obtained ACCRE in 2003<sup>18</sup>.

## 2. Business creation advice

Business creation advice is provided by various bodies:

- Business chambers
- The network of Management boutiques<sup>19</sup>
- Various other institutions
- Specialised support structures for immigrants.

National statistics indicate that 41% of immigrant business creators seek advice on business creation compared with 51% of the overall population.

→ 5% of the people assisted each year by the Management Boutique network are immigrants<sup>20</sup>.

→ Statistics are not available concerning the level of assistance from business chambers or other support bodies for immigrant entrepreneurs to develop their projects.

## 3. Alternative financing structures

There are two main alternative financing networks for business creation in France:

- FIR (France Initiative Réseau) which offers “honour loans” of up to 28,000 euros with no interest and no guarantee, linked to a bank loan
- FA (France Active) which provides guarantees for bank loans.

- The Réseau France Initiative does not possess national statistics on the number of immigrants assisted by its Platforms.

There are a number of Platforms located in areas with a high number of immigrants and which have a strong desire to take the needs of immigrant creators into consideration. This desire is accompanied in some cases, e.g. at Roubaix<sup>21</sup>, by a concern on the part of management to ensure a mix of people:

- Among the team that advises the prospective entrepreneurs,
- In constituting the Loan Approval Committee,
- In the presentation and highlighting of creators financed by the structure

<sup>18</sup> « Favoriser l'initiative économique du public en difficulté issu de l'immigration en Ile-De-France », 3CI, Patrick KOUMARIANOS, December 2004

<sup>19</sup> « Boutiques de Gestion » is an important network of business development support organisations.

<sup>20</sup> Source: Réseau des Boutiques de Gestion, Service Etudes

<sup>21</sup> PFIL Versant Nord Est Initiatives, at Roubaix

- Eight Platforms out of 237 have established a partnership with the FASILD<sup>22</sup>, dealing with the realisation of financing and support objectives for immigrant prospective entrepreneurs.

- The France Active network also lacks national level statistics on the extent to which territorial funds are obtained by immigrants.

## III- Explanatory factors

Presented below are some of the factors that explain the lower level of use of business creation support services by immigrant creators.

### 1. Lack of exposure to information about business creation

#### Linguistic, social and cultural barriers

Information on business creation in general and support policies is made available via sites such as the APCE (Agency for Enterprise Creation) website or through information bodies like the business chambers.

- Immigrant prospective entrepreneurs will have all the more difficulty in obtaining information about business creation when they are unfamiliar with the language of the host country.

Mastering French may depend on whether the immigrant is a “first arrival” or not, whether he or she is from a francophone country (North Africa, sub-Saharan Africa) or not, and whether he/she is from a large city or from an isolated rural area.

It is not always so much a difficulty of language as a problem of general lack of understanding.

- The dearth of information among immigrants is also a result of a general lack of understanding of the codes of practice operating in the host society.

- As a consequence of the lack of integration of immigrants in society, there is an observable gap in the traditional information channels which may be compensated by a community information network.

The existence of this network may also be an asset for immigrants who are in the end better informed than non-immigrants. However, when the information transmitted is erroneous or patchy, the system turns against them.

<sup>22</sup> See annex page 30

## Immigrants do not always actively seek information

- There is a big cultural difference between the context and the conception of business creation in France and in the countries of origin, especially in Africa. In fact, in some countries, business creation and the conduct of business requires many fewer formalities or even none at all.
  - As a result, many immigrants **continue their business activity in an informal manner** after arriving in France. Some immigrants may be genuine “business owners who don’t know” because they have very highly developed informal activities but they remain oblivious of the need to legalise their activities.

Thus, for example, some African women who own door-to-door trading businesses seem to feel that it is only when opening a shop that they will really become “business owners” who need to be registered.

- For many others, they fail to register because, owing to a lack of information, they do not realise the advantages that flow from business creation including opportunities such as:

- **Receiving government assistance or alternative financing;**
- **Finding new clients and developing their activity in a visible manner;**
- **Maximising their income** by sourcing supplies from wholesalers or by bringing in more goods through customs (for the many immigrants who operate in the import-export sector).
- Benefiting from the **social role of contributions**. According to many support professionals, immigrants often look at various charges as taxes that only serve the state whereas in fact social contributions cover their retirement and their health insurance.

Based on the experience of Adie counsellors, the passage from the informal to the formal sector takes place much more easily when the advantages and the issues involved in legalisation are explained to the persons concerned. What is most important is to reassure immigrants with respect to their fears which are mostly unfounded.

- Immigrant project developers do not always actively look for information because they may feel a kind of **mistrust** with respect to institutional actors. This may be a result of a fear of not being up to the mark, or of a fear of discrimination based on their previous experiences or even from confusing public services, which may be viewed negatively, and the associative sector.

