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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 welfare 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 welfare benefits that are provided by government entities. In return, more entrepreneurial activity may reduce public expenditures. Latest national statistics show that COVID-19 reflected on the Dutch labour market with a 25% increase in the number of unemployment benefits between February and May 2020 (CBS, 2021). This study aims to capture possible intersecting forms of disadvantage by testing for interaction effects between the welfare benefit receiving entrepreneurs' age, gender, nationality and their creditworthiness.

We draw on loan officer discretion literature to gain a better understanding of how the COVID-19 crisis in 2020 may have influenced the decision making behaviour of loan officers towards welfare benefit receiving entrepreneurs and potential intersecting forms of disadvantage. We analysed the dataset from a prominent microfinance institutions in the Netherlands who were impacted by the crisis as they had to move from on-sight personal visit to online interactions with prospective borrowers. The dataset comprises 42.763 loan applications between 2018 and 2020. We provide mixed evidence on how the pandemic may have affected loan officer behaviour and their ability to use discretion to grant and deny loans in comparison to previous years. We find that the likelihood of false positives may have increased in 2020 and recommend further research in this direction. Overall, the approach in this paper falls in line with the UN's agenda that emphasizes the need for more quantitative approaches focusing on intersecting social categories in order to gain a better understanding of inequalities.

*The views expressed in this paper are those of the authors and do not represent the views of the institution under investigation and with which the authors are affiliated.*

**Keywords:** COVID-19, Loan Officer discretion, Microfinance, Quantitative intersectional approach.



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