CHAPTER 3
Access to Credit from Formal Financial Institutions: A Case Study of Ethiopian Migrant Entrepreneurs in Durban, South Africa

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Abstract
Ethiopian migrant entrepreneurs operate small to medium enterprises (SMEs) across Durban, South Africa, relying solely on their informal credit sources to finance their businesses. Although these SMEs create jobs for local communities, which positively impact the economy, only 5% of migrant entrepreneurs can gain access to credit from formal financial institutions (FFIs). This research explores the experiences of Ethiopian migrant entrepreneurs and the challenges they encounter when accessing credit from FFIs. It also enriches the literature on migrant entrepreneurship in South Africa by creating awareness of their need for credit from FFIs. Recommendations on improving FFI financing for migrant entrepreneurs are provided. The study, therefore, adopts a qualitative research design and employs face-to-face interviews to collect data from 20 Ethiopian migrants in Durban, South Africa. Data analysis is conducted through the five-step content analysis process, which indicates that FFIs disqualify Ethiopian migrant entrepreneurs from accessing credit due to a lack of assets, collateral, and credit history. FFI regulations do not support financing Ethiopian entrepreneurs who do not have a South African identity document or permanent resident visa, owing to the risks involved in investing in the unpredictable nature of operations of the migrant's SMEs. In addition, most of these SMEs have inconsistent business annual reports, bank accounts and credit profiles. Nonetheless, the findings also reveal positive impacts such as poverty reduction, wealth

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creation and business skills development among the South African communities, thus stimulating the economy.

Keywords: Ethiopian, migrant, entrepreneurs, credit, SMEs, formal financial institutions, South Africa

1 Introduction

Access to credit from FFIs for financing migrant entrepreneurs in South Africa has recently attracted considerable research. According to the World Bank (2019), migrant-run small to medium enterprises create new jobs through creativity and innovation, which positively impacts many economies and creates wealth for the entrepreneurs in the host country. According to Acs, Estrine, Mickiewicz and Szerb (2018), migrant small to medium enterprises create wealth for themselves and employment and skills for the local citizens. In the same vein, the Centre for Entrepreneurs and DueDil (2014) commend migrant small to medium enterprises in the United Kingdom for creating wealth and job opportunities, thus contributing to the economic stimulation of the host countries.

The introduction of the economic reform programmes in 1996 showed how positive and serious the South African government was regarding entrepreneurship. As such, the government has gone further as pin-pointing entrepreneurship as a priority field that requires more investment to create jobs that will solve the unemployment dilemma the country is facing presently, which approximately stands at 29.6%, based on (Statistics SA 2020).

Moreover, for developing countries such as South Africa to solve the problem of chronic poverty and high unemployment, it is required to employ a migration policy shift in entrepreneurship investment that promotes the growth and development of migrant small to medium enterprises (World Bank 2019).

Furthermore, Furawo and Scheepers (2018) posit that migrant small to medium enterprises positively impact the South African economy because of their economic stimulation in the local and general economies. Nonetheless, the FFIs are unwilling to finance migrant SMEs, perceived as high-risk initiatives due to inappropriate documentation and lack of credit history (Tengeh & Nkem 2017). Similarly, Radipere and Dhliwayo (2014) state that the lack of valuable assets, collateral, and equity distribution are among the main reasons why FFIs do not credit Ethiopian migrant SMMEs in South Africa.

The Small Enterprise Development Agency (SEDA) Indicates that 80% of all the credit applications that migrant entrepreneurs in South Africa submit are declined by FFIs (SEDA 2017). Only approximately 5% of all migrant entrepreneurs gained access to credit from commercial banks in South Africa (Fatoki 2014).

Against this backdrop, migrant small to medium enterprises have developed a culture of grouping and funding themselves through creating informal credit associations. They can generate credit for their small to medium enterprises, such as the Ethiopian migrant entrepreneurs' informal credit association (Iqub), a traditional association from Ethiopian rural areas. In this association, members contribute a fixed amount of money every week, which is then credited to one member with no interest charged (Mersha, Sriram & Hailu 2010). In this chapter, the nature and complexities faced by Ethiopian migrants to access credit to finance their businesses from FFIs in South Africa are interrogated.

