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LOCAL FACTORS AND SMALL FIRMS OF NON-EU IMMIGRANTS

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Abstract

Our paper analyzes the characteristics of micro firms managed by immigrant entrepreneurs in Italy.
We process ISTAT data on individual businesses at province level, in order to understand if the foreign entrepreneurial rate is determined by local factors or by the ethnic characteristic of the firm.
The descriptive analysis of the phenomenon suggests that there are different entrepreneurial rates, and that the ethnic, the economic activity and the geographic location of the company could play a major role in determining those differences.
The results of the econometric exercise show the importance of local factors at province level, such as unemployment rate, province openness to immigrants, age of local population.

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1 Introduction[4]

Micro firms managed by foreign entrepreneurs are increasing and are spread all over the Italian provinces and economic sectors. The phenomenon is not linear, as the geographical distribution of foreign firms is affected by a lot of factors, some of them are local, and others depend on the cultural characteristics of the entrepreneur's ethnic.

This paper focuses on the different entrepreneurship attitude of the foreign immigrants at province level in Italy.

Immigrant firms are one of the potential key factors for renewing economic growth in Italy, mainly at local level. Some contributions concentrated on specific geographical areas, such as Chiesi and Zucchetti (2003) who analyze the Milan commercial sector, and FIERI (2008) that studies ethnic groups and their economic specialization within the area of Turin. They show important differences among sectors and ethnic groups, as the economic specialization of foreign firms is mainly defined by ethnic, such as Chinese firms in the textile industry, or Egyptian firms in the construction sector. In addition, data show that there is a geographical specialization of ethnic too, such as Chinese firms at Prato and Egyptians firms at Milan. The strong relationships between sectors and local areas suggest the importance of foreign firms for the development of Italian industrial districts and local clusters.

This paper sheds light on immigrant entrepreneurship in Italy, with a focus on entrepreneurial rates and on firm growth rates at province level[5].

The goal of the paper is twofold. On the one hand, it wishes to find out if the entrepreneurial rate of immigrants is affected by local factors or by ethnic characteristics. On the other hand, the paper focuses on the growth rate of micro firms, in order to check the importance of the above-mentioned factors

The structure of this paper is as follows.

Section 2 surveys the economic theory on immigrant entrepreneurships, and the theoretical framework is used to develop the empirical analysis made in the next sections.

Section 3 provides a descriptive analysis of the phenomenon, using ISTAT data about self-employment in Italy within the 2001-2009 period. The section focuses on the features of the foreign entrepreneurs within the different geographical areas in Italy.

Section 4 develops the econometric analysis, in order to control the factors that affect the immigrant entrepreneurial rate and the immigrant firm growth at province level.

Some concluding remarks summarize the main results of the paper.

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[5] In this paper the terms foreign firms and foreign entrepreneurs refer to firms set up in Italy by individuals born abroad, but living and operating in Italy.

2 Ethnic entrepreneurships: some theoretical aspects

Ethnic entrepreneurship is an important phenomenon that could have important effect on society and economy.

On the one hand, some authors focus on the immigrant side underlining the importance of self employment in increasing the welfare of minorities, as self-employment allows to exploit talents and increase the own satisfaction of immigrants (Clark and Drinkwater, 2010). Moreover, the entrepreneurship of immigrants could increase the possibilities of reducing social exclusion thanks to economic development based on self-employment (Sahin et al., 2011).

On the other hand, some contributions underline the positive effects of immigrant firms on the whole economic system, in relation to increase competition and to supply local consumers with new products and services. In general, what emerges from the theoretical and empirical literature is that the probability of engage self employment could be higher within ethnic minority than for native population. According to the so called disadvantage theory, immigrants use self-employment as an instrument to escape from labor market discriminations (Moore, 1983) that reduce the level of wage and the probability of finding a job. According to this consideration, the expected earnings from self-employment are higher than the value of wage from being employee (Blanchflower, 2004) and rational agents choose entrepreneurship to maximize their revenues.

Another possible explanation relies on the opportunity that immigrant firms find informal financial resources and cheap labor force thanks to their "cultural or ethnic networks", a useful instrument to increase social capital within a specific local area (Portes, 1998).

