

# ***Immigrant and Native Entrepreneurs' Sources of Financing for Startup: With a Moderating Effect of Wealth in the Country\****

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*Entrepreneurs usually require financing for starting their businesses. Their primary source may be personal savings, family and friends' funds, or loans from banks and other financial institutions. Immigrant and native entrepreneurs may differ in their sources of financing, and their differences in sources may depend on their societal context. The research questions are, how does an entrepreneur's migration status -immigrant versus native-influence primary source of financing, and how is this influence moderated by wealth of the country?*

*Data are a sample of 14,369 immigrant and native owner-managers of starting businesses in 29 countries, surveyed in the Global Entrepreneurship Monitor, and analyzed by hierarchical mixed models.*

*Analyses reveal that immigrant and native entrepreneurs similarly frequently have their personal savings and family as the primary source of funding. Native entrepreneurs, more often than immigrant entrepreneurs, have banks and other financial institutions as the primary source of funding. Immigrants, more often than native entrepreneurs, have friends and yet other sources as the primary source of funding. These effects of migration status upon source of financing, however, are moderated by the national context, in that wealth of the country boosts the immigrants' use of friends and other sources of financing.*

**Keywords :** *Immigrant Entrepreneurs, Native Entrepreneurs, Financing, Private, Public, GEM*

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## ***I. Introduction***

Entrepreneurs need financial sources to

launch a firm or to meet daily operations, expenses and payments. Moreover, financial

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sources are needed for business growth, market competition, and to keep the business operational and maintain customers base (Genc, Gheasi, Nijkamp, and Poot, 2012).

Financial constraints negatively influence the firms' ambitions. Thus, entrepreneurs search for funding either the private ones like personal savings, family and friends' fund or the publicly accessible ones such as bank loans, angel investments, venture capital funds, or public stock offerings. Although accessing private funds may be easier, the amount may be relatively limited. On the other hand, publicly available funding may mean greater amounts of money. In order to obtain such sources, however, numerous challenges are faced: skepticism towards the business and financial plans because of the uncertainty in terms of starters' development and limited understanding of the characteristics of growth process that starters' experience. Hence, investors often request large equity, tight control, and managerial influence to avoid volatility of current market conditions that may change overnight.

In recent decades there has been a large influx of people from different ethnicities to a specific group of destination countries, mostly in the Europe and the U.S. For these immigrants, the conditions mentioned above differ from those of the local or native entrepreneurs.

In recent years, the contribution of immigrant entrepreneurs to the success of market economy has emerged as the central focus of studies on immigration (Hussain and Matlay, 2007). However, the determinants such as financial capital have not been thoroughly dealt with and understood. As the immigrant entrepreneurs are of great interest, it is essential to understand the factors that affect their entry to the market.

Previous studies have revealed that acquiring financial sources is burdensome for most of the small firms, regardless of owners' ethnicity, but immigrants face additional barriers compared to native entrepreneurs (Smallbone, Ram, Deakins, and Aldock, 2003). However, studies are not completely

conceding. For instance, a study by Jones, McEvoy, and Barrett (1994) indicated that firms with Asian owner manager have more problems in accessing the bank finance in comparison to native entrepreneurs owners. In contrast, Smallbone et al. (2003) demonstrated equality in access to banks and other formal sources between immigrant and native entrepreneurs. However, the difficulty in receiving fund from banks differs among immigrant communities (Curran and Blackburn, 1993).

An overview of entrepreneurial finance admitted that a growing number of studies in different countries will yield further insights into institutional and macro conditions for entrepreneurs to start a business (Denis, 2004).

Hence, the aim of this article is, specifically, investigation on the types of financial sources that immigrants may apply and the influence of wealth of the country on acquiring these sources among immigrants and native entrepreneurs. Accordingly, the main research questions are as follows:

*What sources of financing do immigrant and native entrepreneurs use for launching a business?*

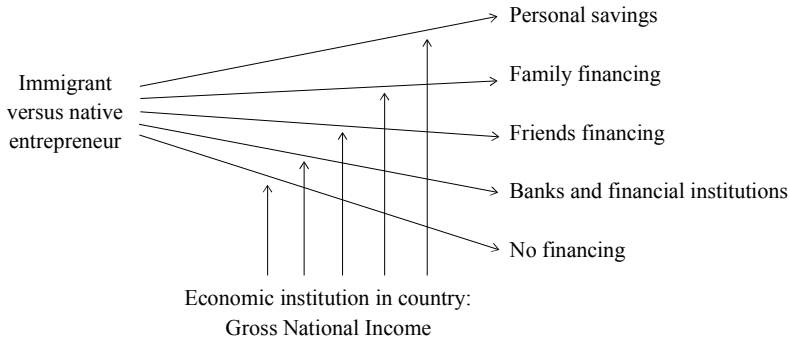
*What are the effects of wealth of the country on the sources of financing used by native entrepreneurs and by immigrants?*

