

Municipal debt help for self-employed

A quantitative study on the relation between financial problems and participation of self-employed people in municipal debt help, moderated by self-stigma and trust

Master Thesis

Sociology: Contemporary Social Problems

Faculty of Social and Behavioural Sciences

Danique Logtenberg

9806644

Thesis supervisor: Lute Bos

Second assessor: Rowan ten Kate

26-06-2023

Acknowledgement

I would like to express my gratitude to my thesis supervisor, Lute Bos, for his invaluable involvement and helpful guidance throughout my research. His expertise and support have been really helpful in shaping this study.

Furthermore, I am very grateful for the opportunity to complete my internship at Nautus while working on this thesis. I would like to deeply thank my supervisors Liesbeth aan de Stegge and Inge Busschers for the guidance they provided during the period of my internship and thesis. Their input and mentorship greatly contributed to the quality of my work, as well as to my professional development.

I would also like to express my deep appreciation to all my colleagues at Nautus who generously shared their expertise and knowledge on the subject of my thesis. Their contributions have significantly enriched this research.

Additionally, I am grateful to my classmates and friends who provided me with critical feedback and invaluable support throughout this journey. Your encouragement and belief have been essential in helping me accomplish this milestone. This would not have been possible without you.

I am looking forward to continuing my work at Nautus as a junior advisor starting from September.

Abstract

Introduction: An increasing amount of self-employed people in the Netherlands faces financial problems. However, many people do not access debt help offer by municipalities. This has negative implications for the financial well-being of self-employed people. **Objective:** Understand the factors that influence the low participation rate of self-employed people in municipal debt help. **Theory:** The influence of financial problems, trust in municipal financial services, and self-stigma on financial help are examined to understand self-employed people's financial help-seeking behaviour. **Method:** Data from the single-wave study 'On municipal debt services for self-employed' from the LISS panel is used. Logistic regressions are used to understand the impact of financial problems, trust and self-stigma on participation in municipal debt help. **Results:** Participation in municipal debt help was not affected by financial problems and trust. Self-stigma decreased the participation in municipal debt help. This effects runs independently of one's financial situation. **Conclusion and implications:** Self-stigma on financial help negatively impact the willingness of self-employed people to participate in municipal debt help in case of financial difficulties. Knowledge regarding the available financial services facilitates the participation in debt help programs. Self-stigma can be reduced by creating an environment where people feel comfortable seeking financial help. This can be achieved by sharing stories of self-employed people who have positive experiences with municipal debt help on the website of municipalities. Financial knowledge can be increased by providing accurate and clear information about the available financial services on the website of the municipalities.

Keywords: municipality; debt help; trust; stigma; knowledge; self-employed people

Ethical statement

The study has been approved by the Ethical Review Board of the Faculty of Social and Behavioural Sciences of Utrecht University. The approval is filed under number 23-0730.

Table of contents

1. Introduction	5
2. Literature	8
2.1 Financial help from the municipality	8
2.2 Financial problems	10
2.3 Trust	12
2.4 Self-stigma	15
3. Data and methods	17
3.1 Data	17
3.2 Variables	18
3.3 Analysis	22
4. Results	24
4.1 Crosstabulations	24
4.2 Regression analysis	26
5. Conclusion and discussion	28
6. Policy recommendations	33
References	35
Appendix A	41
Appendix B	43

1. Introduction

Self-employed people are a financially vulnerable group. Their income is often varying, which can make it difficult to maintain stable finances and plan for the future (Nationale Ombudsman, 2022; Nautus, n.d.). Unlike employees in traditional jobs, self-employed people generally do not have access to employer-provided benefits and safety nets, such as retirement plans, unemployment benefits, and insurances (Nationale Ombudsman, 2022). They are responsible for funding these provisions themselves. As a result, in periods of less income, self-employed people run a greater risk of developing problematic debts. Furthermore, many self-employed people are personally accountable for the actions and financial affairs of their business (KVK, 2023). In such cases, there is no separation between their personal and business assets. This means that if their business encounters financial difficulties, creditors can claim their personal belongings. Similarly, if self-employed people face personal financial problems, creditors can seek repayment from their business funds. This makes them more vulnerable for financial risks.

The financial situation of self-employed people has been negatively impacted by the recent energy crisis and COVID pandemic. As a result, many people used up their financial buffers. In 2022, there were 1.2 million people in the Netherlands who are self-employed as their main occupation (Centraal Bureau voor de Statistiek, 2022). 30 to 40 percent of this growing group is experiencing a long-term revenue decline (Deloitte, 2020). Of the 76.000 companies that were closed down in 2022, four out of five companies were owned by self-employed people (CBS, 2022). Due to these recent events, it is expected that there will be an increase in the number of self-employed people with financial problems and problematic debts seeking debt counselling in the upcoming years (Binnenlands Bestuur, 2021; Croese, 2021).

It is therefore crucial to ensure the provision of adequate support for this group. Since 2021, the Dutch municipalities are responsible for financial assistance to self-employed people (Wetten Overheid, 2022). However, the access to debt help for self-employed people strongly differs between municipalities (Nationale Ombudsman, 2022; Croese, 2021). In almost two-third of the 150 studied municipalities, there is a lack of clear and accurate information regarding financial assistance for self-employed people (Pointer, 2021). It also occurred that self-employed people have been refused debt help and that debt help for self-employed people was not even offered (Pointer, 2021; Nationale Ombudsman, 2021). Furthermore, in several municipalities, the debt help regulations are complex and have long processing times (Inspectie Sociale Zaken en Werkgelegenheid, 2020). These factors can restrict the access to municipal

debt help for self-employed people. This hinders people's ability to seek help for their financial issues. This is reflected in the participation rates of these services, as self-employed people show a low willingness to seek help from the municipality in case of financial difficulties (Inspectie SZW, 2020). As a result, their financial stress continues to persist, which has a negative impact on their financial and psychological well-being (Ryu and Fan, 2022). This particularly affects vulnerable populations, such as self-employed people.

Many self-employed people are unaware of the financial help that municipalities can offer or do not know how to apply for the services (Inspectie SZW, 2020). It is possible that there are people who would seek help from the municipality if they were aware of the services. Notably, the knowledge regarding the financial support they can receive is lowest among self-employed people with financial problems (Inspectie SZW, 2020). Many self-employed people in financial hardship therefore do not make use of municipal debt help, despite their need for financial assistance (Nationale Ombudsman, 2022). As a result, financial issues among self-employed people can remain unaddressed for a long period of time, causing the risk of developing problematic debts (KVK, 2022).

Furthermore, the limited access to debt help can lead to self-employed people feeling that their financial situation is not adequately addressed by the municipality, thereby perceiving the existing debt help regulations as unfair (Nationale Ombudsman, 2022). Such negative views can lead to a loss of trust in the ability of the municipality to provide accessible debt help tailored to their needs (Kavanagh et al., 2020). Additionally, as self-employed people are often not on the radar for debt assistance, many municipalities are not yet equipped to properly help self-employed people with debts (Croese, 2021). They often lack specialised knowledge and experience to effectively help self-employed people (Nationale Ombudsman, 2022). This can also result into lower levels of trust in the effectiveness of municipal debt help, which can reduce the participation of self-employed people in these services. According to research from the Inspectie SZW (2020), self-employed people who have had experience with municipal debt help were moderately positive about the provided assistance. They specifically expressed their dissatisfaction with the expertise of the municipality, which aligns the expectations they hold regarding the financial services of the municipality.

Another barrier on the entrepreneurs' side that can prevent them from participating in municipal debt help is the self-stigma related to financial problems and debt help. Self-employed people tend to be reluctant to share details about their financial situation and seek

help, due to feelings of shame and not wanting to face the severity of their financial issues (Nationale Ombudsman, 2022). There is also a taboo among self-employed people about needing financial support. Self-employed people are used to manage their own financial situation, which can cause them to avoid seeking and accepting help (Inspectie SZW, 2020). They can also perceive it as a personal failure and harmful to their image as a successful business owner (Nationale Ombudsman, 2022).

In order to prevent debts from getting out of hand, it is essential to address them as soon as possible. It is therefore important to identify which obstacles self-employed people encounter when seeking municipal debt help. Consequently, the aim of this study is to answer the following research questions:

To what extent do financial problems influence the participation of self-employed people in municipal debt help in the Netherlands?

To what extent is the relation between self-employed people with financial problems and their participation in municipal debt help moderated by trust in municipal debt help and self-stigma regarding financial help?

Providing clear, accessible and effective financial support for self-employed people can help municipalities to increase the trust among self-employed people in their financial services (Nationale Ombudsman, 2022). Additionally, reducing feelings of self-stigma related to debt help may help self-employed people to overcome this obstacle and encourage them to participate in municipal debt help.

A better understanding of the factors that influence the participation of self-employed people in municipal debt help will thus help municipalities to tackle specific barriers and improve the access to debt help. Therefore, the following policy question is formulated:

How can municipalities in the Netherlands increase the participation of self-employed people in municipal debt help?

Participation in municipal debt help will provide crucial support to self-employed people in effectively managing their financial difficulties. This contributes to the establishment of a healthy financial situation for their business and enhances a financially stable future. The existence and growth of self-employed people's businesses is beneficial for the municipalities, as it contributes to the local economy and reduces the costs for income support or welfare programs (Kerckhaert, 2016).

