

**Asian and White Businesses in the Retail
Sector: A comparative analysis of development
patterns**

by

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and

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FOREWORD

D.J. Storey

It is with mixed feelings that I write this foreword. My role has been as second supervisor to this research project over many years. Any student seeking to interview small business owners on a face to face basis, will know of the formidable obstacles which this presents. Many small business owners are too busy to devote time to answering questions which they do not see as enabling them to run their business better. Even those with the best of intentions who make appointments often have to cancel them. There are also suspicions that the questioner is not who he or she claims to be, or whether the information is unlikely to remain confidential. These 'normal' problems multiply considerably when the interviewer is seeking to cross racial divides. Hence the achievement of interviews with 80 small business owners in the first survey in 1990/91 and a re-interview with 50 of these three and a half years later is a major achievement. It is the first 're-interview' with significant numbers of Asian businesses, which has ever been undertaken in the UK and I am delighted to be associated with this research in a modest way.

Unfortunately this satisfaction is heavily dampened by the fact that the external examiner for the thesis, Professor Robin Ward, the leading authority on the subject in the UK, died very shortly after the examination.

This publication is dedicated to his memory since I know how pleased he was to see work which he had pioneered being developed and extended.

The work itself has several key conclusions:

- i Over a three and a half year period the survival rates of Asian and White retail businesses in the City of Coventry appear to be similar to that which would be expected of businesses of this size and type

2 Foreword

elsewhere in the UK. The notable finding, however, is that the survival rate of Asian-owned businesses (72%) is somewhat higher than those of White-owned businesses (60%).

- ii The small retail sector, in which Asian businesses are major players, is one in which all businesses, whether they are White-owned or Asian-owned, have proprietors with low levels of formal education. It is a sector in which under capitalisation is rife.
- iii Asian-owned businesses are much more likely than the White-owned businesses to have used 'family' source of funding. However, whilst these 'family' sources are extensively used, even for the Asian businesses, the bulk of funding comes from formal financial institutions.
- iv It is interesting that there is little evidence that the formal financial institutions - most notably banks - exercise any form of discrimination against Asian businesses. Business owners themselves are much more likely to be complaining about discrimination coming from their customers than from their bankers.
- v Finally the key area of difference between the White and Asian entrepreneurs is that the latter are much more likely to view self employment positively. The White business owner in this sector is likely to view business ownership as a 'last resort' rather than a cherished ambition.

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Chapter One: INTRODUCTION

Historically, ethnic minority groups have played an important part in the rapid growth of an economy: the Jews in parts of the West, for example, the Parsis and Jains in India, and Asians in East Africa. As Professor Peter Hall has observed, 'Throughout history, urban creativity has come from the outsiders' (Hall 1995). Describing the origins of the Industrial Revolution in Britain, Arthur Francis wrote in 1980:

A notable feature of the development of UK industry has been the extent to which currently successful firms were founded by members from minority groups.

During the economic expansion after World War II, the industrial societies of the West gained a large immigrant population from their former colonies, Southern Europe and Northern Africa. Immigrants came as temporary workers and were employed in a labour markets which varied from country to country. Their jobs were generally manual, however, requiring little skill and characterised by low status and poor pay. The immigrants' lack of professional skills and education, coupled with linguistic problems, were a major constraint to their being assimilated in the native working class or gaining skilled employment. More recently, economic restructuring has adversely affected the employment position of many immigrants and their descendants, since they were heavily represented in those industries most affected by recession, falling demand, worldwide competition and modern technology.

The Rise of Ethnic Businesses

The changing economic conditions together with continuing racial/ethnic exclusion have severely challenged the employment opportunities of minority ethnic groups and immigrants. On the other hand, a growth in small and medium sized enterprises has provided opportunities for the growth of ethnic businesses. With their marginal economic position and

limited resources, the immigrants became more dependent on the small-firm sector of the economy, and changing circumstances have increased the number of ethnic businesses in Western economies in the last few decades.

However, there is variation in the responses of different ethnic groups, perhaps due to variation in cultural background and ethnic resources; not all groups have entered businesses equally nor have they been equally successful. It is generally thought that ethnic businesses are characterised by smaller size and fewer paid employees and that they are over-represented in the retail and service sectors. The initial endowment of resources clearly affects opportunities in entering business and whilst some groups have remained serving the ethnic consumer market, others have moved into other areas.

The growth of small ethnic businesses in Western economies during a phase of slow economic growth has been a major area of research among policy-makers and researchers. Research has also been carried out into the economic context within which businesses develop, the growth path followed by different ethnic groups, the resources available to them and the implications of ethnicity. A brief review of theoretical models may be helpful in explaining the adoption of different growth paths and relative economic success among ethnic entrepreneurs.

Theoretical Models: cultural, contextual/situational and prejudice theories

Social, economic and cultural factors determine the economic activities of the immigrant (or minority) group. Light (1979 and 1984), Bonacich (1973), Wilson & Porter (1980) and Werbner (1985), following a cultural approach, have documented the role of ethnic resources in terms of cultural values and religion. Aldrich and others, advocating the situational and opportunity model, put greater emphasis on economic opportunity in terms of employment and market availability.

Cultural Theory

The cultural approach emphasises the role of religious/cultural values and the behaviour pattern that facilitates the use of ethnic resources which are unavailable to the native group. Those ethnic groups which are highly organised make use of their ethnic resources. Ivan Light (1979) documented the role that kinship and place of origin have played among the Chinese, Japanese and Korean immigrants in the USA. Bonacich (1973) and others have argued that a high level of organisation was the main factor in the development of Japanese and Chinese businesses in the USA, strengthened by a solidarity formed by the Japanese denied citizenship.

Wilson and Porter (1980) highlighted the dependence of immigrant groups on strong support from relatives, friends and ethnic institutions at the early stage of development. The Jews in Britain, for example, had their own welfare societies which provided loans. Bernard Wong (1982), in a study of contemporary immigrant firms in New York's Chinatown, has demonstrated the importance of traditional concepts of obligation and honour. Waldinger (1982), who studied 90 immigrant-owned clothing firms in New York, found that kinship and ethnicity played an important role in reducing managerial, technical and capital costs; family participation and long working hours are often viewed as expected responsibilities in promoting the survival of these businesses.

Thus the culturalist theory concludes that inter-group differences in rates of entrepreneurship reflect inter-group differences in culture. A common objection, however, is that this ignores situational pressures. When Quakers were subject to discrimination in Britain, for example, they were heavily over-represented in the emerging industry, whilst Koreans (with a worldwide reputation for commercial backwardness) who failed to gain jobs in the USA turned instead to business, and succeeded. Ivan Light (1984) remarked that groups can be disadvantaged or not, and they can have cultural advantages or lack them, but the most entrepreneurial are the disadvantaged with resources.

Thus it is the external situational factors that mould the behaviour pattern of the cultural traits of the ethnic group. Cultural values and group

characteristics are a necessary condition but not sufficient on their own for the growth of ethnic businesses.

Contextual and Situational Theories

Contextual theories place greater emphasis on the social, economic and political structures which provide opportunities to immigrants, whereas situational theories stress historical circumstances that shape the opportunities and constraints facing the ethnic minorities. Of all the situational pressures affecting entrepreneurship, the socio-economic factor is the most important. Economic opportunities in terms of employment and market determine the levels of growth patterns of ethnic businesses. Disadvantaged in the job market by social or religious discrimination, minority groups derive a motive for self-employment regardless of their cultural heritage.

Researchers working within the ecological framework have argued that openings for owners of ethnic businesses emerge as vacancies arise in the existing small-business population. Residential segregation and concentration provides protected or 'niche' markets at the initial stage of business development. Chan and Cheung found that the large Chinese population of Toronto, concentrated in three centres, formed a strong basis for the development of the Chinese enterprise; almost two thirds of the Chinese business in the sample was located in neighbourhoods that were heavily Chinese.

Another argument is that the growing economies present market opportunities which are exploited successfully by the ethnic group. Whilst agreeing on the importance of opportunity structure, researchers still differ in their assessment of its role as condition of, or constraint on, immigrant small businesses. Secondly, although this theory explains fairly well the emergence and growth of ethnic businesses, it fails to explain the differences in the economic activities and growth paths followed by different ethnic businesses.

The Interactive Approach

This approach suggests that ethnic business is a product of restricted economic opportunities under changing opportunity structures in the Western capitalist society and the inherent organising capacity of the ethnic group to mobilise the ethnic resources through community networks. Variation in the opportunity structure affects the level and pattern of business development. However, this approach suggests that ethnic businesses emerge as a result of interaction between the demand of economic environment and the supply of informal sources of support to ethnic business owners (Freedman & Korazim (1985); Gallo (1983); Waldinger (1984, 1985); Mars & Ward (1984) and Ward (1983).

The demand for small business activities arises from markets whose small size, heterogeneity and instability limits the potential for mass production and mass distribution. The small size lowers the capital barrier to immigrants with limited resources. On the supply side, the immigrants have access to informal resources that provide a competitive advantage over the native population. The supply of loyal and committed labour, a low wage rate and stable employment relationship are a crucial advantage (Wong (1979) and Waldinger (1984)). These arguments are of course primarily of relevance to productive, particularly labour-intensive, industries such as the clothing trade - traditional industries of 'entrance' to the economy for migrants the world over. Consideration of activities with a strong 'service' component, in which we would include retailing, makes it necessary to take other variables into account.

Pure Prejudice

These theories claim that discrimination rooted in a society's ideology prohibits ethnic group members from securing jobs in the mainstream economy; ethnic groups enter business because other options are not available. Self-employment is a natural reaction against racism and restricted economic opportunities. There is little evidence to support such a notion as a pure explanation of 'ethnic entrepreneurship', but it may be a legitimate explanation of individual behaviour - as is demonstrated in the replies of certain of our respondents cited later.

We may conclude then that ethnic business is the product of interaction between economic opportunities and the resources available to ethnic groups. Economic, social and cultural factors together explain the growth/development patterns of ethnic businesses. Researchers and policy-makers using the interactive framework have argued that small businesses can play an important role in promoting upward economic mobility for the immigrant groups; the scholars of the ecological tradition see immigrant businesses as confined to peripheral positions offering few returns and little potential for further growth.

However, it is the interaction between the competitive advantage, resources and the market opportunities available to the ethnic community which is the underlying factor for the present levels and types of business activities among ethnic groups.

The Rise of Asian Businesses in Britain

A range of historical events and variation in dates of arrival have affected the economic activities of Britain's ethnic groups. Market conditions and ethnic resources too have led to specific ethnic groups taking diverse paths: Cypriots into clothing and the fish and chips trade, for example, or West Indians into construction and Asians into the clothing and retail trades.

During the last two decades, Asian businesses have expanded quite rapidly, providing employment to one fifth of the total Asian population. Average figures recorded by the Department of Employment in 1988 showed that the percentage of white males who were business owners remained at 14.5 per cent, whereas it was 24.5 per cent for Indians and 22 per cent for Pakistanis and Bangladeshis. Wilson & Stanworth (1986) estimated that the annual formation rate was 10, 22.1 and 14.1 per cent for Afro-Caribbean, Asian and overall nationally for retailing and services.

By the time of the 1991 Census, while 11.5 per cent of all White economically active people were self-employed, this was true of 16.5 per cent of all South Asians, and the 'entrepreneurship' rate (self-employed with employees) was even higher, with South Asians being twice as likely

as Whites to fit in this category (Owen 1993). This ratio is maintained even when taking account of gender: 5.1 per cent of White economically active males (2.2% females) were 'self-employed with employees', but 9.6 per cent (4.2%) of Indians, and as many as 10.6 per cent (2.5% females) of those giving their origin as Bangladeshi (Owen 1994). Around fifteen per cent of all South Asian males in work gave their occupation as manager or proprietor in a service industry: the comparable figure for white men was under seven per cent. On the other hand, it may be seen that these figures only go part of the way to offset the differentials in unemployment rates. In Coventry in 1991, while South Asians had entrepreneurship rates of 5.4 per cent (as opposed to a white rate of 2.3%), their unemployment level was 19 per cent, against a white rate of 11.3 per cent.

The success of Asian firms has not passed unnoticed by British politicians: in 1994 at an official reception for the Prime Minister of India, Michael Heseltine remarked jokingly:

Indian businesses seemed to have done rather better than their British counterparts and if this trend continued I would have to have a serious word with British businessmen.

The Historical Background

The growth of Asian firms is not a chance outcome but the result of gradual shifts towards self-employment after a long struggle of hard work in the labour market. The existing literature suggests that there were relatively few immigrants from the Indian sub-continent at the end of World War II, the majority being relatively more skilled; Kondapi (1951) estimated that there were 5000 Indians in Britain by 1945 and one fifth were practising doctors. A large number of immigrants from South Asia arrived during the fifties and mid sixties; most of the Asian immigrants at this time took unskilled jobs in Britain, sometimes at levels below their qualifications. Whilst working hours were irregular and wages low, they were content enough with the work available and in spite of cultural prejudices at work and in social life, they were determined to be

successful. In general, having left their wives and children in the home country, most immigrants were able to move around following work. They were also supported by loyalty between kinsmen, fellow villagers and friends.

From the 1960s onwards increasing numbers have entered self-employment, as a result of economic restructuring and in order to serve the needs of the ethnic minority population. As they have accumulated capital, more and more Asians have entered self-employment. There are variations, however: those Asians who arrived from Kenya and Uganda during the 1960s and 1970s had quite different backgrounds from those who migrated directly from the Asian sub-continent and were more likely to enter business on their own account, for a variety of reasons including prior experience as 'minority middlemen'.

Empirical Research on Asian Firms

Research on the nature and extent of socio-economic problems faced by ethnic minority groups has been conducted for at least two decades in Britain, albeit with the major emphasis upon sociological problems. The major research work on Asian businesses has been carried out on the clothing manufacturing and distribution sector. Research on clothing manufacture is more of a qualitative type and places emphasis on the networks of the ethnic community and on employment and working conditions, whereas that on distribution has focused on a quantitative analysis of structural characteristics, the economic contribution and constraints on the growth of Asian businesses.

It is the economic contribution of Asian businesses to the Asian community which has been the major issue of debate among policy-makers and academics. It is generally held that Asian businesses fail to generate sufficient employment and capital within the community and that economic benefits are confined to personal economic advancement rather than the upward economic mobility of the Asian community as a whole. Asian firms are strongly criticised on the grounds of sectoral distribution and scale of operation: they are over-represented in the retail sector and occupy low-yielding branches of economic activity.

Commentators explain the growth of Asian businesses in the context of racial discrimination in the labour market, entering business not from positive preference but from lack of choice (see for example Cater & Jones (1978), Jones (1982), Mullins (1979), Sawyer (1983), and McEvoy & Aldrich (1986)).

Aldrich, Cater, Jones & McEvoy (1983) and others suggest that opportunities created by white businesses abandoning market niches have also played an important part. Demand for ethnic products has clearly provided Asian businesses with a protected market, but because of the ease of entry too many exist to be supported by it. Jones (1982) remarked that a minority market with low purchasing power can support neither a large number of shops nor a high level of return. The growing popularity of 'ethnic' foods amongst the majority population has led larger outlets and supermarket chains to stock these items and thus provide more competition to Asian businesses, removing one of their 'natural' competitive advantages!

All the studies mentioned above put greater emphasis on the structural and performance aspects of the growth of Asian firms rather than circumstances and resources at their disposal. They have failed to look into the gradual - and painful - shifts in occupational distribution in the Asian community, and also overlooked the historical background of the community itself. Such studies have also failed to find the overall picture of Asian trade: Asian businesses are not restricted to corner shops, and some sections have achieved a remarkable success in terms of scale of operation and diversification.

There is no doubt, however, that Asian firms are relatively more concentrated in the retail distribution sector, but there is an inference that differences exist between the sectoral distribution of white and Asian firms. Within the retail distribution sector, these studies have failed to make a comparative analysis between the two groups in terms of scale of operation, access to resources, business operation activities, performance levels and constraints on growth.

There are some (Forester (1978) for example, or Wilson & Stanworth (1986)) who favour the view that Asian businesses will continue to grow

because of their willingness to work extraordinarily long hours and their community/family resources. Some (Wilson (1983), Wilson & Stanworth (1988)) have also stressed the strength of the community network and plentiful supply of labour and finance from family and associates. No doubt, given the limited resources of the Asian community, Asian businesses start on a small scale and build up slowly, but studies have failed to make comparative analysis with businesses owned by white entrepreneurs. Moreover, the types of community support available to Asian businesses have not been fully analysed, or the variations that exist between them.

Orientation of the Present Study

Existing literature on Asian enterprise suggests that Asian firms are highly concentrated in the retail sector. Whilst some studies have discussed in detail various socio-economic issues, each study has emphasised one particular aspect whilst ignoring others. Thus, in the present study, attempts have been made to cover the different issues related to the Asian retail sector in one comprehensive study together with the factors associated with its growth. This study also examines the growth of Asian firms in the context of historical background (period of immigration), economic and human capital resources at their disposal, the role played by formal and informal institutions and the effects of racial discrimination on economic and social life. Comparative analysis between Asian and white groups in retail distribution also examines whether Asian firms are totally distinctive from white firms, whether there are similarities and dissimilarities between them, and the factors associated with these.

The main objectives of this study are to examine:

- the historical background of the Asian community in the context of the period of immigration, educational and professional skills and the circumstances leading to self-employment, and any variations which exist between the groups;

- differences in sectoral distribution and structural characteristics of businesses;
- variations in access to resources, with special reference to finance and other business operation activities;
- variations in the business operations in the context of formal and informal institutions
- differences in the performance, constraints and future growth potentials of the two groups.

From an examination of the above, we propose the following possible hypotheses:

- i Given the economic and human capital resources at the disposal of the Asian community, the entry motive differs between the white and Asian groups.
- ii Allowing for variation in the sectoral distribution, structural characteristics differ between the two groups.
- iii The role of formal and informal institutions in the community varies in the context of access to resources and other support.
- iv Differences exist in the economic returns and constraints on growth between the two groups.

Chapter Two: A REVIEW OF LITERATURE

The apparently high growth rate of Asian businesses has raised the interest of social scientists and policy-makers in exploring the sector's development pattern and future growth potential. What follows is an attempt to sum up the findings and thinking of some of the authors in this field.

In the literature of Asian businesses we find the emergence of two competing doctrines in the last two decades. While Forester (1978) and Wilson & Stanworth (1986) suggest that Asian businesses have made a remarkable success and their contribution is not restricted solely to the corner shop, Cater & Jones (1978), Mullins (1979), Jones (1982), Sawyer (1983), and McEvoy & Aldrich (1986) suggest just the opposite. The main argument of the former group is that Asian businesses have achieved high growth rates, are run by ambitious and optimistic people and are breathing life into decayed inner-city areas. The latter group, however, maintains that Asian enterprise is a reaction to structural disadvantage in the labour market; though Asian businesses have achieved high growth rates in numerical terms, these businesses are small, under-capitalised, in poor premises, frequently unprofitable or in low-yielding sectors, failing to diversify into better yielding sectors and placing a heavy reliance upon a captive ethnic market (see also Brooks (1982)).

Several empirical and theoretical studies conducted in this context are reviewed below.

Forester (1978) remarked that Asian businesses are run by ambitious and optimistic people who are renewing moribund inner-city areas. He observed that whilst Asians had turned to self-employment as a result of discrimination in the job market they had achieved the fastest growth rates in some commercial sectors by using family labour, living simply and working very long hours.

Cater & Jones (1978) remarked that the picture of commercial vigour in ethnic businesses is often illusory: though the growth of Asian businesses is rapid and sometimes accompanied by diversification this has affected only a small minority. The typical firm is engaged in retailing, under-

capitalised, reliant upon Asian trade and thus limited in terms of potential growth.