This study contributes mainly to immigration entrepreneurship literature by scrutinizing the types of financial sources, specifically public and private ones (Bygrave, 2007), which are used by immigrant and native entrepreneurs. In addition, we will have a deeper look at the effect of national context, in form of wealth of the country, on the use of different financial sources. In other words, wealth of the country may facilitate access to different sources of finance.

Hence, the causal model for this study is as follow:

The paper is structured as follows. First, we review theories related to migration and conditions which impact immigrants' en-

**Figure 1**  
**Causal Model with Hypothesized Effects**



entrepreneurial behavior when launching a business. Furthermore, we develop hypotheses on the impact of migration status on sources of financial capital and the moderating impact of wealth of the country on the relation between migration status and financial sources. Then the research methods will be described and the results will be presented as well. Finally, we will discuss these findings and their implications.

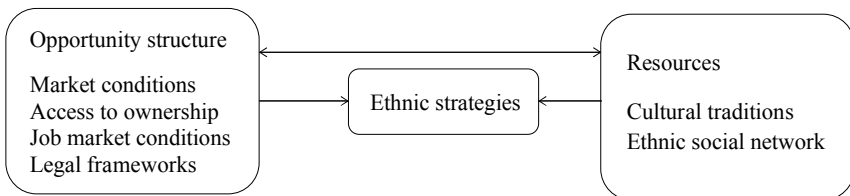
**II. Theoretical Background and Hypotheses**

Thanks to the growing interest of scholars in ethnic and immigrant groups, the issue of starting a business among ethnic communities started to be recognized as ethnic entrepreneurship. The early theories defined ethnic or migrant entrepreneurship as a reaction to blocked opportunities in the host market (Volery, 2007). Generally, ethnic entrepreneurship is a process of exploring op-

portunities in the market, evaluating them, taking the risks, and exploiting them in a host community by individuals who have moved from their homeland to host countries. There are several models that deal with the function of ethnic entrepreneurship; models such as the interactive model (Waldinger, Aldrich, and Ward, 1993), the mixed embeddedness model (Razin, 2002) and the synthesized model (Volery, 2007). As the interactive model is used mostly for demonstrating the whole immigrant entrepreneurship phenomena, it is applied to explain the phenomenon of financial sources among immigrants and influence of macro conditions and additionally, it is a theoretical framework and a guidance to investigate differences in entrepreneurial behaviors among ethnic groups.

Figure 1 depicts the way immigrant entrepreneur are influenced by various factors. From the interactive point of view, opportunities and resources constantly interact with each other that lead to ethnic strategies

**Figure 1**  
**Revised Interactive Model by Volery (2007)**



(Waldinger et al., 1993). Opportunity dimension consists of market conditions, access to property, labor market, and institutional frameworks in the host country. This dimension interacts with aspects of resources such as financial, social and cultural capitals and as a result of the interaction of these two aspects, ethnic strategies are devised by immigrants (Ramadani, Rexhepi, Gërguri-Rashiti, Ibraimi, and Dana, 2014). And taking a decision on selecting the sources of financing for the firm is affected by these factors, particularly wealth in the host society and available and accessible resources in the host country.

## 2.1 Immigrants and Financial Sources

Entrepreneurs' financing and financial sources are different from those of the established companies and acquisition of such resources is more burdensome for entrepreneurs (Smallbone et al., 2003; Volery, 2007). However, the empirical studies that address firms' performance did not consider this difference in financial sources and the findings are often inconsistent (Low and MacMillan, 1988). A longitudinal study of 1,053 new firms by Cooper, Gimeno-Gascon, and Woo (1994) revealed that financial capital is an important indicator of survival and venture growth. However, acquiring money from banks and financial institutions has some tough requirements and entrepreneurs cannot meet these obligations easily, so they tend to search for other financial sources and in the next step they try to get financing from their family and friends. Bygrave (2007) noted that family, friends, relatives and neighbors are the biggest informal financial sources for start-ups. The start-ups may also know some business angels that are willing to fund them and give them the money to realize their idea. Later, meeting the requirements of bank loan, they can develop their innovative ideas by social connections (Uzzi, 1999). However, entrepreneurs are able to do these maneuvers in a society in which they are familiar with the social and formal rules and regulations.

