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ABSTRACT

Desilencing Complexities: The Financial Needs of Entrepreneurs on Social Benefits

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Access to financial resources for starting or developing an enterprise can be difficult, especially in the case of entrepreneurial groups who face limited options to participate in the economic mainstream. In addition, the recent COVID-19 pandemic has brought historically rooted inequalities to the forefront and exposed social vulnerabilities. Even though much has been done, especially in the social finance and microfinance space additional barriers to financial access exist. This paper focuses on entrepreneurs who depend on social benefits but seek financial access to either start or develop their enterprise in the Netherlands. Entrepreneurship may be one of the few key means for this particular group of people to gain independence from social benefits that are provided by government entities. In return, more entrepreneurial activity may reduce public expenditures. This study aims to capture the relational aspects of the social categories, such as class, gender, social status and migration background in which entrepreneurs who depend on social benefits may be situated. In other words, it captures possible intersecting forms of disadvantage by testing for an association between convergence of the applicants' social categorizations and their creditworthiness. In particular, this paper is testing possible intersecting forms of disadvantage effecting the credit received or denied as well as the contract terms of the credit received. The analysis also illustrates areas of mismatches between the supply of financial services and consumer need revealing barriers for the target group of this paper.

This study uses a unique dataset that consists of over N=500 credit applications between 2018 to 2020 retrieved from the microfinance institution Qredits in the Netherlands. The

unique dataset considers applications from before and after 2020 to understand the possible impact of the pandemic. To capture how the convergence of social categories is associated to the creditworthiness of entrepreneurs on social benefits, this study applies multiple and logistic regression techniques. This approach is used specifically to understand the complex interplay between social categories. While intersectional framing has become influential in the national policy making of many western countries, quantitative approaches focusing on intersecting social categories remains limited.

Based on the findings, the quantitative analysis produces evidence about the different needs of credit-seeking entrepreneurs that are on social benefits. The results will allow a more in-depth discussion about the relationships among diverse social categorizations and their intersecting affect on the creditworthiness of entrepreneurs on social benefits. Although the findings are limited to one microfinance institution, the framework and conclusions drawn from this research can be used for further empirical research in other institutions.

The findings show a more complex and pervasive nature of inequality by applying the described analytical approach that considers the entrepreneurs diverse social identities. The findings of this research are invaluable to not only MFIs but also policy makers as it provides a better understanding about the different needs of the investigated group of entrepreneurs. The approach falls in line with the UN's agenda that emphasizes the intersectional analytical lens in particular, to gain a better understanding of structural inequalities.

Keywords: Financial Inclusion, Quantitative intersectional approach, Covid- 19, Inequality.



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