Mullins (1979) examined whether the further expansion of Asian retailing was constrained by the size of separate Asian markets in Croydon. The results indicated that Asian businesses have not been excessively constrained by the relative size of the market but by the structure of the retail trade in itself. Asians have taken up sectors progressively abandoned by their white counterparts. The Croydon study confirms that the severe activity segregation in Bradford (observed by Cater & Jones (1978)) is not typical of Asian retailing in Britain. He also found considerable variation in local patterns of activity.

Robinson & Flintoff (1982) attempted to measure the relative success of Asian businesses within the Asian community, i.e. between Gujarati Hindus, Sikhs and Pakistanis. They concluded that Gujarati Hindus have gained considerable success, followed by Sikhs and Pakistanis. Whilst the Hindus and Pakistanis have remained largely within the ethnic market, Sikhs have shown a greater willingness to move outside their community.

Jones (1982) examined the social and economic contribution of Asian businesses to their own communities and studied small shops in Bradford, Leicester and London. His results found little evidence that small businesses create either material wealth or racial harmony. He concluded that Asian businesses fail to make an effective contribution to group development or to create significant employment.

Brooks (1982) explored whether black-owned businesses experienced different problems from white-owned ones. He took a sample of 103 firms (70 Asian and 33 Afro-Caribbean) and 100 white firms in Lambeth and found that finance, economic opportunity and management and personal needs represented the greatest problems to black businesses - problems often put down to discrimination. He also found that Afro-Caribbean business exhibited greater signs of potential than Asian businesses, which were often focused on a narrow sector of activities.

Sawyer (1983) suggested that many ethnic minority businesses were small in size, under-capitalised, poorly located and informally operated.

They also relied heavily on a captive market and had little scope for expansion.

Wilson (1983) examined the relative position of disadvantage of Asian and Afro-Caribbean firms by comparing their business performance, characteristics and problems in relation to socio-economic and commercial factors that help/hinder the launch or growth of business, particularly availability of finance. The survey shows little evidence of discrimination by banks on racial grounds and the study does not support earlier ones which purported to show that discrimination in this area had been the prime cause of disadvantage of ethnic business. However, he found that the two groups showed distinctly different patterns of borrowing: Afro-Caribbeans used little finance at any stage of their business development, whereas Asians made great use of loans and overdraft facilities. This difference was partially accounted for by Afro-Caribbean firms being smaller and even more under-capitalised than their Asian counterparts.

Aldrich, Cater, Jones, McEvoy and Velleman (1986) examined the reliance of Asian businesses on the ethnic market by comparing the customer profile of Asian and white businesses and interviewing 100 members of each group in Bradford, Leicester and London. The study found relatively high rates of new business formation among Asians but that these were often too heavily reliant on ethnic markets and unlikely to provide a comfortable rate of return.

Wilson & Stanworth (1986) made a comparative analysis of changes in the relative share of business activity both in typology and numerical terms and the likely determinants of change between Asian and Afro-Caribbean firms in the period 1982-4. They took a sample of firms (84 Asian, 45 Afro-Caribbean initially) and found that although Asians had a considerably higher rate of formation, failure rates were very similar. Afro-Caribbeans faced more severe barriers to entry and growth but Asians often faced greater competition.

McEvoy & Aldrich (1986) evaluated the optimistic and pessimistic views of Asian retailers by comparing relative survival rates with white-owned businesses in Bradford, Leicester and the London Borough of

Ealing during the period 1978-84. Covering some years of severe depression, they found that although Asians had community resources to support them in stable conditions, they had few in harsh economic times. The whites tended to abandon niche market areas in good times whilst Asians continued to suffer once markets collapsed.

Wilson & Stanworth (1988) also examined the differences in growth strategies between Asian and Afro-Caribbean businesses. They found that both relied little on capital and only gained it by hard work; they found little evidence of racial discrimination in the availability of finance. They noted that growing minority-owned businesses contributed substantially to the local and national economy.

Aldrich, Zimmer and McEvoy (1989) interviewed the owners of small shops in Bradford, Leicester and London to examine the pattern of population and business turnover between 1978 and 1984. They found an increase in the proportion of Asian-owned businesses, largely because when white businesses left an area they tended to be taken over by Asians. Once businesses are owned by Asians, transfer tends to remain within that community.

When analysing the growth of Asian firms, two opposing views are held:

- i That Asian firms are small and under-capitalised and fail to create employment and wealth for the Asian community
- ii That Asian firms owe their success to will-power and determination, supported initially by community resources, but then turning to formal institutions.

None of these studies attempts to examine the growth of Asian firms in the context of a complex growth process of interaction between resources and opportunity or given circumstance and historical background. Secondly, they fail to examine the different situations for Asian and white firms in terms of access to resources, business operation activities, constraints or growth potential.

Chapter Three: METHODOLOGY

To understand thoroughly the complex process of ethnic business development and the complex interaction of a multitude of variables, skills in economics and sociology are required. 'Given the professional demands on an individual scholar,' however, 'one has to compromise with a workable knowledge of several disciplines to come out with meaningful results' (Kaur 1988 p.6).

The study of ethnic business also requires a mix of qualitative as well as quantitative approaches. Researchers working within sociological frameworks place greater emphasis on the cultural issues and they have applied the case study approach to examine the behaviour of entrepreneurs and the role of kinship/community. Researchers working within an economic framework, however, place greater emphasis on the economic opportunities and resources when examining the development of ethnic businesses. They collect a wide range of data on personal characteristics of the entrepreneurs, structural characteristics of the businesses, employment patterns and various problems related to ethnic businesses but have in general lacked information on the relationship between input and output as well as cost-benefit analysis, and have relied on formal survey data with little understanding of South Asian personalities.

In Britain (unlike the USA) very few economists have entered the field of ethnic relations, although some sociologists and anthropologists have endeavoured to investigate economic aspects of ethnic life. Their work lacks multivariate analysis and testing of theories in the normal economist's fashion and have thus failed to measure precisely the advantage/disadvantage experienced by the ethnic minority. Data has also been lacking in sufficient quantity or range.

The biggest single reason for British economists' lack of interest is probably that there has been a lack of data of the type economists are used to handling. In the USA, all regular surveys provide data on ethnic groups classified on a large scale; they provide time series, cross-sectional and other rich longitudinal sources. These sources have been available to

researchers for many years with wide ranging questions incorporated. (Dex, 1987, p.199)

Here we describe a number of theoretically relevant variables and statistical methods to analyse this data. Necessarily we begin by studying the concept of ethnic business development.

Defining Ethnic Business Development

Ethnic business development may be defined as a sustained increase in number, size and the diversification of ethnic business as well as the structure; transformation of formal and informal institutions providing opportunities and resources for its continuous growth.

Ethnic business development is a complex process in which the economic, social and political structure of the host community and the personal and group characteristics of the ethnic business interact. Thus the level of development of ethnic businesses varies among and between different ethnic groups. It is generally assumed that ethnic entrepreneurs differ from native entrepreneurs in terms of their motives for entering self-employment, their resources, opportunities and socio-economic background. It is clear, however, that 'development being a multi-dimensional concept, its measurement necessarily called for a simultaneous consideration of various aspects' (Kaur, 1988). In this study, consideration is given to the entry motives, employment and financing patterns and use of formal or informal institutions as the most relevant dimensions for the purpose.

However, an understanding of the growth process and development patterns requires a thorough analysis of the sector distribution of ethnic businesses and a wide range of data providing empirical evidence for its growth patterns. Given the constraints on the availability of data on ethnic businesses, this analysis has had to be restricted to measuring the differences between the growth patterns in terms of personal characteristics and business practices between white and Asian groups by using primary sources of data for the year July 1990 to July 1991. Although this study required some analysis on the sectoral distribution of Asian businesses in the selected area before proceeding to examine the

retail sector, it was not possible to locate any secondary data of relevance to this study. It has also been necessary to restrict analysis to applying frequency distribution techniques owing to the same deficiency in data.

Hypothesis

In the context of the concept of ethnic business development given above, the following principal hypotheses were evolved:

- i Limited academic and professional skills have restricted the economic activities of the Asian community to few sectors of the economy
- ii The structural characteristics of Asian firms differ from those of white businesses
- iii Differences exist in the use of resources in the context of formal and informal institutions between white and Asian firms
- iv Given the economic and social constraints, levels of achievement differ between the two groups.

Data Collection

Because there was no independent source of data in existence, it was decided that it would be necessary to collect primary source data by conducting a survey of Asian and white retail businesses by means of a questionnaire. The data collection procedure involved the following steps:

- Choice of the field work area
- Definition of sector, type of trade and size of firm
- Selection of variables and development of questionnaire
- Sampling
- Field work: pilot survey, main survey

Choice of the Field Work Area

The city of Coventry was selected for the present research because in the past, although efforts had been made to study clothing manufacture in this area, no major research had been carried out into the retail sector. Extensive research had, however, been carried out in terms of case studies

as well as quantitative data in Leicestershire (1978), Nottinghamshire (1988), Manchester (1990), Lambeth (1982) and Birmingham (date unknown). Robinson and Flintoff (1982), in their study 'Asian Retailing in Coventry', examined the relative success of different groups (Sikhs, Hindus and Moslems) in terms of typology of Asian retailing, but their sample was limited to one particular ward (Foleshill), containing a heavy concentration of Asian population.

Interviews for the present study were conducted across all the 18 wards of Coventry, in which the proportion of Asian citizens varied between 4 per cent and 40 per cent of the population. The aim of this was to collect a mix of information on Asian firms, both those relying heavily on ethnic markets as well as those serving the wider market.

The location of firms was distributed as follows:

Table 3.1: Location of businesses interviewed

	Asian firms	White firms
City centre	2	1
Local shopping areas	20	17
Semi-shopping area	11	4
Residential ('corner shop')	15	8

It can be seen that interviews were conducted in a variety of settings. This ensured that we awarded a concentration solely on the stereotypical 'corner shop'.

Previous literature on Asian enterprise suggests a heavy concentration of Asian firms in the retail sector and it was thus considered more useful to study the growth pattern of this sector than others in which the Asian presence is less evident.

Type of Trade within the Retail Sector

After choosing area and sector, it was decided to carry out a general survey to obtain information about the types of Asian firms in the retail

sector. A general field survey was conducted of all the retail shops of four streets: two from the Foleshill ward (where Asians number 40% of the population) and two from Earlsdon (where Asians represent only 4%). The purpose of the survey was to examine whether there were differences in the types of businesses run by Asians and whites. During the general survey, each shop located on the selected streets was visited and enquiries made about the type of trade and ethnic origin of each entrepreneur. The survey revealed that amongst Asian businesses, food retailing was the most frequent, followed by clothing, services and electrical goods; the relative distribution of types of trade was more even for white firms. Having obtained a substantial amount of data on the type of trade within the retail sector among both Asian and white businesses, it was decided to select the retail food trade for this study.

Firms of all sizes were eligible for this study, so those interviewed ranged from small corner shops to a supermarket with 15 employees to a company with a turnover of £250,000. Efforts were made to select representative firms from the Asian sample, and these matched by white-owned businesses for purposes of comparison.

Selection of Variables and design of Questionnaire

To obtain a comprehensive picture of ethnic business development, a deep understanding was necessary of the broader socio-economic context and the conditions leading to success. To achieve this objective, a wide range of data was necessary, covering five broad areas:

- Structural characteristics of the firm: ownership, legal form, year of establishment, previous ownership of premises, product/services covered, ratio of customers by ethnic origin, and employment pattern
- Personal characteristic of the entrepreneur: ethnic origin, business experience, educational qualifications, and ownership of other businesses
- Entry motive in self-employment, previous employment pattern and entry motive in retail sector

- Data related to input variables, i.e. sources of information, use of formal institutions, levels and sources of finance, loans offered/denied
- Data related to output variables such as levels of achievement, weekly turnover and types of problems at the start-up stage.

The questionnaire schedule was developed to achieve the proposed objectives of the study. Efforts were made to maximise four basic principles: applicability, relevance, respectability and utility. To assist this, questionnaires developed by D.J. Storey and A. Strange (1992) and G. Edward (1988) were also consulted. The questionnaire contained a mix of questions of multiple choice, descriptive and quantitative data.

Drawing up a Sample

For the main study, a sample of 50 Asian firms and 30 white firms was selected. There is a total absence of statistical data on the number/size and sectoral distribution of ethnic businesses at the national or county level. For this study, the main source of identification of firms was the *Yellow Pages* directory which lists businesses by types of trade, followed by personal visits (these sometimes led to visits to others named by interviewees). A list of 210 firms was collected, companies being identified from their names. After companies were identified, contact was made via the telephone and appointments made; the purpose of the survey was explained by reference letter. Confidentiality was assured. In some cases owners offered themselves for interview, on others appointments had to be sought; occasionally they were refused.

Given the lack of statistical data available on ethnic minority businesses, it proved impossible to draw up an ideal sampling design. Every effort has been made to seek to ensure that the sample is representative.

The Pilot Survey

At the next stage, 18 Asian firms were interviewed using a structured questionnaire; the firms were drawn from an area including Birmingham as well as Coventry. The survey revealed relatively high concentrations of

Asian firms in the food retail trade (50%). We may also observe that there is considerable variety, noting especially the presence of fashion wear and electrical goods. These were however somewhat atypical and for the main survey a focus on 'food' retailing was felt to be justified.

Table 3.2: Type of trade by sector in the Pilot survey

Sector	Birmingham	Coventry
CTN/food retailing	4	5
Ethnic products	-	4
Ladies' fashion wear	-	2
Chemist	1	-
Builder	-	1
Electronics	-	1

The applicability of the questionnaire was also tested. Respondents' response to the length of interview and suitability of questions was elicited; whilst some respondents showed reluctance to reply to questions of finance, these could not be removed. Very few questions needed to be restructured, and those referred to product ranges.

The Main Survey

During the period July 1990-91, business sites were visited and interviews conducted with the owners of the firms. Intensive interviews were conducted with 50 Asian- and 30 white-owned businesses in food retailing. The average duration of an interview was 45 minutes.

With the exception of a few businesses which refused to grant an interview, others were ready to comply once confidentiality was assured. The response rate is shown in Table 3.3. Two Asians and four white interviewees refused to give any information on finance. Within the Asian group, 31 respondents were Sikhs, 15 were Hindus from India (eight were Gujarati Hindus from East Africa) and four were Muslims from Pakistan

Interviews were transcribed and any missing information sought by telephone call later. Coding and editing procedures were used to give numerical value to the data, and an ethnic business coding manual constituting code lists for all the questions was constructed from the responses. To remove the effects of price movements over time, data related to finance was deflated with the price index. Data was then analysed with SPSSX statistical software.

Table 3.3: Response rate by sources

Response rate	Asian No.	White No.
1 Business owners contacted by different sources		
a Personal introduction	15	1
b Firms personally visited	35	21
c Firms identified from <i>Yellow Pages</i>	30	25
2 Initial agreement to interview by source		
a Personal introduction	14	1
b Firms personally visited	30	15
c Firms identified from <i>Yellow Pages</i>	18	20
3 Business owners interviewed		
a Personal introduction	14 (28%)	1 (3%)
b Firms personally visited	21 (42%)	13 (43%)
c Firms identified from <i>Yellow Pages</i>	15 (30%)	16 (54%)
(100%)	(100%)	(100%)
4 Refusal rate (of original contacts)		
a Personal introduction	1 (7%)	-
b Firms personally visited	5 (14%)	6 (26%)
c Firms identified from <i>Yellow Pages</i>	12 (40%)	5 (20%)

Conclusion

It can be seen that Asian firms identified without the benefit of personal introduction were much more suspicious of the researchers and more likely to refuse participation. The fact that interviews were conducted by NKB, who is of Indian nationality, and in Asian languages, may have accounted for the high number of personal introductions and good response rate, but white businesses also were happy to take part, with the same interviewer, and without personal introductions.

Chapter Four: **PERSONAL CHARACTERISTICS OF THE ENTREPRENEUR**

Of the various economic and social factors which determine the levels and growth of self-employment, human resources are the most critical. For this study it was clearly important to examine the academic and professional skills of the entrepreneurs involved in addition to their previous employment patterns and experiences in the labour market, since we were concerned to establish whether they were 'over' or 'under' employed. A body of information had to be constructed so that variations between the employment patterns and growth paths of the two groups could be highlighted. The analysis set out to discover the following:

- Whether there were differences between the academic level or professional training of the ethnic minority and the majority group
- Given any differences between the educational qualification of the two groups, whether their experience in the labour market differed
- How far the factors associated with self-employment differ between the two groups.

Migration Patterns

The importance of analysis of migration patterns in the ethnic minority group derives from the fact that period of immigration and country of origin reflect the resource endowments of the ethnic group. The longer the period of settlement, the more adept the ethnic group will be in terms of utilising systems in the host country. Furthermore, the longer they have been here, the more likely they are to have acquired wealth and skills and exploited opportunities available to them. The following section examines the migration patterns in terms of country of origin, place of birth and date of migration to Britain.

A sample of 50 Asians were selected for the present survey: 46 were of Indian origin and four from Pakistan. Of the 46 entrepreneurs of Indian origin, 44 said they were born there and two were born in Britain. Of the Pakistani group, one had been born in Britain and three in Pakistan.

Of the 46 'Indian' respondents, nine had migrated from East Africa, although describing India as their place of birth. One had migrated four times, as he described:

I was born in Africa in 1939 and my parents went back to Pakistan when I was six months old. Then we have to shift to India in 1947. I came to England in 1960. (Asian newsagent)

Of the white sample, only one Italian businessman had migrated from Italy, in 1962. Of the Asian sample, the majority had migrated to Britain during the sixties, and a few in the seventies. Thirty-three of the Asian respondents came to Britain 'during the sixties' (in fact one came during the 1940s and two during the 1950s); 13 came during the seventies (five from East Africa), and one during the eighties. Of the three Asian entrepreneurs born in this country, two mentioned that their parents came during the 1950s and the third during the 1960s. In brief, about three quarters of the Asian sample migrated to Britain during the sixties, and one quarter came during the seventies.

The age structure of the Asian respondents by period of migration is shown in Table 4.1. The data shows that the early migrants who came to Britain during the 1960s were very young at the time, the percentage distribution being 58 per cent in the age group 9-16, 36 per cent in the age group 17-25 and only 6 per cent in the age group 25+. In other words, the majority of our respondents were not adult labour migrants, but 'secondary' migrants who had moved to Britain as dependants and had a portion of their education here. This generation may, of course, be taking over from their parents as those reach retirement age, but there was little evidence of that process from the interviews.

However, the age structure of those who came to Britain in the 1970s is very different: 77 per cent were in the age group 17-25, whilst 23 per cent were aged over 25. Of those Asians who came from East Africa, all were over 17 at the time of migration to Britain. In other words, the 'East African Asian' entrepreneurs were primary settlers, although probably as refugees rather than as economic migrants.

Table 4.1: Age structure of the Asian group at the time of immigration

Age group	Period of Immigration		
	1960s	1970s	1980s
9-16	19 (58)	-	-
17-25	12 (36)	12 (72)	-
Over 25	2 (6)	1 (28)	1
Total	33	13	1
(Immigrants from East Africa)			
9-16	1	-	-
17-25	3	4	-
Over 25	-	1	-

Educational Qualifications

There is a clear relationship between age at migration and educational qualification. The majority of Asian respondents who came to Britain during the 1960s have few qualifications as they migrated at a very young age. Those who came during the 1970s are relatively better qualified. Table 4.2 shows that the majority of the respondents migrated to Britain during the 1960s aged between 9 and 16, not having completed their school level of education in India. Seventeen did not complete their school education and two responded that they had never been to school.

Of the other 12 respondents who migrated during the 1960s in the age group 17-25, two had had no education at all, seven had been educated to school level, one was a graduate and two were undergraduates. Of the two

who migrated aged over 25, one had been educated till school level and the other was a graduate.