But when these entrepreneurs move to a new society, they face a new set of rules and social norms and may have less connection with the home country. New immigrants often start as temporary workers in small businesses; they are searching for jobs that enable them to save part of their wages. Once they acquired the necessary skills and because of discrimination in foreign market, they take the risk of the launching a business and start as a self-employer (Aldrich and Waldinger, 1990). But accessing the financial sources is difficult for immigrants (Cooper et al., 1994; Jones et al., 1994; Smallbone et al., 2003; Volery, 2007). Ram and Jones (1998) stated that factors such as competitiveness in the market, language difficulties, and discrimination comprise obstacles to access to financial sources for immigrants.

When immigrant entrepreneurs want to start a business in a host country, they financially rely on their own savings (Min, 1988) and try to attach to their own ethnic cohorts to make social contacts and benefit from it, and few enjoy bank loan (Basu and Goswami, 1999). However, using personal savings, as a first financial source, is surprising because generally immigrants have less saving and they need to work longer hours or multiple employments to get sufficient savings for launching a firm (Boissevain et al., 1990).

The second source of finance would be the entrepreneurs' friends who lend them money to exploit an opportunity. Connecting to other members in their ethnic community and forming public and private network, immigrants may be able to acquire the necessary capital to start a small business. Bates (1997) studied Korean and Chinese immigrants who were starting a business in the U.S. He found that start-ups' capital mainly comes from family, either in the form of equity form or debt. Hussain and Matlay (2007) investigated the financing preferences and accessibility of native entrepreneurs and immigrant owners of small businesses in the UK. Both immigrant and native entrepreneurs showed a tendency to use family and close friends' network for financial support and both groups

search for loans from banks and institutions. The British Bankers Association (2002) reported that immigrant owner managers were treated unfavorably by banks and financial institutions and this constrained their advancement and growth.

One of the common ways of financing for immigrants is Rotating Credit Association which was used by Japanese and Chinese immigrants to finance the ethnic businesses (Light, 1972). It is based on ethical accountability and prudence (Aldrich and Waldinger, 1990) which is found among immigrant groups. Such institutions were a response to discrimination in access to regular financing in the host society (Light, 1984). However, immigrants search for other sources of financing for their firm.

Other sources of finance are achieved by developing supportive social contacts (Bates, 1997) or creating a good reputation to get money from banks and social institutions.

Since independence is significant for immigrant owner-managers, they seek financial sources which do not threaten their control over their businesses (Hussain and Matlay, 2007). In this vein, a comparative study on ethnic minorities in UK revealed that obtaining finances from formal sources is the same for immigrant and native owners of small businesses. Meanwhile, the propensity of immigrants to use funds from their family and friends is significantly higher than English entrepreneurs (Smallbone et al., 2003). The research studies, however, failed to globally consider these preferences and they were inconsistent in regard to the results of the studies on the access of immigrants to financial sources. Therefore, by a representative sample of immigrants and native entrepreneurs, for each possible source of finance we hypothesize that:

*H1a: Personal savings is the primary source of funding for immigrant entrepreneurs more frequently than it is for native entrepreneurs.*

*H1b: Family's loan is the primary source of funding for immigrant entrepreneurs*

*less frequently than it is for native entrepreneurs.*

*H1c: Friends' loan is the primary source of funding for immigrant entrepreneurs more frequently than it is for native entrepreneurs.*

*H1d: Banks and formal institutions loan is the primary source of funding for immigrant entrepreneurs less frequently than it is for native entrepreneurs.*

*H1e: Other financial sources are the primary source of funding for immigrant entrepreneurs more frequently than it is for native entrepreneurs.*

There are few groups of immigrants who come to destination countries by investing and they do not need financial sources to start their businesses. For instance, in Canada the immigration policy to get migration to Canada has been easy and comfortable for people who want to invest in Canada. This group is regarded as independent immigrant groups in using financial sources. However, the size of this group is not high. Therefore, considering this condition, our hypothesis would be as follows:

*H1f: Immigrant entrepreneurs are dependent on financing more than native entrepreneurs are.*