The existing literature reveals a scientific knowledge gap regarding the low participation rate of self-employed people with financial problems in debt help offered by the Dutch municipalities. Previous studies merely identified the poor provision of information and limited capacities of the municipality as the core problem of the inaccessibility of its financial services for self-employed people. However, the potential effects of other factors, such as trust in municipal services and self-stigma on seeking financial help, on self-employed people's participation in debt help have empirically limitedly been explored. Also, much of the literature is focused on debt help for citizens or entrepreneurs in general, rather than explicitly focusing on self-employed people. Hence, this research will contribute to the literature by studying the effects of financial problems, trust and self-stigma on the participation of self-employed people in municipal debt help. Understanding the factors that influence the relation between self-employed people in financial hardship and municipal debt help is of significance important for municipalities to develop policies that effectively reach and support self-employed people with their financial problems.

2. Literature

2.1 Financial help from the municipality

Debt help offered by the municipality provides a way for self-employed people who are struggling with their finances to address their problems and improve their financial situation. However, the decision to potentially participate in these programs is influenced by many factors that significantly shape people's choices. Grable and Joo (1999) investigated help-seeking behaviour in a financial context. They conceptualised seeking help as a strategy to deal with financial problems. The decision-making process of financial help-seeking behaviour is presented in figure 1. The framework consists of five different stages: (1) the exhibition of one's financial behaviour, (2) the evaluation of one's financial behaviour, (3) the identification of the causes of one's financial behaviours, (4) the decision to seek and use help, and (5) the choice among help providers. In this study, the fourth and fifth stage will be investigated in relation to self-employed people and their decision to seek financial help from the municipality.

When people seek financial assistance, they are faced with a choice of where to turn to for help (Martens & Valenzuel, 2010). People can seek help from a professional with expertise in managing money and offering financial advice, such as financial advisors, debt counsellors and municipal agencies, or they can turn to non-professional sources, such as friends, colleagues and family members (Lim et al., 2014). The selection of a help provider, as well as the decision to seek and use financial help, is influenced by a person's financial situation,

financial knowledge and demographic, socioeconomic and psychosocial characteristics (Grable and Joo, 1999). Grable and Joo (2001) found that individuals with higher financial risk tolerance, better financial behaviour and higher financial satisfaction are more likely to seek help from professional sources, rather than from non-professional sources.

People with higher financial risk tolerance are more likely to overcome barriers associated with seeking professional help (Letkiewicz et al., 2015). Self-employed people tend to have a higher financial risk tolerance and a stronger focus on the future compared to salaried employees (Brown et al., 2011). This can be attributed to the entrepreneurial mindset that self-employed often have. Generally, entrepreneurs are more comfortable with uncertainty and more willing to take risks in order to achieve their goals (Shtudiner, 2018). They are more inclined to pursue new opportunities, even if the outcomes are not certain. They also understand that an investment in time and effort is required before they can achieve the desired results. Participation in professional financial help, such as debt counselling, requires a strong level of involvement and involves certain uncertainties, as a successful completion of the program is not guaranteed (VNG, 2022; Nationale Ombudsman, 2022). People with higher risk tolerance may be more inclined participate in these services, motivated by the hope for positive outcomes even though it cannot be assured. Additionally, when individuals have limited knowledge about the debt counsel program, participation in it requires a higher level of risk-taking behaviour (Du Plessis et al., 2010). People with a higher financial risk tolerance may be more willing to take the chance and participate in the services. It is thus expected that self-employed people would be more inclined to seek help from professional sources, such as municipal debt help, rather than relying on non-professional support. Miller and Montalto (2001) found a positive relation between self-employment and the use of financial services. Research conducted by the Nationale Ombudsman (2022) indicates a modest positive relation between self-employed people and the use of municipal debt help.

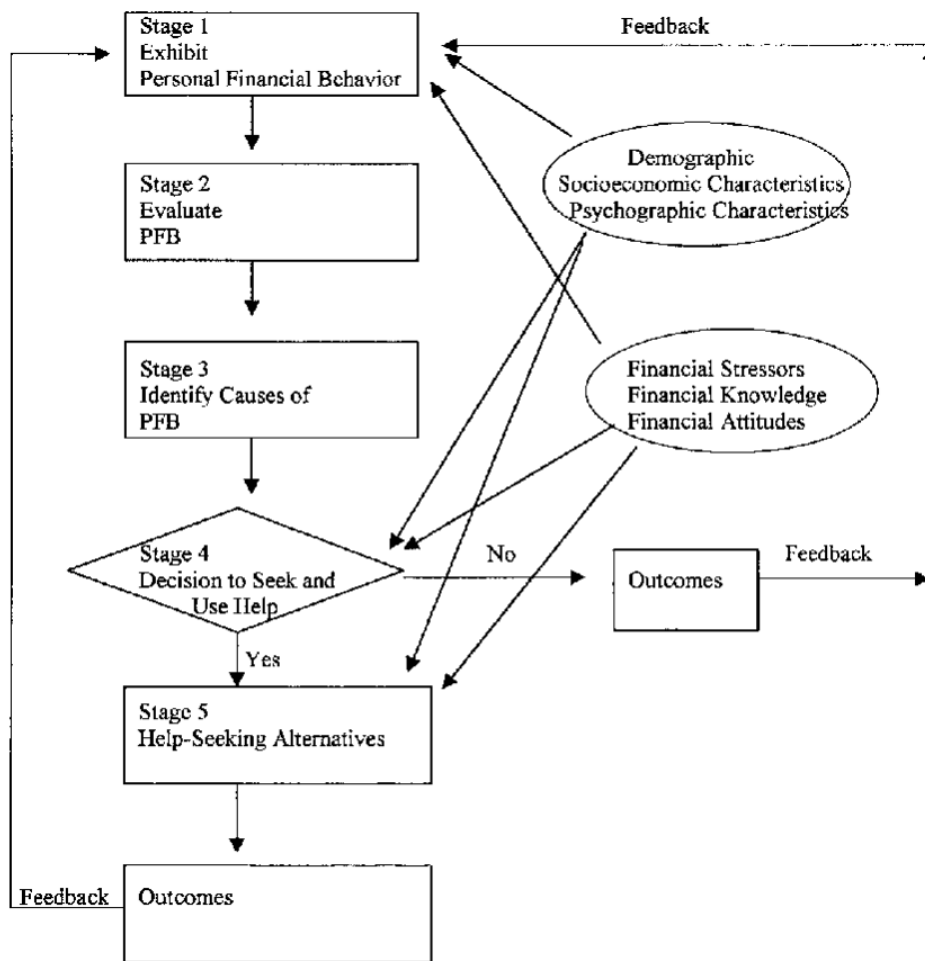


Figure 1: Conceptual framework of personal finance help-seeking behaviour. Grable and Joo (1999).

2.2 Financial problems

The decision of self-employed people to make use of debt counselling in case of financial problems is a complex one that involves many factors. Becker's (1965) cost-benefit analysis can be used in understanding why some people do or do not choose to participate in municipal debt help from a rational point of view. According to this theory, individuals make decisions based on their expectations of the costs and benefits of various options. Benefits could include a decrease in financial problems, guidance and support during financial struggles, and the chance on a secure and financially stable future. Cost factors could include time and effort required to participate in debt help. Debt counselling is often a long and intensive process. People must be willing to make this investment. Furthermore, to participate in debt help, people must provide detailed information about their financial situation. Sharing this information can be difficult for self-employed people and creates a barrier to engage in debt help (Nationale Ombudsman, 2022). It may also be necessary that budget management temporarily manages people's finances in order to stabilise their financial situation so that they

could repay their debts. Giving up control over their finances is often a big obstacle for self-employed people (VNG, 2022). However, when the benefits of debt counselling outweigh the costs, people are more likely to participate in the program. As one's financial problems become more severe, the need for financial help becomes more urgent, making it more beneficial to participate in debt help. When people experience financial difficulties, they gain a personal understanding of the challenges and stress associated with financial problems. This makes them better comprehend and recognise the value and potential relief that debt counselling can provide. Motivated by the benefits of debt counselling, such as regaining financial stability and control over their financial situation, this personal experience can increase their commitment to participate in debt help. Grable and Joo's (1999) confirm that financial stressors are an important determinant of people's financial help-seeking behaviour. In the same regard, the study conducted by Robb et al. (2012) revealed that satisfaction with one's current financial situation is negatively related to the use of debt counselling. When people are satisfied with their financial situation, they are not likely to feel the need to change, or improve, their financial situation. Having financial difficulties, on the other hand, is an undesirable situation that often leads to feelings of dissatisfaction. This creates a desire to improve their financial situation, which can be achieved by participating in debt help.