Table 4.2: Period of migration, age structure and educational qualifications

Age group	No education	Under Matric.	Matriculation	Under Graduate	Graduate or more
1960s					
9-16	2	17	-	-	-
17-25	2	-	7	2	1
Over 25	-	-	1	-	1
1970s					
9-16	-	-	-	-	-
17-25	1	-	5	1	5
Over 25	-	-	-	-	1
1980s					
9-16	-	-	-	-	-
17-25	-	-	-	-	-
Over 25	-	-	-	-	1
East Africa					
1960s					
9-16	-	1	-	-	-
17-25	2	-	-	-	1
Over 25	-	-	-	-	-
1970s					
9-16	-	-	-	-	-
17-25	-	-	1	-	2
Over 25	-	-	1	-	1

Of the 13 respondents (some 30% of the total immigrants) who came to this country during the 1970s and were in the age group 17-25 more than half had graduate/ postgraduate education. Of the Asian entrepreneurs who were born in Britain, one went on a business course after leaving school, one did a business course at college and the third did an apprenticeship with an engineering firm.

Respondents in the Asian sample were asked if the lack of education had been a major constraint in availing themselves of employment opportunities in Britain. Their answers made it clear that they believed they had suffered a lack of bargaining power in the labour market and that their activities had been restricted to only a few sectors of the economy either for employment or self-employment.

Most of them had to seek employment as unskilled or semi-skilled manual workers in the manufacturing industries. A majority of respondents replied that had they possessed better qualifications, they would have gone into other professions or types of business:

If you understand what people say, that is enough. I do not think that education is inadequate for this business. (Asian grocer)

I got some education to overcome the language problem, but still I think, had I been more educated, I could have done some other type of work, or would have been in other type of line. I can manage this type of business as fifty per cent of the customers are Asians. (Asian grocer)

It is very straightforward, no headache, but had I got some education, I might have started some other business. It need more labour. (Asian grocer)

Had we got enough education and the experience, we would have been in other line of business or the scale of operation would have been different. (Asian grocer)

I have to depend too much on the accountant, even for simple letters, for everything, for other problems. I have to go to the accountant. (Asian grocer)

In the sample, seven and 20 per cent of the white and Asian respondents respectively mentioned that they felt their education was inadequate. The Asians also had language problems:

In the beginning we feel that education was inadequate. . . sometimes they ask but we did not know many things. (Asian grocer)

If a man is qualified and does not have any type of language problem, he can choose any line. Those who came earlier and are of my age and have not good qualification, they have to struggle. Those whose wives can speak English properly, half of their headache is over. Ladies can make more contact and attract more customers. Sometimes ladies are more free with ladies. (Asian grocer)

I studied at school level only and have problems in writing and reading. (Asian grocer)

Lack of education has also been a handicap in finding who to contact when they need help:

We Indian do not know how to contact. Very hard for us whatever we want to do. They know our weakness [lack of education] and they try to exploit us if we go to them for any problem. . . Now our Asian have corrupted the white and get their work done. They know our approach of getting our work done [bribery], so lots of problems are there. (Asian newsagent)

We do not know about these agencies. If a person is educated he would not have these problems. I had many problems in the beginning, and still I have. If I have to phone the secretary or solicitor, I cannot manage well. (Asian grocer)

From this evidence it does not appear that most Asian entrepreneurs are over-qualified or under-employed. These replies at least came from people who had achieved by determination rather than training.

Of the early migrants who came to Britain at an early age, few improved their educational qualifications after arrival; they may have attended school to improve their English but left soon after to get work. Financial problems and ignorance of services available often accounted for this pattern, as this account shows.

In 1954 I came to this country to study, but the circumstances changed. My uncle called me here for higher education. General public do not speak proper English, they are hopeless. My uncle told us that there are only two options: either study or work in the factory. We, three person came and we thought there is only one earning man, it is no good, that time pay was £10 only so we started looking for the job and so we stopped thinking about education. Since then we are working and sending the money to home, they go on spending the money and never made any prosperity. With the grace of God, we made some investment. (Asian grocer)

When you are sixteen seventeen year old, that time you do not know. Now our children are at the age between 15 and 17, we have to tell them where they are wrong, but our parent did not. When somebody come from India he knows little English, especially those educated till 5-7 class. I got education till 6th class. Education is good, you can keep it for the whole of your life. Had we got more educated, we would have been working elsewhere. (Asian grocer)

I came in 1960 and I could not get job. As I was studying in India, it was in my mind that I am an educated person. There were not many educated persons over there. My uncle took me to an educated person in Leamington and he advised to join a college part time. I started night classes and during the day time I worked as a builder. In 1961 my father came. He also emphasised for higher education, my wife also, and promised all type of sacrifice as we want to get out the vicious circle. But I got only one reward: I remained in touch with my children and as they saw me working so hard, they became responsible. (Asian newsagent)

The early immigrants are critical of discrimination in the labour market, and clearly felt that educational qualifications were not an automatic route to success:

We got education with our efforts. My father was a poor man. No outside help, we worked and study. The prejudice is here. If you are highly qualified it is very rare to get a job. And dealing with whites, hatred is there. They treat us as second class citizen. (Asian newsagent)

In terms of education, it is a wastage of potentials. In 1972 I did the motor mechanic [Day Release course]. Completed in three years, I used to work during night and day time, attend the college. I did City and Guild electrician 1975-8 but no use of these qualification. Because of colour bar they do not give the job to the black. I did my FSE from India [equivalent to college education]. They are prejudice.

If you are twice as good than a white man, then you can get. Some are three times better. In a normal way, you have to be twice as good and you have to ignore other aspects of life. You cannot get it without sacrifice.

Of the Asian sample, another 21 per cent of the respondents tried to improve their skills in areas such as mechanical engineering, computer training, book-keeping or accountancy:

Mechanical engineering	4
Electrical/electronic work	3
Clerical/other jobs	2

Those respondents who improved their qualifications are relatively more optimistic about the future:

I came in 1962 and went to school, for four years. Then I did apprenticeship at Standard Triumph for four years. I used to go to college for one day a week. Wherever I worked, I always got the above average wage. (Asian grocer)

I did some course with the Coventry Polytechnic, then worked in the Telecom as a technician for six months. Then in the bank for three years as a clerical job. Business Studies with HND for two years and then entered into business. (Asian grocer)

I did business courses as well, done with some training in motor mechanic and technician course and catering management. I think I got more knowledge and experience than I actually could handle. I am quite optimistic of entering into catering business in the near future. (Asian grocer)

The existing literature suggests that many Asians are not able to find work which fulfils their potential and enter self-employment as a last resort. It is generally held among the Asian community that even those with good academic qualifications are entering self-employment as they see family and friends doing so:

As they see others are making much profits, everyone become interested in it. They set their degree and education aside. They spend so many years in getting degrees but at the end they entered into business because other friends and relatives are in business. Self-employment is good because we feel more secured. Most of the Asians are business minded. Even the qualified persons are doing business like accountant and chemists. (Asian grocer)

In the survey, respondents were asked if they had academic or professional qualifications. A high proportion responded that they did: 98 per cent and 93 per cent for the Asian and white groups respectively. Table 4.3 shows the academic qualifications listed; more than half the respondents mentioned their education till school level, and the main difference exists in terms of higher education. Whilst Asians have a relatively higher percentage at university level (often at universities in India or East Africa which may not be recognised in Britain), the white group has a higher proportion of professional training.

Table 4.3: Educational and professional training

Qualification/training	White		Asian	
	No.	%	No.	%
School	15	54	31	62
University	4	14	9	18
Professional training				
Mechanical/engineering	3	11	5	11
Electrical/electronic	3	11	3	6
Clerical/office work	3	11	1	2
TOTAL	30	(100)	50	(100)

Some respondents feel that their current self-employment is merely a stepping-stone:

I will do this business for three years. The I will go for another type of business. I did my degree in electronics and my brother is in computers. To make self better off I am in business. I am still doing electronics as well. (Asian grocer)

Among the white group, entering the grocery business has sometimes been unplanned, and they may also have qualifications which are irrelevant to their present trade:

All education is useless and going to waste. When I was young, unfortunately my parents pushed me in one direction and I did not want to go. So I did all the electric and electronics courses but I was not interested. (White grocer)

The quantitative data reveals differences in attitude towards education: Asian parents are significantly more concerned about their children's education than the white respondents. Asian parents are also more concerned about cultural values:

Children are in private school. I always had nice car but now I have a old van. I sacrificed all the interest for the sake of my children. Now our children are getting good education but we always remind them to study more as they would not get the chance again. New small business owner can not afford to send their children to private school. I want to make investment on children. I can have a good life, but still I am working for my children. Our parents have for us and we are doing for our children. (Asian newsagent)

Our other relatives were in clothing, they earn a lot, but they could not give good education for their children, as they have to go at midnight. We do not want to disturb our children so we started in

grocery. Our other relatives are marketing in clothing, and they are now millionaire but their children could not get the education. Our relatives encourage us, but we are still thinking it needs a lot of hard work: they get up at 4, load the van, put the stall in the market and then pack it all up, then unload the van at home, do the shopping at night. This business is convenient for us. We did not expand it much as our children are in education and we did not put them into business. Sometimes they work at their own but we never compel them. (Asian grocer)

There is a lot of difference between a educated and uneducated one. In this business not much difference. In this business we just buy and sell. Next generation, after five to ten years, the boys got the education, they know their father will help financially, they will have the option. (Asian newsagent)

Some parents detect a shift in attitude in the younger generation towards hard work and family enterprise:

Only the Indian born work hard, not the children born here. (Asian grocer)

Asian business are successful, as they get full cooperation from their wives. New generation will not do the same. They are using equal rights in the wrong way. As far as the future is planned, we will see children and I felt that there will not be unity. Had there been more unity, and I believe in one investment, in whole family, but if they do not want to live together, no need for more struggle. This is the tradition of society. No two brothers can live together. Our partnership will not work now. (Asian newsagent)

Previous studies have suggested that Asians are wasting their potential in the grocery trade. From these survey results, however, many respondents

made clear that because they were under-educated, the grocery trade was one of the few open to them.

Previous employment patterns

As shown earlier, differences exist between the training, qualifications and occupational history of the two groups studied. Many of the early migrants were quite young when they arrived in Britain and owing to a number of reasons, failed to continue their education. Taking unskilled jobs, many of them encountered difficulties:

I came from India in 1961. After two weeks I started working as a casual parcel distributor in the post office. Then they offered me other jobs but I did not accept it due to less wages. Then I started working in the foundry and I worked as a skilled worker and was very happy though it was heavy work for seven years. There were not union and they give wages at their own choice. As I was an old worker I tried to lead the group and the management gave me the sack. With the help of community relations I fought the case and got the job back. But I could not pull on with them as I had very good relation with them earlier. So I left the job after two to three months. Then I got a job in the Ford and worked there for 13 years. (Asian grocer)

From 1964 to 1982 I was doing night shift in the Ford company. They advertise a job in the motor mechanic company in the Ford and they interviewed me but they say you have no experience. I got ten years practical work in garage and three-year course. From where can we get the experience? We cannot buy it from Tesco or Sainsbury. In India we have to bribe for the job. Here we got two types of discrimination: rich versus poor and black versus white. (Asian newsagent)

They give the job to the white first. West Indians have no chance. You can only get the job if you are too clever or qualified twice as much as the white. Only then you get a little chance. (Asian grocer)

Some later immigrants experienced discrimination too:

In earlier days they rely on Asian labour, hours low paid, men do all types of jobs. Now they are changing the policy. Our people are staying longer period whereas the white are coming and going. The white learn the work and become supervisor on us. Now I realise I wasted 16 years of my life. In new generation there is a trend: we must have self-employed. (Asian newsagent)

On the other hand, immigrants who came in the seventies with better qualifications succeeded in finding skilled employment:

Started working in a bakery as worker for one and a half years, then machine operator for two years, then as a quality control inspector for one and a half years. (Asian postgraduate)

I did book-keeping from 1984-6. I worked in CRC as a clerical job for three years. Then I got computer training in 1989. (Asian graduate)

I worked in bakery for three to four months, plastic moulding for three to four months and then one year in GEC. And 1979 onward I am in city council working as a pest control inspector. (Asian postgraduate)

One graduate from India has not sought employment at all, since his wife's family was in business.

A comparative analysis of employment patterns between the two groups

This section analyses employment patterns in terms of occupational distribution (that is, by types of work) and also by industrial distribution (that is, by type of factory).

Table 4.4a: Employment patterns of the white group by occupational distribution

Occupational distribution	Job 1		Job 2		Job 3	
	No.	(%)	No.	(%)	No.	(%)
SEG 2. Manager in industry, commerce, etc. Social class: intermediate occupation	-		-		2	12
SEG 4: Professional workers Social class: professional	1	5	1	5	-	-
SEG 5. Ancillary workers and artists Social class: intermediate occupation	1	5	-	-	2	12
SEG 6: Junior non-manual workers Social class: partly skilled	1	5	1	5	-	-
Social class: skilled non-manual	8	40	10	50	9	58

continued...

SEG 7: Personal service workers Social class: partly skilled	1	5	-	-	-	-
SEG 9: Skilled manual workers Social class: skilled manual	6	30	4	20	1	6
SEG 10: Semi-skilled manual Social class: partly skilled occupation	2	10	2	10	2	12
SEG 11: Unskilled manual workers Social class: unskilled	-	-	1	5	-	-
Others	-	-	1	5	-	-
Total	20		20		16	

An occupational classification of the respondents is given in Tables 4.4a and 4.4b. The most recent previous occupation is shown as 'Job 1'; previous employment history is shown in Job 2 and Job 3 (if appropriate). It can be seen that the white group has a relatively high proportion of skilled non-manual jobs in their history, compared with the Asian group. The Asian sample, on the other hand, have a relatively high proportion in jobs categorised as 'partly skilled' manual, such as packing, production and machine operation. If any group can be said to be 'over-qualified', it is in fact the white entrepreneurs who are now working at lower skill levels.

Table 4.4b: Employment patterns of the Asian group by occupational distribution

Occupational distribution	Job 1		Job 2		Job 3	
	No.	(%)	No.	(%)	No.	(%)
SEG 2: Manager in industry, commerce, etc. Social class II: intermediate occupation	-		-		1	4
SEG 4: Professional workers Social class I: professional	2	5	-	-	1	4
SEG 5: Ancillary workers and artists Social class II: intermediate	3	7	3	9	-	-
SEG 6: Junior non-manual workers Social class IV: partly skilled	-	-	-	-	1	4
Social class III: skilled non-manual	1	2	4	12	2	8
SEG 9: Skilled manual workers Social class III: skilled manual	6	14	7	21	3	12
SEG 10: Semi-skilled manual workers Social class IV: partly skilled	30	72	19	58	17	68
Total	42		33		26	

The empirical data also reveals patterns of concentration over three jobs by occupational category for both groups, implying that they found it difficult to break out of the job cycle they found themselves in. The white group tended to be more likely to have skilled non-manual jobs:

I was made redundant and I decided to sell the house and buy a business. I used to work as an electrician for the electricity board for ten years. (White grocer)

I used to work in the Midland Bank but I always wanted to work for myself. (White newsagent)

The difference between the two groups is not as marked in terms of industrial distribution, however. As shown in Tables 4.5a and 4.5b, the white group has a relatively high proportion of employment in service sectors such as hotels, catering and repairs whilst the Asian group predominates in the engineering and manufacturing industries, transport and communication. For a significant number of Asian informants, we were not able to establish the formal classification of the factory in which they had worked, sometimes because the name of the business could no longer be traced.

The data also provides some information on the change of employment in different sectors within the group. Of the Asian sample, the relative proportion within the metal goods and engineering sector remains the same whereas it declined in other manufacturing industries. In the white sample, whilst the percentage share in the distribution, hotel, catering and repair sector has declined, the share has increased in banking, finance and other services. A relatively high proportion of the Asian respondents said that they stayed in each job for less than five years.

Table 4.5a: Employment patterns of the white group by industrial distribution

Industrial distribution	Job 1		Job 2		Job 3	
	No.	(%)	No.	(%)	No.	(%)
Division 1 Energy & water supply industries	1	4	-	-	-	-
Division 3 Metal goods, engineering vehicles industries	7	17	11	55	4	25
Division 4 Other manufacturing industries	2	8	-	-	-	-
Division 6 Distribution, hotel, catering and repairs	9	35	4	20	4	25
Division 7 Transport & communication	-	-	2	10	-	-
Division 8 Banking & finance, insurance business service & leasing	1	4	-	-	2	12
Division 9 Other services	5	19	3	15	4	24
Others*	2	10	-	-	1	6
Total	26		20		16	

Table 4.5b: Employment patterns of the Asian group by industrial distribution

Industrial distribution	Job 1		Job 2		Job 3	
	No.	(%)	No.	(%)	No.	(%)
Division 2						
Extraction of minerals other than as fuel; manufacture of metals, mineral products and chemicals	4	9	-	-	2	8
Division 3						
Metal goods, engineering vehicles industries	9	20	6	16	8	32
Division 4						
Other manufacturing industries	12	26	9	24	2	8
Division 6						
Distribution, hotel, catering and repairs	7	15	6	16	4	16
Division 7						
Transport & communication	3	7	5	13	5	20
Division 8						
Banking & finance, insurance business service & leasing	-	-	1	3	1	4
Division 9						
Other services	2	4	2	4	-	-
Others (factory)*	9	20	9	23	3	12
Total	46		38		24	

It is generally said that white businesses have been established for longer than Asian firms and that there is a difference between the start-up finances required. The data here suggests however that the life of the businesses differs little: 30 per cent of white and 22 per cent Asian business were started before 1980; businesses established since 1980 were 70 per cent and 78 per cent respectively. There appears to be little difference in the financial backing necessary to have started the businesses.

Motivation for self-employment

Attitudes towards going into self-employment can be positive (desire to be better off) or negative (there was no alternative). The theoretical models provide three explanations for the ethnic minority to go into business:

- economic constraints in the labour market
- a cultural predisposition for business
- interaction between economic opportunities and the resources available within the ethnic community.

Most of the literature cites the first of these factors, suggesting that the ethnic minority is often forced into self-employment (see Forester (1978), Cater & Jones (1978) and Brooks (1982)). On the other hand, Baker (1982) and Brooks (1982) found in their surveys substantial evidence of Asian entrepreneurs choosing self-employment. In the present survey, roughly a quarter of white respondents were either unemployed or likely to be, before they had entered business, whilst for Asian respondents the figure is 39 per cent.

Table 4.6a provides the reasons given by owners for setting up their current business, categorised as 'push', 'pull' or 'other'. The 'push' factors are generally negative, whilst the 'pull' factors are positive; 'others' covers accidental or unplanned developments.

Table 4.6a: Motives for entering self-employment (by Ethnic Group)

Factors	White		Asian	
	No.	%	No.	%
'Push' factors				
'As I was made redundant, I entered into self-employment'	2	7	5	11
'As I was made redundant, friends/relatives in business suggested I do the same'	1	4	7	5
'Just to make a living'	1	4	1	2
'To get out of the factory/to be better off'	2	7	1	2
Total	6	22	14	30
'Pull' factors				
'I was interested/always wanted to be self-employed/independent/better off'	11	40	13	28
'Friends/relatives encouraged me'	1	4	5	11
'It suits me as it is easy to work from home and my wife can also help'	2	7	1	2
Total	14	51	19	41

continued...

Other factors				
'This is my second business/I am expanding'	6	21	10	22
'It was sudden, as this business was for sale'	2	7	3	6
Total	8		13	
Overall total	28		46	

The figures reveal that there is little variation between the two groups in relation to negative motives for entering self-employment. However, there is a difference in the kind of push factors cited: only 11 per cent of the white group experienced unemployment whereas in the Asian group this was 26 per cent. Nevertheless, the Asian group was more likely to be supported by family and friends:

We were working outside. As we three brothers became unemployed, we thought of starting a business instead of sitting idle. (Asian grocer)

My sister and brother had a shop. I was made redundant for two to three weeks, so we bought this shop. (Asian grocer)

Positive factors for choosing self-employment are quite high for both groups and show little variation. The desire to be better off financially, coupled with a feeling of independence, is a strong motivator for both. Encouragement from family friends ranks more highly in the Asian sample (15% compared with only 4% for the white group).

