

# Supporting ethnic minority and female entrepreneurs

Ethnic minority businesses are estimated to contribute £25-£32 billion to the UK economy per year, and women-led enterprises contribute around £70 billion. However, ethnic minorities and women are seen to be under-represented as entrepreneurs, and to have lower levels of business performance.

While policymakers usually regard these two groups separately, policy initiatives have often occurred in tandem. The similarity in core concerns and business outcomes suggests potential benefits from exploring the connections between ethnic minority and women-led (EMW) businesses.

Potential business barriers include actual or perceived discrimination, the quantity and quality of businesses, market failure in business support and the uniqueness of EMW enterprises. Recent efforts towards boosting this sector have only returned modest changes, suggesting that policy in this area remains underdeveloped and problematic.

The paper *Barriers to Ethnic Minority and Women's Enterprise*, published by the ESRC-funded Enterprise Research Centre, reviews the research evidence on enterprise diversity. The research review focuses on key issues including access to finance, market selection and management skills.

**Female entrepreneurs perceive higher financial barriers for their business.**

## Key findings

- Particular ethnic groups find it more difficult to obtain credit for their businesses. Rather than direct discrimination, this is largely due to a greater prevalence of risk factors such as business age and financial track records.
- A perception of ethnic discrimination discourages some ethnic minority businesses from applying for bank loans.
- Under-resourced immigrant entrepreneurs tend to focus on the same low-cost business niches such as small-scale retailing and catering, risking market saturation.
- Female entrepreneurs perceive higher financial barriers for their business. There is almost no evidence of supply-side discrimination, but there are indications of pronounced debt aversion among women.
- Women-led firms are typically smaller and overrepresented within service sectors.
- Although business performance by gender does not differ, women-owned enterprises typically start with lower levels of resources.
- The actual prevalence of female entrepreneurs can be masked by dual ownership: joint male/female partnerships account for about 20 per cent of all small and medium-sized enterprises.

## Policy relevance and implications

- Narrow-focused policy support for self-employment should be avoided. High levels of low-quality entrepreneurship amongst EMWs does not automatically indicate upward social mobility, and encouraging further entry into already crowded low-quality sectors may be counterproductive.
- UK enterprise policy should consider following the US 'quality versus quantity' model of encouraging minority entrepreneurs with good credentials in high value-added sectors.
- Policies aimed specifically at encouraging ethnic minority start-ups could lead to an increase in enterprise within ethnic enclaves only - without contributing to a social integration agenda.
- The increasingly differentiated group of 'minority' entrepreneurs makes a simple intervention policy difficult. Local-level targeted enterprise support is likely to be more effective than a national 'one size fits all' policy of intervention.

**Under-resourced immigrant entrepreneurs tend to focus on the same low-cost business niches.**

### BRIEF DESCRIPTION OF THE PROJECT

The findings are based on the Enterprise Research Centre paper *Barriers to Ethnic Minority and Women's Enterprise: Existing Evidence, Policy Tensions and Unsettled Questions*, by Sara Carter, Samuel Mwaura, Monder Ram, Kiran Trehan and Trevor Jones. The paper presents an overarching review of research on enterprise diversity, particularly focusing on access to finance, market selection and management skills.

Web: <http://strathprints.strath.ac.uk/49565/>

### FOR MORE INFORMATION

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