### Lack of confidence in institutions

*“The business chambers are usually in huge buildings. They are very institutionalised with people in suits and ties. It is really overwhelming for the people and nothing like the convivial associative atmosphere. This can also affect people’s confidence.”*

*“The political frameworks are different from the countries of origin so people have a different approach towards institutional structures. People need to understand that there are both state services and associative services and that the associations tend to be more activist with a greater freedom of operation. Some people understand while others confuse the two sectors. Moreover, there is a tendency to think the worst about government services. Indeed the present trend is quite negative and no longer corresponds to the ideal of the Welfare State. People therefore tend to be quite mistrustful.”*  
*Director of a Local Initiative Platform (PFIL)*

## 2. Restrictions for immigrant entrepreneurs of the usual referral measures

- Business development and financial support bodies gain most of their clients from referrals by social service professionals, i.e. from the **structures responsible for social action, insertion and employment** such as the ANPE, RMI scheme (social action centres), Mission Locale.... In practice, the professionals from these organisations play a role of orienting prospective entrepreneurs towards the support bodies.

**This form of referral is particularly problematic for the target group of this study:**

→ **Immigrants do not always go through these channels:**

- Generally speaking, immigrants rely very little on the government employment service (ANPE) even when they are on social welfare.

A study of immigrants and the Public Employment Service confirms that immigrant

job seekers are less likely to have dealing with these services than the general population<sup>23</sup>.

- Moreover, some immigrants belong to the category of “working poor” (precarious or part-time employment). Thus, they do not fall within the ambit of ANPE’s responsibility nor do they receive social welfare. These people sometimes carry on income generating activities informally and could therefore be interested in business creation.

An Adie direct communication campaign within African communities through migrant associations thus highlighted the demands of many immigrant women employed in low paying jobs or who were inactive and who wished to develop a small business to increase their low incomes. A similar demand may exist in Turkish or North African communities who are out of touch with support structures.

→ Even if they are in contact with these bodies, immigrants will not always dare to mention their projects for fear of not being taken seriously because of their social status or their origin - a fear that is sometimes well founded.

### 3. Burden and complexity of applying for government assistance

Government assistance is often neglected by immigrant entrepreneurs who find themselves unable to cope with the complexity of the procedures (owing to poor written French, lack of understanding of the system, etc.).

The professionals working with this group also speak of a rejection among these people of administrative formalities because of their strongly oral culture.

Finally, immigrant entrepreneurs are sometimes more impatient to begin and are upset by the slowness of the system. For this reason, they may opt not to apply for government assistance even if they are eligible and even if people offer to help them with their applications.

#### Complexity of obtaining government assistance

*“The Adie application form is great. But the ACCRE<sup>24</sup> application form seems designed to dissuade people from starting a business! Migrants who understand little and who are in a hurry will tend to give up on these formalities and will just rely on an accountant.”  
An ANPE social professional*

<sup>23</sup> « L'accès à l'emploi des primo-arrivants », Françoise ENEL (VERES Consultants), Migrations Etudes, No. 123, May-June 2004

<sup>24</sup> See annex

*“The problem is that people don't want to fill in applications and forms.*

*[...]*

*My feeling is that immigrants want help but they have a lot of difficulty with contracts or applications. I have had some who have come once but who did not come back because they did not want to complete ACCRE or EDEN applications even though we said that we would help them.”*

*An alternative financier*

### 4. Different cultural perceptions relating to business creation and management

#### Often unreasonably heavy requirements in the preparation of a project

According to many professionals, support bodies also impose too many requirements in terms of formalisation of projects.

The support offered is also often too standardised. Whatever the nature of the project, people are often required to go through the same steps requiring the same investment in time (market study, business plan, budget...).

**However, such academic formalisation is not always necessary or appropriate for immigrant entrepreneurs who have their own specific needs:**

→ Immigrant creators are often poorly prepared for the formalities required by the business creation support structures, for both social and cultural reasons.

→ Immigrant entrepreneurs have already often mastered certain skills:

- The business may be an activity that is common in the community of origin, and the migrant thus starts out by copying someone else and will thus acquire a good knowledge of the activity.

- With respect to industrial trades, a person may have previously worked as a salaried worker in the industry in which he wishes to establish and/or may have already carried on business for himself in the informal sector.

This is the case, for example, of immigrants from the building industry who wish to set up in this sector. For these people, a market study is not necessary.

Some projects may also be launched without the need to go through all the stages of setting up a project. The entrepreneur will often only become aware of things that are missing once the business has been launched. This is when effective support is necessary and becomes more relevant to the development of his business.

→ Where there is an ethnic basis to the business which depends, for example, on the person's credit or word, the kind of formalisation proposed may be particularly inappropriate. This is because the immigrant will have his or her own points of reference and his own manner of managing the activity which may be different from that envisaged by the support person.