Table 4.6b provides information on the factors associated with the motive for entering self-employment at two different points in time. It is clear that the overall change in the economic climate has had an effect, as predicted.

Table 4.6b: Motives for entering self-employment (By Ethnic Group and Period)

Factors	Pre 1980		Post 1980					
	White No.	Asian %	White No.	Asian %	White No.	Asian %		
'Push' factors								
'As I was made redundant, I entered into self-employment'	-	-	2	10	5	13		
'As I was made redundant, friends/relatives in business suggested I do the same'	-	-	1	5	7	18		
'Just to make a living'	-	-	1	5	1	3		
'To get out of the factory/ to be better off'	-	-	2	10	1	3		
'Pull' factors								
'I was interested/always wanted to be self-employed/independent/better off'	3	42	4	36	8	38	9	27
'Friends/relatives encouraged me'	-	-	3	28	1	5	2	6
'It suits me as it is easy to work from home and my wife can also help'	1	14	1	9	1	5	-	-

continued...

Other factors

'This is my second business/I am expanding'	3	43	1	9	3	13	9	27
'It was sudden, as this business was for sale'	-	2	18	2	9	1	3	
Overall total	7	11	21	35				

The empirical data shows that before 1980, the circumstances associated with 'push' factors were absent whereas positive ambitions were 100 per cent and 82 per cent among the white and Asian groups respectively. The desire to be better off is more common in the white group (42% compared with 27% for Asians) and for some 43 per cent of white respondents this was their second business.

During the period 1980 onward, redundancy is often cited as a factor (27% for whites and 37% for Asians). Positive ambition also ranks highly, however and is almost equal for the two groups (64% for whites and 60% for Asians).

Age structure

Respondents were asked to provide their date of birth and their age at the start of their business so that comparison could be made between the age structure of the groups. This is shown in Table 4.7.

Table 4.7: Age structure at the time of entry into self-employment

Year of birth	Age group	White		Asian	
		No.	%	No.	%
Before 1929	62+	1	3	1	2
1930-1939	53-62	9	31	7	14
1940-1949	43-52	9	31	16	32
1950-1959	33-42	9	31	24	48
1960-1969	23-32	1	3	2	4

Apart from those over 62 and under 23, there is a constancy in the white sample between the different age groups. Among the Asians, however, there is a markedly higher representation of those in their thirties.

Conclusion

The empirical data suggests that in employment Asians were restricted to few sectors of the economy and were more likely to occupy manual jobs than their white counterparts. There is also strong evidence that the disadvantage in the labour market was less a result of racial discrimination than of limited professional skills, although such discrimination was experienced.

In terms of motives for entering self-employment, this study does not support earlier research indicating that Asians enter self-employment primarily as a result of racial disadvantage. Positive attitudes towards self-employment are equally present among both groups.

The data shows that later immigrants feel greater concern for their children's education than either the early immigrants or the white sample. Asian parents also feel that their children are unlikely to work as hard as they have done and that they are less attracted by the grocery business.

Chapter Five: THE STRUCTURAL CHARACTERISTICS OF BUSINESS

Asian businesses face a severe challenge in their reliance on the retail sector. The existing literature suggests that with the exception of a few, ethnic minority groups are not well equipped in terms of economic resources. As the Asian community has such a short history of settlement it is assumed that its financial base cannot compete with the majority group in other highly competitive lines of trade. On the basis of this assumption, it is worth while making a comparative analysis of economic and non-economic factors associated with entry into the grocery trade.

In this chapter, the following hypothesis is tested:

- That differences exist in the structural characteristics of the businesses of the two groups.

Sector distribution of trade

A street survey of white and Asian firms in the retail sector was carried out in the Foleshill and Earlsdon wards of Coventry. Two shopping centres from each ward were selected. The Asian population constitutes 4 per cent of the Earlsdon ward and some 40 per cent in Foleshill.

Table 5.1 provides information on the sectoral distribution of trade of the white and Asian firms in these two wards. White firms are equally distributed throughout both wards while the Asian group is highly concentrated; there are 164 Asian retail businesses in Foleshill but only seven in Earlsdon.

There is wide variation between the sector distribution of these groups. In the white sample, the service sector is dominant with few in the food retail sector. Food and clothing share a high percentage of the Asian sample.

Table 5.1: Sectoral distribution by ward in Earlsdon and Foleshill

Sector	White		Asian		Earlsdon		Foleshill	
	No.	%	No.	%	No.	%	No.	%
1. Grocery	5	7	1	1	2	29	36	22
2. Bakery/butcher/ take-away/restaurant	8	11	7	8	2	29	36	22
3. Beer/wines	3	4	-	-	-	-	1	1
4. Clothing/shoes	6	8	7	8	-	-	37	23
5. Post office	-	-	1	1	1	14	4	2
6. Electronics/elec- trical/hardware/ carpets/furniture	12	16	17	19	-	-	24	15
7. Car dealer	2	3	17	19	-	-	2	1
8. Services	22	30	25	28	1	14	20	12
9. Other	15	21	15	17	1	14	26	16
Total	73		90		7		164	

Note - Others includes:

art materials	videos	jewellers	cash & carry
pet shops	stationery	chemist	antiques
ethnic goods	fancy goods	gifts	second-hand goods

Differences in distribution of businesses by area

The empirical data shows that white businesses are equally distributed in both the largely white populated areas and the Asian. There are very few white-owned grocery shops in Foleshill, however, largely because of cut-throat competition; this is sometimes so fierce that goods are sold below cost price. This appears to have forced white shopkeepers out:

In the Asian populated area, Asian had fierce competition. White do not like, white sell the shop if Asian buy the shop in the area. White has an old shop and used to sell fresh bread every day for 45p. Asian started selling 20p per bread. White has to leave shop after two or three weeks. We are doing not for profits but to put down others, not for earning. (Asian grocer)

White are leaving the business and running away. They do not want to work - government gave them the money and they just spend and are happy. (Asian grocer)

The Asian traders are often constrained in their growth, however, as many depend on the ethnic minority for their business. Expanding in a predominantly white area can be difficult:

People are racist. In the beginning they are discriminating us. Many stopped coming to our shop. But later they started coming. (Asian newsagent)

Discrimination is there. White do the colour bar. They do not like going to Asian shops and at the end of the day they do not have any choice, they are surrounded by the Asians. (Asian grocer)

This is not always the case, however:

I was born here and my husband is from East Africa. Ninety per cent of my customers are English. If I was among the Asians I

would have been more miserable. Had I just wanted only the money and not friendly with them, the less customers would have come. (Asian grocer)

Competition between Asian businesses is also fierce:

Nowadays everyone is after grocery. They start selling at cut prices and the customers are happy. In order to get more order they cut the prices. I opened fish and chips and that was quite different. Now I am doing a survey and might open dry cleaning. (Asian grocer)

Asian customers come in for criticism too:

Asians are not good customers. They want to buy one but search all the goods. (Asian supermarket)

Asian business among the Asians, it is very difficult to run. Our Asian are under this impression that we are getting high margins. For white, you just fix the price and never discuss the price and make comparison. (Asian grocer)

Age of the firms

It is necessary to study the period of entry into self-employment, since the date of establishment affected various social and economic factors in the path to self-employment.

Table 5.2 provides information on the year of establishment of the present businesses. Of the white sample, some 17 per cent were set up during the 1960s while none of the Asian sample date from this period. This can be accounted for by the fact that the majority of Asians came to this country during the 1960s and were young at the time. Numbers are similar for the early 1970s and then increase for the Asian sample, holding that higher representation during the early 1980s. Numbers for 1985 onwards are similar for both groups.

Table 5.2: Year of establishment

Year	White		Asian	
	No.	%	No.	%
1950-1959	1	3	-	-
1960-1969	4	14	-	-
1970-1974	1	3	3	6
1975-1979	3	10	8	16
1980-1984	7	23	17	34
1985 onwards	14	48	22	44
Total	30		50	

Ethnic composition of the customers

Debate exists on the extent to which Asian businesses are dependent on the ethnic minority market. Jones (1982) and Cater & Jones (1978) claim that Asian businesses are seriously constrained while Brooks (1982) and Mullins (1979) found otherwise. Perhaps of greater importance is the structure of the retail trade itself and the location of the shops.

Table 5.3 provides information on the composition of customers by ethnic origin and shows that about three quarters of both white and Asian business in our interview survey depend on whites for more than 75 per cent of their business. Of the remaining quarter, Asian firms claimed that they relied more on Asian customers.

Table 5.3: Market information - ethnic origin of customers

Ethnic origin of customers	White No.	Asian No.
White		
10% or less	1	-
11-25%	-	2
26-50%	2	6
51-75%	4	4
More than 75%	23	38
Asian		
10% or less	23	36
11-25%	2	5
26-50%	5	4
51-75%	-	5
More than 75%	-	-
Afro-Caribbean		
10% or less	19	27
11-25%	-	-
26-50%	-	-
51-75%	-	-
More than 75%	1	-
Others		
Less than 20%	7	1
80-100%	1*	-

* Italian food shop, 90 per cent of whose customers are Italian

Differences in trade by product lines

Table 5.4 provides information on the differences between the two groups in relation to product lines. The Asian firms have a relatively large product range compared with the white businesses: 42 per cent of the Asian firms have introduced more than six product lines where only one fifth of the white sample has done so. As Asian firms introduce more product lines they naturally intensify competition with each other.

Table 5.4: Number of product lines

Number of product lines	White		Asian	
	No.	%	No.	%
3 or less	14	47	2	4
4-6	10	33	27	54
6 or more	6	20	21	42

While all the sampled businesses were in the retail sector, grocery, greengrocery, newsagency or post office were the main product lines. There were, however, a number of important differences in the main focus of the shops. Table 5.5 shows these main product lines.

Many lines are seen to show little difference between the ownership of businesses although floristry is seen to be predominantly a white-owned business. In Table 5.6 product lines are broken down into types, showing that Asian firms have introduced meat and licensed products to their range.

Table 5.5: Main product lines

Sector	White		Asian	
	No.	%	No.	%
Grocery (supermarket size)	9	30	21	42
Greengrocery	4	13	9	18
Florist/greengrocery	3	10	2	4
Delicatessen	2	7	4	8
Newsagent	7	23	10	20
Post office	2	7	2	4
Off-licence	-	-	2	4
Total	30		50	

Table 5.6: Distribution of product lines

Sector	White		Asian	
	No.	%	No.	%
Grocery	18	60	48	96
Grocery & greengrocery	17	56	27	54
Greengrocery & florists	7	23	1	2
Grocery & delicatessen	4	13	19	38
Food, drinks & tobacco	22	70	47	94
Delicatessen	10	33	1	38
Indian fried food	33	2	38	4
Off-licence	-	-	11	22
Meat	-	-	4	8
Chemists	16	53	31	62
Video	3	10	9	18
Newsagent	7	23	12	24
Gifts & cards	17	56	34	68

continued...

Post office	2	6	3	6
Evening newspaper	-	-	1	2
Hardware	2	6	9	18
Children's wear, clothes	-	-	6	12
Dry cleaners	-	-	1	2
Stamps	-	-	1	2
Electrical goods	-	-	1	2
Others	3	-	0	-

Differences in factors associated with entering the grocery trade

In the survey respondents were asked to explain why they had entered this particular line of business and their responses were categorised as economic or non-economic factors. Those responses associated with finance, manpower and market opportunities were classified as 'economic' whilst family support and experiences were classified as 'non-economic'.

The empirical data shows that economic factors explain only one fifth of the total factors involved: finance and manpower constitute only 8 and 9 per cent of the Asian and white groups respectively.

Table 5.7: Motives for selecting the grocery/CTN or post office trade

Sector	White		Asian	
	No.	%	No.	%
Experience				
Easy to run, no experience required	5	19	7	15
Experience gained from previous business	5	19	4	8
First step which might lead to other businesses	-	-	4	8
Friends/family were in the same line/family business	3	11	15	32

continued...

Finance/labour inputs				
Requires less finance	1	4	1	2
Suitable as it needs little labour/spouse can help	1	4	3	7
Other				
Only business available at the time	-	-	3	7
Accident/ no reason	7	25	4	9

Finance and manpower were often quoted as the main constraint on entering other areas of trade:

Other business need more manpower. In newspaper you cannot lose: you do not have to spend much for stock. It require less money. (Asian newsagent)

We just got the shop and we do not have much money to invest and we could not have done other business. (Asian newsagent)

Respondents also cited the grocery trade as relatively risk-free:

It is a common line. In other business there can be risks but it is a necessity [eating]. (Asian grocer)

Every person has to eat. In other business people spends when extra money comes. Every person spend money on eating every day. In this business, if you spend £200 in the morning you will have the £200 back in the evening and £20-25 profit margins. (Asian grocer)

Non-economic factors are a substantial factor in choosing the grocery trade and are similarly effective for both groups (49 and 55% for Asian and white firms respectively). Experience was cited more often by the white sample (in the sense that it required little) whilst the Asian group

cited previous business more frequently. One third of the Asian sample said that they had friends or family in the grocery trade who had provided help or advice:

As my brother got the shop we got experience over there. (Asian grocer)

I had business in Africa and over here I had partnership with my brother-in-law. (Asian grocer)

We started in 1974 and bought one shop and then another three but in 1988 we split as the children grew old, then it was difficult to stay together. But it was more profitable to stay together. We already had an established business. Since I was a child, I used to work with cousin for five years and we got the experience and opened this business. (Asian grocer)

The selection of this business by chance is a greater factor in the white sample, in which 25 per cent found chance to be a factor, compared with 16 per cent of the Asian sample.

Analysis at two points in time

Attempts have also been made to make comparison between the two groups at two points in time. Table 5.8 shows the findings.

Table 5.8: Motive for selecting grocery/CTN and post office trade at two points of time

Factors	Pre 1980				Post 1980			
	White		Asian		White		Asian	
	No.	%	No.	%	No.	%	No.	%
Experience								
Easy to run, no experience required	2	28	2	18	3	15	5	15
Experience gained from previous business	-	-	3	27	-	-	12	34
First step which might lead to other businesses	-	-	1	9	-	-	3	9
Friends/family were in the same line/family business	2	28	-	-	6	30	4	12
Finance/labour inputs								
Requires less finance	-	-	-	-	1	5	1	3
Suitable as it needs little labour/spouse can help	1	14	1	9	-	-	2	5
Other								
Regular customers/ little risk/good place to start	-	-	-	-	5	25	5	14
Only business available at the time	-	-	2	18	-	-	1	3
Accident/ no reason	2	28	2	18	5	25	2	5
Total		28		45		25		8

As far as reasons associated with experience are concerned, the relative percentage distribution among Asians has increased over time compared with the white sample. Reasons associated with finance and labour have declined for both groups, particularly for the white sample. Reasons relating to the market were relatively unimportant before 1980, with whites expressing greater concern than Asians. Reasons associated with chance dropped dramatically for the Asian group while remaining fairly static for the white sample. In other words, more Asians were making a deliberate choice, often because it was seen as a low risk business.

Employment patterns

The empirical data shows that entry to the grocery sector is more the product of non-economic forces than economic ones. Roughly one quarter of the Asian sample stated that they found the grocery trade easy to run and that it needed no previous experience; they also implied that other members of the family could participate in running the business. The existing literature suggests that Asian businesses are often family businesses employing more family members than their white counterparts. Table 5.9 examines the employment patterns in this sample.

Table 5.9: Employment patterns

Variables	White (% of total employees)	Asian (% of total employees)
Family	56	82
Non-family	44	18
Male	31	60
Female	69	40
Full time	51	77
Part time	49	23

The table shows that Asian-owned businesses make more use of family members than white-owned firms and employ a higher proportion of male employees. The differential between full-time employees is also significant, highlighted in Table 5.10 below.

The survey also asked respondents about the ethnic origin of their employees. The results showed that there is a tendency for each group to employ workers of their own ethnic background. This is not exclusively so, however: one white employer employs one Asian worker and ten Asian employers have 13 white employees between them. For the Asians in the sample, there were mixed feelings about the honesty of white employees, the belief of some of them being that white staff were untrustworthy. Table 5.11 shows the number of employees in the sample.

Table 5.10: Employment patterns

Variables	White		Asian	
	No.	%	No.	%
Male full-time, non-family	2	2	7	5
Male full-time, family	32	27	59	44
Male part-time, non-family	-	-	7	5
Male part-time, family	2	2	7	5
Female full-time, non-family	5	4	1	1
Female full-time, family	21	18	36	27
Female part-time, non-family	45	38	9	7
Female part-time, family	11	9	8	6

In the white sample, female, part-time, non-family staff constitute a large share of the employees; in Asian businesses, female full-time family members take a similarly important role. In Asian businesses, children also find employment:

Table 5.11: Employment patterns by number of employees (owners included)

Variables	Asian		White	
	No.	%	No.	%
Present				
Less than 2	11	37	32	64
3-5	13	43	15	30
6-8	5	17	2	4
More than 8	1	3	1	2
Total	30		50	
Past employment				
More	-	-	1	2
Fewer	2	7	4	8
Same	28	93	45	90
Future employment				
More	5	7	13	26
Fewer	-	-	1	3
Same	24	80	37	74

While family, who will normally be of the same ethnic origin as the proprietor, are important in staffing the shop, they are not the only contributors of labour.

Children are grown up and they help could help us during the holidays. (Asian grocer)

During the Christmas our whole family works. If we start employing more, then there will be no profits. (Asian grocer)

These responses do give substance to a common stereotype or belief about Asian businesses. Another commonly expressed view is that Asian shop-workers keep longer hours. In the survey, respondents were also asked about the number of hours they worked per week. Tables 5.12 and 5.13 provide this information.

Table 5.12: Working hours per week

Working hours	Asian		White	
	No.	%	No.	%
Less than 60	9	30	8	16
60-79	9	30	15	30
More than 79	12	40	27	54

Table 5.13: Working days per week

Days	Asian		White	
	No.	%	No.	%
6	11	37	10	20
7	19	63	40	80

As can be seen, more Asians work seven days a week than their white counterparts and they are more likely to work in excess of 79 hours per week. In the range of sixty to seventy-nine hours per week, however, the proportion (30%) is identical for both groups. In general, all shop-keepers work long hours and the difference is perhaps less than expected and certainly not enough to explain any major competitive advantage.

Conclusions

The empirical evidence suggests that Asian firms do have more constraints to growth than their counterparts in terms of area as well as

sectoral distribution of trade. The Asian firms are more concentrated in areas of high Asian population, where they suffer severe competition.

Whilst white companies are fairly equally distributed across the retail sector, Asian firms are relatively more concentrated in the retail food sector. Economic factors played a relatively small part in the entry into the food retail sector.

Asian businesses are more likely to employ male full-time family members than the white sample, but white companies employ more non-family staff on a part-time basis. The difference between the number of days worked per week is not significant between the two groups, and although Asian businesses were more likely to work hours in excess of 79 per week, for those businesses open for 60-79 hours each week, the hours worked were the same for both groups.

Chapter Six: FINANCIAL PATTERNS OF ASIAN BUSINESSES

Theoretical and empirical studies on ethnic businesses

In the various studies of ethnic minority businesses, study of finance ranks quite highly and a common belief is that personal savings and the mobilisation of ethnic networks are a major source of start-up finance (Ward & Jenkins (1984), Aldrich & Reiss (1976) and Wilson & Stanworth (1988)). The existence of mutual aid societies and the structure of the community network therefore may determine the levels of mobilisation of finance within ethnic minority groups (Light (1984), Waldinger (1989), Boissevin (1986), Ward (1984)).