However, when financial problems reach a certain threshold, people may be discouraged from seeking help. Letkiewicz et al. (2015) found in their study that people who experience large financial problems tend to avoid seeking financial help. They feel that debt counselling will not sufficiently help them, as they believe their financial problems are too substantial to be addressed. This results in a sense of powerlessness and discouragement to seek help. However, this negative relation between financial problems and financial help only seems to occur when people have low self-efficacy (Letkiewicz et al., 2015). Financial self-efficacy refers to an individual's ability to solve financial problems, which influences one's success in changing his behaviour to cope with financial troubles. Self-efficacy positively impacts the likelihood of seeking financial help (Bandura, 19707). Lapp (2010) and Lim et al. (2014) find that a higher sense of financial self-efficacy is associated with lower debt, fewer financial problems, higher savings, and greater financial happiness. A lack of self-efficacy in combination with financial problems can thus lead to a sense of discouragement. This makes them less inclined to take action to resolve their financial issues. This may explain why some self-employed people feel hindered from participating in debt help. The financial problems of self-employed people are often large and complex (VNG, 2022). As a consequence, self-

employed people may not feel confident enough to overcome their financial difficulties, resulting in their decision not to participate in debt help. The people who seek debt counselling are found to be least confident about their financial abilities, while people with strong financial confidence are less likely to seek financial help, as they have the belief that they can successfully manage their financial situation without external support (Robb et al., 2012).

Nevertheless, the majority of the literature indicates a positive relationship between financial problems and participation in debt help, which leads to the following hypothesis:

H1: There is a positive relation between financial problems among self-employed people and their willingness to participate in municipal debt help.

2.3 Trust

Trust plays a crucial role in shaping the legitimacy and sustainability of political systems (OECD, 2016). It influences people's perception of the credibility and effectiveness of policies and programs, and impacts their willingness to engage with them (Klijn et al., 2010). When people have a higher level of trust in institutions, they are more likely to comply with laws and regulations (OECD, 2016). Several studies show support for the positive relation between institutional trust and citizen support for, as well as voluntarily compliance with, the related government policies and regulations (OECD, 2016; Murphy, 2004).

Trust in institutions and regulations is built upon several factors, such as the perceived competence, integrity, accuracy of information, understanding of individual challenges, and the extent to which the services meet individuals' needs and provide effective solutions (Kavanagh et al., 2020; Nationale Ombudsman, 2022). When related to the context of this study, many municipalities did not offer accessible debt help for self-employed people (Croese, 2021). In such cases, the information provided by municipalities was incorrect or unclear, the access procedures were complex, and the support inadequately fitted to the needs of self-employed people (Pointer, 2021; Nationale Ombudsman, 2021). As a result, self-employed people can feel uninformed about the debt help options offered by the municipality and uncertain about the competence of the municipality to address their financial issues (Nationale Ombudsman, 2022). This can undermine the trust that self-employed people have in municipal debt help and reduce the chance of participating in these services.

As illustrated in the trust game, past interactions influence future interactions (Granovetter, 1985). Information regarding these interactions can be gathered from personal experiences as well as from experiences of other actors with that party (Buskens and Raub,

2013). Positive past experiences increase trust towards that party, while negative experiences have long-term negative consequences on trust in that party in the future (Schaap, 2018). When related to the context of this study, the effectiveness of the financial services of a municipality – whether actual or as perceived – thus influences the willingness of self-employed people to participate in the services. When someone demonstrates trust in the financial services of the municipality and that person willingly decides to participate in the services, that person expects that the act of having faith in the service ultimately provides favourable results, such as assistance in decreasing his debts. If this is not the case, the trust of that person in the financial services of the municipality may diminish. As a result, people may be less inclined to seek help and lack the motivation to fully engage in the program. This hinders their involvement in municipal debt help, even when facing financial problems, thereby preventing them from accessing the support needed to improve their financial situation.

Self-employed people are a challenging target group for municipal debt relief services. Self-employed people often have different and more complex needs in debt counselling compared to individuals seeking personal debt assistance (Binnenlands Bestuur, 2022). Their average debt is typically higher and more complicated, due to underlying contracts, attachment issues and the settlement of tax returns (Tweede Kamer der Staten-Generaal, 2021). Their debts often consist of a combination of business and personal debts, which makes it more difficult to deal with (Vereniging van Nederlandse Gemeenten, 2022). These complicated financial issues therefore require specialised knowledge and approaches. However, not every municipality possesses the expertise to sufficiently provide the self-employed the help they need (Nationale Ombudsman, 2021; Bunt, 2018). This can be attributed to the fact that municipalities have recently gotten this responsibility (Wetten Overheid, 2022). Not all municipalities have had sufficient time or resources to acquire the necessary knowledge, experience, and expertise in addressing the financial needs of self-employed people (Nationale Ombudsman, 2022). In several municipalities, there was a misalignment between the self-employed person's and debt counsellor's perception of the severity of the financial situation and the potential solutions (VNG, 2022). As a result, the self-employed persons did not feel properly supported with their issues and felt that their situation and needs were not adequately taken into consideration (Nationale Ombudsman, 2022). Such negative experiences can undermine their trust towards municipal debt help which potentially hinders their future participation in the services (Inspectie SZW, 2020).

There is also evidence that positive experiences with municipal debt help programs contribute to positive expectations towards the services in the future. The municipality of Amsterdam offered a debt help program specifically targeted at self-employed people. This program had a positive impact on the financial situation of the participants (Gemeente Amsterdam, 2023). The people who participate in the program expressed satisfaction with the services and felt supported by the municipality in addressing their problems. Following the principles of the trust game, these positive experiences can contribute to more positive views towards the financial services provided by the municipality, which can stimulate the participation in municipal financial services (Granovetter, 1985).

Trust is believed to have a stronger positive impact on the participation in municipal debt help among self-employed people with financial problems than among people without financial problems. People facing financial difficulties often encounter a range of discouraging factors that can hinder them in taking the necessary steps to seek help for their financial problems. As a result, motivating factors, such as trust, become crucial in overcoming these barriers to participate in debt help. People who face financial difficulties often feel ashamed and stressed because of their problems (Nationale Ombudsman, 2022). This can make it difficult to share sensitive information and concerns related to their financial situation, especially for self-employed people who are used to their independence (Nationale Ombudsman, 2022; Inspectie SZW, 2020). But if they have confidence in the municipality to handle their information securely and offer suited help for their problems, they can be more willing to participate in the debt program. Furthermore, trust in an institution increases the involvement in regulations of that institution that require a trade-off between short-term sacrifices and long-term gains (OECD, 2016). When people have severe financial problems, it can be necessary to hand over the control over their finances for their participation in debt counselling. This is often a big sacrifice for self-employed people, as they are used to manage their own finances (VNG, 2022). If self-employed people have confidence in the municipality to effectively help them with their financial difficulties, they can be more willing to overcome this hurdle and participate in the offered debt help.

Based on the existing literature, the following hypothesis can be formulated:

H2: A higher level of trust in the expertise of municipal financial help positively influences the relation between financial problems and self-employed people's participation in municipal debt help.

2.4 Self-stigma

The participation in debt help can be influenced by self-stigma. Self-stigma refers to negative internalised beliefs, attitudes or stereotypes associated with a particular characteristic or identity (Corrigan and Rao, 2012). Self-stigma can lead to feelings of shame, self-blame and a diminished self-image, which can impact people's behaviour. Within the context of self-employed people, self-stigma related to seeking financial help can hinder their participation in debt help. Cultural capital plays a role in shaping the internalised beliefs and attitudes of self-employed people, which in turn influence their decision regarding seeking financial help. Cultural capital refers to the cultural resources that a person possesses, such as knowledge, skills, mannerisms and norms (Bourdieu, 1986). Having a strong work ethic and the ability to resolve matters independently are forms of cultural capital that can be seen in the entrepreneurial community (Nationale Ombudsman, 2022). Self-employed people often possess a strong sense of self-reliance. They typically manage their own work, finances and administrative tasks, and tend to handle challenges on their own rather than seeking external help (Nationale Ombudsman, 2022). As this emphasis on self-reliance becomes an internalised norm among self-employed people, it can strongly shape their attitudes and behaviour towards seeking help, which may not always be beneficial (Martens & Valenzuel, 2010). While self-employed people may desire to be financially self-reliant, they may lack the necessary skills to effectively manage their finances (Inspectie SZW, 2020). As a consequence, they can encounter financial difficulties and find themselves in need of financial help. However, despite their financial difficulties and the availability of financial help, they may choose not to seek help for their problems, due to their entrepreneurial mindset and tendency to handle matters independently (Nationale Ombudsman, 2022; Inspectie SZW, 2020). By seeking help, they compromise their sense of independence. Participating in financial help can therefore even be a significant barrier for this group, as they may feel that it contradicts with their norm to be self-reliant and perceive seeking help as a sign of weakness (Grable and Joo, 2001). As a result, self-employed people may feel obligated to resolve their problems on their own and not rely on financial help from external parties, such as debt counselling. This discourages them from applying for debt help.

