

Sources of Start-up Capital for Post-1965 Asian Immigrant Businesses

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Motivation for Study

- I. Ivan Light, *Ethnic Enterprise in America: Chinese, Japanese and Blacks in Business and Welfare* (1972)
 - Communal Sources of Start-up Capital for the Earlier Chinese and Japanese Immigrants (Rotating Credit Associations)

II. A Plethora of Research Emphasizing Ethnic Sources of Start-up Capital for Immigrant Businesses

- Family/Kin and Ethnic Ties (Private Loans), Rotating Credit Associations, and Business Associations

III. Increasing Emphasis on Class Sources of Start-up Capital for Immigrant and Minority Businesses since the Mid-1980s

- Money Brought from the Home Country, Money Saved in the U.S., and the Importance of Professional Skills for Professional Businesses
- Argument over Ethnic v. Class Sources of Start-up Capital

IV. The Myth that Government Agencies and Commercial Banks Favor Korean and Other Immigrants in Offering Loans for Start-up Capital

- New Immigrants Usually Cannot Get Loans from Commercial Banks

V. Data on Sources of Start-up Capital from Studies of Post-1965 Korean, Taiwanese, and Japanese Immigrants

- The Insignificance of Ethnic and Formal Sources of Start-up Capital and the Importance of Class Sources

Table 1: Sources of Start-up Capital for Korean Immigrant Businesses in Atlanta (N=159)

<u>Source</u>	<u>Proportion of source as part of overall start-up capital</u>	<u>%</u>
Savings in the U.S.	100%	32
	50-99	30
	1-49	15
Money Brought From Korea	100%	8
	50-99	18
	1-49	7
Money Borrowed From Relatives And Friends	100%	6
	50-99	11
	1-49	27
Commercial Banks or Government	100%	1
	50-99	9
	1-49	8
Rotating Credit Associations	100%	1
	50-99	0
	1-49	2

Sources: Survey Conducted by the Presenter in 1982. See Pyong Gap Min, *Ethnic Business Enterprise: Korean Small Business in Atlanta* (Center for Migration Studies, 1988), p.80.

Table 2: Sources of Start-up Capital for Taiwanese Immigrants in Los Angeles (N=310)

No Loan to Start the Business 43%

Of those who received loan: Sources of Loan

Family Members 73%

Friends 17%

Government 0%

Commercial Banks 6%

Others 10%

Table 3: Sources of Start-Up Capital for Japanese Immigrant Businesses in New York (N=194)

<u>Source</u>	<u>%</u>
Savings in the U.S.	69
Loan from Kin	26
Loan from Friend	24
Money Brought from Homeland	23
Loan from Bank	24
Rotating Credit Associations	0

Sources: Survey Conducted by Akiko Hosler in 1993. See Akiko Hosler, *Japanese Immigrant Entrepreneurship in New York City* (Garland, 1998: 97)

Summary

- New Asian immigrants need commercial loans from American banks but have difficulty having access to them.
- Many of them have recently turned to homeland/ethnic banks and (former) owners' financing because of no language barrier and simpler credit checks involved.
- American banks need to take special measures to reach out to new immigrants who plan to start small businesses.