The literature suggests that the contribution of institutional finance to minority business development is very small at the start-up stage although it increases in importance as the business matures. In general, very few studies reveal lack of capital as a barrier to entry in ethnic businesses. It is argued that ethnic entrepreneurs deliberately choose a sector or scale of operation which requires only a small amount of capital and that as they accumulate experience and capital, they move into larger operations which require external finance:

The general history of the entrepreneurial development of most ethnic groups shows that they have tended to start their businesses in industries where the barriers to entry are low, thus requiring little finance, but over time have developed their own funding institutions and intermediaries. (Wilson, 1983, pp.72-3)

Another form of capital mobilisation is via mutual aid societies such as the rotating credit societies which exist among the Chinese, Japanese and Korean communities in the USA. There is little evidence of this practice in Britain, despite some suggestions that a 'West Indian Partner' system may exist, and Ward & Jenkins (1984) emphasis on the role of community networks in the UK.

Some authors suggest that black businesses experience the greatest difficulties in accessing finance (Brooks (1982), Wilson (1983), Kazuka

(1980) and Sawyerr (1983)). The last two show that black businesses have suffered from racial discrimination whereas others have suggested that the small level of borrowing from banks is a reflection of the small nature of businesses. Ward's evidence for the Home Affairs Committee (1980) found little evidence of racial discrimination in the capital market. It is of course possible, as many authors suggest, that an avoidance strategy is in operation: there is no need to encounter possible discrimination if a low-capital sector is selected for the original start-up stage business.

As the number of Asian businesses has increased in the last two decades, debate has centred on the structural characteristics and patterns of financing. Although some of the recent research has provided comparative data on white, Asian and Afro-Caribbean businesses, much makes no distinction between the cultural identity of black businesses. Where a distinction is made, research shows that Asians have a higher proportion of start-up funds from banks than white businesses, which in turn borrow more than Afro-Caribbean firms. Brooks (1983) argues that Asian firms are more likely to be rescued by Asian banks and that overall, Asian businesses performed rather better than white businesses.

Sawyerr (1983) found that ethnic businesses started with small savings from the owner and little assistance from any financial institution. Being under-capitalised they were unable to generate sufficient profits for reinvestment and were thus unable to meet the funding criteria of financial institutions. Gretton (1988) found that Asians have relatively high levels of start-up finance and generate capital from within the community, and are more likely to obtain bank loans because they have an established track record and a reputation for hard work. On the other hand, Jones (1982) found that bank loans constituted a higher proportion of the assets of Asian businesses than was the case for Asian firms. Boissevin *et al.* (1986) argued that personal savings were the major source of finance for Asians, arranged loans from the ethnic community being of secondary importance. Their study also reveals that few Asian firms obtained bank loans in order to expand.

Wilson & Stanworth (1986) found that Asian firms were adequately financed both at formation and expansion stages and that there was a plentiful supply of finance to stimulate business development. In a later study (1988) they showed that businesses started on a small scale so as to match the level of resources and reduce the risk of failure. According to Wilson's findings in 1983,

The Asian group used bank finance at all stages in accordance with the borrowing patterns . . . at the development stage, greater use was made of the overdraft (nearly all the Asians had an overdraft facility). This survey offers little evidence of discrimination by the banks on racial grounds. (Wilson, 1983)

Unfortunately, much of the research done in this area fails to distinguish between the different ethnic groups studied. It is also the case that most studies have only examined the financial patterns in terms of numbers of respondents using various forms of finance rather than quantifying the percentage share of each source of finance compared with the start-up capital required. Whilst earlier studies revealed that Asian firms invariably expanded slowly by reinvesting profits, no study has attempted to make a comparative analysis of the growth strategy between Asian and white businesses. Thus the important issue is whether the levels of start-up finance and access to institutional/non-institutional finance are significantly different from comparable white businesses.

The present study: some hypotheses

The main objectives of the present study were to:

- examine differences in the levels of start-up finance between the Asian and white businesses
- examine differences in the balance of institutional/ non-institutional finance between the two groups

- examine differences in growth strategy in terms of expansion of stock in the first three years.

In order to achieve the objectives set out, quantitative and qualitative analysis has been used. Quantitative analysis has been used to determine differences in levels and sources of finance, and for analysis of growth patterns a qualitative approach based on oral evidence has been used. The analysis is made for the period as a whole as well as at two points of time (pre 1980 and post 1980 foundation) to measure changes over time.

It is generally stated that white firms are longer established than their Asian counterparts. The empirical data from this survey suggests however that there is little difference for the two groups under study: proportions for the pre-1980 period are 30 per cent and 22 per cent for the white and Asian businesses, and for the post-1980 period the figures are 70 and 78 per cent respectively. This also implies that the other (perceptual) data is comparable.

Levels of start-up finance

Table 6.1a shows the levels of start-up finance for businesses in this study. Level of finance has been classified as small, medium or large.

Table 6.1a: Levels of start-up finance (price deflated)

Categories	White		Asian	
	No.	%	No.	%
Small (up to £25,000)	7	28	17	37
Medium (£25-99,000)	17	68	25	54
Large (£100-200,000)	1	4	4	9
Missing data	5		4	
Total (N)	30		50	
Mean (£,000)	38		51	
SD	23		61	

The results show that among white businesses, the percentage of businesses is relatively higher in the medium size group. Among Asian firms the pattern is the same. Although 68 per cent of white businesses had a 'medium' level of finance compared with the Asian sample, the difference is only 14 per cent. The mean values of 38 and 51 for white and Asian businesses suggests that on average the Asian businesses have a slightly higher level of start-up finance but the standard deviations indicate that variation within the group in terms of levels of start-up finance is relatively high in the Asian sample.

Table 6.1b shows the changes in distribution of businesses by size group within each of the groups as well as between groups. It can be seen that the distribution between the groups for the white traders is virtually the same in both time periods, while Asian businesses in the later period are significantly smaller.

Table 6.1b: Levels of start-up finance (price deflated) by start-up period

Categories	White		Asian	
	No.	%	No.	%
Small (up to £25,000) (Early)	2	29	3	27
(Late)	5	28	14	40
Medium (£25-99,000) (Early)	5	71	6	54
(Late)	12	66	19	54
Large (£100-200,000) (Early)	-	-	2	18
(Late)	1	6	2	6

The levels of start-up finance have declined over time but the relative position of the white sample has improved. Variation for both groups has increased within the group and this is more the case with the Asian

sample. Shifts in the distribution patterns have not affected the overall levels of start-up finance over time, however.

Thus the empirical results show that levels of start-up finance are not significantly different between the two groups at the overall level. It is generally said, however, that Asian businesses invest relatively more in freehold property and start businesses from empty premises or where the existing business is in difficulty. From this survey, 71 per cent of Asian businesses had invested in freehold property compared with 47 per cent for the white sample. Of those Asian respondents who held leasehold property, several mentioned that they were about to buy the freehold; none of the white respondents mentioned such a transaction.

I bought it on the lease (£1500-2000) and now it is a freehold property and worth £85,000. (Asian supermarket owner)

I have to stay here for two years and we are planning to buy it freehold. (Asian businessman)

From this survey it is clear that relatively more Asians started from scratch or revived dying businesses. Twelve of the Asian respondents had started from empty premises compared with only 3 per cent of white respondents. Ten per cent of Asian respondents reported that their businesses had performed poorly at the start-up stage and only by extra work had they managed to increase the turnover. They had employed various strategies:

The previous owner of this business brought this business down by not giving good behaviour to the public, turnover was low at £500 a week. Now it is £1000 a week. We have to put lots of efforts in to attract the customers. (Asian grocer)

We started with a sweet shop in 1980 but it was a small shop and very poor condition. When next door the video shop was closed, we managed to buy it and introduce the grocery. (Asian grocer)

The shop was not doing well: it was sold three times in two years before. It was my education that works. Now I can afford whatever I want, I rent out the flat, bought a big house, children are going to private school. But the only thing is, I am working very hard. (Asian grocer)

Sources of finance

Small businesses obtain finance at the start-up stage from a variety of different sources and it is said that Asian businesses make more use of informal sources than their white counterparts. This section examines the evidence for such statements, looking at personal savings, access to the community network, bank loans, mortgages and other local bodies.

Table 6.2 provides information on the source of finance mentioned by respondents. The empirical data shows that among white firms, personal savings are the primary source, followed by bank loans and house mortgages (the percentages being 80, 76 and 24 respectively). White firms do not appear to make use of financial help from friends. For Asian firms, again personal savings are the primary source, followed by bank loans, but here the next source is from friends and then house mortgages (percentages being 91, 89, 31 and 4 respectively). There is clearly a significant difference between the use of mortgages between the two groups, with white businesses raising mortgages to almost as high an extent as Asians use finance from friends. The empirical evidence also shows that none of the Asian firms made use of mutual aid societies or organisations to obtain finance.

Out of the sample of 30 white businesses, two were refused loans from building societies and one was refused a bank loan. In the Asian sample of 50 businesses, four have been refused loans from the bank. It also emerged from the survey that none of the Asian businesses had borrowed money from Asian banks.

Table 6.2: Sources of finance mentioned by respondents

Proportion mentioning source	White %	Asian %
Personal savings	80	91
Friends	-	31
Bank loan	76	89
Mortgage	24	4

The evidence shows that white businesses make more use of formal sources of finance than their Asian counterparts and although the figures for bank loans are very similar for both groups, the difference lies in white businesses raising mortgages where the Asian group raise finance from family and friends. The use of personal savings is similar between both groups.

Figures were also supplied for two points in time: pre 1979 and post 1979. In this period, for white businesses, use of personal savings declined (falling from 100% to 72%) whilst dependence on bank loans rose (from 70 to 77%) as did mortgages (14 to 28%). Among Asian respondents, dependence on informal sources increased slightly (by 4%), as did dependence on bank loans, while mortgages fell.

Overall, the differential between the two groups in using formal/informal sources of funding has increased over time.

Use of different sources of finance

The empirical analysis in this section is based on the following indicators derived from the survey data:

- the percentage distribution of each source of finance to total start-up finance for each group as a whole
- the differences in the use of each source by classifying the firms by size group or levels of use of each source at start-up

the differences in the use of each source by classifying businesses as small, medium or large groups of percentage use of each source of finance to total start-up finance.

Table 6.3a: Sources of finance by percentage distribution of total amount

Source	White %	Asian %
Personal savings	30.7	39.3
Friends	-	4.1
Bank loan	54.8	55.0
Mortgage	14.5	1.7

Table 6.3b: Sources of finance at two points in time

Source	Pre 1979		Post 1979	
	White	Asian	White	Asian
Personal savings	25.1	38.7	34.4	39.6
Friends	-	3.1	-	4.7
Bank loan	71.4	58.2	43.7	52.8
Mortgage	3.5	-	21.8	2.9

Among white businesses, bank loans are seen to be the prime source of finance, followed by own savings and funds from mortgages. Among the Asian firms too, bank loans are the prime source of finance, representing 55 per cent of the total start-up finance. The results contradict some earlier studies which claimed that immigrants usually save at an unusually high rate and also borrow heavily from family members; in this survey the proportion of savings is only slightly higher for the Asian group, and borrowing from family and friends constitutes only 4.1 per cent of start-up finance. Although the white sample did not have finance provided by

family or friends, the proportion of help available to their Asian counterparts is very small.

Such difference as there is between the groups is largely accounted for by borrowing in the white sample by way of mortgages, the comparison being 14.5 per cent for the white group and only 1.7 per cent for the Asian. Given the known possibility of most Asians living in owner-occupied accommodation (Owen, 1994) this finding may be surprising. On the other hand it may reflect either a cultural preference or an inability to raise funds on their homes, perhaps because of their location. Given the 'traditional' description of Asian home ownership in inner-area terraced accommodation, this latter explanation seems more tenable although we were unable to explore it further.

Table 6.3b shows changes in these patterns over time. For the white group, bank loans fell by almost 30 per cent, to be matched by a rise in mortgages of almost 20 per cent and an increase in personal savings of nearly ten per cent. For the Asian group, the situation remained far more stable, the only significant change being the introduction of mortgages as a source of finance by the second date, possibly to compensate for some of the decrease in bank loans. Some slight increase was also found in borrowing from informal sources. In both groups, the relative share of informal sources of finance increased over time, and a fall in formal borrowing from banks (severe in the case of the white sample) was made up largely by increased mortgages.

Savings

Small business owners prefer using their own savings in order to limit their formal borrowing. In the survey, 80 and 91 per cent of the total white and Asian groups respectively used their own savings at the start-up stage. Asians are relatively more thrifty and try to save as much as possible:

All my friends and relatives have shops. We never go to pub. Never do extra expenditure, never go out in restaurants, not much money on cooking, never spend on Chinese meals. (Asian grocer)

In Table 6.4a, the comparative levels of personal savings are measured in the two groups.

Table 6.4a: Sources of finance (personal saving)

Categories	White		Asian	
	No.	%	No.	%
Nil value	5	20	4	10
Group 1: Less than £14,000	9	36	26	57
Group 2: £15,000-29,000	7	28	8	17
Group 3: £30,000-44,000	4	6	8	7
No Answer	5		4	
Total	30		50	
Mean	15		20	
SD	14		31	

The empirical results show that more than 55 per cent of businesses are distributed in the 'small' group size for both Asian and white groups, with less than £14,000 in savings. The white sample has a higher proportion of businesses in the group 2, with savings between £15,000 and £29,000. However, the mean value suggests that on average, Asian firms have higher levels of savings, whilst the statistical test of Student's t (value - 1.14) reveals that the differential is not statistically significant.

Table 6.4b represents the same data according to the start-up date and examines any shifts in the levels of use of personal savings over time. The empirical results show that percentage distribution of white businesses has declined in the medium size group and increased in both the other two. The percentage distribution of Asian businesses in certain groups also declined, indicating that more firms in recent years have used smaller amounts of personal savings. The mean value for white and Asian firms reveals that use of their own funds has declined over time, and that this is relatively more true for Asians.

Table 6.4b: Sources of finance (personal savings) over time

Categories	Pre 1979		Asian		Post 1979		Asian	
	White No.	%	No.	%	White No.	%	No.	%
Nil saving	-	-	1	9	5	28	3	8
Group 1: Less than £14,000	3	43	5	45	6	33	21	61
Group 2: £15,000-29,000	3	43	2	18	4	2	6	17
Group 3: £30,000-44,000	1	14	3	27	3	7	5	14
Mean	17		34		14		16	
SD	11		53		15		19	

As far as variation within the group is concerned, the white group displayed the greater amount: its co-efficient of variation increased from

65 during the pre-1979 period to 107 post 1979, whilst figures for the Asian group show a decline from 156 to 119 for the same period.

Table 6.4c provides information on the distribution of businesses in the small, medium and large size group of percentage of personally funded start-up finance. The data shows that among the white group, the distribution is evenly split between the small and large sized groups, whilst in the Asian sample, percentage distribution is relatively higher in the small sized group - that is, skewed towards the smaller end of the distribution.

Table 6.4c: Difference in levels of use of personal savings by size of group in terms of percentage value

Categories	White		Asian	
	No.	%	No.	%
Nil value	5	20	4	9
Group 1: Less than £14,000	4	16	17	37
Group 2: £15,000-29,000	10	40	19	41
Group 3: £30,000-44,000	6	24	6	13
No Answer	5		4	
Mean	46		36	
SD	35		27	
t value			-1.14	(ns)

As far as the variation between the two groups is concerned, the coefficient of variation of 77 and 75 for the white and Asian groups reveals the same level for each.

Bank loans

Both groups in this study admitted that they were able to gain bank loans without great difficulty. Both groups made use of them (76 and 89% of the white and Asian samples respectively). A minority of business owners (9% of the Asian group and 8% of the white) had been refused bank loans at the start-up stage but were able to secure overdrafts later.

In the beginning they denied it and I had to borrow all the money from my sister. But now, if it is not overdraft, they ask what is going on, you are not writing any cheque, do this and that. Now everybody wants me and say you come to me. (Asian grocer)

I sold the house for £15,000 and got this business cum house premises. I started this business with £900. In the beginning I could not get the loan from the bank. Now I have overdraft facilities of £15,000. (White delicatessen)

High interest rates are a deterrent to both groups, however, and they try to keep their borrowing at a minimum. Table 6.5 provides information on the distribution of businesses and levels of use of bank loans at the start-up stage.

The empirical results show that more than half the businesses fall into the 'small' size, and the level is very similar for both groups. For white businesses, the percentage distribution is relatively high in the small size group, followed by medium and large in order, whilst for the Asian group, the large size category has a relatively high level.

Table 6.5a: Sources of finance (bank loans)

Categories	White		Asian	
	No.	%	No.	%
Nil value	6	24	5	11
Group 1: Less than £14,000	8	32	18	39
Group 2: £15,000-29,000	6	24	8	17
Group 3: £30,000-44,000	5	20	15	33
No Answer	5		4	
Mean	16		28	
SD	16		33	
t value				-2.02

However, the mean value being 16 and 28 for the white and Asian groups respectively suggests relatively higher levels of bank loans to Asian businesses. As far as variation between groups is concerned, the coefficient being 100 and 118 shows there is little difference. Table 6.5b shows relative shifts in position over time.

Table 6.5b: Sources of finance (bank loans) over time

Categories	Pre 1979				Post 1979			
	White		Asian		White		Asian	
	No.	%	No.	%	No.	%	No.	%
Nil saving	2	29	2	18	4	22	3	8
Group 1: Less than £14,000	3	43	2	18	5	27	15	43
Group 2: £15,000-29,000	1	14	-	-	5	27	9	27
Group 3: £30,000-44,000	1	14	7	63	4	23	8	23
Mean	12		50		18		20	
SD	13		54		17		19	
t value			-2.23				-.62	

The data shows that percentage distribution has declined over time in the small size group and increased in the medium and large sized groups. For the Asian group, there was a decline in the large sized group but an increase in the other two categories. For the white group there was a decline for the small size group but a growth in the medium and large categories. The gap between the two groups has narrowed over time, the white group increasing its use of bank loans while for the Asian group this has declined. The differential use of bank loans in terms of percentage value is shown in Table 6.5c.

Table 6.5c: Source of finance (bank loans) as a percentage

Categories	White		Asian	
	No.	%	No.	%
Nil value	6	24	5	11
Group 1: Less than £14,000	3	12	3	7
Group 2: £15,000-29,000	10	40	16	35
Group 3: £30,000-44,000	6	24	22	47
Mean	38		5	
SD	30		28	
t value			-2.43	

The white firms have a relatively high percentage in the medium category whilst for the Asian group, the large size category is the highest. The figures also reveal that Asian firms make relatively more use of bank loans. Within the group, the white sample has a relatively higher variation. Table 6.5d shows the changes in relative distribution of percentage of bank finance to total start-up finance at two points of time.

Table 6.5d: Source of finance (bank loans) over time

Categories	Pre 1979				Post 1979			
	White No.	%	Asian No.	%	White No.	%	Asian No.	%
Nil Bank Loan	2	29	2	18	4	22	3	8
Group 1: Less than £14,000	1	14	-	-	2	11	3	8
Group 2: £15,000-29,000	2	28	4	36	8	44	12	35
Group 3: £30,000-44,000	2	29	5	45	4	22	17	49
Mean	37		55		38		55	
t value		-1.16			-2.08			

Among the white firms, the percentage distribution has declined in the small and large size groups and increased in the medium size group; the change is not high, however. Amongst Asian firms, percentage distribution declined in small and medium size groups and increased for the large size group. Again, the change is small.

Mortgages

House mortgage (or remortgage) is the second most important formal source of finance at the start-up stage, but of significantly greater importance to the white sample. The percentage of businesses refused loans from banks or building societies is small and although a few white businesses were refused loans from building societies, no Asian business was. Table 6.6a provides information on the percentage distribution of

businesses in different size groups on the basis of house mortgages. Money borrowed on a mortgage against the home was not very important to either group.