## **2.2 Immigrants and Wealth of the Country**

Differences between natives and immigrants in their access to financial sources may depend on wealth of the country they are in. When immigrants enter to their new host society, they often come alone and have low quantities of savings (Basu and Goswami, 1999) for starting a business. Moreover, the immigrants often lose their connection and sources of finance such as their family or close friends who are in the old homeland. Conversely, native entrepreneurs may have more access to these sources of financing. But over the time, immigrants gradually get connected with other immigrants and with

new friends in the host country, and if the country is wealthy such friends will also make more funding accessible for immigrants. So we hypothesize that:

- H2a: Wealth of a country boosts personal savings as the primary source for native entrepreneurs more than for immigrant entrepreneurs.*
- H2b: Wealth of a country boosts family's fund as the primary source for native entrepreneurs more than for immigrant entrepreneurs.*
- H2c: Wealth of a country boosts friends' fund as the primary source for native entrepreneurs more than for immigrant entrepreneurs.*
- H2d: Wealth of a country boosts banks and financial institutions loan as the primary source for immigrant entrepreneurs more than for native entrepreneurs.*
- H2e: Wealth of a country boosts other financial sources as the primary source for immigrant entrepreneurs more than for native entrepreneurs.*
- H2f: Wealth of a country boosts native entrepreneurs for not using any sources of finance more than for immigrant entrepreneurs.*

### **III. Methodology**

The focus is on native entrepreneurs and immigrant entrepreneurs around the world with regard to their access to financial sources and also on a national framework condition which may influence some people's access to financial sources. Our research design has two hierarchical levels: the level of individuals nested within the level of countries. In examining individual behavior, the unit of analysis is an individual entrepreneur, but in examining the effects of wealth in the environment, the unit of analysis is a country.

#### **3.1 Sampling**

We test our hypotheses by analyzing the

data collected by the Global Entrepreneurship Monitor (GEM) consortium about adults and entrepreneurs around the world.

The sample contains adults aged between 18 to 64 years old, who are owning and managing a starting business. The subject of migration status and sources of finance were measured around the world in the 2012-13 Adult Population Survey. Sample size is about 14,369 entrepreneurs, either natives or immigrants, in 29 countries China, India, Iran, South Korea, Malaysia, Philippines, Qatar, Angola, Argentina, Bosnia, Barbados, Botswana, Colombia, Costa Rica, Algeria, Egypt, Ethiopia, Ireland, Luxemburg, Malawi, Namibia, Nigeria, Palestine, Slovakia, Tanzania, Trinidad and Tobago, Uganda, Zambia, and South Africa.

These 29 countries have a rather high degree of representativeness of the countries around the world, and sampling of adults has been fairly random. The representativeness in both stages of sampling implies that the resulting samples of entrepreneurs and countries are fairly representative, so the findings can be generalized to the immigrant and native entrepreneurs in the countries around the world.

#### **3.2 Measurements**

##### **3.2.1 Migration**

Entrepreneurs' status was questioned as follows: *Were you born in this country?* The responses coded as 0 for "Yes I was born in this country" and this means s/he is regarded as a native entrepreneur and 1 for "No I was not born in this country" which means s/he is regarded as an immigrant.

##### **3.2.2 Firms' Financing**

In GEM survey, adults who are starting a business were asked about their firms' funding, *How much money, in total, will be required to start this new business?* This identifies those entrepreneurs who did not require financing and those who required financing. The entrepreneurs needing financing were then asked, *Where does the majority of this*

money come from to start this business? The response was a choice among five sources, namely personal savings, family savings, bank or other financial institution, friends, and other sources, to which comes the sixth category of not needing any funding for starting the business.

### 3.3.3 Wealth of the Country: Gross National Income (GNI)

GNI is defined as “the sum of value added by all migration producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.” Data are available at the website *data.worldbank.org* and GNI of countries based on current international dollars was downloaded for the world (World Bank: GNI per capita, 2015).

For a better investigation of sources of finance, control variables were inserted which included age, gender, education, competencies such as self-efficacy, opportunity-alertness, risk-willingness, and role modeling of the adults. Moreover, start-ups may be sole-owner type or they may have more than one owner; this was controlled in the analyses.