Goffman's theory of shame (1963) contributes to understanding the role of shame related to financial problems in causing self-employed people to be hesitant to participate in debt help. Among self-employed people, having financial problems and needing financial help are often accompanied by feelings of shame (Nationale Ombudsman, 2022). According to

Goffman's theory of shame (1963), shame is a social emotion that arises when individuals fail to meet societal norms or when they fall short of their own standards or expectations. This can influence people's behaviour. Shame is particularly present when such failures are experienced publicly or when they threaten one's social identity (Corrigan and Rao, 2012). For self-employed people, having financial problems and needing financial help can be seen as an inability to effectively manage their business, which can be perceived as a personal shortcoming (Nationale Ombudsman, 2022). The need for financial support can even be seen as a sign of weakness or failure. This undermines the social identity of self-employed people as being financially independent (Inspectie SZW, 2020). This can result into feelings of shame, which may withhold them from participating in debt help. Self-employed people can also be reluctant to seek help due to the fear revealing their financial problems may cause others to question their competences and damage their public display as a successful entrepreneur (Grable and Joo, 2001). In an attempt to protect their social standing, self-employed people may choose to conceal or deny their financial difficulties and refrain from seeking help. As a consequence, numerous self-employed people do not make use of debt help or delay seeking help until their problems have become severe (Nationale Ombudsman, 2022). Studies from the Nationale Ombudsman (2022) and Du Plessis et al. (2010) confirm shame around financial problems and financial help to be a significant barrier to seeking financial help. It is therefore expected that self-stigma has a particularly negative impact on self-employed people with financial problems.

Based on the literature, the following hypothesis is formulated:

H3: Self-stigma on seeking financial help negatively influences the relation between financial problems and self-employed people's participation in municipal debt help.

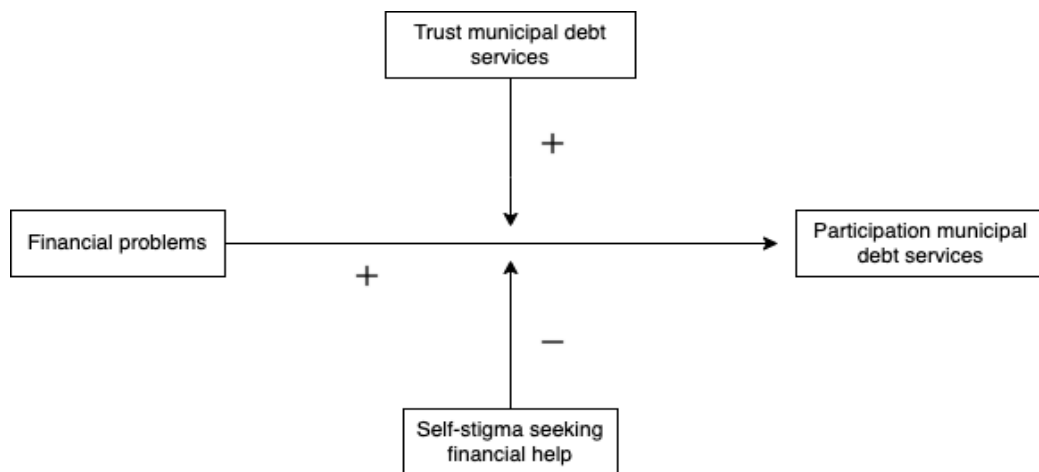


Figure 2: Conceptual model

3. Data and methods

3.1 Data

In this paper data from the Longitudinal Internet Studies for Social Sciences (LISS) panel is used. This panel is administered by the research institute CentERdata (Tilburg University, The Netherlands). The collection of the LISS panel data was carried out by CentERdata under the Measurement and Experimentation in the Social Sciences (MESS) project, which is funded by the Netherlands Organization for Scientific Research (NWO). The LISS panel contains a representative sample of Dutch individuals who participate in monthly internet surveys. The panel is based on a true probability sample of households drawn from the population register (Centerdata, 2022). The LISS Panel consists of 5000 households in the Netherlands, containing approximately 7500 individuals. The surveys cover a variety of topics, such as health, work, education, income, housing, political views, and personality. Online questionnaires are sent to the panel members every month. Participants receive a financial reward for each completed questionnaire. Households that could otherwise not participate in the survey are provided with a computer and internet connection. The LISS data archive is open for everyone. More information about the LISS panel can be found at: www.lissdata.nl.

This paper builds upon data from the single-wave study ‘On municipal debt services for self-employed’, fielded in the LISS panel (Bot, 2019). The survey received funding from the Netherlands Organization for Scientific Research, and Social Affairs and Employment, and was published by CentERdata in 2020. The data was collected during the period from 3 September 2018 to 25 September 2018. The sample of the survey includes individuals who

define themselves as a freelancer or self-employed. The questionnaire was presented to 326 self-employed household members. No response was received from 127 (39%) panel members. A reminder was sent twice to those who did not respond. Of the 199 (61%) respondents who participated in the survey, 195 respondents fully completed the questionnaire (response percentage 60%).

For this research, only the valid cases are used in the analyses. Respondents who have missing or invalid values on any of the variables were excluded. After exclusion, the final dataset for the analyses consists of 164 people who are all self-employed. Table 1 presents the descriptive statistics of the variables included in the regression analyses on the participation in municipal debt help services among self-employed people.

3.2 Variables

Dependent variable

Participation in municipal debt services

A measure of the decision of self-employed people to participate in municipal services to deal with financial problems in relation to their company is composed using five items of the LISS questionnaire. Respondents were asked if they would go to the municipality for help if their business were to run into financial trouble, and if the municipality would be the first or second place to go to for help with financial problems regarding their company. The full list of items can be found in appendix A. The three items are used to create a dummy variable, with a score of 0 representing the unwillingness, and a score of 1 representing the willingness of respondents to participate in municipal debt help. If respondents answered ‘yes’ on at least one of the three items, it indicates that they would be willing to participate in municipal debt help. Respondents who answered ‘no’ on all questions would not be willing to participate in the services. Table 1 shows that 9,15 percent of the 164 respondents in this study would participate in municipal debt help in case their business has financial problems.

Independent variable

Financial problems

The variable ‘financial problems’ is constructed by combining four items on the LISS questionnaire into one dummy variable. A score of 0 represents that a respondent does not have financial problems and a score of 1 represents that a respondent does have financial problems. In the questionnaire respondents were asked whether they have difficulties making ends meet,

problematic debts, unexpected necessary expenditure that cannot be covered, and financial problems. The full list of items can be found in appendix A. If respondents answered ‘yes’ on at least one of the four abovementioned questions, it indicates that they are having financial problems. As seen in table 1, 25 percent of the respondents is experiencing financial problems at the time that they participated to the questionnaire.

Moderators

Trust in expertise municipal financial help

The moderator trust in the expertise of the municipality is measured by a single item, asking respondents if they think that the municipality has sufficient expertise to help self-employed people with financial issues. A score of 0 on the dummy variable represents a lack of trust in the expertise of the municipality, whereas a score of 1 represents that respondents have faith in the expertise of the municipality. Table 1 presents that 81,1 percent of the respondents indicates to have trust in the expertise of the municipality to provide financial help to self-employed people.

Self-stigma on participating in debt services

The moderator self-stigma on seeking financial help is created by using two items of the LISS questionnaire. Respondents were asked whether they think it could damage their image as an entrepreneur if they turn to the municipality for help, and whether they believe that entrepreneurs should make use of public resources. The first item captures the respondents’ internalised concern that seeking financial help may harm their professional reputation as a successful entrepreneur. The second item reflects the respondents’ internalised norm that self-employed people should not make use of public resources, which includes municipal debt help, as they believe it violates their self-reliance. The full list of items can be found in appendix A. The two items are combined into one dummy variable. A score of 0 represents that the respondent does not experience feelings of self-stigma regarding seeking financial help from the municipality, whereas a score of 1 represents that the respondent does feel self-stigmatised. Of the 164 respondents, 52,4 percent states to be reluctant to go to the municipality for financial help due to feelings of self-stigma.

Control variables

Differences in length of time owning a business, knowledge of municipal financial help, and experiences of others with municipal financial services can potentially influence self-

employed people's likelihood to participate in municipal debt help. These variables are therefore controlled for in the analyses.

Start-up business

Generally, the longer a person owns his business, the more established and financially stable the business is likely to be (Dunne and McBrayer, 2019). This can make them less likely to need debt help. Starting entrepreneurs often experience higher financial risks, due to less industry expertise, less experience with running a business and dealing with financial challenges (Mann and Sanyal, 2010). Self-employed people who own their business for a longer time may have accumulated knowledge and savings that can help them manage their debt without needing outside assistance. The larger financial risk of starting entrepreneurs thus increases their likelihood of participating in municipal debt help.

In this study, a dummy variable is created to measure the effect of being a starting-business owner. Respondents were asked in which year they started their business. Businesses that are no more than five years old are considered as a start-up business (Belastingdienst, n.d.). Businesses that have been owned by the respondents for 5 years or less at the time of the questionnaire are seen as starting businesses, and these respondents are represented by a score of 1. Respondents who own their business longer than five years are represented by a score of 0. Table 1 shows that 28,1 percent of the respondents is a starting-business owner.

Knowledge of financial help from municipality

Lack of knowledge about municipal sources offering financial help create barriers to financial help-seeking behaviour. If self-employed people are not familiar with the possibility to receive financial help from the municipality, they are less likely to participate in these services. Du Plessis et al. (2010) found lack of knowledge about financial help from professional sources to be a significant barrier to seeking financial help. The study from Robb et al. (2012) showed that limited financial knowledge also negatively relates to the use of debt help.

