Chapter III

Review of Literature
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3.1 INTRODUCTION

The phenomenon of migration is explained as an effect of various socio-cultural and economic reasons in the place of origin and the chosen destination. Migrants from other countries, regions and other places have become entrepreneurs due to various reasons, which can either be push or pull factors. Migrant entrepreneurship has taken place in many countries as people have migrated across countries and settled as entrepreneurs. Thus, many attempts have been made to examine the nature of migrant entrepreneurs, their characteristics and also the factors which have influenced them. This chapter reviews some of the important studies in order to find out the research gap.

3.2 MIGRANTS BECOMING ENTREPRENEURS

Marger and Hoffman (1992)\(^1\) explained the reasons that helped or hurt immigrant businesses in their ventures, the role of the community cannot be overstated. Entrepreneurs need to look for social and even economic support in the larger community around them for business success. In major immigrant magnets like Toronto, these clusters perhaps substitute for broader community support, but in Nova Scotia, given the absence of significant clusters, this support becomes imperative and can be seen as an opportunity to explore innovative approaches to providing it.

Sanders and Nee (1996)\(^2\) indicated that the primary motive for most respondents to become entrepreneurs was freedom to work and self dependence. Parents appeared to be the source of motivation for most respondents. The rest were inspired by friends, colleagues and other social relations. Most respondents had 100 percent ownership of their firms and only a few opened the venture with friends or foreign partners. It was therefore evident that most of the businesses were
individual ventures rather than family owned or in partnership. 82 percent of the respondents said that they had opened the business with only their personal funds while the remaining depended for some part of their funding on loans from banks.

Chandra (1998) maintained the primary factor in determining whether or not someone starts business is access to capital. They found individuals who receive inheritances and gifts are more likely to become entrepreneurs. Many new businesses get their start up capital from personal savings or angel investors. Angel investors typically provide capital to a relative or close friend. Migrants may not have the same access to angel investors because members of their extended family live in their home country and may have less wealth. If they are new migrants, or have not had success in the labour market, they may have a smaller stock of savings to start a business.

According to Shah and Nagpal (1999), the human capital necessary to become a successful entrepreneur (low levels of risk aversion and business savvy) is inherited from parents. They found having a father who owned a business significantly increases the probability of being self-employed. If a migrant comes from a more entrepreneurial culture, he may be more likely to start a business than natives in his host country. They found that while being an immigrant increases rates of self employment, immigrants with self-employed parents are no more likely to become entrepreneurs than other immigrants. This suggests the migrant effect may be stronger than the parent effect.

According to Rath and Kloostermann (2000), openness to immigrant entrepreneurs and their businesses and a welcoming community encourage newcomers to become innovative entrepreneurs and to take risks. The survey showed that most of the entrepreneurs valued the support they received from the community they live and work in. A major challenge has been the retention of immigrants. Experts often say that immigrants would stay and work in a province if they felt they were important/valuable members of it.

Saxenian (2002) showed that access to a cohesive social network also tends to spur entrepreneurship. Migrants tend to form tight social networks with fellow
nationals. These networks can facilitate entrepreneurial activity by providing capital, support, knowledge and a supply or customer base. Mentoring, access to sufficient capital and a reliable supply and customer base are often key factors in the decision to undertake an entrepreneurial endeavour. These networks can also make up for the fact that migrants often do not have the contacts and local understanding of regulations and culture that natives often do. Social networks have been known to enhance business relationships and encourage trade. Some of the Chinese and Indian business associations give seminars on language, negotiation and stress management.

Alternatively, migrants tend to form tight social networks of fellow nationals. This may facilitate obtaining capital. In a survey of Silicon Valley entrepreneurs conducted by Saxenian et al (2002), one third of migrant respondents named their associations through social and business networks as providing a major source of capital.

Galloway (2006) found that immigrants from certain countries were more likely to move out of poverty in Norway. That may be explained by culture or the circumstances under which migrants from particular countries immigrate. For example, asylum seekers have access to more social programs in Norway than family or labour migrants. A more rigorous empirical analysis that controls for how long the migrants have been in the host country, their immigration status (economic, humanitarian, or family) and their personal characteristics will be necessary to better understand the relationship between nationality and self employment.

The nature of regulation in the host country also can influence a migrant’s decision to become an entrepreneur and how successful they are at it. Klapper et al (2006) conducted a cross country comparison and found entrepreneurship levels can largely be explained by different institutional regulations across European countries. Regulations impose higher costs to starting a business. For example: due to prohibitive institutional barriers, Italy has had lower firm birth rates than the United Kingdom, France or Germany. These costs may be even higher for migrants because they are more likely to be unfamiliar with the laws and regulations in their host country. They relied on data from limited liability companies and regulatory
costs from 1998 to 1999, so their results do not reflect the changes in regulation enacted in Europe during the last decade.

