

Black and Minority Ethnic Business

K N O W L E D G E C E N T R E

F A C T S H E E T

African Small-Medium Enterprises and their Business Support Needs

It is estimated that there are more than 300,000 Black-Africans living in London, comprising 15% of the population. Nigerians and Ghanaians make up the bulk of the London based African-origin population, but there is also a large representation of Kenyans, South Africans, Ethiopians and Somalis.

Research reveals that Black-Africans in the UK are, on average, less likely than other immigrant communities to be self-employed. They have a self-employment rate of 6.6% compared to 10% for the general population, 16% for all ethnic minority groups and over 20% for the Pakistani community (Source: Annual Local Area Labour Force Survey, Office for National Statistics).

In a recent research study conducted by the Knowledge Centre on Black and Minority Ethnic Businesses among BME business owners of Black-African descent, we sought to identify the challenges faced by this group in starting up and growing their businesses. We also sought to investigate usage of business support services and how they may be improved to better address the challenges of this large group.

The research revealed the following key points:

- Black-African business owners in London face several critical challenges which may help to explain the reasons for their low representation with respect to self-employment figures. Among these are:
 - severe difficulties in accessing finance for start-up and expansion;
 - difficulties in expanding their markets and 'breaking out' of co-ethnic markets into the mainstream community;
 - lack of networking opportunities to make contact with potential customers, investors, and suppliers;
 - a perceived lack of access to culturally sensitive advisors and intermediaries who understand where they 'are coming from'.
- Many business owners interviewed also felt that the business environment as a whole is hostile to Black-African business and considered actual and/or perceived racial discrimination to be a problem for their business.
- An overwhelming majority of Black-African business owners interviewed were aware of business support agencies but only 42% had used such a service. Many used their accountant as a business advisor. Their reasons for not using business support agencies ranged from lack of trust, to a sense that there was no real benefit from using a business support agency.

- Overall, the interviewees expressed an interest in getting business support that is 'less theoretical and more practical' and services that directly help ease the challenges of obtaining financing, networking and interacting with a hostile business environment.
- Many interviewees were also of the opinion that business support agencies should use representatives who are from the Black-African community and therefore sensitive to their issues and more likely to earn the trust of the community.

The KCBMEB's Recommendations

The following recommendations were proposed for business support organisations to better meet the needs of this large and important group:

- Design programmes to help ease Black African SME's ability to access finance by:
 - Directly providing capital through grants and loans. Where grants already exist, the programmes should be aimed at raising awareness of their availability, and to reducing the level of bureaucracy and the complexity of completing documentation.
 - Supporting access to alternative sources of capital through intermediation with banks and building societies, and providing endorsements to selected SMEs. It is particularly important that business support organisations help in bridging the communication gap between banks and this group, and also assist in providing 'greater transparency in loan evaluation criteria' thus eliminating the perceptions of racial bias in access to loans.
- Provide practical advice and support on how SME businesses can expand into new markets and especially on how to 'break out' of co-ethnic business and into the mainstream e.g. product redesign and developing new marketing initiatives.
- Provide less 'abstract training' and more practical business advice on day-to-day business problems e.g. on how to do tax returns, how to do a cash flow analysis, etc.
- Provide networking opportunities on a regular basis for SME business owners to meet with potential capital providers, suppliers, customers, business partners and other business support providers.