In this research, to measure the effect of knowledge of municipal financial help, a dummy variable is created. Respondents were asked whether they knew it is possible to get financial help from the municipality with dealing with debt. A score of 0 represents respondents who are not and a score of 1 represents respondents who are familiar with the possibility to get

municipal financial help. As presented in table 1, 63,4 percent of the 164 respondents knows that it is possible to get financial help from the municipality as a self-employed person.

Experience municipal financial services other self-employed

Being familiar with experiences of other self-employed people with municipal financial services increases the chance that a person is aware of the municipal debt help services for self-employed people. This may increase the likelihood of that person participating in the financial services of the municipality when that person is experiencing financial problems.

In this study, experiences of other self-employed people with municipal financial services are measured by a dummy variable. Respondents were asked whether they are familiar with experiences of other self-employed people who have interacted with the municipality about financial issues. A score of 0 represent respondents who are not familiar with such experiences, and a score of 1 represents respondents who are. As shown in table 1, 4,9 percent of the respondents is familiar with experiences of other self-employed people with financial support from the municipality.

Table 1: Descriptive statistics

Variable	Range	Mean
Municipal debt help	0-1	.092
Financial problems	0-1	.250
Trust	0-1	.811
Self-stigma	0-1	.439
Start-up business	0-1	.281
Knowledge municipal services	0-1	.634
Experience financial help others	0-1	.049

Note: N = 164

3.3 Analysis

A binomial logistic regression analysis is used to examine the impact of financial problems on the willingness of self-employed people to participate in municipal debt services in the event of financial problems within their business. Additionally, this analysis examines the potential moderating effects of trust in the expertise of municipal debt services and self-stigma related to seeking financial help on the relationship between financial problems and the participation in municipal debt.

Assumptions of logistic regression

In order to perform a logistic regression analysis, the dependent variable must be dichotomous. Other assumptions that have to be met are the independence of observations, linearity between the independent continuous variables and the logit of the dependent variable, absence of multicollinearity, and absence of influential outliers (Stoltzfus, 2011). There should also be a sufficient number of events per independent variable in order to avoid an overfit model.

With the dependent variable *participation in municipal debt help* having the answer categories (0) *no* and (1) *yes*, the first assumption of the logistic regression is met. The Hosmer-Lemeshow Test is used to test the goodness of fit of the models. Each model shows a significance value larger than 0.05, which indicates that the models adequately fit the data. The assumption of independence of observations is met since a respondent either is or is not willing to participate in municipal debt help. The assumption of linearity is not applicable to dichotomous variables, as they do not have a linear relationship with the log odds of the dependent variable. Since all variables in the logistic regression analysis in this study are dichotomous, linearity is not a relevant assumption to test. Therefore, it can be assumed that the assumption of linearity is met. Since all variables are dichotomous, testing the assumption of influential outliers is also not needed. There are no extreme outliers, as they can only take on two values (0 or 1). Therefore, the assumption of absence of influential outliers is met. The potential presence of multicollinearity is evaluated using the variance inflation factor. No VIF value larger than 5 is found, which indicates that multicollinearity is not present. The outcomes of the test for multicollinearity are included in appendix B.

To mitigate the risk of overfitting, it is recommended to have at least 10 to 20 events for each independent variable included in the analysis (Stoltzfus, 2011). In the current study, three independent variables are examined. To ensure statistical power, an amount of 30 to 60

self-employed individuals who would participate in municipal debt help is recommended, as well as 30 to 60 individuals who would not. However, in the sample of this study, only 15 respondents reported that they would participate in these services, whereas 149 would not. Additionally, in order to test the effect of financial problems on participation in municipal debt help and the influence of the moderator variables trust and self-stigma on this relationship, a sufficient number of events is necessary. It is recommended that the sample size includes at least 10 to 20 self-employed individuals who are experiencing financial problems and would participate in municipal debt help, as well as 10 to 20 individuals who would not. A similar range is needed for examining whether trust and self-stigma moderate this relationship. However, in this study, of the 15 respondents who would participate in municipal debt help, only 1 is experiencing financial problems. This is shown in table 2. As presented in table 3, 37 respondents with financial problems expressed trust towards the municipality, whereas only 4 respondents did not. Regarding self-stigma, there were at least 20 respondents in both the groups that did and did not report feelings of self-stigma. This is presented in table 4. The assumption that there is an adequate number of events per independent variable is thus not met.

Regression models

Model 1 measures the effect of financial problems on the decision of self-employed people to participate in municipal debt services, and controls for having a start-up company, being familiar with experiences of other self-employed people with municipal financial help, and knowledge regarding the possibility of receiving financial help from the municipality. The moderator trust in the expertise of the municipality with financial help, and the moderator self-stigma on seeking financial help are also included.

Model 2 tests for the moderation effect of trust in the expertise of municipal debt services on the relation between financial problems and self-employed people's participation in municipal debt services. In this model the interaction effect of trust in municipal debt services and financial problems is included.

Model 3 tests for the moderation effect of self-stigma on seeking financial help on the relation between financial problems and self-employed people's participation in municipal debt services. In this model the interaction effect of self-stigma and financial problems is included.

4. Results

4.1 Crosstabulations

Table 2 displays the distribution of frequencies between the independent variable financial problems and the dependent variable municipal debt help. In this study, the willingness to participate in municipal debt help is quite low. Of a total of 164 respondents involved in the sample, 149 would not be willing to participate in municipal debt help if they were to encounter financial difficulties. There are 40 people who expressed their unwillingness to participate in municipal debt help, despite experiencing financial problems. Surprisingly, only one respondent with financial problems would be willing to participate in municipal debt help.

Table 2. Crosstabulation financial problems and municipal debt help

		Municipal debt help		
		No	Yes	Total
Financial problems	No	109	14	123
	Yes	40	1	41
	Total	149	15	164

Table 3 presents the frequency distribution between the independent variable financial problems and the moderator variable trust in municipal debt services. The majority of the self-employed people in this study (81,1 percent) expressed trust in municipal debt services. 133 respondents indicated to have trust, whereas 31 did not. The proportion of people expressing trust in the financial services of the municipality is higher among those with financial problems (90,2 percent) compared to those without (78,1 percent). Only 4 respondents with financial problems expressed no trust in the municipality.

Table 3. Crosstabulation financial problems and trust

		Trust		
		No	Yes	Total
Financial problems	No	27	96	123
	Yes	4	37	41
	Total	31	133	164

Table 4 presents the frequency distribution between the independent variable financial problems and the moderator variable self-stigma on financial help. In this study, 72 of the 164 self-employed people experience self-stigma related to financial help. The prevalence of self-stigma is lower among people with financial problems (27,8 percent) than among people without financial problems (72,2 percent). Half of the people with financial problems reported feelings of self-stigma in relation to seeking financial help.

Table 4. Crosstabulation financial problems and self-stigma

		Self-stigma		
		No	Yes	Total
Financial problems	No	71	52	123
	Yes	21	20	41
	Total	92	72	164

Table 5 displays the frequency distribution between the dependent variable municipal debt help and the moderator variable trust in municipal debt services. Out of the 133 respondents who expressed trust in the municipality, only 11 would be willing to participate in municipal debt help in the event of facing financial difficulties. 4 people reported their willingness to participate in municipal debt help, even though they did not express trust in the service.

Table 5. Crosstabulation trust and municipal debt help

		Municipal debt help		
		No	Yes	Total
Trust	No	27	4	31
	Yes	122	11	133
	Total	149	15	164

Table 6 presents the frequency distribution between the dependent variable municipal debt help and the moderator variable self-stigma on financial help. Of the 72 respondents who reported feelings of self-stigma, only 1 is willing to participate in municipal debt help. Most of the people who feel self-stigmatised concerning financial help would thus not participate in

municipal debt help. 78 people would not participate in municipal debt help, despite not experiencing self-stigma on seeking financial help.

Table 6. Crosstabulation self-stigma and municipal debt help

		Municipal debt help		
		No	Yes	Total
Self-stigma	No	78	14	92
	Yes	71	1	72
	Total	149	15	164

4.2 Regression analysis

Table 7 presents the results of the binary logistic analysis that examines the relationship between financial problems and participation in municipal debt help, and whether this relation is influenced by trust and self-stigma. The analysis was conducted using three different models with a sample of 164 respondents. The alpha level was set at 0.05.

Model 1 assessed the relationship between financial problems and participation in municipal debt help when accounted for the control variables having a starting business, knowledge of municipal financial services, and experiences with municipal financial help of others. The model is significant ($X^2 = .271$, $F(6, 159) = 21.708$, $p=.001$). The first model indicated a negative association between financial problems and municipal debt help (OR = .209, $p = .151$). However, this relation did not reach statistical significance. Therefore, the findings do not support hypothesis 1, as a link between financial problems and municipal debt help could not be established. While its effect is not included in one of the hypotheses, it is worth noting that the control variable knowledge of municipal financial services has a significant positive effect on self-employed people’s participation in municipal debt help (OR = 4.153, $p < .05$).