The report of the **Swedish Agency for Economic and Regional Growth** (2007) found that if different cultures are more predisposed to entrepreneurship, you might expect certain nationalities to have higher self-employment rates. It appears in Germany and the United States that certain nationalities are more prone to self-employment. The report also found similar patterns of entrepreneurship among Swedish migrant groups. Migrants from Southern Asia tend to have higher rates of entrepreneurship in Sweden, as they do in Germany and the United States. Migrants from South America, in all three countries, appear to have lower rates of entrepreneurship compared to other nationalities and natives. It may be that certain cultures import their entrepreneurial ambitions or that some groups face more difficulty in labour market in their host country and pursue entrepreneurship as an alternative. 10

**Ardagna and Lusardi** (2008)11 cited the regulatory barriers as one of the primary determinants of entrepreneurship. Regulation determines ease of entering a market, contract enforcement and access to capital. They find each of these can have a profound effect on the decisions to be an entrepreneur, at times dominating entrepreneurial personal characteristics. Regulatory impediments on entry and contract enforcement can be particularly burdensome for migrants. Regulation can also enhance a fear of failure. Some European countries might have lower rates of entrepreneurship than the United States because bankruptcy laws mean tougher punishment for failure. For example, Germany has had a law that anyone who declared bankruptcy is forbidden from ever serving as a CEO.

According to **Oliveria and Rath** (2008),12 a structural shift away from unskilled labour in the 1970s and 1980s, which decreased the number of unskilled jobs available, can account for much of the increase in migrant entrepreneurship in Europe. Unskilled migrants, left with few other job options, became more likely to start their own business.
Fairlie (2008)\textsuperscript{13} found in the United States that uneducated migrants were much more likely to start a new business than uneducated natives. The relationship between being a business owner and years of education follows a U-shaped pattern for migrants, while for natives the probability of owning a business increases monotonically with years of education.

OECD (2009)\textsuperscript{14} showed that as entrepreneurship can be an engine to sustainable economic growth, numerous studies speculate on what factors compel someone to become an entrepreneur. The common reasons why a migrant, or anyone, might attempt entrepreneurial activity are: cultural and personal predispositions, a regulatory environment supportive of entrepreneurship, if they have commercially viable business idea. There may also be some selection bias amongst migrants. Many migrants (particularly foreign students and labour migrants) left their home country, often in pursuit of better economic opportunity. So they are by definition more ambitious, independent and less risk averse than many of their counterparts who stayed in their native country.

Baruah (2009)\textsuperscript{15} opined that the cultural predisposition plays a large role in determining whether someone decides to start a new business. It can influence risk aversion and the ability to trust others, each crucial to embarking on entrepreneurial activity. A culture of entrepreneurship can result from a particular ethnic groups’ history of discrimination. For example, Jews descended from Middle Age Europe have strong entrepreneurial traditions and history of discrimination that forbade them from entering guilds. The legacy of Jim Crow laws in the United States (which prohibited business ownership) may explain the lower rates of entrepreneurship among black Americans. Even if these groups no longer face the same discrimination, an attitude toward risk and entrepreneurship can persist and be passed down within the family and community.

Aldrich et al (2010)\textsuperscript{16} indicated that for low-skill immigrants a lack of other employment opportunities might drive entrepreneurial activity. Migrants typically have lower rates of employment, labour-force participation and earn lower wages than natives. This is often due to language barriers, employers’ inability to recognise foreign credentials, lack of contacts in the domestic market (so migrants do not hear
about job opportunities or obtain references) and racial or ethnic stereo-typing. Entrepreneurship circumvents these obstacles. The new venture can even provide jobs for other migrants, facing the same challenges.

Chaloff and Lemaitre (2011)\(^{17}\) found that foreign entrepreneurs are less likely than natives to start a business using their own savings, and more likely to rely on friends or family for start-up capital. A reliance on social networks may overcome some of the difficulties migrants have securing the capital needed to start and grow a business. Though even for the Silicon Valley, high-skill migrant obtaining capital can be difficult.

### 3.3 CHARACTERISTICS OF MIGRANT ENTREPRENEURS

Lieberson (1980)\(^{18}\) showed that migrant-founded firms often face high rates of mortality, provide limited income and may be even more vulnerable to the recession than firms founded by natives. Yet, self employment may offer a viable alternative if the migrant is shut out of the traditional labour market and contributes a non-trivial amount of economic activity in the host country. It would be particularly interesting to understand the contribution of migrants to innovation and high growth firms. Because innovation is one of the key components to sustainable growth and job creation, a better understanding of the relationship between migrants, high-growth firms and innovation would be useful to policy makers.

Min (1987)\(^{19}\) found that another important aspect of a business is the burden of work. The survey shows that immigrant entrepreneurs bear a heavy workload, which one would expect given that a significant proportion is single proprietorships. Only 27 percent of owners worked 40 hours a week or fewer, while a significant 63 percent worked between 41 and 80 hours a week, the remaining 10 percent working even more hours.