More recently, Ibrahim and Galt, (2011) suggest an alternative explanation derived from institutional economics, underlining how the transaction costs could be lower within ethnic minority due to the transmission of non-market information that it is easier for people sharing the same culture and traditions. In this sense ethnic groups are seen as "efficient, low cost, cultural transmission units" (Landa, 1991). Given the importance of tradition and culture, the presence of different ethnic groups and their concentration across regions could change drastically local entrepreneurial rates, and this evidence comes from different previous contributions. By analyzing a sample from Sweden, Hammarstedt (2004) provides strong evidence on different self-employment rates depending on minority group origin. Clark and Drinkwater, (2010) show estimates of the change in the self-employment probability between 1991-2001 across ethnic groups in UK and find significant differences which are robust to the statistical control for individual characteristics.

The specific ethnic characteristics, such as cultural heritage, traditions and beliefs, increase per se the propensity toward entrepreneurship as it was documented by Light and Rosenstein, (1995). More recent approaches try to develop a more quantitative framework to analyze

cultural difference among groups. The so called GLOBE project (Javidan et al., 2006) try, for example, to evaluate, using a scoring system, nine aspects of different cultures, underlining the different approach adopted by each ethnic group. This method based on scales is enlarged and enriched by Hayton, George and Zahra, (2002) adding more aspects of human behavior, while Chand and Ghorbani (2011) propose a comparison of Chinese and Indian approach to business and life using the GLOBE's scale.

Of course, economic motivation could explain different probability of engaging self-employment for some minority groups, such as the different level of economic development and trade opportunities of their own country. It is very common that an ethnic entrepreneur maintains better linkages with his original country and if this country has a dynamic economy it creates more exchange opportunities for ethnic entrepreneurship (Coughlin and Wall, 2011).

Other studies concern the perceived reliability regarding the components of some minority groups. For example, Parker (2004) observes, for the UK case, significant racial differences for the access to formal financial sources, as banks are more willing to give loans to certain ethnic groups than others. The aspect of informal financial sources is also strictly linked to the presence of the so called "ethnic networks", which makes easier the collection of financial resources. Moreover, previous studies suggest a positive effect of ethic networks on sustaining the level of export and import, confirming the usual pro-trade effect of ethnic firms (Duanmu and Guney, 2012).

Parker (2004) suggests also that ethnic entrepreneurs are concentrated in some traditional industrial sectors, often characterized by lower growth, longer working time and limited earning possibilities. Province specialization in such sectors is an important factor enhancing the presence of ethnic entrepreneurs and increasing the entrepreneurial rate among foreign individuals.

Further important evidence about the specialization of ethnic groups in specific economic activities can be derived from Bates (1999), regarding Asian immigration in the US, but also from Sahin et al. (2011) in the case of Germany. Aguileira (2009) argues that an important issue could be the concept of ethnic enclave, defined by Portes and Jensen (1989) as a special network firm which is managed by ethnic minority groups.

Finally, other geographical factor could influence the localization choice of ethnic entrepreneurs: Fairchild (2008) argues that racial discrimination is correlated with the presence of minority's enterprises in urban areas, in US for the case of black and white antagonism. Major interactions between local context and a higher presence of ethic entrepreneurship are highlighted in recent contributions, in particular for what concerns US metropolitan areas (Wang and Li, 2007).

3 Self-employment rate by country of origin

Table 1 shows the links between population and foreign entrepreneurships[6]: within the period 2004-2009 the foreign population[7] growths by 80%, from 2.25 million to more than 4 millions. Some ethnic groups[8] growth more than the others: Romanians and the other Eastern EU countries growth a lot, more than 100%, thanks to the 2004 enlargement of the EU. In 2009 the Rumanian community is the strongest in Italy, with about 900 thousand of people they represent the 22% of total foreign population, followed by Albanians (11%) and Moroccans (11%). Within the period, Romanians growth by 257%, Polish by 108%, and Bangladesh population by 107%.