→ There is often a sense of urgency on the part of the immigrant entrepreneur who wishes to launch his business but which is in contradiction with the level of preparation required:

- This urgency may be linked to constraints relating to the duration of their authorisation to remain in France.
- Immigrant entrepreneurs also often tend to launch a business because they have found a market opportunity that they can seize upon.
- Finally, immigrants often tend to create businesses as a last resort, i.e. because it is the only way to solve a precarious social situation. They therefore need to launch and develop their business quickly.

### Exaggerated requirements

*"The formalities required by support bodies are too complicated, especially when the person is not familiar with the language. Often people who I have directed there come back to me because they are afraid, they have doubts. It is a real challenge to assist people who don't have qualifications. The people need to be extremely determined if you are going to continue with them.*

*"The French have a very deeply rooted formal culture whereas for many immigrants it just seems like complication for nothing".  
An ANPE agent on support structures*

Note: Formalisation of the project will be indispensable for the immigrant business creator if he or she wishes to seek financing in the classical banking sector or through the Local Initiative Platform (PFIL)<sup>25</sup> network.

### Training course content that is too elitist

In the view of some immigrant business creation support bodies, Business Chambers also contribute to a certain level of discouragement in the way that they offer information and training that is extremely complex. All the same, this affects all entrepreneurs in a precarious situation and not only the immigrant prospective entrepreneurs.

<sup>25</sup> See page 16

### The Business Chambers

*"The Chambers of Commerce are not very concerned about immigrants and their staff don't know what to do with them. The content of their training courses is very high standard but I have the impression that it is very poorly understood. Little is retained - not even the notion of working capital".*

*A specialist working with immigrants*

*"The business chambers are not appropriate. Their meetings are too complicated. There is an obligatory preparatory course at the Trades Chamber but immigrants understand nothing. The DDTEFP (government administration) which distributes the ACCRE application forms has no time to explain what they are for... These institutions don't differentiate people in greater difficulty. They do not adapt; everyone has to adapt to them. It is easier for Adie because it is a specialist organisation."*

*An Adie counsellor*

### 5. Unconscious discrimination at every stage

#### Referrals

- Some social service professionals tend not to believe in the potential of immigrant prospective entrepreneurs, as an ANPE study confirms. Another study by a specialised support body also confirms this as does the testimony of immigrants themselves:

#### Dissuaded by social service professionals

*"Those who launch a business creation project are usually people who have already done so in their own countries or who have had enough of being rejected by businesses and who conclude that they have no other choice. The professionals often try to dissuade them since experience shows that such a project rarely begins in good conditions and that it will often fail."<sup>26</sup>*

*- ANPE staff testimony*

*"The problem for migrants is that they are 'labelled'. It is assumed that they are not familiar with the language and that they will not succeed. I have heard from a number of social workers who say that potential business creators are looked down on because they are not familiar with the language. But they may have held very high positions in their own countries or they may have mastered a trade*

<sup>26</sup> Françoise ENEL (VERES Consultants), « L'accès à l'emploi des primo-arrivants », Migrations Etudes, N° 123, May-June 2004

*and they really have the potential and the capacity to make a go of it.*

*It is a pity because this group has a manifest desire to get ahead and to escape from precarity.”*

*An alternative financier*

### Mentoring and support

- The usual criteria for evaluating prospective entrepreneurs are based on diplomas or experience (gleaned from pay slips and an analysis of the project).
  - But these criteria are often not applicable to immigrant entrepreneurs:
    - Either they have no diplomas or their qualifications were obtained overseas and it is difficult to evaluate the standard of the diplomas, which are also not recognised. Sometimes the person may be illiterate and may be weak in written or even oral French.
    - Much experience in the field of business creation is drawn from the informal sector or from the country of origin so it is difficult for the support person to evaluate. The prospective entrepreneur may also tend to minimise his work in the black economy if he believes the support body is linked with government authorities.
    - Support personnel also lack competency in “community” businesses or businesses linked with the country of origin of the immigrant entrepreneurs.
- Professionals from the classical support bodies for business creation thus tend **wrongly not to believe in the potential of immigrant entrepreneurs and therefore dissuade them**

from launching a business, which also amounts to a form of **unconscious discrimination**.

### Dissuaded by social service professionals

*“I contacted the Chamber of Commerce and Industry and it was a disaster! Look, this is the second tea house that I have opened, my second company. But I think I would never have done anything if I had listened to the counsellor from the Chamber of Commerce who did everything to discourage me! She told me that my project was not enough of this or too much of that...”*

*A business creator of North African origin financed by Adie*

### Alternative Financing

- Immigrants may also be handicapped by **difficulties in convincing a financier** (familiarity with the language, calculation tools) even if they have real know-how and have identified a genuine market opportunity.
  - **Alternative financing structures may also exercise a form of unconscious discrimination, not with respect to people’s origin, but with respect to their business.** For example, **projects that have links with the country of origin**, such as ethnic activities or import-export, have more difficulty in gaining acceptance because the body lacks experience in this area.
- In this sense, alternative financing structures are not so different from the classical banking networks.