1.1 Objectives

The objectives of the research are as follows.

1. To investigate the impact of Ethiopian migrant entrepreneurs in Durban, South Africa.

2. To explore how FFIs offer credits to migrant entrepreneurs in South Africa.

3. To describe challenges faced by migrant entrepreneurs regarding accessing credit for their businesses.

1.2 Problem Statement

The FFIs are not willing to finance Ethiopian migrant entrepreneurs. They claim that migrant SMEs are too risky to invest in because of their informal nature and lack of credit history, assets, collateral, and unpredictability. Due to the challenges in accessing credit from FFIs to finance migrant entrepreneurs, Ethiopian migrant entrepreneurs have started their own informal credit associations. Mersha, Sriram and Hailu (2010) attest that these informal credit facilities are created by friends, family, and fellow citizens to gather contributions from each other weekly and, using a lottery system, credit one member who then starts up an SME.

Against this background, through this study, the nature of credit offered to a small group of Ethiopian migrant entrepreneurs in Durban, South Africa, was explored.

1.3 Theoretical Framework

This chapter is supported by the ethnic entrepreneurs' theory, which is closely linked to Ethiopian entrepreneurs and their strong ethnic affiliations. As such, Waldinger, Aldrich and Ward (1990) explain migrant entrepreneurship according to three interactive components: access to opportunities, group characteristics, and emergent strategies. Access to opportunity entails the market conditions from which migrant SMEs operate. For instance, the market conditions may favour the goods and services that the migrant SMEs are engaging in within that market. It is all related to the co-ethnic or non-ethnic market. Migrant SMEs flourish in environments dependent on inter-ethnic competition governed by state policies (Waldinger, Aldrich & Ward 1990).

In the context of South Africa, Liedeman, Charman, Piper and Petersen (2013) state that contemporary literature points to much competition between locally-owned and migrant-owned SMEs. Migrant-owned SMEs seemed to grow and prevail compared to their local counterparts. It is assumed that it is due to a culture of discipline and determination portrayed by migrant SME owners in serving their communities with affordable and quality goods and services. This determination has innovatively led the Ethiopian SMEs owners to develop their own informal credit associations to finance their businesses in the host country (Washinyira 2015).

Group characteristics define certain groups according to their culture and motives for migration. It specifically includes the necessity of resource mobilisation, especially because it creates a secure source of informal credit to finance their SMEs. Other vital characteristics include social networks, trust, general organisation, and government department policies that facilitate or limit resource access. Coulthard and Loos (2007) note that building, managing, and strengthening strong relations with family, friends, and colleagues is important because it assists with networking and sharing opportunities when they are spotted.

The study by Khosa and Kalitanyi (2015) shows the same correlation, attesting that migrant entrepreneurs create their own environment to share ideas, solve their problems and expand their businesses. For instance, the Ethiopian migrant entrepreneur's network is evidenced on Sundays at their places of worship. Hence, this Ethiopian networking entrepreneurs' culture is essential to mitigate challenges created by limiting government policies that prevent migrant SMEs' access to financial resources from FFIs (Asoba & Tengeh 2016).

Lastly, the ethnic strategies that stem from engaging in opportunities and group characteristics are the final component. How easily ethnic groups adapt to their environments from a socially cohesive perspective through engagements between locals and migrant SMEs, the former can benefit through gaining entrepreneurship skills from the latter (Aaltonen & Akola 2014).

Migrant SMEs are competitive by applying their creativity to sell affordable, quality products and meet clients' demands (Mac & Bhaird 2010). Introducing new quality products and the friendly service offered to the client base creates an enabling environment for their businesses to flourish (Mason & Rown 2013). Finally, this theory is suitable for this study because it provides a bigger picture of how migrant SMEs engage with their host communities. Moreover, the theory allows the scientific study of migrant entrepreneurs and their SMEs in the host country, especially through employment creation (Habiyakare, Owusu, Mbare & Landy 2009).

2 Literature Review

In this section, literature has been reviewed on the following issues: the positive impact of migrant entrepreneurship on the South African economy, job creation, and wealth creation; FFIs and migrant entrepreneurs in South Africa regarding access to credit; and the challenges faced by migrant entrepreneurs when accessing credit from FFIs.