Razin (1989)\(^{20}\) indicated that the migrant entrepreneur also has close relations with his/her own migrant group when it comes to the workforce, or business financing. Migrant entrepreneurs prefer hiring and supporting other migrants in their economic ventures as these entrepreneurs enjoy privileged access
to the migrant labour and can frequently employ paternalistic arrangements to extract more labour, as well as pay lower wages.

A study of ethnic enterprise in Ontario by Marger and Hoffman (1992) found that the primary immigrant enterprises are small-scale manufacturing, especially apparel, and retail sales. Another study, this one of Chinese immigrants in Vancouver who came to Canada as entrepreneurs, shows that they are mainly in businesses related to exports and imports. That most of the businesses are related to “food tells us that immigrant entrepreneurs are at an early stage of business development and their capital (both human and physical) needs are, at present, modest. However, one implication is that if immigrant entrepreneurs can succeed, grow and diversify, their capital requirements will also grow. This would mean that the lack of access to capital, a point to which we shall return, will become crucial.

Pinch (1993) suggested that in looking at the characteristics of immigrant businesses the indicators either of growth and success or of barriers are looked into. The two main types of businesses are sole proprietorship, representing 46 percent of the businesses, and incorporated companies, accounting for 42 percent. Limited partnerships and cooperatives account for just 8 percent of businesses, with the remainder representing non-responses. The largest number of businesses is related to food (29 percent), followed by import and retail (20 percent). These broad categories cover a wide range of activities from home care and personal care services, financial consulting, accounting and bookkeeping, manufacturing, real estate and food retail to tailoring and auto repair.

Logan et al (1994) showed that all migrant businesses employed native Japanese in their workplace. Approximately 50 percent businesses also employed other foreigners while only 30 percent businesses employed people from the same ethnic community as theirs. Both Japanese and same ethnic group suppliers were involved in supplying raw and finished goods to the enterprise. This indicated that immigrant business enterprises contributed immensely to the job creation, employment, purchase of raw materials and their sale - thereby enhancing businesses cycles in the host country.
Fairle and Mayer (1997)\textsuperscript{24} opined that migrants often have higher rates of self-employment than natives. However, they did not find evidence that black American self-employment rates were any lower in poorer areas with many migrant-owned businesses. They found high-skill migrants can lower the wages of native skilled workers by increasing the pool of skilled labour. But more high-skill migrants can also increase the pace of innovation in aggregate, and perhaps for natives.

Reynold and Camp (1999)\textsuperscript{25} observed that in 2005, minority owned-enterprises made up 20 percent of London’s businesses, employed 56,000 people and generated 90 billion Pound in revenue which accounted for 11 percent of all business revenue in London. Racial and ethnic minorities are often migrants in Britain. Further, these small scale ventures do offer benefits from their second order effects. These businesses provide low cost services to natives which can enhance economic growth. Such ventures may also be a preferable alternative to unemployment. While the business may have limited growth prospects, it does provide some income.

Deakins (1999)\textsuperscript{26} stated that the most significant characteristics of migrant entrepreneurship in general are their client orientation and their access to capital and labour. Generally speaking, migrant entrepreneurs are found to be small in terms of start-up capital, utilized labour, growth capital and turnover. These enterprises operate mainly in markets characterized by easy entry and strong competition. In cases of information gathering or help in certain situations migrants make use of their own migrant groups. This is also referred to as their ‘own group’. Usually, migrant entrepreneurs find a niche in their migrant community and start up in an ethically well-defined market, so as to provide typical services and products. An enclave economy can then positively affect the prospects of migrant entrepreneurs.

Lyer and Shapiro (1999)\textsuperscript{27} indicated the fact that the number of employees of the businesses may show shared responsibilities/work and skill resources for growth. Around 40 percent of the entrepreneurs employ no one but themselves, 21 percent employ between one and three workers, and 17 percent employ from four to six workers. That is, almost 78 of enterprises employ at most six workers, pointing
to the small scale of operations. The status of the business (growing or declining) can also be gauged by looking at employee turnover over the past two years. Another measure of the growth prospects of a business would be the employee characteristics.

**Solanki (2003)** found that migrants are motivated to opt for entrepreneurship: to be independent, to be their own boss, to have extra income, to gain some work experience, or to maintain family tradition; or they are dissatisfied with their previous job, need flexibility, want to make a career, or have ideological reasons (desire to innovate) or leadership qualities. The most relevant personal characteristics mentioned in many studies to explain why migrants become self-employed are: their lower educational level, their less favoured position as a result of low education and lack of skills, and their high level of unemployment. The existence of migrant and social networks also plays a major role in their motivation, because it encourages migrants to start their own businesses.

**Nijkamp (2003)** opined that most businesses are related to food, which indicates that immigrant entrepreneurs are at an early stage of development where their capital needs are relatively small and the business does not require a high level of skill from its employees. One indicator of growth potential is the client base of these businesses.