## - CONCLUSIONS CONCERNING IMMIGRANT ENTREPRENEURS IN THE BUSINESS CREATION ENVIRONMENT

More often than is the case for non-immigrants, this category usually involves people in an unsatisfactory situation in the job market who create micro-entreprises with a view to self-employment.

As a result of their precarious socio-professional status and their origin, they may face a double exclusion from the classical banking system. In reality, only 10% benefit from bank loans (compared with 28% for non-immigrant business creators).

Microcredit can thus be seen as a tool that is particularly valued by micro-entrepreneurs, as the 25% proportion of immigrant clients in the Adie portfolio seems to confirm.

On the other hand, support for business creation under other schemes and policies is admittedly inadequate:

- Only 41% receive advice on business creation (as against 51% of all business creators)
- Only 22% receive government assistance for business creation (as against 31% of all business creators).

A number of problems specific to immigrant entrepreneurs also limit the degree to which they are taken up by business creation institutions:

- Information access barriers deprive some migrants of the opportunity to benefit from technical and financial support provided as part of business creation support policies.
- A gap in the perception of business creation may also dissuade them from developing their projects with support from advisory bodies.
- The requirements of alternative financing bodies also ultimately create barriers to credit access.

A number of specific needs of migrants are not taken into account by current regulations, or business creation support schemes and policies.

=> These gaps in the support offered to immigrant aspirant entrepreneurs are all the more regrettable in so far as this group today is the most dynamic population group in terms of business creation. An effort is therefore necessary on the part of the welcome bodies to adapt to the particular issues facing migrants.

=> Some improvements therefore need to be implemented in order to promote positive discrimination with respect to immigrants in order to better develop this potential.

The objective would be to maintain the general system (i.e. no creation of specialised structures) but to improve the support for this group within the existing schemes.

## Recommendations

### I. To promote change in the regulatory and legislative framework

#### 1. Carrying on both a salaried job and an income generating business

Some legislative changes are necessary in order to promote legalisation of small informal businesses carried on as a supplement to salaried work or to social welfare.

This formalisation would apply to home production and sales of goods and service businesses up to a limit of 50% of the social security ceiling<sup>27</sup> and which are too small to be registered on the Business Registry.

It would apply both to French citizens and to foreigners living legally in France.

Income generated by these activities would remain subject to the same declaration rules as those applying to self-employed home traders (on tax, social and legalisation issues).

This formalisation of activity would not confer rights to social services, since the people concerned would already have other coverage and would not affect the welfare benefits that these people may be receiving elsewhere.

#### 2. Simplifying administrative procedures for business creation by foreign national

The proposals are as follows:

- To abolish the requirement for foreign trader cards.
- To abolish the specific requirements for setting up business as an itinerant salesperson.

#### 3. Facilitating recognition of foreign qualifications and acquired experience

**Validation of acquired experience (VAE)** gives people the opportunity to obtain a diploma or professional qualification based on validating various kinds of experience.

Recognition of foreign diplomas is an important issue in the recognition of the competency of immigrants in serving the community.

→ A study by FASILD in partnership with the DPM and ANPE is underway with the objective of **validating the competencies of persons holding a foreign qualification and/or having gained professional experience overseas by means of a VAE scheme, for example.**

We propose that access for immigrants to this scheme be generalised and made easier.

#### 4. Opening up professions to foreign nationals

The DPM has also launched a study with the objective of opening up certain professions to foreigners where barriers are not justified. In the first stage, this procedure will involve bars and tobacco shops. It would be desirable for this measure to be broadened to involve a wide range of professions.

## II. To implement specialised information strategies

### 1. Directly

The following recommendations aim to establish a more pro-active information strategy for migrants.

#### Make use of information distribution channels used by immigrants

- Since immigrants often have less confidence in institutions, it is important to build their confidence in the structures that wish to support them. As was emphasised by a number of Adie programme staff who encountered strong demand for services from sub-Saharan African communities: *“It was vital to be introduced by a community association leader.”*

- A study of first arrivals also showed that the *“word of mouth and local networks are the most important”*.<sup>28</sup> One highly valued method

<sup>27</sup> The social security ceiling is set every year by the administration and used to calculate social contributions and benefits.

<sup>28</sup> Françoise ENEL (VERES Consultants), « *L'accès à l'emploi des primo-arrivants* », Migrations Etudes, No. 123, May-June 2004

of approach is thus to target a few community members and to rely on word of mouth.

- This work could for example be done in a local neighbourhood, for example.