Table 6.6b provides information on the shift in use of mortgages over time between the two groups. The use of mortgages increased for both, with the greater increase for the white sample.

Table 6.6a: Sources of finance (mortgage)

Categories	White		Asian	
	No.	%	No.	%
Nil value	19	76	44	96
Group 1: Less than £14,000	1	4	-	-
Group 2: £15,000-29,000	2	8	2	4
Group 3: £30,000-44,000	3	12	-	-
Mean	7		1	
SD	14		4	
t value				2.9

Table 6.6b: Sources of finance (mortgage) over time

Categories	Pre 1979				Post 1979			
	White		Asian		White		Asian	
	No.	%	No.	%	No.	%	No.	%
Nil	6	86	11	100	13	72	33	94
Group 1: Less than £14,000	-	-	-	-	1	5	-	-
Group 2: £15,000-29,000	1	14	-	-	2	6	2	6
Group 3: £30,000-44,000	-	-	-	-	3	18	-	-
t value	1.0				1.96			

As can be seen, the use of mortgages increased for both groups over time, with the increase slightly larger for the white sample. The percentage declined for both groups in the small size group, but where the white sample increased in the large size group, it was the medium group of Asian businesses which saw a gain.

Table 6.6c shows the level of use of mortgages in terms of percentage value for each group.

The data reveals that the percentage use of mortgages is small for both groups: 76 per cent of white businesses and 96 per cent of Asian ones made no use of mortgages at the start-up stage. Such use as is made is significantly higher for Asian businesses. Table 6.6d shows the shift in mortgage use over time.

Table 6.6c: Source of finance (mortgage) as a percentage value of start-up finance

Categories	White		Asian	
	No.	%	No.	%
Nil	19	76	44	96
Less than 30%	-	-	-	-
30%-69%	4	16	2	4
70%-100%	2	8	-	-
No Answer	5		4	
Mean	16		1	
SD	32		8	
t value	2.25			

The data shows that among white businesses, percentage distribution has declined in the small size group but increased in the medium and large, but the mean value shows that measured in terms of percentage use, this source has not risen significantly over time. Asian businesses started to make use of mortgages after the 1979 period, but the relative share is still very small.

Table 6.6d: Source of finance (mortgage) over time

Categories	Pre 1979				Post 1979			
	White		Asian		White		Asian	
	No.	%	No.	%	No.	%	No.	%
Nil value	6	86	-	-	13	72	33	94
Less than 30%	-	-	-	-	-	-	-	-
30%-69%	1	14	-	-	3	17	2	6
70%-100%	-	-	-	-	2	11	-	-
Mean	19		2		19		2	
SD	35		9		36		9	
t values			1.00				2.08	

Friends

Although receiving financial help from friends is common in Asian businesses, the proportion of finance gained in this way is small. Some five Asian respondents mentioned this source of finance, which accounted for only five per cent of the total start-up finance.

If you have to attend the social occasion, simply ask your friends, whereas white has to employ and pay. If you need money for a couple of weeks, you can always borrow from your friend between £2,000 to £3,000 to buy the stock. (Asian newsagent)

Data provided on the finance borrowed from friends showed that 83 per cent of Asian firms borrowed less than £5,000; 15 per cent borrowed between £5,000 and £14,000. Only one respondent raised more (between

£20-24,000) from this source. Overall, in spite of its widespread practice, the importance of borrowing from friends has a small impact on the total finance required at start-up, and has, moreover, changed little over time.

It is the case, however, that the lack of access to loans from family and friends places white businesses at a disadvantage, since they have to borrow greater funds from formal sources such as the bank. They are then vulnerable to high interest rates which eat into the small profit margins, whereas Asian borrowing from friends often incurs no interest.

Other agencies

The empirical data in this survey reveals that other agencies of finance and support have played a negligible role in the finance of both groups. Respondents who had applied for government business loans had not found this successful - but some of their bitterness or unwillingness to seek help stemmed from a more general disillusionment with officialdom.

The Department of Industry and others never gave a loan. They ask a lot of question, lot of paper work, it takes a lot of time . . . we cannot wait. (Asian grocer)

I do not think they would give me any help. I had a bitter experience with the social services (health department). I was out of work for 18 months and my wife could not walk. When we asked for help, the doctor said there is nothing wrong with her. They will be the same. (White greengrocer)

Community networks

The white businesses in this survey had borrowed no money from friends or a wider network of contacts. While the Asian businesses had frequently borrowed relatively small sums from their family and friends, no evidence was found of dependence on a wider network of community. It is the perception of many white businesses, however, that Asians have access to Asian 'community' funds:

Sikhs get the money from the temple. It is not possible for me to get money from the temple or from relations. I have to go to the bank and pay interest. Banks are robbers. (White greengrocer)

They know all the tricks of the trade and use whatever is available to them. (White grocer)

Banks are the primary source of finance for both the groups in this study, and they appear to treat both groups in the same manner. Mortgages are the second most important source of funds, with white businesses placing greater dependence on this resource. Local bodies or national agencies seem to offer little support to businesses in either group, and respondents from both groups perceived that seeking funds from these sources was a waste of time.

Financing strategies at the expansion stage

Statements from respondents in both groups reveal that small businesses have financial problems and both groups experience them at the expansion stage. Having kept their borrowing to a minimum at the start-up stage and reinvested where possible, companies tended to seek outside help once they felt established.

We feel the need for capital. We are putting all the capital into buying new stock. For the first two years we have not taken any money out. (White grocer)

All small businesses are undercapitalised. You have to work hard with no immediate reward. Some people need rewards immediately, but in business it starts after some time. (White newsagent)

For the first two or three years, you are doing nothing but putting money back. We must have sufficient finance to bear the losses. For the first year you never make a profit. (Asian grocer)

The growth strategies of both groups are also very similar. Lack of confidence and fear of high interest rates keeps them reinvesting their profits for the first two years or so, expanding slowly where this is possible. Only when they have gained in confidence and experience do they seek to expand their business by further borrowing.

Chapter Seven: START-UP AND DEVELOPMENT STRATEGIES

This chapter focuses on the strategies used by white and Asian businesses in both the start-up and development phases. We have showed that although bank loans were the most common form of finance for both groups, there were differences between the dependence white and Asian businesses had on mortgages and financial loans from family and friends. The availability of various funds naturally affects the growth and development strategies of each group and the importance of these factors is studied below.

Information about business premises, partnership and transfer of businesses within the community, experience and financial help are crucial at the start-up stage of a business.

Family and friends

The community network may provide significant help in all of these areas, and 80 per cent of the Asian entrepreneurs in this study had benefited from the experience of family and friends. Partnership with a member of the immediate family is also common: 24 per cent of the respondents had been in partnership in this way in the start-up stage and half had set up their own business at the next stage. A further eight per cent mentioned that although not in partnership, they had close relatives who were also in business and had gained from their experience; twelve of the respondents had actually bought their business from a relative.

By contrast, only four of the white respondents mentioned the involvement of family or friends in supporting the business operation at the start-up stage. Only one had a partnership with the immediate family and two mentioned that they had bought the business from a friend or relative.

If you are unemployed, want to go for business, consult your friends or relatives. They will tell you from their own experience

instead of going on your own or consult some agency. (Asian grocer)

It is not very expensive but finance is important. Other people are also able and willing to help you, but the actual family is the most important. If you have the support of family or friends, that is most important. (White newsagent)

The involvement of immediate family members is more common among the Asian businesses and in some, two or three brothers have their own independent businesses but work and plan together and provide financial help to each other. These businesses enjoy a relatively untroubled time financially:

We started with family funds of £3,000. After five years we spend £54,000 and get a loan of £20,000 when we bought the whole block. We three brother have three shops, one off-licence and two grocery shops. Our business plan is combined and we are working as partners though we own one shop each. (Asian off-licence)

Partnerships

Whilst few white businesses in this study were involved in partnership and had changed their partnership structure little or at all over time, the situation is different for the Asian businesses. Twelve of the Asian sample had been in partnership with a close family member at the start-up stage and six had since set up business on their own.

Information on buying businesses

For both groups, the most frequently mentioned source of information about their business was an independent site visit, as shown in Table 7.1 below. The second most common source was family or friends.

Table 7.1: Sources of information about business premises

Strategoes	White		Asian	
	No.	%	No.	%
Detailed internal costing of alternative sites	8	27	7	14
Make independent site visit	13	44	20	40
Contact known people in the area	6	21	-	-
Consult relatives/friends	9	31	24	49
Consult estate agent	8	27	11	22
Other	1	3	1	2
Total	29		49	

Note: As respondents may have used more than one source, the total value in percentages exceeds 100.

Respondents were also asked about the previous ownership of their businesses. Of the white sample, three quarters (77%) had acquired the business from white proprietors; in the Asian sample, some 49 per cent had acquired their business from Asian owners. Transfer between friends or relatives is also quite common in the Asian sample.

Experience

All the respondents in the survey were asked about their business experience and formal/informal training prior to setting up their current business. A large proportion had no prior business experience.

Table 7.2: Business experience

Experience	White		Asian	
	No.	%	No.	%
None	16	57	20	40
Informal training:				
Shop assistant	3	11	6	12
Family-run business/ previous business	6	21	17	34
Training with family/ friend	1	4	5	10
Formal training	2	7	2	4

Formal training is seen to have played a very small part in the business experience of both groups. Informal training, on the other hand, played a relatively large part, 36 per cent of white businesses and 56 per cent of Asian businesses having gained this.

Growth strategies

In the survey, respondents were asked whether they had been in business before. One third of white businesses and one fifth of Asian firms had owned businesses already; of the Asian sample, 12 had run businesses in the UK whilst nine had operated elsewhere.

A number of respondents had also obtained part-time experience before setting up on their own. A very high proportion had previously run grocery businesses, but there was a wide range of other businesses:

Table 7.3: Previous types of business experience

	White	Asian
Grocery	6	9
Sweet shop	-	1
TV/radio	-	1
Toys	1	-
Hardware	-	1
Shoes	-	1
Clothing	1	3
Hairdressing	1	-
Building	-	1
Laundry	-	1
Restaurant	1	-
Publishing	1	-

Respondents were also questioned about their reasons for having left the previous business; of the Asian sample, six had been in partnerships or family relationships which had ceased. Shifts in sector trade had also occurred:

Since I was in Kenya I was in business. When I came into this country I started with a laundrette and dry cleaning. When the children went out for education, we have to leave that trade. (Asian grocer)

I was doing market in fashion for five, six years. I was fed up with it and was looking for a business. I liked the location of this business. (Asian grocer)

Management problems were also in evidence:

When I bought this shop, we had management problems to run the two shops. We have to close that shop so as to run this business in a better way. (Asian grocer)

Of the white sample, however, change in the scale or sector were the reasons for selling out of the previous business:

I had a business before: it was a small shop. Never stick to one business, always change the place and type of trade. (White greengrocer)

In an ordinary grocery there is a lot of competition. We provide florist and special services which Tesco cannot do. (White greengrocer)

In each of the groups, a few respondents had opened a supermarket as their second business.

Ownership of other businesses

Respondents were also asked whether they owned other businesses currently. In the white sample, only three owned other businesses, whilst eleven Asians did so. Diversification is relatively higher among the Asian businesses.

Eight of the Asians ran their business on a part-time basis, compared with three in the white group. Reasons for this tended to be the same: the husband was engaged in a full-time job and the business was largely looked after by his wife.

Use of formal institutions for advice and help

Respondents were asked whether in their first year of operation they had made contact with agencies offering advice. The results showed that only one white and two Asian businesses had done so, and so they were

questioned further as to why this was the case. The results are shown in Table 7.4 below.

Table 7.4: Use of agencies at start-up

Factors	White		Asian	
	No.	%	No.	%
No need of advice: owner had sufficient education/experience	7	28	9	26
'Agencies are for big business/manufacturing'	3	12	6	17
Ignorance of services available	13	52	17	50
'Useless service/too much paperwork'	8	32	11	32
Advice given by family instead	-	-	6	18
Advice not available at the time/other reason	5	20	1	3

Approximately half of both groups cited ignorance of agencies as being a reason why they had not sought advice. Two other strikingly consistent responses (32% for each group) were that the service was not worth seeking, and (28% for white firms and 26% for Asian) that they had not needed any advice.

The survey also sought information on whether respondents had used agencies for advice during the development stage. In total, 41 reasons

were given as to why respondents had not sought advice, but as with the previous questionnaire on this (see Table 7.4), the chief responses were self-sufficiency or ignorance of the services offered. As Table 7.5 shows, Asian businesses were more likely to feel self-sufficient.

Table 7.5: Use of agencies at the development stage

Factors	White		Asian	
	No.	%	No.	%
No need of advice: owner had sufficient education/experience	5	31	15	52
'Agencies are for big business/manufacturing'	1	6	7	24
Ignorance of services available	5	31	7	24
'Useless service/too much paperwork'	5	31	10	34
Advice given by family instead	-	-	2	7
Advice given by bank	1	6	2	6
Working hours do not permit it	-	-	1	3

Both groups were asked if they could suggest ways of improving the service offered by agencies. The chief response centred on greater provision of information so that businesses would know that the agencies

existed, and a number felt that agencies should be proactive. Some felt that the quality of service needed improving, either in better qualified staff or a reduction in the amount of bureaucratic procedures.

There should be more of this type of literature. They should go and approach shopkeepers and mention what they can offer and the best way to take it from them. Sometimes they neglect you. (White grocer)

There are various agencies and they push us as well as others who are entering businesses, but we have not got the time. When they hold classes that is the busiest time in our shops. These cash and carry people must give some training to their customers regarding VAT and zero VAT items. . . I have not seen anybody come to us in the last nine years. They are giving money for very big project, especially when you employ other people. Actually these schemes are for big boys. (Asian grocer)

Respondents were also asked whether they needed advice or help, as shown in Table 7.6. It was clear that both groups felt that the advice they most needed was in finance and marketing.

Table 7.6: Other areas where help is needed

Needs	White		Asian	
	No.	%	No.	%
Finance and accounting	21	63	43	86
Selling and marketing	1	3	-	-
Finance and markets	2	7	-	-
None	6	20	7	14
Total	30		50	

Conclusions

In both groups, the majority entered business without any experience and with no formal training; Asian businesses depended more heavily on advice from friends and family, however. Mutual help from other businesses is also more common among Asian businesses and follows expected patterns within communities of ethnic minorities. Whilst Asian businesses rely to a greater extent than their white counterparts on informal support and advice, they turn to more formal funding as their businesses grow.

Neither group has made much use of agency help at either the start-up or development stages, and for the same reasons: about half were unaware of the services available whilst one third felt that they would gain nothing from seeking advice from agencies.

With the exception of those Asian entrepreneurs who had already gained business experience elsewhere (largely in East Africa), the current venture was generally the first for these businesses. For both groups, their current enterprise was chosen because it was on a small scale and required little experience or skill, and was intended to be a stepping-stone to business on a larger scale.

Chapter Eight: PERFORMANCE, PROBLEMS AND THE FUTURE GROWTH POTENTIAL OF SMALL BUSINESSES

Previous chapters have examined the differences which exist between white and Asian businesses in terms of access to resources, sectoral distribution and patterns of start-up and development. This chapter looks at the economic and non-economic factors which are likely to determine the level of new businesses and whether there are different factors affecting Asian and white entrepreneurs. It is divided into three parts:

- a cost and benefit analysis of economic and non-monetary variables
- an examination of constraints to growth
- a study of future growth potential and policy implications.

The existing literature suggests that Asian businesses fail to generate significant capital within the ethnic minority community and that economic benefits are confined to personal advancement rather than the upward economic mobility of the community as a whole. Moreover, the benefits which accrue are intangible: sense of independence, prestige and influence, for example. It is important to quantify any differences which exist between the two groups in terms of economic and non-economic benefits of self-employment. As indicators of economic benefits, rates of turnover and return have been examined.

Turnover

In the survey, respondents were questioned about the annual turnover of their businesses. Table 8.1 provides information covering the year 1989-90 and turnover has been divided into three categories, small, medium and large.

The empirical data show that white businesses have a higher proportion in the medium size group than the Asian group, but the latter group leads in the large size category. Whilst the Asian group has a higher average turnover, the difference is less than might be expected considering that

there are twice as many Asian businesses as whites in the large business category. Evidently the results are affected by the performance of the smaller firms.

Table 8.1: Differences in levels of turnover 1989-90

Turnover (£)	White		Asian	
	No.	%	No.	%
Small				
Less than £50,000	-	-	3	6
£51,000-1000,000	5	21	10	21
Medium				
£101,000-150,000	8	33	8	17
£151,000-250,000	8	33	14	30
Large				
More than £250,000	3	13	12	26
Total	24		47	
No Answer	6		3	
Average annual turnover	£171k		£196k	

Previous turnover

Efforts were also made to measure shifts in turnover in the previous two years, that is 1987-8 and 1988-9. Results are shown in Table 8.2.

Table 8.2: Level of turnover by period of foundations

Turnover (£)	1987-88		1988-89	
	White No.	Asian %	White No.	Asian %
Small				
Less than £50,000	1	4	2	5
£51,000-1000,000	4	22	10	26
Medium				
£101,000-150,000	7	39	10	26
£151,000-250,000	4	22	10	26
More than £250,000	2	11	7	18
No Answer	12		11	
Average annual turnover	£151k		£172k	
			£161k	
				£177k

The data shows that the turnover of both groups has increased over time. While the average turnover has increased more for White businesses, Asian businesses have all consistently improved their performance, even if in small amounts. Some of the increases shown by Asian businesses may be due to some remarkable entrepreneurs, however:

Bank manager told us that the turnover in this business was £3,000, but he was surprised to see our turnover of £15,000 per week. They do not know the hard work we put into this business. (Asian supermarket)

Some respondents felt that increased turnover was not always as good as it appeared:

The turnover is rising over time but this is due to inflation. In real term people started buying less. (Asian grocer)

The trade has remained the same but the prices have gone up. Overall trade has not improved. (White newsagent)

Many respondents said that their business turnover had been low at the start-up stage, and that by increased labour and the introduction of new lines or services, they had managed to boost it over time. In terms of predictions of future growth, respondents in the white group tended to greater optimism: 63 per cent expected to increase their turnover, while the comparative number for Asian businesses was 48 per cent.

Rates of return

Table 8.3 provides information on the marginal rate of returns for both groups. The data shows that on average, Asian businesses have a lower rate of return on their investment: about three quarters of the Asian businesses achieve less than 20 per cent return, while the comparative figure for white businesses is one half. Similarly, only one quarter of Asian business have returns in the scale of 21 to 30 per cent, while some 42 per cent of the white sample achieves this.

The overall average rate of return is closely similar for both groups, however, being only one percentage point apart. On the other hand, it is quite clear that the popular image of the Asian business surviving on very marginal profit ratios is untrue, even if fewer do take particularly high rates of return compared to their white-owned comparisons.