**Menzies et al (2003)** indicate that the respondents are more or less equally split when it comes to the importance of location, with almost identical numbers indicating that location is important as well as not important. This split is largely a reflection of the type of business. When the business is related to tourism or deals in products, location seems to be important but is not where a niche or loyal customer base is to be maintained and services provided. One relevant issue is the length of time the business has been in existence. Responses indicated that most businesses are relatively young. The average age of businesses is just 7.4 years, with a significant 63 percent having been in existence for only 5 years or less, 73 percent for 10 years or less, and 91 percent for 15 years or less.
Akbari and Dar (2005)\textsuperscript{31} observed that full-time employment is standard among the responding businesses, with 64 percent of all employees working full time and 36 percent part time. Furthermore, the largest group – 73 percent -- is Canadian born, 10 percent come from the same ethnic background as the entrepreneur, and family members and other immigrants are equally represented at 9 percent each. The largest share of entrepreneurs, 64 percent, indicated that their net revenues were positive. Another 24 percent said they broke even, while 12 percent experienced negative net revenue.

Salaff \textit{et al} (2006)\textsuperscript{32} noted that migrant entrepreneurs usually less inclined to join up with native formal networks, like retailer groups, trade associations and franchise organizations. Within a city, foreign activities are usually concentrated in certain geographical clusters. One can find this geographical concentration especially in the bigger cities, because migrants start their businesses in places where there is already a large resident population of people with the same migrant background. This also holds for the Netherlands. Since the early 1980s, self-employment has increased significantly amongst people of different migrant minority groups in the Netherlands. One out of five new businesses in the Netherlands is set up by a migrant entrepreneur. This group mostly works in the service sector and delivers high-quality products. This group takes risk more easily, since they are supported by their parents.

According to Wadhwa \textit{et al} (2007),\textsuperscript{33} 25.3 percent of technology and engineering firms founded in the United States between 1995 and 2005 had at least one key founder who was foreign born. In Silicon Valley, a centre of technological innovation, more than half of technology and engineering firms had a migrant founder. Different types of migrant businesses can fall anywhere in the spectrum between high growth and small, low-skill businesses. For example, some skilled migrants are self-employed as a doctor or dentist.

Oliveira and Rath (2008)\textsuperscript{34} showed that the migrant entrepreneur is also able to acquire financial capital and loan production resources from the informal networks. While native entrepreneurs usually borrow their starting capital from the bank, migrant entrepreneurs are less likely to receive bank funding than native
entrepreneurs and therefore often borrow capital from family or other group members.

**Kumar** (2010)\(^{35}\) suggested that almost half of the entrepreneurs expect no or very low growth (0-19 percent), and about 15 percent expect 20-39 percent growth. Generally, respondents expect low revenue growth. The data also suggest a positive correlation between expected revenue growth and projected hiring of new employees in that those who expect rapid growth of revenue also expect to increase their hiring over the next 12 months.

**Ramsden** (2011)\(^{36}\) found that most of the migrant entrepreneurs claim to have a good command of the English language and come with strong educational backgrounds. Almost 95 percent of respondents have post-secondary degrees or certificates, and for those who came with prior business experience, it averages 11-15 years. At the same time, about 50 percent of entrepreneurs have no experience in entrepreneurship; indeed, only 10 percent of the sample came to Canada in the entrepreneur immigration category. The institutional support of an organization in helping to set up immigrant business was also seen in a positive light, but their interaction with that organization was somewhat limited, perhaps because these were not new immigrants and most did not enter as entrepreneurs.

**Mare et al** (2011)\(^{37}\) suggested that the most common characteristics of immigrant entrepreneurs in Nova Scotia: they represent both genders (although more are males), are between 40 and 49 years old, and are of European, Middle Eastern or Asian origin. Most came to Canada after 1990, mainly under the family or skilled worker category and not as entrepreneurs, and their business is most likely in food or import and retail. The businesses they run are, typically, sole proprietorships or incorporated companies, which they have run for an average of three to five years.

### 3.4 SUCCESS AMONG MIGRANT ENTREPRENEURS

**Hakim** (1988)\(^{38}\) noted that some groups may use entrepreneurship as a “survival strategy” or “economic lifeboat”, that is, as a last ditch alternative to unemployment. Findings reveal that groups with high participation rates vary in
their capacity to achieve success, not with respect to participation per se, but in other indicators of success, such as income. However, the focus on ethnic groups with high participation rates has led to the omission of ethnic groups with low rates (i.e. Mexicans), and some groups completely (i.e., Whites).

**Portes and Rumbaut** (1990)\(^9\) viewed that while Koreans enjoy high rates of entrepreneurship, socio-economic mobility is not guaranteed. Some Koreans own large, professional, and skilled businesses, but most are small business-owners. The Los Angeles Korean proprietors work on average, 79 hours a week, and suffer physical and mental exhaustion.

**Sashtri** (1992)\(^{40}\) suggested that fear of failure among the respondents was quite strong in the initial stages of their business enterprise. 30 respondents said that they were ‘afraid’ of conducting business activities and creating customer and supplier relations. This was attributed to fear of rejection, criticism and not being able to express things in the right manner to the right people. On the other hand, a contrasting reaction was seen as nearly 28 respondents said that they were ‘very confident in their knowledge and skills’. So even though they experienced initial fear and hesitation, the ability to believe in what they had to offer to the markets was a big boost for business persuasion and making strong efforts to make their ventures a success.