2.1 Migrant Entrepreneurship in South Africa

A report on entrepreneurship in the United Kingdom (UK), shared by the Centre for Entrepreneurs and Duedil (2014), indicates that there has been a major contribution in terms of economic impact and employment creation by migrant SMEs in developed countries, especially in the present times which has been specifically towards economic growth activities. As such, in the case of the

United States of America (USA), migrants have played a significant role in starting technological companies with great influence and generally remaining majority shareholders and owners at a 60% margin.

To this end, regarding job creation and the economic impact of migrant SMEs in the USA, The Organisation for Economic Cooperation and Development (OECD 2017) reports that migrant entrepreneur SMEs are responsible for 14.5% of national job creation figures. The Centre for Entrepreneurs and Duedil (2014) states that not only do migrant entrepreneurs own 20% of all businesses in the UK, but they also contribute towards 14% of employment. Additionally, migrant SMEs were responsible for the contribution of 11% revenue of all businesses in the UK (European Commission SMEs Performance Review 2013).

From the South African perspective, Kahn, LaMattina, MacGarvie and Ginter (2013) state that, though the Ethiopian migrant entrepreneur SMEs may face a variety of roadblocks relating to inappropriate documentation and access to credit, they still enter into the host country (South Africa) and establish a business from the bottom up, through insourcing of capital from colleagues and family. As such, after a period of hardship and perseverance, they emerged successfully by starting their businesses and creating employment for the locals, where they settled and based their businesses. From a broader perspective, their SMEs contribute to the economy by stimulating economic activities.

Ethiopian entrepreneurs not only positively impact the socio-economic well-being of the local communities where they are based but also benefit through profit-making and networking amongst each other to create self-help groups that assist others with informal credit as a form of capital (Kahn *et al.* 2013).

As explained by John Calvin, cited in Schaefer (2014), Ethiopian migrants generally possess a natural creed for enterprise, which, when applied, forms part of the protestant ethic. As such, one of Protestantism’s many results has been capitalism’s emergence. Moreover, as explained in the previous sentence, social capital emerged from capitalism, a social structure embedded in all individuals within their social circles. In general, inclusive of the above explanation, the character of Ethiopian migrants within their society in South Africa is underpinned by the aspect of capital and entrepreneurialism, which they carry with them from their home country as an expression of cultural capital, which is an advantage to the host country due to the concept of skills development (Field 2003).

Migrant entrepreneurs provide jobs for local South Africans, and these ventures can be viewed as one of the many ways of addressing unemployment (Fatoki & Patswariwairi 2012). The migrant entrepreneurs and their SMEs contribute immensely to job creation, positively impacting South African provinces' GDP (Abor & Quartey 2010). It shows that migrant entrepreneurs and their SMEs purposefully create jobs for the locals. According to Kalitanyi and Visser (2010), the major positive impact of migrant entrepreneurs is job creation. This action directly benefits the locals, who complement the migrant entrepreneurs by overcoming or navigating the language barrier, which allows locals to gain business skills.

2.2 Formal Financial Institutions and Migrant Entrepreneurship in South Africa

The World Bank (2019) indicates that FFIs have developed a negative attitude toward financing migrant entrepreneurs in South Africa. As a result, this is despite the impact and role played by the migrant entrepreneurs SMEs in the South African economy, which translates to poverty reduction, employment creation, and skills development. Most importantly, it stimulates economic activities regionally and nationally.

The migrant entrepreneurs experience various challenges, making it difficult to access credit from the host country, South Africa. According to a Global Entrepreneurship Monitor (GEM 2020) report, the lack of credit from FFIs is one of the biggest limitations for most migrant-owned SMEs in South Africa. In the report, the authors argue that if the barriers to entry are addressed or limited, it could positively impact many entrepreneurs, migrant-owned SMEs, and the host country's economy.