- Gender: dichotomy coded 0 if male and 1 if female;
- Age: number of years of age;
- Education: number of years of education;
- Self-efficacy: dichotomy coded 1 if self-efficacious and 0 if not;
- Opportunity-alertness: dichotomy coded 1 if opportunity-alert and 0 if not;
- Risk-propensity: dichotomy coded 1 if risk-willing and 0 if not;
- Sole-owner: dichotomy coded 1 if sole-owner and 0 if not;
- Number of owners: numerical and we took the logarithm to reduce skewness.

### 3.3 Method of Analysis

We estimate three models to test our hypotheses. In the first model, we examine

the direct effect of migration status on financial sources by using a linear mixed model, controlling for the effect of each country.

In the second model, effects upon individual behavior from personal background and national context can be estimated by this model which is hierarchical within the two levels. The modeling is mixed model linear by treating effects upon sources of financing (categorical) from migration status (dichotomous) and from national-financial context (numerical). The modeling is mixed with both fixed effects (of migration status, wealth of the country and control variables) and random effects (of our more or less random sample of countries). The hierarchical linear modeling also controls autocorrelation within each country.

Finally, such a design becomes applicable (Autio and Acs, 2010; Levie and Autio, 2008) for examining the moderating effect of national-financial framework on the relation between migration status and financial sources and controlling other variables related to the entrepreneurs' characteristics.

Additionally, we conduct an analysis specifically of Asia to get better understanding of Asian dynamics of immigration and national-financial context.

## IV. Findings

### 4.1 Describing the Sample

Table 1 describes the characteristics across immigrants and native entrepreneurs. Overall, there are relatively higher years of education in the case of immigrant entrepreneurs than their counterparts. Furthermore, the immigrant entrepreneurs' age is higher than native entrepreneurs ones, and, as expected, men comprise a higher proportion of the sample in comparison to women.

The natives' and immigrants' use of various sources of financing is seen by cross-tabulating migration status and source of financing, Table 2, showing the percentage of natives (and of immigrants), who use each source. Surprisingly, native entrepreneurs'

**Table 1**  
**Description of the Sample of Entrepreneurs**

	Native entrepreneurs	Immigrant entrepreneurs
Sample Size	13,745	624
Education, mean <sup>***</sup>	10.45 years	12.92 years
Age, mean <sup>***</sup>	34.52 years	37.10 years
Gender <sup>***</sup>		
Men	7,778 starters	452 starters
Women	5,967 starters	172 starters

<sup>\*</sup>, <sup>\*\*</sup>, <sup>\*\*\*</sup>, denotes level of significance at 0.05, 0.005, 0.0005 levels, when testing difference between native and migrants.

**Table 2**  
**Use of Financial Sources, by Natives and by Immigrants**

	Native entrepreneurs	Immigrant entrepreneurs	Significance in chi-square test of association
Personal savings	51.1%	47.3%	**
Family	19.9%	12.3%	**
Friend	2.9%	5.0%	**
Banks and other institutions	20.3%	22.8%	**
Other	3.7%	8.2%	**
No financing needed	2.1%	4.5%	**
N entrepreneurs	13,745	624	**

<sup>\*</sup>, <sup>\*\*</sup>, <sup>\*\*\*</sup>, denotes level of significance at 0.05, 0.005, 0.0005 levels, when testing difference between native and migrants.

**Table 3**  
**Countries with Highest and Lowest Gross National Income Per Capita**

	GNI(in thousand dollars)	
HIGH GNI	Qatar	80
	Luxemburg	50.55
	Ireland	29.32
	South Korea	28.23
	Trinidad and Tobago	23.43
LOW GNI	Nigeria	2.07
	Zambia	1.25
	Ethiopia	.97
	Uganda	.80
	Malawi	.75

start-ups use personal savings and family's fund more than immigrants. In contrast, immigrants tend to utilize bank loans, friends' support, and 'other financial sources' more frequently than native entrepreneurs do. Moreover, immigrants are less dependent on accessing any financial sources to start a business than native entrepreneurs are.

A hypothesis concern the moderating effect of wealth of country, operationalized by Gross National Income per capita (GNI).

The five countries with highest GNI and the five countries with lowest GNI are listed in Table 3.