Similarly, **Cheng and Yang** (1996)\(^{31}\) found that Korean-owned firms tend to be small, use family members or a few employees, and concentrated in retail trade, manufacturing, and services. Regardless of the high entrepreneurial participation rate of Asians (Indians and Pakistanis) in Britain, economic success remains elusive. Most Asians remain managers of small workshops and petty traders, rather than members of the bourgeoisie proper.

According to the report of **Centre for Enterprise and Economic Development Research (CEEDR)** (2000),\(^{42}\) many of the foreign groups, particularly, from Eastern Europe have much higher ratios than native Germans. The high ratios of Eastern European countries might reflect how many Eastern Europeans moved to Germany and started a business during the period, rather than
signifying their relative success. Also, migrants often start businesses in the service sector, while natives are more likely to have businesses in manufacturing. Further empirical investigation is necessary to study the relative success rate of foreign migrant founded businesses. Still the higher ratios of the foreigners suggest migrant owned businesses are becoming a larger part of the German economy. The same may be true in other OECD countries.

According to Delft et al (2000), in New York City between 1990 and 2000, the number of self-employed migrants increased by 53 percent, while the number of self-employed natives declined by 7 percent. When it comes to globalisation and taking advantage of foreign markets, migrants may have an advantage. According to a 2009 OECD report on barriers to internationalisation of SMEs, the primary constraints are: access to adequate capital, a lack of awareness of foreign business opportunities, limited knowledge of foreign markets, few foreign contacts and an ability to communicate with foreign customers. A migrant is better poised to overcome many of these obstacles because he has the contacts and understanding of at least one foreign market, his country of origin.

According to Light and Bonacich (2002), much of the remarkable success of some Silicon Valley entrepreneurs can be attributed to their ability to exploit opportunities in foreign markets quickly. Even on the lower end of the skill spectrum, a migrant can take advantage of globalisation. A migrant has the knowledge, skills and authority to offer new goods and services from their native country, for example: doner kebab shops in Germany or Chinese restaurants in France.

Rath (2002) identified that cultural or interactive models of ethnic entrepreneurship are primarily descriptive and largely indeterminate with respect to which factors will play an important role in a particular context. Also, ethnic entrepreneurship scholars often focus on those “entrepreneurially inclined” or “entrepreneurial” ethnic groups and ascribe ethnic-specific entrepreneurial characteristics and resources to them.
Galloway (2006)\textsuperscript{46} found that migrants in Norway from Sri Lanka and Vietnam are more likely to escape poverty than migrants from Pakistan or Turkey. That may be because migrants from the former group are more likely to come as refugees and therefore are entitled to more financial and educational resources when they first arrive. The latter group typically comes under family or labour migration and are not entitled to the same benefits. Different ethnic groups also may face more discrimination than others.

In the United States, Kerr and Lincoln (2008)\textsuperscript{47} found that increasing the number of H1-B visas granted to Chinese and Indian migrants increased the number of patents granted to migrants, while there was no evidence this decreased the number of patents granted to native born innovators. There was even some evidence of more patents granted to innovators with Anglican surnames. Their results suggest some evidence of a crowding-in effect in innovation from more migration.

Hunt (2008)\textsuperscript{48} also found having more skilled immigrants increases the number of patents. She found they may crowd-out the number of patents filed by natives in the short-run, but she finds some evidence suggesting crowding-in over the long run.

Iyer and Schoar (2008)\textsuperscript{49} looked at the market for wholesale pens in India amongst three different ethnic groups. They found the Marwari group, known for being particularly business savvy, were better at fostering long term business relationships, especially within their own community, than other ethnic groups. Migrants from certain countries also may be more prone to success for a variety of reasons.

Hunt (2009)\textsuperscript{50} found immigrants who came to America initially as students or as skilled-temporary labour migrants have higher rates of patenting, commercializing patents and publishing than natives. She found, among a population of people with masters degrees and doctorates, that migrants were significantly more likely to start a business than natives. She notes that among natives in the United States, advanced degree holders typically do not start businesses. This suggests immigrants are more likely to use their credentials to start
new businesses. She also found migrants who initially entered the United States with a permanent residency visa, often family migrants in the United States, do not outperform natives.

**Peri (2011)** showed that the migrants who studied in the United States tend to file more patents than migrants who gained their credentials abroad. Her results suggest attracting educated migrants, often who come as students, can boost the rate of innovation and commercialising the new discoveries. Even low skill migration can enhance productivity. The author also found a positive correlation between productivity gains and migrant inflows between 1960 and 2006 in the United States. He found more immigration increased productivity, but not necessarily because migrants engaged directly in innovation.