Model 2 shows the regression model including the interaction effect between trust in municipal financial help and participation in municipal debt help. The model is significant ($X^2 = .273$, $F(7, 158) = 21.890$, $p=.003$). The outcomes of the moderation effect of trust are inconclusive. The interaction effect between financial problems and trust is not significant (OR = 35196897,506, $p = .999$). The data thus does not support hypothesis 2, which stated that higher levels of trust positively influence the relation between financial problems and

municipal debt help. In model 1, trust is added as an explanatory variable, rather than in an interaction term with financial problems, to measure its direct effect on the participation in municipal debt help. The results suggested that trust in the expertise of municipal financial services was positively associated with participation in municipal debt help (OR = 1.126, $p = .861$). However, this effect did not reach statistical significance either.

Model 3 tested whether the relationship between financial problems and participation in municipal debt help is moderated by self-stigma on seeking financial help. The model is significant ($X^2 = .272$ $F(7, 158) = 21.837$, $p = .003$). The outcomes of the moderation effect of self-stigma are inconclusive. A significant interaction effect between financial problems and self-stigma is not found (OR = .000 $p = .999$). Therefore, hypothesis 3, which stated that self-stigma has a negative influence on the relation between self-employed people with financial problems and their participation in municipal debt help, is not supported. However, in model 1, self-stigma was added as an explanatory variable to test its direct influence on municipal debt help. The results revealed a statistically significant negative effect of self-stigma on participation in municipal debt help (OR = .059, $p < .01$). This indicates that self-stigma regarding financial help among self-employed people negatively impacts their likelihood of participating in municipal debt help, despite not showing the expected interaction with financial problems.

Table 7. Regression analyses for variables predicting participation in municipal debt services, controlled for start-up business, knowledge municipal services, experience financial help others.

	Model 1		Model 2		Model 3	
	OR	SE	OR	SE	OR	SE
Constant	.074**	.856	.077**	.859	.074**	.856
Financial problems	.209	1.089	.000	18731.583	.226	1.099
Start-up business	1.592	.610	1.572	.609	1.590	.609
Knowledge municipal services	4.153*	.706	4.130*	.706	4.132*	.706
Experience financial help others	.000	13508.315	.000	13539.332	.000	13566.936
Trust	1.126	.675	1.082	.683	1.118	.676
Self-stigma	.059**	1.070	.060**	1.071	.063**	1.077
Financial problems x trust			35196897.506	18731.583		
Financial problems x self-stigma					.000	8684.867
N	164		164		164	
Pseudo R ²	.271		.273		.272	
X ²	21.708		21.890		21.837	

5. Conclusion and discussion

The aim of this study is to get a better understanding of the factors influencing self-employed people's participation in municipal debt help. This study hypothesised that financial problems would increase the likelihood of participating in municipal debt help, and that this relation is positively influenced by trust in municipal debt help and negatively influenced by self-stigma on seeking financial help. Data from the single-wave study 'On municipal debt services for self-employed' from the LISS panel is used to test these hypotheses (Bot, 2019).

The analysis revealed that self-stigma significantly reduces the participation in municipal debt help. Self-stigma thus acts as a barrier that hinders people from seeking financial help. This is in line with the research from Inspectie SZW (2020), Nationale Ombudsman (2022) and Du Plessis et al. (2010). Seeking financial help requires people to acknowledge their financial problems, which they may perceive as a personal failure (Nationale

Ombudsman, 2022). This stems from their internalised belief that self-employed people should be self-reliant. Seeking financial help also undermines the norm of being independent (Inspectie SZW, 2020). As a result, self-employed people can be hesitant to seek help from the municipality for their financial issues.

However, a significant moderating effect of self-stigma on the relationship between financial problems and municipal debt help is not found. This suggests that the impact of self-stigma on the willingness to participate in debt help is independent of one's financial circumstances, which is contrary to the expectation that self-stigma has a stronger negative impact on people with financial problems (Goffman, 1963; Corrigan and Rao, 2012; Du Plessis et al., 2010). This points to the persisting influence of psychosocial attitudes such as financial responsibility and self-reliance, which can hinder people from seeking the financial support they need.

The analysis did not find a significant positive relationship between financial problems and municipal debt help. Based on this data, it cannot be confirmed that having financial problems positively impacts the likelihood of self-employed people participating in municipal debt help. This is contrary to the outcomes of the study of Grable and Joo (1999), which showed a positive relation between financial problems and seeking debt help. This outcome can be caused by the skewed proportions between financial problems and municipal debt help. 15 respondents reported to be willing to participate in municipal debt help, of which only one is experiencing financial problems. This complicates the ability to make reliable statements based on the available data in this study.

However, the frequencies observed in this study align with the broader context in the Netherlands, where relatively few self-employed people in financial hardship participate in municipal debt help (Nationale Ombudsman, 2022; Inspectie SZW, 2020). As seen in table 2, 91 percent of the respondents indicated not to be willing to participate in municipal debt help. 27 percent of this group is experiencing financial problems. This suggests that there are factors that significantly hinder people from participating in municipal debt help. These factors can include the inaccessibility of municipal debt help, lack of knowledge about the available financial services, self-stigma on financial help and lack of trust in the municipality (Goffman, 1963; Du Plessis et al., 2010; Nationale Ombudsman, 2022; Robb et al., 2012; Murphy, 2004; Granovetter, 1986). People may also be unable to properly understand the severity of their financial issues, which prevents them from seeking help (Letkiewicz et al., 2015). Problematic

debts can also diminish people's cognitive capacity, which reduces their ability to make rational decisions (Mullainathan and Shafir, 2013). As a result, they can make undesirable choices regarding their financial situation, such as not seeking debt assistance. Future research should therefore further explore the factors that discourage people with financial problems from participating in municipal debt help.

Trust in municipal debt services was expected to positively influence the relationship between financial problems and participation in municipal debt help, as based on the studies conducted by OECD (2016), Klijn et al. (2010), Murphy (2004). However, the analysis did not provide conclusive results regarding the interaction effect between financial problems and trust. Based on the data of this study, trust in municipal debt services does not seem to influence on the relationship between financial problems and participation in municipal debt help. While there was a weak positive association between trust and municipal debt help, it was not statistically significant. Although it needs to be interpreted with caution, the proportion of people in this study expressing trust in municipal debt help is greater among those with financial problems than among those without financial problems. However, this trust did not translate into a willingness to participate in the services. This suggests that trust may not be a significant predictor for participation in municipal debt help. There may also be barriers that significantly hinder people from participating in municipal debt help, despite expressing trust in the services. Such barriers could include limited accessibility, complex processes, inadequate support, and self-reliance beliefs (Pointer, 2021; Nationale Ombudsman, 2022; Inspectie SZW, 2020).

Although it was not directly included in the aim of this study, it is important to highlight that knowledge of municipal financial services positively affected self-employed people's participation in municipal debt help. Those with knowledge about municipal debt help are thus more likely to engage in the services. This suggests that the availability and accessibility of information play a significant role in shaping people's involvement in municipal debt help. This is in line with the outcomes of the studies from Du Plessis et al. (2010) and Robb et al. (2012). Therefore, policymakers should focus on improving the diffusion and accessibility of information regarding municipal debt help.

To conclude, this study shows that participation in municipal debt help might depend on other factors than trust and financial problems. Self-stigma acts as a significant barrier to participating in municipal debt help. Yet, its impact is not affected by one's financial situation.

Furthermore, knowledge regarding financial services is a structural factor that facilitates the participation in municipal debt help. Future research should explore the influence of factors beyond trust and financial problems on the involvement of self-employed people in municipal debt help.

Strengths and limitations

The strength of this study lies in its direct implications for policy development aimed at supporting self-employed people with financial problems. By identifying self-stigma as a significant barrier and knowledge as a facilitator, this study provides valuable insights that help designing targeted interventions that improve the access to municipal debt help. This is of societal importance, as the limited access to debt help is a problem that many municipalities are facing. This study also makes a scientific contribution, as it bridges a knowledge gap in the understanding of factors that influence the participation of self-employed people in municipal debt help. Not much research has been conducted in this area.

Another strength of this study relates to the generalisability of the results. The scope of this study encompasses the entire Netherlands. By including participants from different municipalities, the study captures a diverse range of contexts, perspectives and experiences. This creates a broader insight into the factors influencing participation in municipal debt help that can be applicable to a larger population.

Lastly, throughout the execution of this study, I worked closely with colleagues from Nautus who are currently or were recently involved in projects related to debt help for self-employed people. They provided me with valuable insights and knowledge that helped me better understand the specific attitudes and challenges related to debt help for self-employed people. It also ensured that the recommendations of this study relate to real-world conditions. These strong points improve the credibility and contribution of this study.

One limitation of this study is the unbalanced distribution of events among the categories of the variables, leading to skewed proportions. The variables used in the analysis contain an inadequate number of events per category, causing the models to be overfitting. This limits the statistical power of the analysis and makes it challenging to identify significant relationships. This is exacerbated by the limited sample size of this study. It is worth noting that the dependent variable, participation in municipal debt help, initially showed a higher number of respondents willing to participate. Attempts to create a more balanced analysis did

not improve the overall robustness of the findings. Due to the limited data, the models' performance cannot be improved. Future research should therefore include larger samples in order to provide more reliable insights into the relationship between financial problems, trust and self-stigma and municipal debt help.

