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Funding Self-Employment: The Role of Consumer Credit

by Christoph Kneiding, Alexander S. Kritikos

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Abstract:

This paper investigates whether self-employed households use consumer loans – in particular instalment loans and overdrafts – to finance business activities. Controlling for financial and non-financial household variables we show that self-employed households particularly use personal overdrafts significantly more often than employee households. When analyzing the correlation between consumer loan take-ups and consumption of self-employed in comparison to employee households, we find first evidence that overdrafts are used by self-employed to finance their business as well. This indicates that intermingling constitutes a financing strategy when regular business loans might not be accessible.

Text: See [Discussion Paper No. 6093](#)



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