- It would also be possible to target community members who already work for themselves, as one professional suggests: *“There is a need to raise awareness among ethnic small business leaders so that they will transmit the information, because oral communication is extremely important.”*

#### Identifying the information sources that reach immigrants directly

The strategy to adopt is to try to communicate directly with these people by targeting the places that they frequent:

→ **Training bodies, migrant welcoming platforms:**

- The objective of the Directorate of Populations and Migrations and of the APCE is to provide new arrivals from non-EU countries with brochures on business creation in four foreign languages during training courses provided by the ANAEM (National Agency for Migration and Welcoming Foreigners). This brochure will be added to those already available on employment and interim work.

- Literacy training centres could be another possible target as social partners since the majority of these immigrants go through these centres especially when the training is remunerated.

→ **CAF (Social Welfare) waiting rooms:** This would enable communication with immigrants while they are preparing their applications for social welfare, e.g. by means of a film presenting the available technical and financial support structures.

→ **Registration office at the Business Tribunal:** This strategy would target many immigrant entrepreneurs who have just registered their businesses but who do not know anything about the technical and financial support available to them.

→ **Community radio:** This would be a way of reaching “inactive” people who are not in contact with the insertion and employment services or with the social welfare bodies or associative networks.

Generally speaking, the idea is to communicate in alternative locations rather than through the usual business creation networks.

#### A message that “speaks to” immigrants

- It would also be useful to develop specialised communications for **people involved**

**in income generating activities who are already working for themselves.**

- On community radio, it could be more effective to **communicate in the maternal language of the listener** so that the message will be well understood and he or she will feel involved.

As one professional involved in professional insertion explained: *“If the announcement on Beur FM is done in French, the person won’t feel concerned. If he or she hears the name of an institution, he will just say ‘I’m not listening, I don’t understand’. But if the message is in his or her language then the person will tend to take notice.”*

However, written communication should continue to be in French, according to this professional.

#### 2. Indirectly: Social service professionals

It is necessary to work towards changing the image of the immigrant entrepreneur:

- Illiteracy, lack of familiarity with the French language and “precarity” will not stop the immigrant who really wants to start a business.

- Success in migrating is already a proof of the migrant’s potential.

What is needed is to develop training programmes that recognise the entrepreneurial potential of migrants.

To achieve this, the APCE intends to place online a document addressing and correcting preconceived ideas concerning business creation by foreign entrepreneurs.

Some bodies are also considering whether to start training programmes on intercultural issues for social service professionals.

### III. To adapt the support available

#### 1. People issues

##### How to gain the confidence of immigrant entrepreneurs?

###### A discriminatory view of the organisation

*“It happens that people arrive who also have a discriminatory view. What happens is that people who feel discriminated against also tend to discriminate in their turn in a kind of mirror effect. This means that immigrants may also discriminate on the basis of a totally caricatural conception of the person receiving them. When I sense this, I ignore it. And after a while the person will say ‘Right, now I’ve got complete faith in you!’ Which proves that at the beginning he or she didn’t have confidence in me and simply saw me ‘as another white person who just wants to finish with my dossier’”.*  
An alternative financier

- Confidence is developed through listening to people, adapting what is said to the people concerned and understanding how immigrant entrepreneurs operate. Counsellors need to show that they are good listeners and that they really understand the problems of these people. According to several Adie counsellors and mentors, immigrants are often extremely grateful when they feel that have been listened to, given information and that their project has been genuinely considered even if in the end their project is not financed.

It is important to note that some migrants initially need to be dealt with by specialised support bodies because they feel much more understood and trusted. These associations therefore manage the first stages of the welcome and orientation process and prepare the immigrants to meet the classical organisations, if they will not be following through with direct contact themselves. Staff members of these organisations insist on the need to build confidence but not to “mother” these people so as to prepare them for the “challenges” that they will face as they go further.

- Immigrants’ fears of information bodies may be eased if they are hosted by an organisation that has a mixed team. **This also facilitates the support work.**

###### Creating a cultural mix

*“North African women who work on subcontract without being declared to the authorities, for example, will be more willing to ask for information at the ANPE (employment office) if they know that there is someone named Mohammed working there. This is related to the fear factor, fear of failure, fear of formalities when going through organizations in order to ask for assistance. When they see me, people often say ‘If I had known it would be you, I would have come a lot sooner’”.*  
A social service professional

*“People received by a professional from an immigrant background will undeniably open up more.”*  
A counsellor

*“It is important to have a variety of salaried staff in order to put people at their ease. The VNEI team includes two people with an immigrant background (Moroccan and Algerian). It is also reassuring for the people to see this variety.”*  
An alternative financier

We also noticed that the main business creation support bodies in France ensure that their teams are multi-ethnic.