On average, the dynamics of micro firms is lower than the dynamics of population, as the total number of micro firms growth by 40%, from 113,000 to 160,000. The strongest ethnic groups, as far as the number of micro firms is concerned, are the Chinese, that represent the 17% of total foreign micro firms, followed by Romanians (13%) and Albanians (12%).

Within the different ethnic groups there are different dynamics, as Russian firms growth by 147% and Romanians by 130%.

If we compare the dynamics of population and the dynamics of micro firms we find some countries that increase the firms more than population: micro firms from Albany increase by 80% and population by 47%, and from Russia the rates are 147% versus 107%.

On the contrary, the population growths more than micro firms as far as Romania, Poland and Bangladesh are concerned.

The distribution of the micro firms is affected by some variables at local level, such as unemployment rate, foreign population rate, and so on. These variables have a different geographical distribution in Italy, and therefore the foreign micro firms have not a homogeneous distribution in the Italian regions and provinces.

First of all, the distribution of foreign population and foreign micro firms follows the level of the economic development, with a strong presence in the North of Italy: North-West represents the 35% of population and micro firms, and in North-East the rates are 27% and 25% accordingly. On the contrary, South of Italy collects only 13% of population and 14% of micro firms.

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[6] Our study is based on the database ISTAT-ASIA (Archivio Statistico delle imprese Attive). ASIA collects all the Italian firms that produce a turnover at least six month per year, that have at least one employee or self-employee. Within the period 2004 – 2009 some events affect the statistical data: new provinces have been set up, there was a new classification of economic activities, the EU has been enlarged to Romania and other East-European countries.

[7] The source of the population data at province level is ISTAT DEMO database, that provides population but not its age or gender. In our tables, the total of the foreign population considers all the foreign countries, except Western EU (12), USA and Canada, in order to be homogeneous with the non-EU immigrant characteristics.

[8] We elaborate the characteristics of the foreign entrepreneur according to the information of its fiscal code, which reports the gender, the date of birth, the country of birth. Other information concerns the firm, such as its location (at municipality level and even ZIP postal code), its sector of activity (ATECO 2007 code), its turnover (by class size), the number of employees.

Maps 1 and 2 show that there is a link between unemployment rate and foreign population: the lower is the unemployment rate, the higher is the foreign population rate (in comparison with Italian population). On the contrary, map 3 shows that the entrepreneurial rate is quite homogeneous among the provinces.

Table 1: Population and foreign firms in Italy

	POPULATION					MICRO FIRMS				
			% composition		% growth rate			% composition		% growth rate
Country	2004	2009	2004	2009	(2009/2004)	2004	2009	2004	2009	(2009/2004)
Albania	316659	466684	14.1%	11.5%	47%	11164	20056	9.9%	12.5%	80%
Bangladesh	35785	73965	1.6%	1.8%	107%	1844	3423	1.6%	2.1%	86%
Brazil	25823	44067	1.1%	1.1%	71%	2117	2748	1.9%	1.7%	30%
China	166327	294630	7.4%	7.3%	77%	17051	28127	15.1%	17.5%	65%
Egypt	52865	82064	2.3%	2.0%	55%	4335	5478	3.8%	3.4%	26%
Former Yugoslavia	162164	206383	7.2%	5.1%	27%	7610	8614	6.7%	5.4%	13%
Morocco	294945	431529	13.1%	10.6%	46%	12257	13564	10.8%	8.5%	11%
Nigeria	31647	48674	1.4%	1.2%	54%	1509	1541	1.3%	1.0%	2%
Pakistan	35509	64859	1.6%	1.6%	83%	1689	2193	1.5%	1.4%	30%
Poland	50794	105608	2.3%	2.6%	108%	1612	2629	1.4%	1.6%	63%
Romania	248849	887763	11.1%	21.9%	257%	9013	20728	8.0%	12.9%	130%
Russia	156837	325089	7.0%	8.0%	107%	2230	5500	2.0%	3.4%	147%
Senegal	53941	72618	2.4%	1.8%	35%	2959	2347	2.6%	1.5%	-21%
Tunisia	78230	103678	3.5%	2.6%	33%	4403	4148	3.9%	2.6%	-6%
Venezuela	4579	5580	0.2%	0.1%	22%	3214	3337	2.8%	2.1%	4%
Sub-total	*1714954*	*3213191*	*76.2%*	*79.3%*	*87%*	*83007*	*124433*	*73.3%*	*78.5%*	*50%*
Eastern Europe	27331	83812	1.2%	2.1%	207%	1488	2290	1.3%	1.4%	54%
Africa	130127	193230	5.8%	4.8%	48%	6507	6337	5.7%	3.9%	-3%
Asia	175803	265297	7.8%	6.5%	51%	6801	7712	6.0%	4.8%	13%
Latin America	183120	275270	8.1%	6.8%	50%	9139	11001	8.1%	6.9%	20%
Others	19571	21698	0.9%	0.5%	11%	6316	6652	5.6%	4.1%	5%
Total	2250906	4052498	100.0%	100.0%	80%	113258	160434	100.0%	100.0%	42%