Another limitation of this study is the use of a hypothetical variable, as is the case with the independent variable. This might challenge the ability to draw definitive conclusions from the data. The sample of this study includes self-employed people with and without financial problems. While this provides a broader perspective on the attitudes towards municipal debt help, a potential risk is that respondents who do not have experience with financial problems may struggle to accurately assess the hypothetical situation of having financial problems and participating in debt help. They may perceive participating in municipal debt help as less relevant, as they do not personally feel the need for it. As a result, they might have an incomplete or biased understanding of this situation, which influences the outcomes of this study. To obtain a more accurate understanding of the participation in municipal debt help, future research could focus solely on people experiencing financial problems. This would minimise the potential confounding effect of people without financial problems and provide clearer insights. Future research could also conduct a comparative analysis between self-employed people with and without financial problems. This would offer a comprehensive evaluation of the factors influencing the potential participation in municipal debt help of each group. Unfortunately, the sample size of the current study is too limited to conduct such an analysis.

A third limitation of this study relates to the scope of the sample, which encompasses the entire Netherlands. Many municipalities differ in the availability of information, accessibility of the services, tailored support for self-employed people, and other contextual factors that may influence the participation in municipal debt help. While this is positive for the external validity, it negatively affects the internal validity of this study. To obtain more targeted results, future research can consider focusing on one specific municipality, instead of the entire country. By narrowing the scope of the study, a more in-depth examination can be made of the local dynamics and challenges that shape people's involvement in debt help of that municipality. Doing so, more effective policies can be developed that align with the specific situation of that municipality.

6. Policy recommendations

This study also brings several policy implications that can help municipalities to better support self-employed people with financial problems. The policy question reads as followed: *‘How can municipalities in the Netherlands increase the participation of self-employed people in municipal debt help?’*. In order to foster the involvement of self-employed people in debt help, municipalities must reduce self-stigma on financial help and improve knowledge regarding their financial services.

Reduce self-stigma on financial help

The findings of this research highlight self-stigma as a significant obstacle that hinders the participation of self-employed people in municipal debt help. To overcome this barrier, the issue of self-stigma surrounding financial help must be addressed. It is important to create an environment where people feel comfortable seeking financial help. This can be done by emphasising that financial problems are not solely an individual's problem (Corrigan and Rao, 2012). Municipalities can launch awareness campaigns highlighting that anyone can be affected by financial difficulties. People who feel stigmatised may find reassurance in the understanding that they are not alone in facing such challenges. Also, emphasising the value and significance of seeking help may encourage people to participate in municipal debt help. When people understand the benefits and importance of municipal debt help, they may be more open to participate in these services. Sharing positive experiences of other self-employed people from diverse backgrounds who have successfully accessed financial help can be an effective strategy in creating a sense of trust and motivate others to overcome self-stigma and participate in municipal debt help themselves (Nationale Ombudsman, 2022). This can be done by publishing videos of self-employed people who have benefitted from the debt help programs on the website of the municipality.

Increase knowledge financial services

Second, this study shows knowledge regarding financial services to be a facilitating factor for the participation in municipal debt help. Increasing the awareness about municipal debt help can be an effective strategy to encourage self-employed people to participate in these services (Du Plessis et al., 2010; Robb et al., 2012). Providing accurate and easily understandable information about available debt services for self-employed people is a crucial factor that municipalities should prioritise on their websites. Furthermore, municipalities can

collaborate with the Chamber of Commerce in the provision of information on financial services for self-employed people. For instance, when people start their business, employees of the Chamber of Commerce can inform them about the possibilities of financial help offered by the municipality. This facilitates self-employed people's understanding of the support they can receive and helps them develop realistic expectations about the financial services (Nationale Ombudsman, 2022). As a result, self-employed people can make more informed decisions regarding their financial situation.

References

- Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191-215
- Becker, G. S. (1965). A theory of the allocation of time. *The Economic Journal*, 75(299), 493-517. <https://www.jstor.org/stable/2228949>
- Belastingdienst. (n.d.). *Startersaftrek*. Derived on 12-04-2023, from https://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/zakelijk/winst/inkomstenbelasting/inkomstenbelasting_voor_ondernemers/ondernemersaftrek/startersaftrek
- Binnenlands Bestuur. (2021, January 12). *Schuldhulp voor ondernemers nog steeds niet op orde*. Derived on 26-01-2023, from <https://www.binnenlandsbestuur.nl/sociaal/schuldhulp-voor-ondernemers-al-jaren-ondergeschoven-kindje>
- Binnenlands Bestuur. (2022, April 14). *Ombudsman: willekeur in schuldhulp voor ondernemers*. Derived on 13-03-2023, from <https://www.binnenlandsbestuur.nl/sociaal/willekeur-schuldhulp-voor-ondernemers>
- Bot, S. (Ministry of Social Affairs and Employment); Centerdata (2019): *LISS panel - On municipal debt services for self-employed*. DANS. <https://doi.org/10.17026/dans-zcj-frmz>
- Bourdieu, P. (1986). The Forms of Capital. In J. Richardson (Ed.), *Handbook of theory and research for the sociology of education* (pp. 241-258). Greenwood Press.
- Brown, S., Dietrich, M. R., Ortiz-Nunez, A., & Taylor, K. (2011). Self-employment and attitudes towards risk: Timing and unobserved heterogeneity. *Journal of Economic Psychology*, 32(3), 425–433. <https://doi.org/10.1016/j.joep.2011.02.015>
- Bunt, S. (2018). Alle hens aan dek om zelfstandig ondernemers met schulden te helpen. *Sociaal Bestek* 80, 44–47. <https://doi.org/10.1007/s41196-018-0151-2>
- Centerdata. (2022). *About the Panel*. Derived on 5-04-2023, from <https://www.lissdata.nl/about-panel>
- Centraal Bureau voor de Statistiek. (2022, August 11). *Hoogste aantal bedrijfsopheffingen sinds 2007 in het eerste halfjaar*. Derived on 13-02-2023, from <https://www.cbs.nl/nl-nl/nieuws/2022/32/hoogste-aantal-bedrijfsopheffingen-sinds-2007-in-het-eerste-halfjaar>

Centraal Bureau voor de Statistiek. (2022, December 15). *Aantal zzp'ers gegroeid naar 1,2 miljoen in derde kwartaal van 2022*. Derived on 14-6-2023, from <https://www.cbs.nl/nl-nl/nieuws/2022/50/aantal-zzp-ers-gegroeid-naar-1-2-miljoen-in-derde-kwartaal-van-2022>

Corrigan, P. W., & Rao, D. (2012). On the self-stigma of mental illness: stages, disclosure, and strategies for change. *Canadian journal of psychiatry. Revue canadienne de psychiatrie*, 57(8), 464–469. <https://doi.org/10.1177/070674371205700804>

Croese, J. (2021, June 25). Hoe onschuldig zijn schulden?. *Universiteit Utrecht*. [https://studenttheses.uu.nl/bitstream/handle/20.500.12932/41270/Masterscriptie%20-%20Joyce%20Croese%20\(6727956\)%20pdf.pdf?sequence=1](https://studenttheses.uu.nl/bitstream/handle/20.500.12932/41270/Masterscriptie%20-%20Joyce%20Croese%20(6727956)%20pdf.pdf?sequence=1)

Deloitte. (2020, June 16). *COVID-19 en schuldenproblematiek in Nederland. Onderzoek en oplossingsrichtingen voor een gezamenlijk actieplan*. Derived on 27-01-2023, from <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/about-deloitte/deloitte-nl-dif-schuldenlabnl-report-nl.pdf>

Du Plessis, K., Lawton, J., & Corney, T. (2010). Unemployed and struggling: The lack of financial helpseeking behavior exhibited by male construction workers. *The Australian Journal of Financial Planning*, 6(1), 1-8.

Dunne, T. C., & McBrayer, G. A. (2019). In the interest of small business' cost of debt: A matter of CSR disclosure. *Journal of Small Business Strategy*, 29(2), 58–71. <https://libjournals.mtsu.edu/index.php/jsbs/article/view/1391>

Gemeente Amsterdam. (2023, May 11). *Eindevaluatie Actieplan Veerkracht*. Derived on 16-6-2023, from https://openresearch.amsterdam/image/2023/6/15/eindevaluatie_actieplan_veerkracht.pdf

Goffman, E. (1963). *Stigma: Notes on the management of spoiled identity*. Prentice-Hall.

Grable, J. E. & Joo, S. (1999). Financial help-seeking behavior: Theory and implications. *Journal of Financial Counseling and Planning*. 10.

Grable, J. E. & Joo, S. (2001). A further examination of financial help-seeking behavior. *Financial Counseling and Planning*, 12(1), 55-65.

Granovetter, M. S. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology* 91:481–510.

Inspectie Sociale Zaken en Werkgelegenheid. (2017, December). *Toegankelijkheid schuldhulpverlening 2017*. Derived on 24-6-2023, from <https://www.nlarbeidsinspectie.nl/publicaties/rapporten/2018/02/26/toegankelijkheid-schuldhulpverlening-2017>

Inspectie Sociale Zaken en Werkgelegenheid. (2020, April). *Zzp'ers en bestaanszekerheid. Een verkenning door ISZW-programma Toezicht SUWI*. Derived on 24-06-2023, from https://www.website.lisspanel.nl/sites/default/files/Zzpers_en_bestaanszekerheid.pdf

Joo, S. & Grable, J. (2001). Factors Associated with Seeking and Using Professional Retirement-Planning Help. *Family and Consumer Sciences Research Journal*. 30. 37 - 63. 10.1177/1077727X01301002.