The primary challenge for migrant entrepreneurs is the lack of access to credit from FFIs (World Bank 2019). According to recent research, the lack of credit to finance the migrant SMEs created a negative boomerang effect that stifled the growth of the SMEs. Though they remain operational due to their informal sources of credit, their expansion and growth become difficult (World Bank, 2019). In addition, shared information by international organisations indicates that approximately 20% or less of migrant SMEs that operate in developing countries gain access to credit from FFIs (GEM 2020; World Bank 2019; OECD 2017).

GEM (2020) noted that due to a lack of South African identity documents or a permanent residence permit, most migrant SME owners fail to access credit from FFIs in South Africa. Because of such issues, FFIs find it difficult to finance migrant-owned SMEs due to the fear of defaulting on payments, which, when accumulating with interest, becomes difficult to trace if they varnish. Due to such fears, the FFIs developed a regulation known as first-class collateral to reduce the risk incurred when lending. This regulation means that the FFI can repossess the collateral if the credit consumer has defaulted, which means a win-win situation for the FFIs (Rahman, Zheng & Ashraf 2015).

Furthermore, as detailed earlier, when migrant entrepreneurs apply for credit, they must have a credit profile, which is usually non-existent due to the use of refugee documentation. They also do not have an annual turnover report due to the nature of their business and lack of business education. Such a report can be used to evaluate the profit and loss margins of their migrant SMEs by the FFIs (Ntiamoah, Li & Kwamega 2016).

African migrant entrepreneurs with valid business or work permits and business registration documentation are categorised as legal business owners in South Africa. This rule qualifies them for the first stage of the credit process (Furawo & Scheepers 2018). However, the unwillingness to offer financial support from FFIs remains problematic among the qualifying migrant entrepreneurs (Furawo & Scheepers 2018).

The Small Enterprise Development Agency (SEDA) in South Africa highlights that more than 80% of credit applications by migrant entrepreneurs are rejected by the South African FFIs (SEDA 2017). Against this backdrop, migrant entrepreneurs have continued to set up businesses through informal access to credit sourced from family and friends. Although growth prospects remain slim, they remain afloat against all odds. Contemporary scholars hope the South African policies placed on FFIs for redemption will change and offer access to credit for migrant SMEs (Akinboade 2015; Fatoki 2014; Herrington & Kew 2014).

2.3 Challenges Faced by FFIs and Migrant Entrepreneurs Regarding Access to Credit

Arena (2011) studied the effects of information asymmetry and how it influences FFIs to develop a credit rationing attitude toward migrant credit consumers. This study found that FFIs increased the interest rates, making it difficult for Level 1 applicants to qualify for credit. Their reason for this was that most migrant entrepreneurs were applicants without debt. In a similar study, La Rocca and Cariola (2011) posited that the credit rationing attitude created by the FFIs arose from strict market conditions due to a lack of accountability and transparency when issuing credit to migrant entrepreneurs. The FFIs explain this attitude as a lack of collateral and a high risk of dismissal of applications (La Rocca & Cariola 2011).

According to Baby and Joseph (2016), financing migrant SMEs with no equity contribution from the owners is riskier for the FFIs than financing big established businesses with credit history and many assets. It correlates with the study by Ntiamoah, Li and Kwamega (2016), which indicates that the FFIs state that it is due to a lack of documentation regarding credit history or financial records from the migrant entrepreneurs. In addition, there are no clear proposals or projections for the future growth of their businesses (Ntiamoah, Li & Kwamega 2016).

La Rocca and Cariola (2011) further indicate that among the main reasons for rejecting the majority of migrant credit applications was because they were unable to afford existing market interest rates and financial instability. Similarly, Liang, Huang, Liao, and Gao (2017) state that FFIs have shifted their attitude and have become unwilling to issue access to credit to migrant entrepreneurs. Bushe (2019), Chowdhury and Alam (2017), and Liang *et al.* (2017) attest that FFIs have developed a biased attitude toward viewing migrant entrepreneurs negatively.

Nonetheless, approximately only 5% of the total population of migrant entrepreneur owners are successfully granted access to credit from commercial banks in South Africa (Andersson & Waldenstrom 2017). Hence, there are very few migrant SMEs that have access to credit from FFIs in South Africa, and there are signs of unwillingness to finance the majority of African migrant SMEs or structure them in the FFIs system.