### 3.5 PROBLEMS FACED BY THE MIGRANT ENTREPRENEURS

In the study made by **Light (1972)**, two aspects were questioned: Perceived conflicts between work and family and Perceived support from family. Most respondents identified that time management between work and family responsibilities was a huge challenge. As most respondents were mothers of young or growing kids, it was difficult for them to find the right support system to take care of their kids. In this situation however, most families also gave high credit to their own families for solving this difficult situation. As a result, perceived support was ranked high and 40 respondents said that the support that they received from their family for their entrepreneurial efforts was very good.

**Bonacich and Modell (1980)** classified the efforts to counter barriers into five groups: a) using own efforts (such as researching, networking, and being flexible), b) being resilient (working hard and not giving up), c) taking help from consulting institutions, d) seeking help from family and friends, and, finally e) other. About 80 percent of respondents listed the first three categories as being the manner in which they overcame difficulties; of these, most entrepreneurs mentioned the first category.
Min (1987)\textsuperscript{54} opined that migrants may be a source of job creation rather than taking a limited number of jobs from natives. But once in the host country, they need support to gain access to capital, learn the language and deal with regulatory hurdles. These constraints do not necessarily only apply to low-skill migrants. Even high-skill migrants have had difficulty obtaining capital and negotiating local regulations. OECD countries may want to consider policies that support business ownership and integration among its migrants. Migration policy in many OECD member countries, especially in Europe, has begun to target higher skill and more entrepreneurial migrants. This is a first and important step towards generating more successful entrepreneurship, but institutions which facilitate success when migrants, of all types and skill levels, settle in the host country are also vital.

Fratoe (1988)\textsuperscript{55} viewed a mixed response for the support from host country and local community. While approximately 52 percent of the respondents said they got either no or very weak support from the host country for their business start-up, a small section of 23 percent respondents claimed that they were very satisfied with the way local people and the local government helped them. This response was mostly seen in certain industries such as restaurants and beauty salons. Regarding support from local community, almost 85 percent of the respondents said that local community eventually accepted them as part of their business circle.

Tiwari (1996)\textsuperscript{56} stated that among the barriers, the host country’s laws and policies, premise acquisition and cultural differences emerged as strong barriers for business activity. In most cases, respondents faced some degree of resistance from local community (defined as community where business is located), particularly in matters of renting premises and making the first contact with foreigners.

According to Waldinger and Bozorgmehr (2002),\textsuperscript{57} 47 percent migrants cited access to investors as the primary source of difficulty in obtaining financing, compared to 39 percent of native born business owners. The Swedish Agency for Economic and Regional Growth found foreign business owners were significantly more likely to cite access to external equity capital and loans as a major hurdle to expansion than natives.
Galbraith et al (2003) noted that in Spain, between June 2008 and February 2009, the number of self-employed immigrants fell by nearly 10 percent, while unemployment rose substantially. Also, tightening credit and lower consumption demand makes it harder for migrants to start or stay in business. Another notable type of migrant entrepreneurship comes from a typically skilled migrant whose business grows rapidly into a large firm. Such ventures, known as high-growth firms, account for most of the job growth in many OECD countries. At least in the United States, high-skilled immigrants often are their founders.

Sharif and Dar (2004) found that most entrepreneurs who came to Canada after 1990, mainly under the family or skilled worker category and not as entrepreneurs. The fact that most of the businesses are related to food suggests that the entrepreneurs are at an early stage of business development, and their capital needs are, at present, modest. This would mean that the lack of access to capital, a problem that many faced when setting up, can become an important barrier to success. Other difficulties faced included the lack of support and cultural differences. To overcome their difficulties, they relied on their own efforts and resilience. It seems that institutional support in the form of access to credit, training, information, etc., could be significant in helping immigrant entrepreneurs, start up businesses, and to retain them over the longer term. Despite the difficulties faced, many felt that the community was welcoming and relatively open to their business, and they themselves felt integrated.

Sharif (2004) discovered that most immigrant business owners did not know of the assistance available (or did not know that they could have asked for assistance) regarding financial capital for establishing or expanding a business, for initial or continued training in business, and even for recommending employees/clients. For most immigrant entrepreneurs who did not come as business immigrants, the importance of financial capital for helping immigrant businesses set up and stay in business cannot be overstated. The literature on the success of microenterprise development with the help of microcredit or microfinance is substantial and such credit schemes might comprise one viable option for allowing
immigrant entrepreneurs to raise capital more easily and thus help spur small business development.

The study made by Marger (2005)\textsuperscript{61} showed that most of the entrepreneurs have experienced barriers or difficulties when setting up a business. The perceived barriers stem from two sources: First, immigrants themselves perceive that these result from their own constraints, such as not knowing where to go for information and whom to ask. Second, they feel that there is lack of banking services to facilitate starting up a new business, a lack of market information, and a constraining tax burden at the beginning. There is also a feeling that the region is not doing enough to promote the businesses of immigrants. About 70 percent of respondents rated funding, lack of support and cultural difficulties as the three top difficulties they faced in setting up their businesses, while some respondents pointed to language as a barrier.