Table 8.3: Rates of return

Categories (%)	White		Asian	
	No.	%	No.	%
Less than 10%-10%	-	-	-	-
11-15%	2	8	4	9
16-20%	11	42	29	63
21-25%	6	23	11	24
26-30%	5	19	1	2
More than 30%	2	8	1	2
Total	26		46	
No Answer	4		4	
Average return	20		19	

Competition

When profit margins are low, the Asian businesses are able to survive for longer; as shown in Chapter 5, many Asians use family labour which draws little or no pay. There are other disadvantages, however, in that where Asian businesses are based in communities which are relatively highly populated by the ethnic minority, they face strong competition from the neighbouring businesses:

Wherever Asian go, they spoil the business. Our business are one man, they do not pay for the manager or other worker. They work for 15 or 18 per cent margins, not for 24-25. They believe in high turnover, especially in Hillfields, Foleshill and Radford. (Asian grocer)

Competition from big business

One third of white businesses and more than half the Asian sample mentioned that big business was a threat to them:

Sometimes we sold to the public at the same price as cash and carry sold to us. We cannot compete the big stores. (Asian grocer)

Small business are highly affected by supermarkets. Only in emergency customers come to us. (Asian grocer)

We have competition from big business, but we try to attract customers. (White grocer)

Not all respondents saw big business as a threat, however:

When Sainsbury store was opened, it affected us for one week. Then the people realised that they have to pay more as we have less overheads and we can sell cheap. Due to less overheads we are surviving. (Asian newsagent)

Competition from neighbouring shops

In the survey, 12 per cent of white businesses and 22 per cent of Asian mentioned that they had severe competition from neighbouring shops:

No Indian should be in the next door. At least fifty yards away. (Asian grocer)

Very hard competition from the next door shop. We got one Asian neighbour and she visit our shop to check the price. They deliver milk themselves and get it 2p less, and I always keep the fixed price. (Asian newsagent)

The concentration of Asian firms in grocery and in relatively segregated areas has resulted in fierce competition:

For the Asian to survive in business, the first thing they should do is stop undercutting each other. The margins for that they are working is very low. (Asian grocer)

It is very hard to survive in this grocery business. In our people, lot of competition. If somebody start the new things, everyone start the same thing. (Asian grocer)

The survey suggests that unhealthy competition within the Asian community has added to the problems of low profit margins. Whilst so many Asians continue to enter business without experience or sufficient business sense, this situation is likely to continue.

Social and family life

The survey provides strong evidence that the grocery trade is not much appreciated by either group. In the sample, 45 per cent of the white and 61 per cent of the Asian sample preferred self-employment but a substantial number of both groups admitted that being in the grocery trade was neither profitable nor easy. Respondents felt concern about the amount of hard work that was required:

Self-employment is good, but not in this line. Grocery is not a good line. (Asian grocer)

It is not a job, it's a way of life. You have to get as much as possible from others or you will end up in a mess, not getting anywhere. (White grocer)

It is a real struggle. Sometimes I feel that those who work in the factory are better. (Asian grocer)

Many also felt that there few grounds for optimism in the future:

Small business are now finishing. Too much hard work, long working hours but not much money. It is a very hard job seven days a week and our life is nothing, we are just devoted to this job and shop, we cannot even go for holidays. If you raise the profits, no

turnover. The small business are nearly coming to an end. (Asian newsagent)

Since I have started the business, many small shops has been closed. My shop could have been closed but still I manage to survive and still struggling very hard to carry it on. We are using overdraft facilities to pay the bills and sometimes we over limit the overdraft facilities. (Asian grocer)

The present survey thus suggests that the future growth potential of small shops (especially corner shops and small grocery shops) is limited: economic returns are low, rates and rents are increasing and much hard work is required. A number of respondents were well aware that they might be better off financially as employees:

If we work outside the same hours, we get more. (Asian grocer)

I prefer employment as they can manage the social function, take rest during the weekend, less worries. After job hours they are free. I feel I am ignoring my children, never taking them out, with the result the children are not happy. (Asian grocer)

Although Asian firms have even lower rates of return than their white counterparts, both groups feel the same concerns to a similar extent. Not all benefits from business are financial, however, as the following section shows.

Non-pecuniary benefits

Such benefits have been measured in this study in the context of prestige, independence and sense of security. Respondents were asked about their standard of living, whether they were better off than colleagues and about not having to depend on their employers for their livelihood. Of the white

sample, some 60 per cent feel they are better off than their working colleagues; in the Asian sample this proportion is one third.

However, when considering sense of independence and security, some 46 per cent of the Asian sample associated these feelings with self-employment, while only 5 per cent of the white sample felt the same.

Businessmen get respect everywhere. (Asian newsagent)

Self-employment is good as I feel more secure. (Asian off-licence)

We are better off than the working class, but if we both worked outside we could both earn more. But we are still better off, because I got my own time, I am not dependent on the employer. Nobody else is controlling my life. (White grocer)

Table 8.4: Sense of achievement

Perceived benefits	White		Asian	
	No.	%	No.	%
Raised the standard of living	4	20	9	22
Better off than working colleagues	12	60	14	33
Do not have to depend on employers	1	5	19	46
Other	3	15	-	-
Total	20		42	

Differences in constraints on growth

Differences in constraints on growth between the two groups have been examined in Table 8.5, which provides information on various problems experienced at the start-up or development stage.

Premises provided a number of problems at the development stage, and a number of respondents were aggrieved that their applications to expand had been refused planning permission. Location of premises was also a concern, although this presumably happened when entrepreneurs found that their businesses were less well located than they had hoped initially.

Finance was also a common problem, high rates and rent being the most frequent complaint. Although a number of respondents found high interest rates a problem, many also complained that their growth was constrained by the difficulty in raising money in loans.

Low turnover was generally a problem only at the start-up stage. Presumably businesses either ceased trading because trade was poor, or having increased turnover from the start-up stage, were able to develop.

Vandalism was a problem to Asian businesses in particular, sometimes because of discrimination:

It is nothing we can do about it. It existed in this country. Because of colour, in the beginning, it is very difficult to face, but now I am in this business for 16 years I accept it. (Asian grocer)

In the beginning we have vandalism problems, but now we got more security measures. (Asian grocer)

In the beginning these white people create problems and try their best to close the shop run by the Asians. But now we have overcome this problem by taking more security measures and ignoring this racism. (Asian grocer)

It is hard to provide concrete proof of these assertions, without obtaining the voices of the perpetrators and their explanations, but the experiences and perceptions of Asian business-owners must be acknowledged; it is also evident that they act on these beliefs.

Table 8.5: Problems at the start-up and development stages

Problems	Start-up stage		Development stage	
	White No.	Asian No.	White No.	Asian No.
Premises				
Too small/poor condition	-	-	8	6
Location	-	-	2	2
Landlord problems	-	-	1	1
Finance				
Finance	5	8	3	6
High interest rates	-	-	6	10
High rents and rates	-	-	17	22
Total tax burden	-	-	4	4
Turnover				
Shortage of supply	7	9	-	1
High labour turnover	3	2	1	2
Low turnover/ lack of business	14	22	4	4
Competition				
From big business	-	-	10	29
From neighbours	-	-	6	11
Vandalism				
Vandalism	-	-	6	25
Government policy				
'Red tape'	-	-	3	1
Business advice	-	-	3	6
Other, e.g. parking problems	1	1		

Constraints on growth in the context of ethnicity

In the survey, respondents were asked if the ethnic minority businesses had to face different problems from the majority group. The data shows that more than half the Asian sample feel that they have different problems from the white sample; the white businesses feel quite the opposite, however, with 56 per cent sure that ethnic businesses do not face different problems.

Table 8.6: Do you feel you have to face different problems from (Asian/White) businesses?

	White		Asian	
	No.	%	No.	%
Yes	7	23	28	56
No	17	56	14	28
Don't know	6	20	8	16

It is generally held that Asian businesses have an advantage in terms of finance as they have greater access to loans from family and friends; Asians are also generally thought to gain easier access to bank loans.

Asians can easily get the finance, they are sure that Asian are going to repay it. We cannot settle or take rest unless we sacrifice all the leisures and white cannot do as our ladies are helping us a lot, not extra spending. (Asian newsagent)

Differences also emerged in perceptions of access to business advice, the belief of both groups being that white businessmen tended to obtain training before embarking on business whilst Asian businesses gained

expertise on the job. Views were mixed when it came to marketing, however:

Our people know better than the white in terms of market and business. (Asian grocer)

Marketwise English have the advantage. (Asian newsagent)

Both groups were agreed that racial discrimination was more likely to be directed towards Asian businesses, but very few of the white sample were keen to talk on this issue.

In this particular area, I think Asians have got particular problems. People are prejudiced and conservative. (White greengrocer)

In both groups there were some respondents who felt that colour and cultural background were not important:

All small businesses have the same problems. (Asian grocer)

Business is business, no matter what colour you are. (White grocer)

Problems related to discrimination

The data shows that many Asians feel that they suffer discrimination in a variety of ways, from unfair treatment by council and government departments through customers avoiding their shops to vandalism. More than half (57%) of the Asian respondents had experienced racism and believed it was 'everywhere', in all walks of life. Some mentioned that they had met with opposition in starting up business, but that in order to survive they found it best to ignore any overt racism. It was also the case, however, that respondents felt that not all whites were racist: incidence of racism varied by area and social class:

It depends on the area and how you deal with customers. High class people are more racist. In council area there is less colour bar, they mixed with us. They do not have much money. (Asian grocer)
We get discrimination from the customer as well. If we show better living standard, they do not like, they feel jealous and if we show less standard of living, then they say "These are wild animals, dirty, they do not know how to live, from where have they come?". (Asian newsagent)

Sometimes they abuse you but we cannot take risk, they are our customers. So we do not fight back. (Asian grocer)

The empirical data reveal very few reports of cases of discrimination by formal institutions.

Strengths and weaknesses of Asian businesses

The survey suggests that one of the chief strengths of Asian businesses is the will power and determination of their entrepreneurs. There is no doubt that nearly all are extremely hard working and that for at least the first two years in business, they reap few benefits if any. It is generally held by the Asian respondents, however, that some Asian entrepreneurs use unfair means in order to succeed: some cited cases where businesses had declared false bankruptcy in order to avoid repaying loans and had pretended ignorance of business regulations.

Some respondents also claimed that sharp practice existed (altering weighing scales, or claiming benefit while in business, for example) and that some Asians took advantage of being immigrants:

In grocery many people do not speak English and they are just putting it on. If the health people come and give them instruction, they simply say sorry they cannot understand this. (Asian grocer)

Whether these practices are common or not, there is every danger that such practice will damage the reputation of Asian businesses and make it difficult for future entry or expansion in business.

Expansion

The study has shown that small firms in the grocery sector are not very profitable and that many respondents are paying heavily for their continued survival. The data also suggests, however, that more than half the respondents (67 and 64% for the white and Asian groups respectively) are planning to expand in the near future. A small section (10% of white respondents and 20% of Asians) are planning to move into another sector of trade:

Instead of employing my son here, we are opening a new restaurant for him. (Asian grocer)

We might go for new lines like post office or residential home. (Asian grocer)

I want to extend, but I'm not sure what line. I might go in for catering. (White grocer)

The majority (80 and 64% of the white and Asian respondents respectively) are planning to expand but in the same line:

I am planning to buy another two grocery shops. (Asian grocer)

My ambition is to buy more newsagents' shops (Asian newsagent)

I am looking for a bigger one in the same line. (Asian newsagent)

A view shared by both groups was that they would prefer their children to go into another profession or at least, another area of retailing:

They should join other professions as life is very hard over here.
(Asian grocer)

I do not want the whole family in the same line. Different line instead. This is boring. (Asian grocer)

First try for job, if no job then they should go into it. (Asian grocer)

Meanwhile, however, many respondents were happy to have their children helping them in the present business.

Policy implications

Many small businesses are struggling hard to survive, and the Asian businesses in particular are paying heavily for their continued existence. Many respondents feel that government intervention is needed, to:

- control the entry of new businesses in this sector
- control prices so that unhealthy competition is removed
- provide financial help to assist growth
- provide advice on diversification into other sectors of the economy.

Conclusion

The present survey suggests that the retail grocery trade is characterised by low economic returns and that respondents in both groups are highly concerned by this. Equally, both groups feel that big business is a threat to their continued existence. Asian businesses in particular suffer another (perhaps greater) threat in those areas which are highly populated by the ethnic minority: that from other Asian businesses which practise fierce competition. Although the study reveals a mood of pessimism amongst many respondents, the majority are still keen to expand their businesses if the opportunity is offered. Non-economic benefits are experienced by

both groups but particularly by the Asian sample, which feels a significantly greater sense of security in self-employment.

Both groups are experiencing adequate access to resources which can promote growth, but equally, most felt that high rent and rates were likely to inhibit growth. While Asian businesses suffer more constraints in terms of racial discrimination and prejudice from the general public, neither group appears to suffer discrimination from formal institutions.

In spite of a general air of pessimism there is every reason to suppose that this area of trade will survive as it is a good trade in which to gain experience and requires less finance than many others.

Chapter Nine: A FOLLOW-UP TO THE ORIGINAL SURVEY

In order to establish a longitudinal element to this study the firms which had taken part in the first surveys in 1990/91 were re-visited during the period December 1994 - January 1995. The 'street survey' of Earlsdon and Foleshill was repeated to obtain an estimate of the scale of change in ownership and types of retail business, while all those firms who had been interviewed in depth, across the city, were also re-interviewed. A shortened version of the original questionnaire was used to establish key facts, and owners were asked to comment on the previous four years experiences. After three and a half years, out of the original interview sample of 50 Asian businesses, thirteen had either closed down or sold their business to another trader. Four could not be interviewed for a variety of reasons, so the following analysis is based upon 33 interviews. Of the White sample (originally 30) twelve had closed down or sold out, and the remaining 18 were all interviewed. The results illustrated a number of features, including both the survival rate and the 'ethnic transition', but also;

expansion of surviving firms in terms of both turnover and product lines

structural changes in terms of working hours and employees

performance in terms of turnover, and the impact of both recession and large store developments

future expectations of growth potential.

Survival

While expectations based on previous literature were that Asian firms would have a particularly adverse survival rate, being deemed to be 'marginal', the results showed that there was little to choose between the

two groups. Asian firms were slightly more likely, if anything, to have survived. As far as the type of firm which had failed is concerned, grocery shops, (both green-grocers and general stores) proved to be the most vulnerable, compared to news agencies, off-licences and others. The explanation proffered by most traders was the impact of the opening of significant numbers of multiple grocery 'mega-stores'. In the period under study, Safeway, Sainsbury, Asda and Tesco had all opened at least one large super-store, or expanded existing facilities, around the outer and middle ring-road zones of the city. Other lines seemed to have a better chance of survival because of their ability to offer specialist services to the customer. Unfortunately, we were unable to follow up those business owners who had sold out, in order to ascertain their own reasons for their actions.

It was of particular interest, given the frequently asserted view that 'Asians were taking over', to explore the dimension of ethnic change. Of the fourteen (formerly) Asian-run businesses, two had been sold to whites, while four of the seven white-run businesses trading under new owners were now Asian-owned. There did not seem to be a very great difference between the two groups in the likelihood of closing down (as opposed to being sold as a going concern) but there is slight evidence that the Asian community has consolidated its hold on this sector of economic activity. In at least one case, an Asian businessman had bought out the neighbouring white (grocery) business and expanded into it. In another, the 'goodwill' of the newspaper business had been bought by a neighbouring Asian postmaster, while the site was bought by a white trader to sell fireplaces. On the other hand, the process was not a one-way street, and one of the two 'white-bought' firms was in an area usually thought of as being Asian-dominated.

To summarise - there was, against expectation, a higher survival rate (72%) among Asian businesses than White-owned shops (60%). The difference was slight but significant in its implications. It is particularly interesting to examine the owners explanations of their performance.

Table 9.1: Trends in survival of interviewed businesses

Type of Business	White		Asian		Survive	Close	Sold To			
	Survive	Close	Sold To				Survive	Close	Sold To	
			W	A					W	A
Grocery	7	3	2	2	20	4	1	4		
Green-grocery	2	-	1	-	0	1	1	-		
News (CTN)	5	-	-	2	9	-	-	2		
Post Office	1	-	1	-	2	-	-	-		
Off-Licence	2	-	-	-	2	-	-	-		
Take-aways	-	-	-	-	0	3	-	1		

Failed businesses came from all sectors: in each area one electrical goods shop closed and another opened; a white-run women's-wear shop in the 'Asian' area was replaced by a mens wear retailer and while several hardware and furniture shops closed in Foleshill a similar number of hire centres and a furniture repair shop opened. This could also in part be attributed to local redevelopment, a new road clearing sites which may have been under threat for some time. There was also an apparently high closure rate for 'Continental food' (take-away) outlets, only one of which was still in the same line. If any major trend could be detected, however, it was a move away from simple retail to more 'value added' services, such as hire, repair and offices such as estate or employment agencies.

Amongst Asian firms in Foleshill, we noted the closure of seven clothing shops, and the opening of two hair/beauty (skin) salons, one shoe-shop, an estate agency, travel agent, launderette and a communication services ('walk-in office') facility. This may suggest a move towards greater diversity and 'institutional completeness' in the Asian-owned sector, reflecting its growing maturity. Certainly that interpretation would be supported by the aims and objectives of the traders interviewed in the first stage, many of whom had regarded their original stock as merely an means to an end, an entry-point into business. However, we did also sense a growing worry amongst both white and Asian traders with the growth of larger 'superstores', de-regulation of Sunday trading, and the continuing economic recession, which we discuss in our next section.

One of the other features that was immediately apparent was that the businesses interviewed had in many cases survived (or prospered) by a strategy of expansion and/or diversification. This was very much more the case among Asian businesses: of the 33 businessmen interviewed, 17 gave examples of this strategy compared to only four out of the eighteen white firms.

Turnover has gone down: it will remain the same unless we start a new line. I am thinking of new lines such as toys and hardware (Asian grocer)

They (customers) only come when there is an emergency but you cannot make a living if someone comes all the time for cigarette. That is when you start looking into other fields the existing patterns of newsagent have also changed, they are putting in grocery because they cannot make a living out of (only) a particular product except off-licence (Asian grocery)

The garage started selling grocery and at the end of the day we just had a small bit of the apple. Grocery is on top, a bonus to them: grocery on its own cannot earn wages - it is a big worry (White grocery).

For ten of the Asian shops, it was simply a question of refitting, but seven had merged with a neighbouring shop or acquired new premises. One larger shop, which had formerly run to a hardware department, had converted it into flats for letting to students. The most common strategy was to add news-agency to grocery (or vice versa) - six grocers having adopted a full newsagency and four selling some papers; one off-licence owner had started selling grocery and was applying for a newsagency. Significant numbers of White and Asian traders had started selling 'National Lottery' tickets, which was seen as a positive benefit:

Due to the national lottery the sales have increased to about £700-900 per week (Asian grocer).

Turnover has increased since we got the lottery. I cannot see that the recession will ever be over in the near future (White mini-market).

Others felt that the only way to survive was to add value through the provision of services: two white grocers with photocopying machines, two grocery shops offering 'catering services' and a delicatessen that had started to bake its own bread.

That is the only thing they can do, specialise in a certain line in which you trade: if you open a grocery, you should colour it, you should provide some services for example repairing. We provide services and make bouquets on birthdays and anniversaries. It helps a great deal (White greengrocer).

You cannot get the service if you go to the large store - people can ask me to get anything, a special item. They cannot rely on Tesco or Sainsbury - it is on the shelf if it is there; if not there, you cannot have it (White newsagent).

This theme, of excessive competition from new big supermarkets, was repeated by both White and Asian businesses. Few were as optimistic as the last cited - the majority felt that

Small business is finishing. Those days have gone. When I came from India in 1964 small businesses made a lot of money.... These (big) stores open from 8 till 9: previously they used to close by 5 or 5.30 and after this small business pick up the trade. Quite a few in London are opening 24 hours a day (Asian mini market).

Not all blamed the rise of the supermarkets, although with at least seven new 'retail parks' around the city it is not surprising that many felt they had been let down by the planners:

Especially in Coventry, council let the building of big supermarket everywhere. Previously you cannot build less than a mile but now they let them next to each other (Asian grocer).

They are not helping. If there is Asda, next door they give permission to Quicksave. They are not thinking about the small boys ... when they want the rates, they come to us; when we ask for a service they get annoyed (Asian grocer).

More supermarkets, Sunday opening, and new bus routes - it is just an accumulation of small things that is affecting us (White greengrocer).

The other critical feature was the deregulation of trade by Government - in particular the loosening of controls on Sunday opening.

You can survive if you are in the right area (but) you have to work longer and longer hours. The main dependence of smaller shops was on Sunday shopping .. and that is gone (White stationers).