- According to one counsellor who follows this methodology, **the existence of group training programmes is very beneficial for some immigrant groups, especially women and those of sub-Saharan African origin:**

*“The projects are different but the women are also a mixed group because I believe in diversity. Women who have had little schooling may in fact be hardened traders able to offer good advice to graduates who in return may be able to provide accounting advice. This also fosters the development of friendship links and builds great solidarity. [...] Moreover, migrant women also have greater confidence among themselves and may be able to convince each other more easily of the difficulty of a project than if it is me who tries to dissuade them from doing it.”*

*Director of a body specialising in support for migrants*

On the other hand, support organisations need to work on the basis of the group dynamics specific to each of the communities. However, they must not try to create a group dynamic in an artificial way.

→ Male immigrants from North Africa have great difficulty in trying to work collectively, according to one specialist counsellor:

“These are people who have learnt to get by on their own. As a result it is quite difficult for them to learn to work together. These people are isolated and they do not have a tradition of sharing.”

### Maintaining a distance?

- Advisers feel that some of these immigrant prospective entrepreneurs tend to establish **emotional ties** with them that may become **too close**. This often occurs in cases where the professional is also an immigrant.

### **Maintaining a distance**

*“Because of my background people easily confide in me and I get more information. But it’s also a problem because they start to look at me as a friend right away. They know I am familiar with their problems and they take advantage of it. So they are surprised when I don’t agree with them.*

*So I am obliged to create some distance in our relationship. Some people speak to me in Arabic but I always answer in French in order to preserve a distance. It’s not always easy to handle.”*

*Adie adviser*

- Some immigrant men may tend to look down on women advisers from the same background as one alternative financing counsellor emphasises: *“This group also has a problem in the way they look at women. For example, some women advisers with a migrant background have met men of foreign background who tell them straight out ‘I will not listen to a woman adviser’. They would probably never talk this way to a woman adviser of non-immigrant background.”*

## 2. Emphasising post-start up mentoring for some migrant business creators

Our analysis of the group of immigrants starting businesses allows us to identify two characteristics often related to these groups, which also enable us to determine their needs in terms of mentoring and support:

### First profile: Simplified up-front support but necessary post-start up mentoring

- For a variety of reasons, many business creators are already familiar with the business in which they wish to establish themselves even though they often lack knowledge of financial tools.
- On the other hand, some face difficulties in understanding the French system, or French oral or written

language, or lack management skills/knowledge.

→ These business creators therefore need more post-start up support.

→ In the case of upfront support, it is necessary to offer business creation training that “speaks” to them and corresponds to their own **concrete vision** that is based on their prior experience either in the informal sector or in salaried employment. This may simply imply speaking in a more down to earth fashion with them. It is also useful to provide a simple overview of accounting as well as a simplified business plan appropriate for a micro-project, which also corresponds to their often more intuitive vision of their business. Finally, the advice needs to relate directly to the immigrant entrepreneurs and their businesses. By the same token, it is no use to speak of things that they don’t relate to.

As part of its work with people of sub-Saharan African origin, Adie has set up mentoring programmes with specialised volunteers as well as training programmes that are based on people’s level of education and on subjects relevant to the majority of business creators, e.g. sales on credit or import export (for example, customs procedures concerning taxes, in order to learn how to set prices on imported products, etc.)

### Second profile: Reinforced up-front support

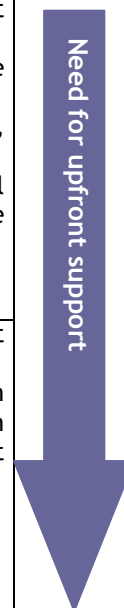
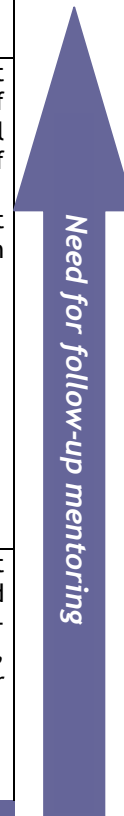
We were also able to distinguish a contrasting second profile:

- Business creators who have a higher level of education and thus less difficulty with the written formalisation of their projects
- Those who are starting out in a sector that is new to them as a result of their exclusion from the job market, lack of prior experience or training in business or as self-employed.

→ These creators will thus tend to require more mentoring in developing their business project but will have fewer difficulties with administrative formalities or with management of their business.

In the table below we have graded the profiles of the immigrant entrepreneurs based on whether they need more follow up or up-front support.