According to Fatoki and Asah (2011), migrant entrepreneurs from different sectors face various challenges, including access to credit from FFIs. A similar study by Makomeke and Chitura (2016) showed that many migrant SMEs have resorted to relying on their informal credit sources because qualifying for credit or acquiring collateral status is difficult. Nonetheless, despite the skills set of operating SMEs, job creation, and economic stimulation, these migrant entrepreneurs encounter insurmountable challenges wherever they travel (Andersson & Waldenstrom 2017). Consistent with the findings of Andersson and Waldernstrom (2017), Tengeh and Nkem (2017) posit that the existing poor levels of financing for migrant entrepreneurs are associated with issues that arise from the FFIs and not from the migrant entrepreneurs.

A study by Claessens (2006) indicates that many SMEs lack access to finance, which impedes their growth. In this regard, the provision of credit has increasingly been regarded as an important tool for igniting growth in SMEs, mainly through mobilising resources for more productive uses (Atieno 2001). The challenge of accessing credit from FFIs stems from stringent lending regulations requiring minimum loan amounts, strict application procedures, and limited options for granting credit to consumers. In agreement with Atieno (2001), Claessens (2006) states that access to credit refers to the supply of funds. Credit consumption is the connection between supply and demand for all migrant SMEs. She states that reliable access to credit for migrant SMEs is very important for ensuring their survival. Atieno (2001) argues that the type of FFI determines the level of access regarding its regulations.

Nonetheless, Ethiopian migrant SMEs owners developed their own home-made informal credit financing system known as 'ukub', which is also structured as an informal credit association that requires its members to each contribute a fixed amount of money weekly; the money is then credited to one member with no interest charged. The systematic way the money is credited to each member is selectively done through a lottery system. When a member wins a lottery but is not prepared to accept the credit offer, they can agree with another member to receive it on their behalf but at an agreed percentage of the weekly draw (Mersha, Sriram & Hailu 2010).

3 Research Methodology

This chapter was designed within a qualitative research paradigm. Creswell (2014) attests that the qualitative research method is particularly significant because it allows the participants to share their opinions and perceptions regarding their experiences in a free and safe environment. Regarding the sample size, 20 respondents were purposively selected using the purposive sampling technique, all being Ethiopian migrant SME owners operating in different sections of the CBD in Durban. The data was collected through one-on-one, face-to-face interviews between 45 mins to one hour. The face-to-face interviews were suitable for this study due to the need to build trust and acquire relevant primary data from participants.

A qualitative research design was employed that is interlinked with the interpretivist research paradigm, which is structured within the epistemological tradition of constructivism to achieve its objectives from a researcher's perspective (Collis & Hussey 2014). As such, the constructivist model dictates that all opinions and views be objective and constructed from the individual's personal view and social interaction. Hence, the constructivist approach is founded on the assumption that multiple realities and interpretations exist.

The study mainly focused on 20 Ethiopian migrant entrepreneurs that specifically owned SMEs based within Durban's business central district. Moreover, the method adopted for sampling the participants was purposive, which goes in hand with the qualitative research design and the careful selection of the 20 Ethiopian entrepreneur participants based on ownership of the business venture, the SME size, location, availability, and willingness to participate. The credibility of the study findings was ensured by providing the participants with a copy of the analysed data for confirmation.

The study also employed purposive sampling to select the participants based on their demographics within the city of the Durban CBD. Due to the nature and difficulty of tracing the right participants for the study, the criteria used to select the respondents were based on their education levels, their ability to communicate effectively using the English language, their age, and the number of years they lived in Durban, and the number of local citizens employed by their SMEs. Many Ethiopian entrepreneurs are undergoing financial challenges stemming from a lack of access to credit, affecting their SMEs' growth and development.

As such, they operate registered businesses legally recognised by the eThekwini municipality. Moreover, approximately 80% or more Ethiopian entrepreneurs operate their SMEs on their informal credit sources within the city due to the challenges in accessing credit from FFIs. The minority that accesses credit from FFIs cannot support the marginalised majority.

As a result, most Ethiopian entrepreneurs based in Durban are forced to rely on their informal credit sources to support their SMEs. The remaining challenge is the issue of growth and expansion.