Kamer Van Koophandel. (2022, December 15). *Schulden? De gemeente helpt je vooruit*. Derived on 23-02-2023, from <https://www.kvk.nl/advies-en-informatie/financiering/schulden-de-gemeente-helpt-je-vooruit/>

Kamer Van Koophandel. (2023, June 13). *Schulden oplossen bij een eenmanszaak*. Derived on 21-6-2023, from <https://www.kvk.nl/zwaar-weer/schulden-oplossen-bij-een-eenmanszaak/>

Kavanagh, J., Carman, K. G., DeYoreo, M., Chandler, N., & Davis, L. E. (2020). The Drivers of Institutional Trust and Distrust: Exploring Components of Trustworthiness. *RAND Corporation, RR-A112-7*. https://www.rand.org/pubs/research_reports/RRA112-7.html

Kerckhaert, A. (2016). Ervaringen van burgers met schuldhulpverlening. *Sociaal Bestek* 78, 29–31. <https://doi.org/10.1007/s41196-016-0086-4>

Klijn, E.H., Edelenbos, J., & Steijn, B. (2010), Trust in governance networks; its impact and outcomes. *Administration and Society*, Vol. 42(2), pp. 193-221.

Lapp, W. M. (2010). *Behavior models for prosperity: A statistical assessment of savings and behavioral change*. EARN Research Brief. Earned Assets Resource Network [Online]. Derived from https://www.earn.org/wp-content/uploads/2015/03/5_-_Behavioral_Models_for_Prosperty_-_A_Statistical_Assessment_of_Savings_and_Behavioral_Change-1.pdf

Letkiewicz, J.C., Robinson, C., Domian, D.L., & Uborceva, N. (2015). Behavioral and Wealth Considerations for Seeking Professional Financial Planning Help. *Cognitive Social Science eJournal*.

Lim, H., Heckman, S. J., Letkiewicz, J. C., & Montalto, C. P. (2014). Financial stress, self-efficacy, and financial help-seeking behavior of college students. *Journal of Financial Counseling and Planning*, 25(2), 148–160.

Mann, C. L., & Sanyal, P. (2010). The Financial Structure of Startup Firms: The Role of Assets, Information, and Entrepreneur Characteristics. *FRB of Boston Working Paper No. 10-17*, <http://dx.doi.org/10.2139/ssrn.1768099>

Martens, J., Alvarado Valenzuela, J.F. (2019). Hulp voor ondernemers in nood. *Maandblad Voor Accountancy en Bedrijfseconomie* 93(3/4): 127-134. <https://doi.org/10.5117/mab.93.33181>

Miller, S. A., & Montalto, C. P. (2001). Who uses financial planners? Evidence from the 1998 Survey of Consumer Finances. *Consumer Interests Annual*, 47, 1-9.

Mullainathan, S., & Shafir, E. (2013). Scarcity: Why having too little means so much. *New York: Henry Holt and Company*.

Murphy, K. (2004). The role of trust in nurturing compliance. *Law and human behavior*, 28(2), 187–209. <https://doi.org/10.1023/b:lahu.0000022322.94776.ca>

Nationale Ombudsman. (2021, March 1). *Zijn gemeenten voorbereid op grote toestroom zzp'ers naar schuldhulpverlening?*. Derived on 21-06-2023, from <https://www.nationaleombudsman.nl/nieuws/nieuwsbericht/2021/zijn-gemeenten-voorbereid-op-grote-toestroom-zzpers-naar>

Nationale Ombudsman. (2022, April 14). Zelfstandigen over de drempel. *Nationale ombudsman*: 2022/075

Nautus. (n.d.) *Aandacht voor de doelgroep bij Vroegsignalering*. Derived on 23-01-2023, from <https://nautus.nl/project/deel-twee-aandacht-voor-de-doelgroep-bij-vroegsignalering/>

OECD. (2016). *Measuring Trust and Social Capital*. Derived on 3-3-2023, from <https://www.oecd-ilibrary.org/sites/9789264307278-12-en/index.html?itemId=/content/component/9789264307278-12-en#wrapper>

Pointer. (2021, January 10). *Schuldhulpverlening kan verwachte toestroom niet aan*. Derived on 26-01-2023, from <https://pointer.kro-ncrv.nl/schuldhulpverlening-kan-verwachte-toestroom-niet-aan>

Robb, C. A., Babiarz, P., & Woodyard, A. (2012). The demand for financial professionals' advice: The role of financial knowledge, satisfaction, and confidence. *Financial Services Review*, 21(4), 291- 305.

Ryu, S. & Fan, L. (2023). The Relationship Between Financial Worries and Psychological Distress Among U.S. Adults. *Journal of family and economic issues*, 44(1), 16–33. <https://doi.org/10.1007/s10834-022-09820-9>

Schaap, D. (2018). *The police, the public, and the pursuit of trust*. The Hague: Eleven International Publishing.

Shtudiner, Z. (2018). Risk Tolerance, Time Preference and Financial Decision-Making: Differences between Self-employed People and Employees. *Social Science Research Network*. <https://doi.org/10.2139/ssrn.3269877>

Stoltzfus J. C. (2011). Logistic regression: a brief primer. *Academic emergency medicine : official journal of the Society for Academic Emergency Medicine*, 18(10), 1099–1104. <https://doi.org/10.1111/j.1553-2712.2011.01185.x>

Tweede Kamer der Staten-Generaal. (2021, June 4). *Aanhangsel van de Handelingen: Antwoord op vragen van het lid Kat over het bericht "Meldpunt toegang tot schuldhulpverlening voor ZZP'ers"*. Derived on 1-6-2023, from <https://zoek.officielebekendmakingen.nl/ah-tk-20202021-2951>

Vereniging van Nederlandse Gemeenten. (2022, December). *Handreiking Ondernemers met financiële zorgen*. Derived on 20-6-2023, from <https://vng.nl/sites/default/files/2022-12/Handreiking%20Ondernemer%20met%20financiering%20CC%88le%20zorgen.pdf>

Vereniging van Nederlandse Gemeenten. (2022, June). *Verkenning ondersteuning aan ondernemers met financiële zorgen*. Derived on 1-6-2023, from [https://vng.nl/sites/default/files/2022-06/Rapport ondersteuning aan ondernemers met financiële zorgen.pdf](https://vng.nl/sites/default/files/2022-06/Rapport%20ondersteuning%20aan%20ondernemers%20met%20financiering%20zorgen.pdf)

Wetten Overheid. (2022). *Wet gemeentelijke schuldhulpverlening*. Derived on 23-01-2023, from <https://wetten.overheid.nl/BWBR0031331/2022-01-01/0#Artikel14>

Appendix A

Lists of items variable participation in municipal debt help

ov18a028, ov18a029

If my business were to run into financial troubles and I could not find a way to solve them quickly, the first place I would go to for help is...

Please drag boxes 1 and 2 to indicate the first (ov18a028) and second (ov18a029) place that you would seek help.

- 1 My own private funds
- 2 Friends / Family
- 3 My bank or Qredits (a provider of microcredits)
- 4 The municipality
- 5 The zelfstandigenloket (self-employed personsdesk), an ondernemershuis (non-governmental small business center) or ondernemersplein (governmental business center)
- 6 The debt assistance desk
- 7 The Chamber of Commerce
- 8 Someone else / A different organization

Only answer category 4 (the municipality) is used as measurement.

ov18a037

In the event that your company ran into financial problems, would you turn to the municipality for help (again or for the first time)?

- 1 Certainly
- 2 Probably
- 3 I don't know
- 4 Probably not
- 5 Definitely not

The answer options 'certainly' and 'probably' are considered as willing to turn to the municipality for help in the event that the company runs into financial problems. The answer options 'I don't know', 'probably not' and 'definitely not' are considered as not willing to turn to the municipality for help.

Lists of items variable financial problems

Do you / your company have one or more financial problems? More than one answer permitted.

ov18a007 Difficulty making ends meet

0 no 1 yes

ov18a008 Problematic debt

0 no 1 yes

ov18a010 Unexpected necessary expenditure that cannot be covered (e.g. compulsory investment, transition allowance, uninsured damage)

0 no 1 yes

ov18a012 Financial problems

0 no 1 yes

Lists of items variable self-stigma

Please indicate why you would or would not turn to the municipality for help if your business ran into financial problems. More than one answer permitted.

ov18a042 If I turn to the municipality for help, it could damage my image as an entrepreneur

0 no 1 yes

ov18a043 I believe that entrepreneurs should not make use of public resources

0 no 1 yes

Appendix B

Test for Multicollinearity: variance inflation factor. Dependent variable: municipal debt help.

	Tolerance	VIF
Financial problems	.958	1.044
Trust municipal services	.925	1.082
Self-stigma financial help	.886	1.129
Start-up business	.954	1.048
Knowledge municipal debt help	.944	1.059
Experience financial help others	.934	1.070