Profile of the entrepreneur	Business sector	Need for support
<p>1. <b>“Working poor” entrepreneur</b> carrying on an income generating business unrelated to his/her salaried work.</p> <p>2. <b>Entrepreneur receiving welfare or non-working (inactive)</b>, carrying on an informal business, either occasionally or fulltime.</p>	<p>- <b>Import-export :</b> e.g. : Women from sub-Saharan African background employed part-time in a cleaning business and also carrying on an intra-community import-export business</p> <p>- <b>Subcontracting:</b> Sub-contract cooking for restaurants, making pastries, cleaning, etc.</p> <p>- <b>Services:</b> Sewing, plumbing, car repairs, handyman work.</p>	<p>- Need to be informed about legalisation issues (risks of working in the informal sector, advantages of legalisation)</p> <p>- Business under control but with a need for mentoring in administrative management</p>
<p>3. <b>Self-employed sub-contractor:</b> Worker or employee who starts his/her business in his/her professional field as a <b>sub-contractor</b> (market opportunities)</p>	<p>- <b>Industrial trades/crafts:</b> Construction, clothes making, hairdressing e.g.: A Turkish builder answers a call for offers from a former employer</p> <p>- <b>Services:</b> Security, cleaning.</p>	<p>- Business under control but with a need to be warned about the risks of sub-contracting (sole client, imbalance in “power relations”).</p>
<p>4. <b>“Converted” entrepreneur:</b> Business creation by default, as a result of an unsatisfactory job market situation linked to a low level of qualifications (unemployment, under-qualified employment) or to market opportunities.</p>	<p>- <b>Trade - hotels - restaurants, services</b> e.g.: Fast food, callboxes, itinerant trading</p>	<p>- Warnings about market saturation.</p> <p>- Need to prepare the project: -&gt; Market research (price, clientele) -&gt; Making financial costings/forecasts for the project</p>
<p>5. <b>Qualified entrepreneur:</b> Immigrants or people from an immigrant background with high qualifications but who are having difficulty in the labour market Projects envisaged are often more ambitious.</p>	<p>- Business creation in a field unrelated to their studies: - Business creation in their own field of studies</p>	<p>- Insisting on upfront preparation of the project</p> <p>- In principle, the person will have no difficulty in administrative management of the business</p>



## IV. To focus support efforts on integration into banking channels

### 1. Making microcredit more available

Consideration should be given to the possibility of offering loans that do not violate the religious principles of some immigrants or people of immigrant background who are Muslims.

As an Adie adviser who works with immigrants emphasised: *“If ADIE were to offer interest free loans it would reach more people but it’s impossible to offer interest free loans to one group while charging interest to others. The solution would be to shift the interest charges over to a processing fee.”*

Based on this observation by clients and other professionals, the Association plans to consider a way of offering a loan in which the interest charged would be replaced by processing fees for an equivalent amount payable up front.

This new product would be offered to both immigrants and non-immigrants in order to avoid stigmatisation.

### 2. Better mentoring on banking issues.

- Mentoring and alternative finance organisations need to **prepare migrants to deal with banks.**

As noted by the Platform Director: *“It is the role of bodies like the Local Initiative Platform (PFIL) to provide banking mentoring. They also work with clients on the presentation of the project and also on how present themselves physically.”*

This work is also carried out by organisations specialising in mentoring immigrants. As one entrepreneur of sub-Saharan origin who receives mentoring from a mentoring organisation emphasised: *“The training that I received from the association in presenting the project to a jury was extremely useful and gave me confidence for the later stages of my endeavour.”*

- The support bodies may even go as far as **getting involved with the loan application.** Thus, the work of the Roubaix Local Initiative Platform (PFIL), for example, ranges from providing a letter of introduction to a bank right up to accompanying the client to the meeting with the bank in order to maximise the immigrant’s chances.

- One objective of microcredit institutions is to promote integration into the classical banking system.
- Much more work needs to be done in this field with immigrants who face greater difficulties in integrating.

Generally speaking, the role of mentoring bodies is to motivate and encourage migrants throughout their project, especially in confronting various problems of discrimination that they may encounter.

- Conclusions relating to the recommendations to be implemented -

The following recommendations aim to promote a better approach to immigrant entrepreneurs in France:

Legal issues:

- It is necessary to improve the legal status relating to carrying on a very small business or income generating activity. This would be relevant for many immigrant business creators. An appropriate status would in our view lead to a significant number of officialisations.

Access to information concerning business creation and support structures:

- Specialised communication measures are required to reach potential immigrant business creators who usually rely on proximity or neighbourhood networks or word of mouth.  
- Social service professionals who are trained in intercultural issues would ensure that appropriate consideration is given to the potential of immigrant business creators.

Support and mentoring

- A mixed team within the support body enables immigrant business creators to gain confidence.  
- The support offered also needs to be adapted to the simple and concrete vision that immigrants sometimes have of their business in which they often have experience from the informal sector. This support may also include tools that are useful to their specific activity, e.g. sales on credit or export-import.  
- It is sometimes more useful to offer post-launch support rather than upfront support to immigrant entrepreneurs who for many reasons are already familiar with the activity in which they want to begin but who will often tend to have more difficulties in financial and administrative management once the business has been started.

Financing

- Treatment of dossiers and decisions on loans should be made quickly and based primarily on the qualities of the person (go-getter, understanding of the business, etc.) and his or her capacity to repay the loan, with fewer requirements with respect to written documents and calculations concerning the project.  
- The religious convictions of certain Muslims prevent them from obtaining access to microcredit because of the charging of interest. It would be useful to study the possibility of a specialised credit product that addresses this constraint.  
- Generally speaking, financiers and mentors need to reinforce their efforts at banking integration for immigrant creators.