#### 4.2 The Effect of Migration Status and Wealth of the Country on Sources of Finance

To examine how the entrepreneurs' use of a particular source of financing is affected by various conditions, I use a linear



**Table 4**  
**Source of Financing Affected by Migration Status**

	Personal savings	Family	Friends	Banks and financial institutions	Other sources	No finance
Immigrant vs. native	.027	-.009	.014*	-.034*	.018*	-.005
GNI	-.01	-.02*	-8.4	.023	.01*	.009*
Age	.001***	-.002***	-.0001	.001***	-.0002	.0001*
Gender	-.04***	.074***	.003	-.036***	-.002	.004
Education	-.002*	-.001	-.001***	.005***	-.0006	-8.84
Self-efficacy	-.016	.019*	-.003	.0009	.003	-.003
Opportunity-alertness	.003	.001	-.004	.001	.001	-.003
Risk-willingness	.006	.004	-.004	-.006	-.004	.004
Role-model	-.01	-.002	-.006*	.02**	-.002	.0008
Ownership	.027	-.034*	-.004	-.015	.009	.016**
Owners	-.04*	-.024*	.009	.023*	.02**	.012**

\*, \*\*, \*\*\*, denotes level of significance at 0.05, 0.005, 0.0005 level when testing effects.

mixed model, Table 4.

Effects on the use of personal savings are shown in the first model in Table 4. Migration status, being native or immigrant, has no effect on the use of personal savings for starting a business. Therefore, hypothesis H1a is not supported.

Effects on the use of family funds are shown in the second model. Being native or immigrant has no significant effect on use of family funds. So hypothesis H1b is not supported.

Effects on the use of friends' funds are shown in the third model. The effect of migration status is significant. Being immigrant entails more use of friends' funds. This supports hypothesis H1c.

Effects on the use of banks and other financial institutions are shown in the fourth model. The effect of migration status is significant. Being immigrant entails less frequent use of funding from banks and other financial institutions. This supports hypothesis H1d.

Effects on the use of other sources are shown in the last model. The effect of migration status is significant. Being immigrant entails more frequent use of funding from other sources. This supports hypothesis H1e.

Finally, the dependence on finance has been measured for immigrants versus native entrepreneurs and the results show no

significant coefficient. It means that being immigrant or native entrepreneurs has no effect on being dependent on financing.

The direct effects of wealth of country are also examined in Table 4. The national-financial context in the form of wealth of the country affects some of the financial sources, such as family's fund and other sources. To put it in other words, wealthy country demotes the family's fund and other sources. In addition, in the situation of wealthy country, entrepreneurs tend to be independent of financial sources.

Wealth of country was hypothesized to moderate the effects of migration status on sources of financing. These moderating effects are tested by including the interaction between GNI and migration status in the models, Table 5.

Results show that wealth of the country moderates the effect of migration status on friends' fund and other financial sources. In other words, immigrants use more friends' fund and other sources, such as wages from employment, for starting a business more than native entrepreneurs in the same context of wealthy country. Accordingly, hypotheses H3c and H3e are supported.

The wealth of the country does not moderate the relation between the migration status and sources of finance in forms of personal savings, family's fund, banks and fi-

**Table 5**  
**Source of Financing Affected by Immigrant Status and GNI**

	Personal funds	Family funds	Friends' funds	Banks	Other source of funding	No financing required
Migration status	.028	.053	-.042*	-.031	-.017	.007
GNI	-.016	-.024	-.002	.024	.009	.009*
GNI×Migration status	.0003	-.024***	.02**	-.002	.012* m.s.	-.005
Age	.001***	-.002***	-.0001	.001**	-.0002*	.0001
Gender	-.04***	.074***	.003	-.036***	-.002	.004
Education	-.001*	-.0009	-.001**	.005***	-.0007*	-.0001
Self-efficacy	-.016	.019*	-.003	.001	.003	-.003
Opportunity-alertness	.003	.001	-.005	.001	.001	-.003
Risk-willingness	-.043***	.004	-.005	-.006	-.004	.004
Role-modelling	-.01	-.003	-.006*	.02**	-.002	.0009
Sole-owner	.027	-.034*	-.005	-.015	.009	.016**
Owners	-.04*	-.024*	.008	.023*	.02**	.012**

\*, \*\*, \*\*\*, denotes level of significance at 0.05, 0.005, 0.0005 level when testing coefficients.

financial institutions and even the case of no finance. Thus, the hypotheses H3a, H3b, H3d and H3f are not supported.

#### 4.2.1 Asia

Another part of the analyses is a study based on regions, because the dynamics of developing economies specifically in Asia is high. These countries under our study are China, India, Iran, South Korea, Malaysia, Philippine, Qatar, and they are coded as 1 in our analysis (Table 6).