3.1 Data Analysis

Concerning data analysis, a content analysis process was used, which involved five steps (Terre Blanche, Durrheim & Kelly 2006). They were employed as follows: familiarisation and immersion, inducing themes, coding, elaboration, interpretation, and checking. Familiarisation and immersion assist the researcher with an in-depth understanding of the interviews. In contrast, inducing themes assists the researcher with an in-depth examination of the similarities and differences of any patterns. Coding helps the researcher break down data and group them differently; interpretation enables the researcher to examine, compare and determine patterns. The elaboration helps the researcher to explore and create a whole picture of the data when thematic groupings drive interpretation and checking (ibid)).

3.2 Results of the Study

A total of 20 face-to-face interviews were administered to Ethiopian migrant entrepreneurs living in Durban. There were males (seventeen) and females (three) aged between 24 and 31 years old, of whom (two) were married, (one) single, (one) non-separated, and (nine) non-widows. The males were uncomfortable giving their marital status, so this question was not included in the analysis of this data. Regarding educational attainment, the highest qualification was matric/bachelor, and the lowest was Grade five.

Table 1: Gender, Age, Level of Education and Duration of Stay in South Africa

NAME (Pseudonyms)	GENDER	AGE	LEVEL OF EDUCATION	DURATION OF STAY IN SA (No of years)
Gabreselasie	Male	29	Completed High school	3 Years
Mary	Female	24	College Graduate	6 Years
Aaron	Male	28	Grade 11	4 Years
Misgun	Male	40	Diploma graduate	5 Years
Lili	Female	31	Completed High School	5 Years
Tesfu	Male	28	Completed High School	6 Years
Mihret	Female	25	Certificate in Teaching	5 Years
Sirak	Male	29	Completed High School	3 Years

Meles	Male	26	Completed High School	4 Years
Meckonen	Male	30	Grade 9	5 Years and 4 Months
Yoseph	Male	42	Grade 6	6 Years
Yared	Male	27	Completed High School	5 Years
Ephrem	Male	35	Grade 4	4 Years
Teshome	Male	28	Bachelor's Degree	5 Years
Ayalkibet	Male	23	Completed High School	4 Years and 6 Months
Berhanu	Male	31	Grade 10	5 Years
Gebre	Male	33	Completed High School	3 Years and 1 Month
Tesfaye	Male	41	Grade 5	1 Year and 2 Months
Liqu	Male	22	Completed High School	2 Years
Desta	Male	34	Diploma Graduate	7 Years

3.3 Impact of Migrant SMEs on the Local Economy

Participants indicated that migrant SMEs had made some contributions to the local economy. These include poverty alleviation, wealth creation, and business skills development. Concerning job creation, a participant stated that 'currently, we have employed two South Africans, and we would like to employ more, provided we are granted credit by the FFIs. The credit will cause our business to expand and grow and thereby require us to employ more people' (Participant #8). Also, local employees are instrumental in establishing good interaction between businesses and customers since they help to bridge the language barrier. A participant stated that 'there is a great need to employ locals due to their language and cultural advantages' (Participant #9). To be more specific, the contribution of locals is more needed when it comes to dealing with and relating to local customers on behalf of the migrant entrepreneurs (Participant #9). Regarding skills development, locals are empowered with business skills while working for migrant entrepreneurs (Participant #10). This position leads migrant entrepreneurs to have some claims regarding FFIs.

3.4 Challenges Faced by Ethiopian SMEs in Durban

3.4.1 Challenges

Participants experienced numerous challenges inherent to the requirements of FFIs and other operational issues. They expressed concern over unmet needs regarding support and discriminatory selection criteria. It means that participants believe they deserve the most support since they each operate a single SME. In other words, they must start by creating a business and do their best to expand it.

3.4.2 Discrimination

Regarding discrimination, they reported that 'the lending behaviour of FFIs is unequal, especially when you compare the rate of credit application rejections and acceptance between South African and migrant entrepreneurs' (Participant #11). Furthermore, they reported being unable to understand credit regulations. The importance of better communication between FFIs and migrant entrepreneurs was emphasised as they indicated that 'it would be better if the FFIs could educate us about their regulations so we can start preparing ourselves' (Participant #17- male). They even suggested the arbitration of the government to deal with issues that FFIs cannot address. For instance, a participant was quoted highlighting that 'when it comes to the challenge of acquiring a South African identity document, the government needs to step in and implement migrant entrepreneur-friendly policies, which will result in many qualifying for both the identity document and credit from FFIs' (Participant #17- male).