If we consider big geographical areas (table 2), the ratio between micro firms and foreign population is quite homogeneous, as it is about 4% everywhere: it is just a bit higher in the Centre (4.2) and in the South (4.1%) of Italy, and a bit lower in the North-East (3.6%) and North-West (3.9). On the contrary, if we consider the Italian regions or the Italian provinces, the rates are very different, as there is a ethnic effect. Some ethnic have a rate of entrepreneurship that is higher than other ethnic, and the province composition of ethnic immigrants affects the average entrepreneurial rate of the province. In some provinces, the entrepreneurial rate is very low (1.6% at Matera), whereas in others it is very high (12,1% at Prato). This difference could be done by the difference in the ethnic entrepreneurial rate: Chinese (9.5%), Egyptian (6.7%) and Brazilians (6.2%) are above the average rate (3.9), whereas Russians, Romanians and Polish are under the average (table 3).

Table 2: Geographical distribution of population and foreign firms

	Population			Micro firms			Firms/population rate	
	2004	2009	% growth	2004	2009	% growth	2004	2009
North-West	819544	1420062	73.3%	37473	54883	46.5%	4.6%	3.9%
North-East	624101	1092313	75.0%	29207	39464	35.1%	4.7%	3.6%
Centre	529827	1011815	91.0%	29290	42185	44.0%	5.5%	4.2%
South	277434	528308	90,4%	17288	21893	26,6%	6,2%	4,1%
Total	2250906	4052498	80.0%	113258	158425	39.9%	5.0%	3.9%

Table 3: Entrepreneurial rates by ethnic (2009)

Country	Entrepreneurial rate
Albania	4,3%
Bangladesh	4,6%
Brazil	6,2%
China	9,5%
Egypt	6,7%
Former Yugoslavia	4,2%
Morocco	3,1%
Nigeria	3,2%
Pakistan	3,4%
Poland	2,5%
Romania	2,3%
Russia	1,7%
Senegal	3,2%
Tunisia	4,0%
Venezuela	59,8%
Eastern Europe	2,7%
Africa	3,3%
Asia	2,9%
Latin America	4,0%
Others	30,7%
Total	3,9%

On average, immigrants have a lower entrepreneurial rate than local Italian population, 4% in comparison with 5%, but it is the opposite in some provinces (table 4).

Table 4: Entrepreneurial rate at province level

	Foreign entrepreneurial rate	Total entrepreneurial rate
Mean	3,90%	4,81%
Std Deviation	1,44%	0,61%
100% Max	12,08%	6,59%
95%	6,29%	5,96%
75% Q3	4,48%	5,15%
50% Median	3,54%	4,82%
25% Q1	3,02%	4,38%
5%	2,23%	3,69%
0% Min	1,64%	3,48%

Figure 1: Ratio of foreign population on total population (2009)

Figure 2: Unemployment rate (2009)

Figure 3: Ratio of foreign firms on foreign population (2009)

4 Economic specialization of foreign firms

Another characteristic of the foreign micro firms is the economic specialization of each ethnic.

On average, one third of the foreign firms works in the construction sector, one third in the commercial sector, un fourth in the service sector and only 10% in the industrial sector (table 5).