### The foreign trader's card

On the pretext of protecting French trades and commerce, legislation was adopted in France in 1938 to regulate the access of foreign nationals to the independent professions by obliging all foreigners to obtain a foreign trader's card. This card is granted as of right for certain Western and African countries while Algerians are dispensed from this measure.

**By an Ordinance of 25 March 2004, measures were implemented to simplify a range of administrative procedures, especially those involving foreign traders.**

→ The foreign trader's card was replaced by a preliminary authorisation from the prefect of the department in which the business is to be carried on<sup>29</sup>. However, the entry into force of this measure requires the publication of a still unpublished decree. While awaiting this clarification, it is necessary to contact each prefecture to understand the local rules being applied because the practice varies from one department to another.

### Government assistance

The overall scheme for assistance for the creation or purchase of a business includes a number of measures that immigrants may apply for.

#### Exemption from social contributions (ACCRE)

**As part of the ACCRE scheme, unemployed or social welfare beneficiaries (RMI, API, ASS, AI) may be exempted from social contributions for 12 months for the creation or purchase of a business.**

Application must be made to the Department Directorate for Employment (Direction Départementale du travail) before the launch or the creation of the business.

The exemption may be extended:

- for 100% over 24 months for a micro-entrepreneurs who earns professional revenue of less than €5105 per year,
- for 50% over 24 months for those whose income is higher than €5105 per year and lower than €13850 per year.

#### Interest-free loan and local grants

**Under the EDEN scheme, it is possible to obtain an interest free loan for a maximum period of five years. This may be granted after an expert evaluation of the project for business creation or purchase. The maximum sum is €6096 in 2006.**

Eligible beneficiaries include young people, people on minimum income, those over 50 years, employee purchasers of a business in difficulty. Until 27 September 2004, a grant was available.

#### Temporary maintenance of social welfare payments (RMI and ASSEDIC)

- ACCRE beneficiaries who also receive the ASS welfare benefit have the right to continue receiving it for a maximum period of 12 months or until the limit of 730 daily allocations has been reached (at full rate but reducing according to the income earned from the business).
- The RMI may be continued for up to six months.

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<sup>29</sup> "A foreigner may not carry on a commercial, industrial or trades profession ... unless he has obtained authorisation from the prefect of the department in which he plans initially to launch his business."

### Provision of “advice cheques”

Advice cheques may also be provided as part of the granting of assistance under the ACCRE or EDEN schemes to assist in preparing the project and with follow-up support after the creation or purchase of the business.

These cheques partially cover the various services (accounting, advice, studies) provided by the bodies approved by the Department Directorates of work, employment and professional training (DDTEFP). These bodies include the various Business Chambers (Chambres Consulaires) and BDS organisations such as the Management Boutiques (Boutiques de Gestion).

### Research and support bodies in France for immigrants and those of migrant background

**The Directorate for Population and Migration (DPM)** is responsible to assist in the definition and implementation of welcome and integration policies as well as for the fight against discrimination against immigrants and those from an immigrant background. As part of its role, it is responsible for assisting measures for the social and professional advancement of these groups. Through partnership agreements, it endeavours to encourage, support and accompany initiatives by business and economic bodies that aim to prevent discrimination and to promote diversity in the management of human resources.

**The Fund for action and support of integration and the fight against discrimination (Fonds d'action et de soutien pour l'intégration et la lutte contre les discriminations - FASILD)** is responsible for providing support for integration by promoting the recognition of competencies and by developing assistance for individual, social or professional promotion of persons with an immigrant background. In addition, it also contributes to the struggle against discrimination against immigrants and people of immigrant background, especially through promoting knowledge of discriminatory processes, training for actors and by encouraging the adoption of charters on diversity in business.

## LIST OF INTERVIEWS UNDERTAKEN

*- Immigrant entrepreneurs financed by Adie in 2005*

*-General business creation support structures:*

- **ANPE (National Employment Agency):** Person responsible for business creation
- **LA MIEL (Local Economic Initiative Centre - Maison de l'Initiative Economique Locale), Territoire de la Plaine municipality (93):** Business creation project leader
- **Management Boutiques Network (Réseau des Boutiques de Gestion):**
  - Research leader
  - Project officer at a Management Boutique
- **Adie:**
  - Adie counsellors
  - GSPS programme leaders (solidarity group loans)
- **FIR (France Initiative Network):** Director of a Local Initiative Platform

*- Structures specialising in support for immigrant business creators:*

- **Femmes Initiatives (Women's Initiatives),** Director
- **3CI,** Project officer
- **GRDR,** Project leader
- **Programme PMIE (Support programme for migrant economic project developers),** Coordinator
- **IRFED,** Director

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