Access to capital also can be a major constraint when it comes to starting or growing a business. According to Borjas (2008),\textsuperscript{62} migrants who have poor language skills and are a racial or ethnic minority face additional constraints when it comes to obtaining capital in traditional credit markets. The Swedish Agency for Economic and Regional Growth found that in Sweden foreign-born small business owners are twice as likely to have their application for loans or credit rejected as natives. They are also less likely to apply for credit, just 29 percent of foreign-born small business owners applied for and received it, compared to 40 percent of natives. This may be because migrants face discrimination or often lack the credit history, collateral, or perhaps a co-signer on the loan that natives might.

Hisrich et al (2010)\textsuperscript{63} found that low-skilled migrants face many challenges in their host country. They may lack language skills and familiarity with local laws and markets. Many Canadian migrants started business, had difficulty adjusting, became frustrated with local regulations and taxes, and ultimately closed their businesses. Being from certain ethnic groups also may enhance the probability of successful entrepreneurship.
3.6 FACTORS INFLUENCING SUCCESS AMONG MIGRANT ENTREPRENEURSHIP

Baumol (1968)\textsuperscript{64} pointed out that the company’s culture is the distinctive, unwritten code of conduct that governs the behaviour, attitudes, relationships and style of an organisation. Entrepreneurs must consistently and relentlessly build the core set of values that all employees in the company can believe in the company’s culture has a powerful impact on the way people work together in business, how they do their jobs and how they treat their customers. For a small company, having the right kind of structure and culture can lead to a competitive advantage.

Calvo and Wellisz (1980)\textsuperscript{65} noted that the presence of employees contributes significantly to longevity of business (0.57), compared to businesses with no employees. Significant interactions between ethnicity and the presence of employees, shows that Black and Mexican business owners with employees increase their years of ownership by 0.88. Further, borrowing from bank for startup capital or when facing a low cash problem shows mixed results. Borrowing from a bank for startup capital increases business longevity by 0.21, while borrowing from a bank when facing a low cash problem does not alter business longevity, compared to those who do not borrow.

Evans and Jovanovic (1989)\textsuperscript{66} explained that selecting the right staff calls for an understanding of the core values of the organisation and a matching of these values to the recruits own set of personal values. In this way the new recruit is far more likely to adjust to the internal requirements and standards of the organisation than if these conflicted with his or her own values. Starting off with the right candidates will make it much easier to motivate and retain such employees as these settle down in the organisation. Selecting the wrong candidate will not only incur costs or replacement, but there is also the opportunity cost of not having the right person when required.

Borjas (1990)\textsuperscript{67} showed that no single measure describes business success for all entrepreneurs. A degree of financial success in running a business is important, but the concept is probably more nuanced than just financial gain.
Success of a business may come from the owner himself being satisfied as an entrepreneur. Thus, the category ‘achievement’ which includes being successful, facing a challenge, experiencing growth, creating something and being proud clearly is the factor most satisfying to them. But it is also clear that others define satisfaction differently, with 30 percent pointing to customer satisfaction and independence as determining factors.

Aldrich and Waldinger (1990) explained how did the entrepreneurs rank the various dimensions of their business strategy? These dimensions were: ‘a business plan’, ‘product quality’, ‘marketing’, ‘finance’, ‘location’ and ‘customer service’. While all dimensions were ranked as ‘very important’ for their business strategy by a large number of entrepreneurs (from 32 percent for customer service to 67 percent for product quality), customer service and product quality are most dominant considerations. Thus, 95-96 percent of respondents rated these two as being very or extremely important, considerably higher than the corresponding percentages for the other dimensions.

Butler (1991) noted that in every business, the decision to hire an employee is an important decision. In a small business, the impact of such a decision can be very significant. Every new employee a small business takes on determines the heights to which the company can climb, or the depths to which it will plunge. To effectively hire employees, entrepreneurs should develop meaningful job descriptions and specifications; plan and conduct effective interviews and check references carefully before hiring staff.

Waldinger (1993) noted what makes an immigrant enter a region as an entrepreneur or turn into an entrepreneur regardless of the initial category in he/she entered? The major responses are:

a) To have independence and freedom and be their own boss (38 percent)

b) To experience a challenge, creativity and success (21 percent).

c) The lack of job opportunities and other reasons (17 percent each). Other reasons included “something to keep involved in”, “an entrepreneurial
upbringing”, “having been an owner for 20 years”, “[it is] easy for smart people”, “work contract ended”, “follows passion and dream”, and “saw an opportunity”.

d) The opportunity to make more money and pay less tax (6 percent), and one stated flexible hours.

**Bates (1994)**\(^1\) made a key insight into the success of businesses may be the additional elements that entrepreneurs use to remain in business and be successful. From the survey, it is found that immigrant entrepreneurs firmly believed that the product they sell is the most important determinant of success and so do whatever they can to maintain, improve and price the product well. They also feel that the quality of employees/staff should be high, so ongoing training for continuous improvement in service was also rated as important. Immigrants also believe that personal character and honesty are critical for building a reputable business; work towards improving their communication skills; and are flexible, advertise skilfully and look for opportunities. Many rely on family support and understanding during difficult times.