The country of origin has a strong impact on the economic specialization: 38% of Chinese firms are within the industry (38%) and trade sector (55%), and very few firms are in the construction or in the service. On the contrary, Albanian firms are mainly in the construction (80%), and Bangladesh firms operate in the commerce (79%). Other specializations are as follows: Albanian (80%) and Romanian (69%) firms are mainly in the construction, Bangladesh, Senegalese, Nigerian and Moroccan firms in the trade, Brazilian and Venezuelan[9] firms in the service sector.

Table 5: Foreign firms by country of origin and economic sector (2009)

	Industry	Construction	Commerce	Service	Total
Albania	3,5%	81,2%	5,9%	9,5%	100%
Bangladesh	3,8%	1,0%	79,1%	16,2%	100%
Brazil	4,6%	28,5%	23,4%	43,5%	100%
China	38,4%	1,0%	55,8%	4,8%	100%
Egypt	5,0%	39,1%	32,9%	22,9%	100%
Former Yugoslavia	4,6%	63,4%	13,4%	18,7%	100%
Morocco	4,2%	26,8%	58,4%	10,5%	100%
Nigeria	3,1%	2,3%	59,3%	35,3%	100%
Pakistan	6,2%	11,9%	50,7%	31,2%	100%
Poland	4,0%	34,1%	24,3%	37,5%	100%
Romania	4,0%	68,8%	9,5%	17,8%	100%
Russia	4,7%	36,7%	26,1%	32,6%	100%
Senegal	4,0%	4,5%	80,4%	11,2%	100%
Tunisia	7,4%	55,2%	21,0%	16,4%	100%
Venezuela	6,1%	7,9%	37,9%	48,1%	100%
Eastern Europe	4,3%	33,2%	24,4%	38,1%	100%
Africa	5,4%	10,8%	33,0%	50,8%	100%
Asia	4,1%	13,4%	31,4%	51,0%	100%
Latin America	6,3%	18,7%	24,6%	50,4%	100%
Others	5,7%	9,2%	32,6%	52,5%	100%
Total	10,6%	34,0%	32,3%	23,1%	100%

[9] A part of the Venezuelan immigrants are Italians born abroad that come back to Italy

5 Econometric model: the geographical distribution of the foreign entrepreneurial rates

We run two regression models in two different specifications in order to test the validity of some traditional variables considered in the majority of recent studies on ethnic entrepreneurships. Constant and Zimmerman (2004), with their analysis on the German case, suggest that the relationship between unemployment and ethnic self-employment may differ significantly across immigrant groups. This is why it is important to introduce unemployment rate among control variables in the econometric estimates; we include the provincial total unemployment rate, catching the effect of job market difficulties in pushing up the level of foreign entrepreneurship.

At the same time, the theoretical explanations we report in section two suggest that many differences occur among immigrant subgroups, then we decide to investigate how the presence of different ethnics within each province influences the immigrant entrepreneurial attitude and the growth rate of new ethnic micro-firms. The OLS method is applied to estimate the relationship between ethnic entrepreneurial rate and other covariates. According to Sobel et al. (2010), we adopted a panel analysis that considers time fixed effects through year dummies. Individual fixed effects are not applied because, by definition, they use the multiple observations over time to eliminate individual effects (the provincial specificities in our case), which are exactly the focus of our analysis. All the variables included in the analysis are listed in table 6, with a brief description and some details on the computation procedure.

Table 6. Variable included in the analysis, descriptions and computation methods

Variables	Description
Ethnic Entrepreneurial rate	Ratio between the number of ethnic firms and the ethnic provincial population
Ethnic Firm growth rate	Growth rate of ethnic firms by province
Entrepreneurial rate	Ratio between the total number of firms and the total provincial population
Active population	Ratio between people in active age 20-65 and the total provincial population
Provincial openness	Ratio between the foreign provincial population and the total population
Unemployment rate	Global unemployment rate
Industrial sector	Share of total firms operating in industry
Construction sector	Share of total firms operating in construction
Country	Ratio of people from a specific country (Venezuela, Tunisia, Senegal, Former URSS, Romania, Poland, Pakistan, Nigeria, Morocco, Former Yugoslavia, Egypt, Africa, China, Brazil, Bangladesh, Albany) to total foreign (extra EU12) population
South Italy	Dummy equal to 1 if the province is in the South of Italy
Year dummies	One dummy for each year to catch trend effect. Base period 2009.