Are immigrant and indigenous entrepreneurs in Asia different in use of sources of financing for starting a business? It is shown in Table 6, surprisingly; immigrants use personal savings, friends' fund, bank loan and other financial sources more than native entrepreneurs in Asia. Even this group

is independent of using financial sources in launching a business. Asian people utilize family's financial source to start a business more than immigrants in Asia.

Table 7 shows the effect of migration status and wealth of the country on different sources of finance. The analyses revealed that in Asia, immigrants use friends' fund and other financial sources more than the native Asian people. In other cases, there is no significant effect of migration status on sources of finance.

On the effect of wealth of the country, analysis shows no significant effect of the use of any financial sources in Asia. However, native entrepreneurs enjoy more of their own savings more than immigrants in Asia (Table 8 shows a marginally significant effect in interaction part).

**Table 6**  
**Use of Financial Sources by Immigrant and Native Entrepreneurs in Asian Countries**

	Native entrepreneurs start-ups	Immigrant start-ups	Significance in chi-square test of association
Personal Savings	35.0%	41.1%	**
Family	32.7%	9.3%	**
Friend	2.7%	8.1%	**
Banks and other institutions	23.6%	23.7%	**
Other	2.8%	11.4%	**
No finance	3.3%	6.4%	**
Total	100%	100%	**
N entrepreneurs	1969	236	

**Table 7**  
**Each Source of Financing Affected by Migration Status and Wealth of Country;**  
**Asian Countries**

	Personal savings	Family	Friends	Banks	Other sources	No finance
Migration status	-.029	-.07	.05*	.06	.04* m.s.	-.035
GNI	.059	-.06	.001	-.01	.017	.0004
Migration status×GNI	-.29* m.s.	.006	.028	.203	.045	.005
Age	.0003	-.001*	-.0003	.001	.0004	.0004
Gender	-.006	.03*	-.001	-.02	-.011	.011
Education	.001	-.0006	-.001	.002	2.5	-.002*
Self-efficacy	.072**	-.007	-.007	-.03	.004	-.02*
Opportunity-alertness	.023	-.018	-.018*	.01	.006	-.004
Risk-willingness	.025	-.001	-.014*	-.02	.004	.011
Role-model	-.036	.004	.003	.029	.011	-.015
Ownership	.08*	-.05*	-.036**	-.004	-.008	.02
Owners	-.03	-.05*	-.007	.05*	.011	.031**

\*, \*\*, \*\*\*, denotes level of significance at 0.05, 0.005, 0.0005 level when testing difference.  
m.s.: denotes marginal level of significance at 0.10.

**V. Conclusion and Discussion**

At the outset of the paper, we noted that entrepreneurs’ migration status-being immigrant or native-can be significant in selecting sources of finance to launch an enterprise. Reviewing the previous studies revealed that there is a lack of consensus on sources of finance that immigrant employ for starting a business (Smallbone et al., 2003). Here, in the present study we investigated the impact of migration status on financial choices. We also tried to have a better understanding of the effect of macro conditions such as wealth of the country on sources of funding and how this national-financial condition moderates the types of financial sources for immigrants and natives. The summary of results is brought here:

Analyses in this study (Table 8) have

shown that the use of personal saving and family’s fund for starting a business or even independency in getting finance is similar between immigrants and native entrepreneurs. For friends’ fund, as we hypothesized, in the world and specifically in Asia, to start a business, immigrants utilize friends’ fund more than native entrepreneurs do. In addition, analysis of the global sample showed that native entrepreneurs have more access to banks and financial institutions than their immigrant counterparts do. However, immigrants are searching for other sources, either in Asia or around the world. This supports our hypothesis.

Based on the theoretical model of immigration mentioned above in this study, immigrants benefit from ethnic group resources, one of which is network resources. Social

**Table 8**  
**Summary of Findings Concerning Effects of Migration Status on Sources of Financing**

Sources	Study	Global	Asia
Personal saving	No difference	No difference	No difference
Family’s fund	No difference	No difference	No difference
Friends’ fund	More used by immigrants	More used by immigrants	More used by immigrants
Banks and financial institutions	More used by natives	No difference	No difference
Other sources	More used by immigrants	More used by immigrants	More used by immigrants
No finance	No difference	No difference	No difference

capital theory states that individuals can get access to resources which are far reachable and cost a lot via their connections. In addition, immigrants who have moved from homeland to host destinations have double benefit of network. Since they had their connections in home country, although the size of network will be shrinking in home country, immigrants can compensate for it by starting and developing networks in host countries. Therefore, they may benefit from this networking all over the world.