3.4.3 Credit Access Challenges

It is not easy to access credit as a migrant entrepreneur in South Africa when using a refugee permit. However, it does not prevent migrant entrepreneurs from starting their SMEs and employing locals. The only challenge faced by migrant entrepreneurs when it comes to business growth is access to credit from FFIs (Participant #1- male; age group 25-29).

The lack of a bank account is among the main challenges affecting Ethiopian migrant entrepreneurs in Durban. As such, even during the Covid-19 pandemic, when many migrant entrepreneurs lost their businesses through looting, while others closed as a result of the lengthy national lockdown that caused their perishable goods to expire, and they could not afford the accumulated rent (Participant #16 – male; employed three locals; age group 30-35).

Another participant stated that FFIs should support migrant entrepreneurs that register their businesses with a local partner because it would benefit both partners. However, the FFI's response to migrant entrepreneurs who have partnered with South African nationals is still negative, although the business will benefit a local citizen and a migrant entrepreneur (Participant #18 – male; employed four locals; age group 40-45).

The male participants #19 and #20 in the age group 20-35, who employed five locals, posit that FFIs are not interested or willing to finance migrant entrepreneurs. The FFIs claim they cannot trust them not to run away when they default on payments. Therefore, they feel it is too risky to finance migrant entrepreneurs due to the possession of refugee documents.

However, when the migrant entrepreneur does not have a South African identity document or permanent residence permit, it becomes problematic for the FFIs to finance their SME (Participants #3, #4, #5, #6 and #7 employed 15 locals aged 20 - 39).

4 Analysis

Section one on migrant entrepreneurship (OECD 2017) findings indicate that migrant entrepreneurship in developed countries like the UK and USA regarding job creation and economic stimulation are very positive and steadily growing. According to participants #11, #12 and #13, the impact of migrant entrepreneurship in South Africa has been and will continue to be inclusive and positive. As such, migrant entrepreneurship in South Africa, as explained by John Calvin (Schaefer 2014), shows that Ethiopian migrant entrepreneurs, in general, possess a natural creed and inclination towards enterprise. Inclusive of the above explanation, the character of Ethiopian migrants within their society in South Africa is underpinned by the aspects of capital and entrepreneurialism, which they carry with them from their home country as an expression of cultural capital, which is an advantage to the host country due to the impact they make on job creation, poverty reduction and skills development (Field 2003).

Though the Ethiopian migrant entrepreneur SMEs may face a variety of roadblocks relating to inappropriate documentation and access to credit, they still enter the host country, South Africa, and establish a business from the bottom up. As such, after a period of hardship and perseverance, they emerge successful in starting their businesses and creating employment for the locals where they have settled and based their businesses. From a broader perspective, their SMEs contribute to the economy by stimulating economic activities (Kahn *et al.* 2013). Participant #1 states that though it is not easy for migrant entrepreneurs to access credit from FFIs, they still support each other financially through informal credit associations.

Ethiopian migrant entrepreneurs provide jobs for local South Africans, and their SME ventures can be viewed as one of the many ways of addressing unemployment. A similar study by Abor and Quartey (2010) showed that migrant entrepreneurs and their SMEs contributed immensely to job creation, positively impacting the Gauteng Province's GDP. As noted by participants #14 and #15, though many migrant entrepreneurs operate a single SME registered with a municipality that permits SMEs, they still do not qualify for credit from FFIs.

As noted in section two, Global Entrepreneurship Monitor GEM (2020), lack of credit from FFIs is one of the biggest limitations for many migrant entrepreneurs in South Africa. In the report, the authors argue that if the barriers to entry are addressed or limited, it could positively impact many entrepreneurs, migrant-owned SMEs, and the host country's economy. However, according to Participant #18, many migrant entrepreneurs have accepted the difficulties of accessing credit from FFIs in South Africa. Those who have tried to partner with local citizens in business or marriage have also failed to qualify. World Bank (2019) indicates that FFIs have developed a negative attitude toward financing migrant entrepreneurs in South Africa, despite the impact and role played by the migrant entrepreneurs' SMEs in the South African economy.