Two different models are run, assuming two different specifications for each of them: we try to explain the observed ethnic entrepreneurial rate in time t and the growth rate of ethnic firms from t to t+1. In all the cases the unit of analysis is the province, for which is possible to

collect data on unemployment, population and other characteristics. The observation period is restricted from 2004 to 2009 due to data availability in official Istat database on unemployment.

Regression results are reported in table 7 and the global goodness of fit is good for all the models run. The panel assumptions allow to increase the total number of observations from 103, the number of Italian provinces with complete data for all the six-year period, to 618, and then obtaining more robust results. For all the models estimated, residuals confirm the validity of obtained outcome.

Considering the ethnic entrepreneurial rate, both model 1 and 2 show similar coefficients in term of sign and statistical significance, and this allow to partially control for the sensitivity of results under two different model specifications with and without a specific trend effect.

The effect of global entrepreneurial rate on the probability of self-employment for immigrant is of course positive, suggesting that where the presence of firms is higher, also the probability of observing immigrant firms is higher.

The structure of the provincial population has also an effect in modifying the propensity of immigrants toward entrepreneurship: in an area with an old population the probability to set up a foreign micro firm is higher due to the increasing demand for personal services coming from old population. Provincial openness shows an unexpected negative sign and it does not confirm the attraction effect of ethnic entrepreneurs, because there is a time cycle of the micro firm rates within each ethnic. If we consider the steps of the immigration process, at the beginning there are only men in active age that arrive to Italy to get a job. They start working and they often choose self-employment, therefore the entrepreneurial rate is high for immigrant. In a second step, their families arrive to Italy, the foreign population increases, the provincial openness increases, and the entrepreneurial rate decreases because the denominator of the ratio (population) increases more than the numerator (micro firms).

The general economic trend, caught by the global unemployment rate, has the expected sign. According to the disadvantage theory, when the global unemployment rate increases, then general economic conditions deteriorate and immigrants are one of the less protected categories and the outcome is an increase of the entrepreneurial rate. The answer to higher difficulties in finding a job is self-employment, mainly pursued by the set up of micro firms, a less strong evidence for Italian unemployed who can easily set up more complex organizations, such as limited companies.

Differences across ethnic groups in term of entrepreneurial rate are huge as shown by the estimated coefficient for each ethnic: sometime the coefficient is negative, other time is positive, and it could be mainly due to the different time lags of the immigration process. As previously mentioned, the population and the entrepreneurial rates have different evolution over time, according to the different step of the immigration process of each ethnic. We can identify three groups of immigrants: one characterized by a higher entrepreneurial rate, one by

a lower rate and another is the control group with an average propensity towards entrepreneurship. People from Venezuela, Senegal, Nigeria, former Yugoslavia, Egypt and China show a higher propensity to engage in self-employment, therefore an increase in the relative share of that people over the total immigrant population increases the presence of entrepreneurs within the territory. On the contrary, Tunisian, African and Russian (considering all ex URSS countries) show a lover propensity to open micro-firms, then their share on the total foreign population decreases the percentage of entrepreneurs in the province.

Another interesting point comes from the positive and significant sign of the South dummy, which confirms previous intuition on rough data: the amount of immigrant population in the South of Italy is limited by economical and cultural factors, but the foreign entrepreneur rate is higher than in the North. The interpretation could be positive as well negative. From the one hand, the number of immigrant entrepreneurs is higher because of the geographical and cultural proximity of the countries of origin (Mediterranean countries) and the South of Italy, in addition immigrant entrepreneurs could be more able to exploit local opportunities than local citizens.

From the other hand, however, a higher entrepreneurial rate could suggest the presence of higher labor discrimination that pushes immigrants into self-employment, as it is difficult to get a job in the labor market; in addition, there could be difficulties for the meeting of immigrant families, due to the lack of public services in the South of Italy, and the immigrant population does not increase as in the Northern provinces (with a positive effect on the entrepreneurial rate in the South).