**Nee *et al* (1994)**\(^2\) noted that for successful small businesses that have built their position around the core values of the entrepreneur, growth that comes from success can be the ultimate downfall. As many companies grow, their culture begins to change and break down, along with the management infrastructure that was supposed to support the company growth. Entrepreneurs typically follow six different management styles to guide their companies’ growth. Craftsmen, Classic, and Co-ordinator Strategies involve running companies without any management assistance and are best suited for small companies in the early stages of growth.

**Pandey (1998)**\(^3\) observed that the high rates of migrant self-employment may indicate very different situations, as migrant entrepreneurship can be as diverse as migrants themselves. The scope, size and the nature of the businesses created by migrants varies with a migrant’s skills and background. Some migrants start a business because they lack other employment alternatives. This tends to be the case for lower-skilled migrants who might have a small store, restaurant, day care, or
laundry. Such ventures may not directly provide as much value added. They typically employ less than five people and have limited growth potential. These small businesses also tend to face very high death rates and provide low income. They may also facilitate the isolation of migrants, delaying their integration.

Wong (1998)\textsuperscript{74} opined that the information that would be quite useful for policy formulation is the source of business information or advice for the entrepreneurs and its usefulness or importance when setting up their business. Generally, responses indicated that the entrepreneurs relied mostly on themselves when it came to all aspects of managing their businesses, including marketing, accounting, research, and finance. Many indicated that interaction with customers to obtain market trend information was also important.

The analysis made by Ward and Jenkins (2004)\textsuperscript{75} indicated that as educational attainment increases, longevity of business decreases. However, Koreans with a bachelor’s degree actually increase their business longevity (0.09). Business longevity decreases among Whites with work experience (-1.015). And while Mexican and Black business owners with work experience also decrease longevity of business, the effects are less negative compared to Whites. For Blacks, as work experience increases, business longevity decreases by -0.681. Similarly, Mexicans with work experience also decrease their business longevity, but again, less than Whites (-0.58). And among Koreans, there is only a slight decrease in business longevity (-0.08).

The study made by Dustmann and Glitz (2005)\textsuperscript{76} showed that companies that use teams successfully have reported significant gains in quality, lower cycle times, lower costs, improved employee motivation and morale, and increased customer satisfaction. Because of these advantages, teams are becoming increasingly popular in small businesses.

Rettab (2005)\textsuperscript{77} noted that one potentially important determinant of the success of immigrant entrepreneurs is their human capital in terms of level of education and language skills. The responses show a high level of educational attainment, with almost 70 percent having at least a university degree (of which
almost 45 percent hold postgraduate qualifications) and almost 23 percent having some postsecondary certificate or diploma. This means that only 6 percent (three respondents) had a high school degree or less. However, when asked to rate their own English language skills, about 82 percent of the entrepreneurs indicated that their skills were good or excellent, with 16 percent rating them as average and only one participant rating them as poor. A more objective approach for assessing language proficiency than the one used here would have been preferred.

According the Srinivas (2006) some economic success of the household can be instrumental to ensuring the success of a migrant’s children. The 2009 OECD Migration Outlook cautions that migrant-owned business may now be exceptionally vulnerable. Many migrants start businesses in tourism, restaurant, wholesale and construction, and these industries have been disproportionally affected by the recession.

Waldinger (2009) proved that the business owners with managerial experience have businesses for fewer years, compared to those with no managerial experience, and there are no significant interactions between managerial experience and ethnicity. Having previous experience as an owner also significantly decreases longevity, however, Blacks are much less negatively impacted by having previous owner experience as compared to the other groups (-0.14). Low capital at startup ($1-24,999) shows a positive increase in longevity of business. Medium startup capital ($25,000-49,999) is not markedly different from those who start their businesses with no startup capital (0.09), and this finding is consistent among all business owners. Finally, high startup capital significantly decreases business longevity, and the decrease is even greater for Black and Korean business owners.

3.7 CONCLUSION

The review of the literature related to the nature of migrant entrepreneurs, their characteristics and also the factors which influence them to become entrepreneurs in the host countries / regions reveal that migrants become entrepreneurs both due to push and pull factors. Their entrepreneurial background, inability to found any employment in the host country and the easy nature of
becoming of entrepreneurs all facilitate the migrants to become entrepreneurs. However, they also face many barriers and problems while becoming entrepreneurs and / or after becoming entrepreneurs. Availability of capital, different ethnic background, different language, culture and other factors act as barriers apart from the host regions’ polices and rules of business. Moreover, review of literature also indicates that only a few attempts have been made in India, while there is hardly any attempt pertaining to Tamil Nadu or Chennai that examined the problems and success of migrant entrepreneurs. Thus, the present study aims to fill this void with the help of primary data collected from the migrant entrepreneurs who are settled in Chennai city.

3.8 REFERENCES


