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Motivations for Business Start-up: Are There any Differences Between Disabled and Non-disabled Microfinance Clients?

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Field report

Motivations for business start-up: are there any differences between disabled and non-disabled microfinance clients?

Abstract

We use an Ecuadorian sample to investigate if there are differences in motivations for business start-up between persons with and without disabilities. Generally, we do not document significant differences. The reason might be that we use a sample selected among customers of the microfinance bank D-MIRO. Without targeted incentives disabled microfinance customers must resemble non-disabled customers.

1. Introduction

In this study we analyze whether the motivation to start up a business differs between persons with disabilities (PWDs) and persons without disabilities. This is a relevant research question because it is generally believed that employers resist hiring PWDs, either because of pure discrimination or because they believe the working capabilities of PWDs are insufficient for the job in question (Beisland and Mersland, 2012). Thus, in poor countries most PWDs resort to self-employment as their main income-generating activities (UN, 2008). Such activities carried out by individuals without access to formal employment is in the entrepreneurship literature termed ‘necessity entrepreneurship’ (cf. Williams and Round, 2009).

On a random sample comparing start-up motivation we would expect to observe a difference in motivations for business start-up between PWDs and non-PWDs. However, in our study the ex-ante prediction is not clear-cut because we use survey evidence from the microbank Banco D-MIRO in Ecuador. Thus, what we actually compare is whether there are differences in start-up motivation between disabled and non-disabled customers of a microbank. Microfinance has been criticized for not reaching the most vulnerable groups in society, for instance persons with disabilities (PWDs) (Beisland and Mersland, 2014), and in the scarce research on PWDs’ access to microfinance that exists, it is suggested that those PWDs that actually are able to access microfinance services may be remarkably similar to other clients (Nuwagaba et al., 2012; Beisland and Mersland, 2014). Therefore, for this sub-group, one may not observe any differences when comparing PWDs’ motivations for business start-up to those of others. In this field report, we present result consistent with the latter contention.

2. Data sample and findings

Banco D-MIRO is wholly owned by the Norwegian Mission Alliance, a faith-based international NGO and is regulated as a regular commercial bank by Ecuadorian banking authorities. The bank is a typical

example of a microfinance institution with strong social motives combined with an objective of long-term survival. A telephone survey with a response rate of approximately 50% was conducted among D-MIRO's clients during the second half of 2012. The sample consists of both PWDs and a control sample of non-PWDs. Of the 281 respondents included in this study, 96 have a disability (at least one).

Each respondent could choose among nine potential motivations for starting their businesses. The respondents were allowed to tick more than one alternative. As indicated in the t-tests reported in Table 1 the difference in motivations between disabled and non-disabled customers is negligible. As the non-disabled respondents also the disabled respondents generally ticked "To earn more money", "To supplement family income" and "To be entrepreneur/self-employed". Only 24% of the disabled sample ticked the "Lack of opportunities elsewhere" alternative. The only significant difference between the two groups is on "To overcome difficulties and limitations which I had in my last job", though it is somewhat surprising that only 5% of the PWDs ticked this alternative. It is notable that disabled clients are more often male, they are older, less likely to be married, and have fewer children compared with non-disabled clients. However, the non-difference between the samples is upheld when we carry out a multivariate logit regression in which these differences in personal characteristics are controlled for (unreported).

3. Conclusions and implications

Even if Banco D-MIRO has a strong social motivation we believe the financial sustainability component of a microbank's dual objectives contribute to explaining the findings. Credit officers' incentives are constructed so that the repayment risk is kept low. PWDs are considered risky clients and are only taken on if they resemble other, non-disabled clients. If these PWDs are also the poorest and most vulnerable, our findings are unfortunate.

In addition to the design of special incentives for credit officers' inclusion of PWDs in their portfolios (Labie et al., 2010), we believe well-structured funds to guarantee PWDs' repayment of loans could be assessed. Targeted marketing efforts may also be effective (Beisland & Mersland, 2014). It is important, though, to remember that microcredit might put a person in a *worse* position if he/she does not have sufficient repayment capacity.

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Table 1: Findings for disabled and non-disabled microbank customers

	Disabled	Non-disabled	Diff.
<i>Motivations for business start-up:</i>			
Lack of opportunities elsewhere	0.240	0.177	0.063
To be entrepreneur/self-employed	0.417	0.508	-0.091
To earn more money	0.531	0.628	-0.097
To supplement family income	0.469	0.404	0.065
To quit other job	0.010	0.038	-0.028
Experience from previous family business	0.021	0.022	-0.001
To overcome difficulties and limitations which I had in my last job	0.052	0.005	0.047**
To have the opportunity to stay close to my family	0.073	0.027	0.046
Other reasons	0.083	0.066	0.017
<i>Personal characteristics:</i>			
Gender (female = 1, male = 0)	0.35	0.60	-0.25***
Age	46.58	41.59	4.99***
Marital status (married/united = 1, otherwise 0)	0.42	0.56	-0.14**
Children	1.63	2.23	-0.60***
Education	9.38	9.49	-0.11

The rightmost column presents the differences in means between the two sub-samples. ***, **, and * denote the conventional 1%, 5% and 10% significance levels (as measured by a standard two-sided t-tests).