The last two columns of table 7 show the estimates for the growth rate of ethnic firms at provincial level in each year, regressed on the same previous explanatory variables. Results are in this case less clear, mainly due to the fact that the growth rate is more related to the dynamic of the phenomenon over time, and within the time fixed effect it catches a lot of the total variability. However, we can observe that ethnic firms grow more where the level of global entrepreneurship is high, while the ageing structure of population seems not to have influence. The provincial openness has the same negative sign also in explaining the growth rate of new ethnic firms, due to the arrival of families which enlarge immigrant communities without significant changes in the number of new firms. Regarding the industrial specialization, if time fixed effects are assumed, a higher specialization of the province in the construction sector seems to positively influence the growth of ethnic entrepreneurship, while the contrary is true without considering time fixed effects, then no robust conclusions could be derived on this point.

Table 7. Regression results, OLS methods and different specifications

	(1)	(2)	(3)	(4)
	Ethnic Entrepreneurial Rate		Ethnic Firms growth	
General entrepreneurial rate	0.944***	0.952***	1.497***	2.196***
	(0.0798)	(0.0777)	(0.429)	(0.545)
Active population	-0.336***	-0.345***	-0.481	-0.0147
	(0.0562)	(0.0564)	(0.300)	(0.392)
Local foreign openness	-0.230***	-0.267***	-1.089***	-2.820***
	(0.0368)	(0.0308)	(0.249)	(0.285)
Unemployment rate	0.00122***	0.00108***	-0.000856	-0.000231
	(0.000341)	(0.000319)	(0.00182)	(0.00249)
Industrial sector	-0.0198	-0.00363	0.00387	0.893***
	(0.0364)	(0.0305)	(0.163)	(0.216)
Construction sector	0.0394	0.0337	0.530***	0.311
	(0.0282)	(0.0284)	(0.185)	(0.247)
Venezuela	2.291***	2.285***	-3.744***	-3.198**
	(0.212)	(0.212)	(1.251)	(1.513)
Tunisia	-0.0299***	-0.0279***	-0.0283	0.0417
	(0.0102)	(0.0103)	(0.0599)	(0.0750)
Senegal	0.0886***	0.0890***	-0.159	-0.332*
	(0.0311)	(0.0313)	(0.133)	(0.190)
Russia	-0.0843***	-0.0854***	-0.0485	-0.0885
	(0.00918)	(0.00913)	(0.0667)	(0.0783)
Romania	-0.0133	-0.0156*	0.141***	-0.0285
	(0.00913)	(0.00852)	(0.0541)	(0.0615)
Poland	0.00496	0.0140	0.0874	0.150
	(0.0302)	(0.0304)	(0.195)	(0.238)
Pakistan	-0.0508	-0.0518	0.228	0.123
	(0.0334)	(0.0332)	(0.156)	(0.254)
Nigeria	0.288***	0.303***	1.025**	1.854***
	(0.0507)	(0.0513)	(0.447)	(0.546)
Morocco	0.000296	0.00197	-0.0720	-0.00753
	(0.0122)	(0.0125)	(0.0855)	(0.0923)
Former Yugoslavia	0.0315***	0.0334***	-0.0455	0.0689
	(0.0104)	(0.0104)	(0.0529)	(0.0676)
Egypt	0.0831**	0.0972***	0.440**	1.066***
	(0.0353)	(0.0350)	(0.216)	(0.310)
South Africa	-0.0470**	-0.0436**	0.143	0.205
	(0.0210)	(0.0214)	(0.124)	(0.145)
China	0.0874***	0.0864***	0.0435	-0.159
	(0.0160)	(0.0162)	(0.0953)	(0.124)
Brazil	-0.0972	-0.0744	-0.123	-0.00625
	(0.119)	(0.118)	(0.694)	(0.958)
Bangladesh	0.0319	0.0341	0.338*	0.209
	(0.0239)	(0.0233)	(0.178)	(0.212)
Albany	-0.0310***	-0.0299***	0.0422	0.0556
	(0.00773)	(0.00773)	(0.0571)	(0.0688)
Year fixed effect	YES	NO	YES	NO
South Italy	0.00807**	0.00751**	-0.0366**	-0.0952***
	(0.00328)	(0.00296)	(0.0168)	(0.0227)
Constant	0.174***	0.184***	0.116	-0.0275
	(0.0318)	(0.0319)	(0.179)	(0.232)
Observations	618	618	618	618
R-squared	0.584	0.577	0.632	0.290

