

Funding Self-Employment – The Role of Consumer Credit

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Abstract

In this paper we investigate whether self-employed households use consumer loans to finance their business activities. In particular, it is shown that self-employed households use personal overdrafts significantly more often than employee households do. This difference remains when controlling for financial and non-financial household variables: a discrete change from wage employment to self-employment results in an average rise in overdraft usage of 14.1%. These findings are corroborated when analyzing the correlation between consumer loan take-ups and consumption of self-employed households. Intermingling of personal and business resources is more likely when the household is credit constrained; when the household head is younger; and when financial assets within the household are lower.