FFIs and migrant entrepreneurship in South Africa indicate that due to a lack of South African identity documents or a permanent residence permit, most migrant entrepreneurs fail to access credit from FFIs in South Africa. Because of such issues, FFIs find it difficult to finance migrant entrepreneurs due to fears of them disappearing when they default on payments. Moreover, African migrant SME owners possessing a valid business or work permit and business registration documentation graded as legal and formal businesses in South Africa are also denied access to credit due to the unwillingness of the FFIs to support them (Furawo & Scheepers 2018). Participants #2, #14 and #15 posit that FFIs are highly unequal when lending credit to consumers, especially when comparing local citizens and migrant entrepreneurs.

Section three reveals that challenges faced by migrant entrepreneurs when accessing credit show that the main reasons for the rejection of most migrant credit applications were that the migrant entrepreneurs did not have annual sales records, credit history and many other FFIs requirements. Moreover, similar research by Chowdhury and Alam (2017) shows that FFIs have shifted their attitude and have become unwilling to grant access to credit to migrant entrepreneurs. According to male participant #16, the Covid-19 pandemic revealed the true nature of FFIs when dealing with migrant entrepreneurs who apply for credit in South Africa. The participant noted that the rejection rate is high when it comes to migrant entrepreneurs. Those rejected meet when accessing credit from their informal associations and describe their experiences with FFIs.

Furthermore, as noted in section three, La Rocca and Cariola (2011) posit that the credit rationing attitude developed by the FFIs arose from strict market conditions that resulted in a high rate of credit rejections, affecting many migrant entrepreneurs negatively. Nonetheless, participants #19 and #20 maintain that FFIs do not trust migrant entrepreneurs. Their main fears are that the migrant entrepreneurs could disappear without being found after defaulting on credit payments. Additionally, Baby and Joseph (2016) attest that financing migrant SMEs with no equity contribution from the owners is riskier for the FFIs than financing big established businesses with credit history and many assets. Correlating with the latter, Ntiamoah *et al.* (2016) show that the poor financial records and no credit history of migrant entrepreneurs block the issue of financing because FFIs cannot find evidence of future growth or credit history (Baby & Joseph 2016).

Herrington and Kew (2014) note that several research gaps require attention, concerning access to credit for migrant entrepreneurs from FFIs in South Africa. Firstly, research could focus on FFIs' lending inequality when it comes to local citizens and migrant entrepreneurs. Another research focus should could be on the building of trustful relations between FFIs and migrant entrepreneurs. Nonetheless, in terms of current practices, migrant entrepreneurs benefit all economic sectors, including FFIs. Although they deny them credit, their employees are locals, and they do qualify for credit.

5 Conclusion

In this study, the author investigated the role played by Ethiopian migrant entrepreneurs concerning employment creation opportunities that benefit local South African communities and the challenges that they face accessing credit from FFIs that can help them with growing SMEs. The data analysis revealed that Ethiopian migrant entrepreneurs create jobs for locals, reduce poverty, create wealth and stimulate economic activity.

Nonetheless, according to the participants, the two most pressing issues were access to credit from FFIs, and the other was accessing a South African identity document. They said these two key issues created an impediment to growing their SMEs and, most importantly, their business ventures' survival. This research study, therefore, recommends that the South African government, together with the FFIs, team up, acknowledge and celebrate the contributions made by migrant entrepreneurs to South African society. Moreover, all concerned stakeholders should recommit themselves to the migrant entrepreneurs and introduce permits allowing them to operate their SMEs with all benefits freely.

Additionally, the South African government should review business support and access to credit and ensure that this initiative does not leave migrant entrepreneurs behind. Finally, the government and FFIs should begin to promote migrant entrepreneurship in South Africa by encouraging entrepreneurs from all over the world to settle and start up their businesses and increase access to credit for all migrant entrepreneurs.

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