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The specific effect of each ethnic group, estimated through their share on the total foreign population, is strictly linked to the dynamic of migration flows from each country rather than to a difference in the local opportunities.
Finally, some significant differences emerge among North and South Italian regions at level of new ethnic firms, as the set up of new firms seems to be more problematic in the South and Islands.

6 Some concluding remarks

The importance of micro firms managed by foreign entrepreneurs is highly stressed by economic literature on ethnic minorities, in USA as well as in Europe. In Italy, the economic literature has been mainly focused on immigrant labor market, and not on immigrant firms.
This paper tried to shed light on the latter issue, as it is linked to some specific characteristics of the Italian economy, such as high rate of entrepreneurship, high importance of small and micro firms, and high economic specialization within a small area (industrial districts and clusters of firms).
We think that immigrant firms could play a major role in reducing the problems of integrations that some ethnic minorities have experienced in Italy, as well as in revitalizing the development of some local areas affected by a low rate of entrepreneurship.
The number of immigrant firms has increased in the last decade, and the phenomenon is spread all over the Italian provinces and economic sectors. The geographical distribution of foreign firms is affected by local factors as well as the cultural characteristics of the entrepreneur's ethnic.
The statistical data show that the dynamics of immigrant firms in Italy is impressive in the 2004-2009 period, and that there are a lot of differences among the ethnic groups. Russian firms growth by 147% and Romanians by 130%, whereas the Chinese firms are the most important in Italy, as they represent the 17% of foreign micro firms in 2009.
The comparison with the dynamics of foreign population shows that Romanians growth by 257%, Polish by 108%, and Bangladesh population by 107%. In 2009 the Romanian community is the strongest in Italy, with about 900 thousand of people they represent the 22% of foreign population, followed by Albanians (11%) and Moroccans (11%).
The distribution of foreign micro firms is not homogeneous, as there some specialization concerning geography and economic activity.
If we consider the geographical areas, the ratio between micro firms and foreign population is very low in some province, such as Matera (1.6%) and very high in others, such as Prato (12,1%). This difference could be determined by a country composition effect, as there are differences in the ethnic entrepreneurial rate: Chinese (9.5%), Egyptians (6.7%) and Brazilians (6.2%) are above the average rate (3.9), whereas Russians (1.7%), Romanians (.3)

and Polish (2.5%) are under the average. In addition, the different entrepreneurial rates at province level could be determined by local factors, such as the unemployment rate, the level of foreign population, the sector composition of the local economy, the age composition of local population, and so on.

The econometric exercise takes into consideration the above-mentioned factors, and it states that some local factors are important in determining the foreign entrepreneurial rates of each province, such as the unemployment rate, the province openness to immigrants, the age of local population.

The econometric analysis tests the dynamics of the foreign micro firms in the 2004-2009 period, too. The results state that the significant variables are almost the same of the previous models.

Within both exercises, we tested the importance of the local ethnic population in determining the entrepreneurial rate or the firm growth at province level. The results are different for the different ethnic groups, and there is not a clear interpretation of them. Maybe, the main determinant is not the amount of local foreign population, but the history of its evolution. If we consider the immigration process, in the first step immigrants are only men in active age that arrive to Italy to get a job. They start working and they often choose self-employment, therefore the entrepreneurial rate is high for that ethnic group. In a second step, their families arrive to Italy, the foreign population increases, and the entrepreneurial rate decreases because the denominator of the ratio (population) increases more than the numerator (micro firms). As there is a different timing of those steps, maybe the ethnic variable is significant when the ethnic group is in the first step of its immigrant process, and it not significant when the immigration process is old and the foreign population is bigger thanks to the family reunification.

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