We used to be very busy on Sunday. Now big stores started to open on Sunday ... our turnover is down quite a bit, about 24 per cent (White CTN).

Now every year it is coming down - the school authority do not allow the children to come out during the lunch time, so the sale has come down ... it is the policy of the government to close down all the small corner shops (Asian grocer).

In general it is going to be very competitive due to the big stores. Because of more working hours and Sunday opening it will be harder for the small shopkeeper to survive - I think the fittest will survive (Asian grocer).

This was if anything made worse by the recession - several traders observed that with unemployment, people not only had less money, but they had more time to shop around and find cheaper prices. The only solution was either to 'bite on the bullet' and hope to ride out the present period, or, as many Asian business men suggested, to go for expansion or move into other lines of business altogether:

We put many thing, video, grocery, off-licence, paper. People will come if there is no other competition from small business. We had competition from (neighbouring shop) - I had to be after him for 2-3 years to sell to me: he had grocery, sweets, cigarettes and crisps. My (printing) business has improved and I may now sell others since in grocery profit margins are very low (Asian multiple businessman).

I plan to make money and expand ... It is all about experience, if you are aware of the market. I have another business of information technology: we (nine friends) were (formerly) working in GEC, and we started that business three months ago. (Asian CTN).

All of these strategies, however depend upon financing. Seventeen of the re-interviewed Asian-run firms, and four of the white shops (who were less likely to be building up their businesses), supplied information on the size and source of their most recent investment. In most cases these were for quite modest amounts: five Asian businesses had invested between two and seven thousand pounds in refitting. On the other hand, one had raised £200,000 for refitting and expansion. White business investment, although less frequent, was of the same order: between £1,000 for refitting in two newsagents, through £22,000 to install a bakery to £50,000 invested in the development of a greengrocery and florist establishment. What was striking in all cases was that nearly all this money, and certainly all sums below £10,000 were raised not by loans but out of personal savings or from current accounts.

Table 9.2: Sources and amounts raised for re-investment (£Thou.)

Size of Investment £k & N of Traders	Asian			White		
	Own/ Cur- rent	Family/ Friends	Bank/ Mort- gage	Own/ Cur- rent	Family/ Friends	Bank Mort- gage
Under £10k (N) 5 A; 2W	16k 5	-	-	2k 2	-	-
£10-£55k (N) 9A; 2W	56k 5	3k 1	44k 4	50k 1	-	22k 1
Over £55k (N) 2 A	205k 3	33 3	185k 2	-	-	-

(Figure in table - total sum raised (£Thou): N - Number of traders using each source. Note that three Asian businesses who raised respectively £20,000, £35,000, and £52,000 did not disclose details of their sources.)

It can be seen that, despite the general preference to rely upon personal savings, family and friends can still be a significant source of support, particularly as part of larger activities. Further, despite the apparent (in

numbers) avoidance of formal institutions, very significant sums amounting to over 40 per cent of the total used by Asian businesses, were raised through banks or mortgage arrangements. Indeed, only one of the four white businesses had raised any such loan - for the bakery through a mortgage.

Another form of investment or strategy for the business is the use of labour and the hours put into the business. From the results of the repeat survey it is clear that on this dimension at least Asian firms were markedly more robust - or even dynamic, when compared to the white firms. Among the white owners of firms, six had to increase their (own) hours to stay in business and while two had taken on one part-time employee, two others had shed staff. Among the Asian firms, perhaps cushioned by their ability to call upon family labour, only nine had increased their hours and twenty-four had stayed the same. In six cases the extra hours were explained in terms of taking on an extra line - newspapers - which required earlier opening. In addition, four had taken on part-time non-family labour and two had been able to employ five family members on a full-time basis.

As a result, the outcome was clearly more satisfactory amongst the Asian-owned businesses (Table 9.3). By a small margin, the largest group of Asian firms is that recording an increase in turnover, while at least half the white shops declared that their turnover had fallen.

Table 9.3: Change in turnover between surveys.

	Asian	White
Increase	10	3
Steady	9	5
Decline	8	8
No Answer	2	2

The firms most likely to declare an increase were those with post-office facilities or those organised as super- or mini-markets. Those most likely

to be in decline (irrespective of ownership) were 'single issue' businesses. This clearly demonstrates the effectiveness of the more assertive tactics more often demonstrated by the Asian-owned enterprises. Those who had been running purely grocery shops and said at our first interview 'we are just surviving', had in many cases faded or closed. It is of course true that this justifies the observations cited earlier, that in order to avoid going backwards one must continually run faster. It is therefore perhaps not surprising that those who found some personal satisfaction in running a business, and meeting the challenges, could be said to be more likely to be succeeding. As we stated earlier, this does seem to have been a characteristic of more (but not all, nor only) of the Asian businesses interviewed, although all small firms, of whatever ethnic background, complained about unfair competition (especially following relaxation of Sunday trading rules) from large multiple supermarket chains.

Pessimism was to be found amongst Asian business owners -

Small business is finishing - those days have gone. When I came from India in 1964, small businesses made a lot of money but now the (big) stores open from 8 till 9; quite a few are opening 24 hours in London following the American pattern (Asian Grocer)

It is true that time will come when all corner shops will close down. The Government is working on this system ... We are just hand to mouth, it covers the household expenses ... I had young children - they are doing nicely - they had no interest in business. (Asian Grocer).

On the other hand, worse perceptions of the future were expressed by many of the white firms:

Local people are not doing enough shopping. ... In 5-10 years there will be no small shops going. We shall just stay here and eventually we (shall) have to sell it. We work every day and one holiday a year - that is Christmas. (White Grocer)

That said, there were also some white optimists:

I do not think big business has affected us - If there is a rainy day or bad weather people go to the supermarket but they cannot get the personal services. There will always be room for the small businesses. The less small businesses (there) are, the more room for you to share. (White Greengrocer)

The majority, however, were happy just to keep going as they were until they reached retirement, although very few saw their children being interested in taking over. Indeed, many of the Asians stated that their object had been to send their children through education, although there was some regret that 'the new generation is not interested' and more than one suggested that 'I would like my kids to carry on and expand if we can'. None of the white firms expressed any other more definite plans for the future, while many of the Asian respondents seemed to have thought carefully about their strategies, and in some cases made very positive projections.

It is very hard to make a living at this. I will sell the grocery business within the next three years and hopefully will concentrate on off-licence and then probably break and decide what to do - (maybe) establishing back in India ... I am going out of the grocery and will start something different, catering, exceptionally different. There is a trend - people follow the trend - we will be changing. (Asian Grocer).

We are planning to sell it - small businesses will close. We shall buy some run-down business, start an off-licence, and then sell it. (Asian Grocer/Newsagent)

It is perhaps surprising and unfashionable to conclude a survey of small (and especially 'ethnic') business with an optimistic note - and even more so, to avoid mention of racism. This would in fact be impossible. We should not wish to give the impression that none of the Asian shop-owners mentioned this issue - for several did say that they had experienced racism and racial harassment.

Racism is all the time here; it is going to be worse - small business are not welcomed any more (Asian grocer)

However, the majority of them had come to terms with that experience, and regarded it as a mere background irritation:

They are jealous - most of our customers are OK. I know how to handle them - I grew up in this area and attended the same school (Asian grocer).

While customers were dependent upon the businesses, this gave the small shopkeepers some community standing - but the competition from large businesses was harder to withstand. On the other hand, we should perhaps note that one of the white shopkeepers found it hard to avoid attributing racist intent to some of the Asian competition he experienced:

I have no difficulty at all with the Asian (community). But the Asian seems to have it in the back of their mind to out-do the white man every time. Sometimes Asian businessmen do ask my customer about (my) prices and then offer at less price (White Grocer).

It is not clear how far this can be said to be a deliberate policy to run white shops out of existence! Equally, it is evident that only by such tactics, and an aggressive policy of 'going for growth' can any of those we interviewed see a future. More of the Asian entrepreneurs asserted that their own worst competitors were other Asian businesses, after the chain multiples, and it is clear that the life of any small shop-keeper may be predicted to be difficult. Overall, the same threats face both white and Asian entrepreneurs: the only significant difference seems to be in the personalities and attitudes of the individuals, and perhaps the values which they bring to self-employment and competition.

Chapter Ten: CONCLUSION

The industrial societies of the West gained a large immigrant population from their former colonies following the Second World War. Upon their arrival in Europe, immigrants generally occupied manual jobs requiring little skill and characterised by low status and poor pay. Linguistic problems, coupled with lack of skill and education were the major constraint on gaining access to better economic opportunities in the labour market.

In the intervening years, many immigrants learned skills and gained employment in the major industries such as steel and the motor industry, and then, as recession hit in the 1980s, found themselves either redundant or in insecure jobs. Increasingly, the immigrant population and its descendants have turned towards self-employment, either in a positive attempt to gain a better standard of living and greater freedom, or as a means of providing some employment.

The main theme of this study has been to determine the extent to which development patterns differ between Asian businesses and those set up by the indigenous population. In specific terms, the study has set out to determine:

- the extent of differences in growth patterns between these two groups
- the factors responsible for any differences
- the role of formal and informal institutions in the growth of Asian businesses
- how Asian businesses might attain a balanced development in the economy.

For the purposes of this study, a sample of 50 Asian businesses and 30 white businesses in the retail food sector were selected. The study was divided into five main sections, dealing with circumstances leading to self-employment, structural characteristics, patterns of financing, growth strategies in the context of formal and informal institutions, economic and

social returns from self-employment, and the future growth potential of these businesses. The main findings are reported below.

Period of migration and age structure at the time of migration

Almost three quarters of the Asian sample came to Britain during the 1960s, the remainder arriving in the seventies or later. More than half of the business people who were early immigrants were aged between nine and sixteen at the time of entry to Britain, whilst three quarters of the later immigrants were aged 17-25. The data shows that very few of the entrepreneurs are in the age group 20-35.

Education and other professional skills

Some 75 per cent of the Asian respondents had not received any education other than at school and the majority of these had not completed their school education as they migrated to Britain at a young age. Only one quarter had received further education, and these were in the group of settlers arriving in the seventies.

There is little difference in the amount of school education received by both groups in this study. However, the Asian group has a higher percentage possessing academic degrees, while the white sample has a higher percentage which has received professional training.

Differences in employment patterns by occupational distribution

More than half of the white sample have had skilled non-manual occupations. In the Asian sample, more than half have held partly skilled occupations. Skilled manual positions were the second most common previous posts for both the Asian and white sample.

Differences in employment patterns by industrial distribution

The white sample has a substantially higher percentage with previous experience in the metal goods and engineering and vehicles industries than the Asian group, where more than half had been employed in more general manufacturing industries, that is, factories not central to the traditional local economy.

Motivation for self-employment

These could be categorised as either 'push' factors or 'pull' factors. Factors in the former category account for 25 and 30 per cent in the white and Asian groups respectively. However, redundancy, which accounts for a 'push' factor for a quarter of the Asian group, was cited by only 11 per cent of the white sample. Asian entrepreneurs received a significantly greater support from family and friends in this area, however, which might be regarded as in some sense a 'pull factor'.

'Pull' factors were cited by 51 and 45 per cent of white and Asian respondents. Enthusiasm from family and friends accounted for a higher proportion in the Asian sample whilst a desire to be independent was felt fairly equally by both groups. One third of respondents in each group had been in business before as owners.

Differences in distribution of businesses by area and type

White businesses are equally distributed both by number and by sectoral terms in the white populated area (Earlsdon) and in the area more heavily populated by Asians (Foleshill), although there are few white grocers in the latter. In the Earlsdon area, Asian businesses had constraints on their growth because they were restricted by experience to sectoral areas such as grocery and clothing stores. Some Asian businesses had also suffered lack of trade because they were not patronised by white customers.

Differences in product lines by number and type

More than half (53%) of the Asian sample offer a range of between four and six lines of trade or service, while for the white sample this proportion is only one third. Some 42 per cent of Asian businesses have introduced more than six product lines in their shops where a similar proportion of white businesses only offer four or less types of product. Although many Asian businesses are predominantly grocers' shops, they have added other product lines such as hardware, fancy goods, wines and spirits and children's clothes.

Differences in factors associated with entry into the grocery trade

These fall into two categories: economic and non-economic. The former explain only one fifth of the total factors associated with entry into the grocery trade and are broadly similar for both groups in the sample. Non-economic factors represent a substantial share of the total factors involved (approximately half in both groups). One third of Asian respondents stated that they had friends or family in the trade already and these had given them encouragement.

Employment patterns

Among the Asian sample, family members account for 82 per cent of the total employment, whilst in the white group this figure is only 56 per cent. Asian businesses are also twice as likely to employ male staff. Female part-time non-family members account for 38 per cent of the staff of white businesses in the sample, whereas for Asian businesses this figure is only 7 per cent. Asian businesses are far more likely to employ full-time male members of the family.

Some 62 per cent of the Asian businesses employ less than two staff, implying that white businesses are more labour-intensive; often the staff of Asian businesses are family members, however, and many white businesses make use of part-time staff.

Ethnic origins of employees

In the white businesses in this survey, only one employed an Asian worker. Nine of the Asian businesses employed some thirteen white employees between them.

Working hours

Both groups are particularly hard working in their businesses. Of the Asian entrepreneurs, some 80 per cent work for seven days a week, whilst only 63 per cent of white respondents do so. Half of the Asian businessmen open their shops for more than 79 hours per week; only 40 per cent of white businessmen do so.

Levels of start-up finance

There is little significant difference between the two groups in this respect. In the Asian group, however, there is wider variation. Although variations within the groups has widened over time for both white and Asian businesses, the variation is wider among the Asian businesses.

Sources of finance

Similar percentages in both groups had used their own savings to finance their businesses. Although Asian businesses have slightly higher levels of savings, the difference is not significant. Over time, the level of savings has decreased for both groups.

Bank loans constituted 55 per cent of the start-up finance for both groups. In the Asian sample, 14 had borrowed money from friends whilst none of the white sample had done so.

Mortgages

This source constitutes a very small proportion of the start-up finance for both groups. White-owned businesses are more likely to use this source, however (15% compared with only 2% of Asian businesses).

Community network

There is no doubt that this source plays a greater role for Asian businesses than white-owned firms. Ten Asian respondents had gained help from family members or friends and would repay it when convenient; the actual sums borrowed were not disclosed.

Other business support agencies failed to support either group in terms of finance or guidance.

Financing strategies at the expansion stage

The empirical data suggests that both groups follow the strategy of building up their businesses step by step, reinvesting their profits and keeping their borrowing to a minimum for the first two years or so. After

this period, provided they felt confident about their prospects, they began to use formal sources of finance for expansion or development. Bank loans were the most common source of finance for both groups.

Start-up strategies

The evidence shows that Asian businesses place a greater dependence on informal institutions compared with white-owned businesses. Some 70 per cent of Asian respondents mentioned the involvement of friends or relatives in their business operation, lending money, supporting the business in terms of labour or advice or transferring businesses between them. Some 28 per cent of Asian respondents had bought their business because friends or relatives already in the trade had encouraged them to do so. Only 12 per cent of white respondents mentioned similar involvement; of these, three per cent were in partnership with family members and six per cent had bought their businesses from a friend or relative.

Use of formal institutions for advice and help

Only a small percentage of either group had used agencies offering advice before they had entered business themselves (three per cent of white and four per cent of Asian businesses). More than half of both groups of respondents said they had not known where to get such advice. A similar proportion (28% of white businesses and 26% of Asian) believed they had enough finance, education and experience not to need to seek help from agencies. One third of the white sample and one fifth of the Asian sample had already been in business before.

By contrast, a high proportion of both groups (63% of white and 86% of Asian respondents) said that they needed outside help in financial matters.

Economic returns

The average annual turnover for Asian businesses in the sample is £196,000 whilst white firms turn over an average of £171,000. The difference is accounted for by the fact that in the Asian sample there is a

greater proportion of businesses which fall into the medium size category. Roughly three quarters of the Asian sample had percentage profits less than 20 per cent, whereas this figure was approximately half for the white sample. While both groups suffer competition from 'big business', Asian businesses were twice as likely to suffer strong competition from other small shops in their neighbourhood.

More than half the white sample complained of the high rent and rates they had to pay, with a slightly smaller proportion of Asian businesses feeling the same; both groups found they had few problems in obtaining formal finance at the start-up stage.

General conclusion

Asian businesses clearly have an advantage over their white counterparts in terms of getting support from the community network at the start-up stage. This, however, is largely in the form of small loans and advice. Both groups appear to have been treated equally by formal finance institutions. The Asian sample was far more likely to suffer discrimination from their (white) customers. Asian businesses are therefore more likely to depend upon their ethnic customer base for their business success and this is a constraint on their ability to expand their businesses and enter different sectors of trade.

The empirical data from the study shows that the limited educational and professional skills at the disposal of the Asian community have restricted their access to economic opportunities in the labour market. This contradicts the findings of other studies which have indicated that Asian entrepreneurs were often highly qualified and wasting their time in the low-margin activities of trade. The majority of respondents in this survey came to Britain in the 1960s when they were either still of school age or had just completed schooling, and failed to continue their education once here.

This study also contradicts other studies which claim that Asian businesses are simply a product of racial discrimination in the labour

market: there is strong evidence that the Asian community has a positive attitude towards self-employment. A high proportion of Asian respondents feel a greater sense of job security in running their own businesses than they had felt when they were employees. In other words, despite their various individual complaints, Asians were more likely to see self-employment as a good thing in its own right.

Banks are a primary source of finance for both groups and there was evidence that both groups enjoyed the same lending policies from their banks. In fact, the Asian group has a higher level of bank loans as a percentage share of total start-up finance. Both groups use a similar percentage of personal savings at the start-up stage, but white businesses are much more likely to use mortgages as a form of finance. Although Asian businesses were significantly more likely to borrow funds from family and friends, the value of these loans tends to be only a small percentage of the required finance. The Asian businesses are no more likely to be small or under-capitalised than their white counterparts, contrary to findings elsewhere.

Asian businesses are more likely to rely on family labour than white firms and although both groups invested their own labour heavily in the business, Asian firms were more likely to be working in excess of 80 hours each week.

The relatively heavy concentration of Asian businesses in certain geographical areas makes them particularly vulnerable to competition from each other. Asian businesses are more likely, however, to attempt to expand their businesses by adding new lines. The survey provides evidence that the younger generation of both groups is less attracted to the grocery trade than the current generation of entrepreneurs.

The empirical data supports the view that formal business support agencies fail to provide support for either group of businesses. Ignorance of the services available is high in both groups and even where advice has been sought, it has not been valued, the general view being that agencies are too closely bound up with bureaucratic red tape.

Many of the Asian businesses are at a transitional stage where they are placing more reliance on formal sources of finance than hitherto; many

are also changing both the scale of their operation and the sector in which they conduct business.

Although many business people in both groups felt a general sense of pessimism about the economy, there is every reason to suppose that corner-shop businesses will continue to survive in spite of their low profit margins because they require relatively small investment and little prior business experience or expertise for the new entrepreneur.

Policy implications

Given the highly competitive nature of this sector of trade, Asian business owners feel there is a need for government intervention in the context of restriction on the entry of new firms as well as introduction of a measure of price control.

There is a requirement too for business support agencies to play a more active role in providing information, advice, training and financial help, particularly in promoting diversification into other sectors of business. Whilst some Asian businesses have made a remarkable success in difficult circumstances and with limited resources, others are operating below profit margin levels (particularly in heavily concentrated areas of Asian businesses) and they need proper advice to enable them to improve current performance and/or shift towards more profitable sectors.

Finally, there is every need to look at the business performance of the Asian community in the context of migration period, cultural background, education and professional training and economic resources rather than pure racial discrimination in the labour market. No doubt, there is an element of racism there and it affects the participation of Asians in business, but other factors are also important. In general, while the Asian community is aware of the element of racism in social life, they have accepted it and show a determination to succeed in spite of it.

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