In the second part of the analyses Table 9, we summarize the moderating impact of wealth of the country on the effect of migration status on sources of finance as follows:

Table 9 shows the results in two categories: global and Asia. In the global study, it was confirmed that in wealthy countries immigrants are using friends' fund and other sources especially much. However, the analysis in Asia revealed no significant effect on financial sources except for personal savings in which there is an easier access for native entrepreneurs than for immigrants.

Generally the results show that being in a wealthy country, for the individuals, either native entrepreneurs or immigrant, results in a lower use of family's fund for launching a firm. However, the wealth of the country facilitates the use of other financial sources and even the state of being independent of funding. What can be regarded as other finan-

cial sources? One can be monthly salary of employees that in a wealthy country would be raised and can be considered as a source of finance for starting a business. Additionally, studies show that immigrants have fewer funds, so for achieving enough money, they try to do multi employment to save money for starting their own business. Interestingly, among the Asian countries, wealth of the country has no significant effect on sources of finance. From this fact, it can be concluded that there are not any relatively strong financial institutions which have dominance over financial sources. Furthermore, these economies are mostly developing ones and global reports show that they are in a transition phase. Hence, they lack stable institutions. The wealth of the country may only help native entrepreneurs to have better saving and utilize that in starting a business.

The findings of this study can be generalized since the sample is representative of the population and it was conducted on a considerable number of cases including immigrants and native entrepreneurs all over the world. Additionally, this study provided a better understanding of immigrant entrepreneurs' financial capital sources and the type of sources which may boost entrepreneurs' behavior in the host context. Further, it inclusively includes a study on native and immigrant entrepreneurs' financial capital and institutions in Asia which

**Table 9**  
**Summary of Finding Concerning Moderating Effect of Wealth of Country Upon the Differences between Natives and Migrants in Sources of Financing**

Study \ Sources	Global	Asia
Personal savings	No difference	Used more by natives in wealthy countries
Family's funds	No difference	No difference
Friends' funds	Used more by immigrants in wealthy countries	No difference
Banks and financial institutions	No difference	No difference
Other sources	Used more by immigrants in wealthy countries	No difference
No finance	No difference	No difference

extends beyond the borders of knowledge about Asia for policy makers. That is, policy makers should note that wealth of the country will not facilitate the achievement of financial capital for those who want to start a business. For instance, supportive and encouraging regulations and programs can be motivating.

Due to the increase in the number of immigrants in the world and a large contribution of this group to the national and global economy, immigrants' behavior and national institutions such as social institutions and cultural beliefs and their effects on immigrants' outcomes should be better understood.

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## 이민자와 모국인 기업가의 창업을 위한 금융원천: 특정국가 부의 조절효과를 중심으로

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일반적으로 기업가들이 창업을 할 때 자금을 필요로 한다. 이들 자금의 주요원천은 개인저축, 가족이나 친구들의 자금 또는 은행이나 다른 금융기관들의 대출이다. 이민자와 모국인 기업가들의 자금원천에는 차이가 있는데, 그 차이는 그들이 처해있는 사회적 맥락에 기인한다. 이 연구의 주제는 기업가의 거주형태(이민자인지 모국인인지)가 어떻게 자금의 원천에 영향을 미치는지, 그리고 이러한 차이가 어떻게 한국의 부에 의해 조절효과를 가지는지 하는 것이다.

데이터는 글로벌 기업가정신 모니터에서 29개국 14,369명의 이민자 및 모국인 창업 기업주나 관리자를 대상으로 서베이한 것을 사용했으며, 위계혼합모형을 사용하여 분석하였다.

분석결과 이민자나 모국인 기업가 모두 개인저축과 가족의 자금을 가장 주요한 자금원천으로 사용했다. 모국인 기업가들은 이민자 기업가들보다 은행이나 금융기관들을 주요 자금원천으로 사용한다. 반면, 이민자 기업가들은 친구나 기타 원천을 자금원천으로 사용했다. 하지만 이러한 거주형태가 자금의 원천에 미치는 영향은 국가의 상황에 의해 조절된 것으로 나타났다. 한 국가의 부의 정도가 친구나 기타 원천을 자금원천으로 사용하도록 촉진한 것으로 나타났다.

**주제어** : 이민자 기업가, 모국인 기업가, 자금, 사적인 지원, 공적인 지원, GEM

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