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Financial education and awareness in small ethnic minority businesses¹

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Objectives: This paper investigates financial awareness in small businesses in the West Midlands region of the United Kingdom and evaluates their current and future entrepreneurship education needs.

Prior work: The specialist literature focuses mainly on small business support needs and has neglected educational, training and financial management issues. Hussain and Matlay (2007a) have identified that there is a paucity of research that evaluates financial awareness, as well as education and training needs, amongst this type of business. This paper extends and complements previous research by the authors (Matlay, 2003; Hussain and Matlay, 2007a; Hussain et al., 2006).

Approach: Mixed research methods were used to investigate financial awareness and related education and training needs in a combined matched sample of 110 small ethnic minority businesses (EMBs) and indigenous small firms. A small exploratory telephone survey was used to inform the questionnaire design and selection of the wider research sample. The emerging data were analysed to evaluate financial awareness and to establish the education and training needs of these owner-managers.

Results: The central role of financial information was recognised in most of these small businesses. Amongst the EMBs, financial decisions were informed and supported by an accountant or an expert from the owner-manager's social network. In indigenous small firms, this important function was carried out by the owner-manager or a competent financial expert. The majority of respondents had no systematic approach or strategy towards the acquisition of financial knowledge, education and training.

Implications: It emerges that a shortage of financial education and training has impacted negatively upon the efficiency and profitability of the small businesses in the sample. Typical 'one-size-fits-all' policy initiatives have proved insufficient and largely unsuitable for the specific needs of small business owner-managers. Considering prevailing competitive pressures and the rapid globalisation of markets, there is an urgent need to improve the use of financial information and provide relevant education and training for small business owner-managers.

Value: The authors make recommendations in relation to the education and training needs of small business owner-managers that could benefit policy-makers, support providers, educators and trainers involved in this important sector of the economy.

Keywords: financial awareness and knowledge, owner manager education, financial, small businesses

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1 Introduction

Over the last decade it has become an internationally accepted fact that small and medium sized enterprises (SMEs) play an important role within national and international economic policy and that they are a catalyst for job creation, social cohesion, stability and innovation (Nitani, 2005), which enable the economies to respond to rapid economic, social and political change. Within that context, ethnic minority businesses in the UK (six per cent of all SMEs) are important and their effectiveness and efficiency is essential for economic prosperity. However, our literature search revealed no substantive study that addresses financial education and awareness amongst EMBs: this appears to be a significant oversight of previous research.

Although there is a plethora of literature that examines enterprise education initiatives in the UK to empower and enable individuals to engage in enterprise (Davis, 2002), this education and training has not fully taken into account the financial skills and knowledge base of graduate entrepreneurs (Hussain and Scott, 2008) or the needs of new or existing entrepreneurs. This deficit is more acute amongst EMBs, especially those at the lower end of the spectrum, who entered self employment to mitigate unemployment and generally lack financial education and awareness. This suggests that there is a need for academics and policy-makers to develop a strategy to address the needs of potential and existing SMEs in general and EMBs specifically in the UK.

Financial awareness education and training amongst the citizens of a country (and more specifically for businesses) is an essential pre-requisite for an efficient and well functioning modern economy. Financial skills and knowledge aid optimal combination of capital for personal and business purposes. Financial education for the purpose of consumers is defined by OECD (2005) where the emphasis is on the, "understanding of financial risk and opportunities". However, this overlooks the fact that new and existing entrepreneurs require financial skills, knowledge which empowers them to establish and develop new businesses, a vital action that enhances enterprise culture, increases economic activity and wealth creation. It is fuel for the 'economic engine', as evidenced in the developed economies (Birch, 1979; Birch et al., 1993) to ensure the economic engine works efficiently to sustain and enhance the economic wellbeing of SMEs and also of EMBs in the UK. Though vocational education and training is examined extensively in the literature, established research does not appear to deal with financial awareness generally or EMBs specifically. This empirical article examines the characteristics of EMBs, their level of financial awareness and education and whether this has implications for their survival, innovation and growth.

2 Financial education and ethnic minority firms

It was the meteoric rise of ethnic minority businesses to academic and policy topicality that ushered in a rapid growth of research in the UK. However, researchers' pre-occupation mainly extended to the motivations, practices and aspirations of EMBs (Barrett et al., 1996; Ram and Jones, 1998 and Ram et al., 2002) and this tended to overlook the functional aspects of the EMBs. At a general level in the UK, academics and policy-makers have recognised the distinctive characteristics, growth potential and importance of EMBs in the broader ensuing enterprise debate over the last two decades and its importance has gained a more central position, especially because of the upward trend and projected growth of the ethnic minority population. There is a positive correlation between the wellbeing of EMBs and economic prosperity, community cohesion and social stability and this is supported by a growing body of literature (Hussain and Matlay, 2007a, b; Scott and Hussain, 2008; Matlay 1999; Ram et al., 2003 and Storey, 1994). In terms of statistical presence, EMBs accounted for 9 per cent of new starts in 1997, whereas for the population as a whole the figure was 5 per cent, and they account for 7 per cent of total businesses in the UK (Bank of England, 1999) and contribute around £13bn per annum towards the UK's GDP (Nigel Griffiths, Small Firms Minister, 2002). However, the actual figure may be much higher as we see growth in the total population of the ethnic community and there is a lag in the publication of the data.

Existing empirical studies of academics and policy-makers relating to EMBs tended to consider the trends, characteristics (Deakins et al., 1993), family networks (Phizacklea and Ram, (1995) and finance issues (Deakins et al., 1993) ethnic social capital (Putnam, 2000) and support (DTI, 1999). However, little attention has been given to participation of EMBs in vocational training and education, the exceptions being Marlow (1992) who examined the take-up of training provision by the ethnic minority owned firms, Ram et al., (2000) who considered take-up of formal training and the role of informal training and Hussain and Matlay (2007a) who examined the provision of education and training amongst EMBs.

More specifically, the literature relating to financial training is limited. Training and education generally, and finance amongst EMBs in particular, has implications for the sustainability and global competitiveness of the UK economy – where future trade will be dominated by knowledge-driven economies. Though at a national level, the general education and training issues are partly addressed by the government's response and action (DfES Departmental Report, 2004), there is alas no clear strategy to specifically respond to needs of EMBs. Such findings make a compelling case for empowering this niche population, who have an appetite for enterprise, to improve their effectiveness. However, such training, awareness and education needs to be focused and must deal with the specific needs of existing firms and new start ups. Generic training, though useful, is not necessarily a universal need of every existing firm or start-up. For example, with the growth of the ethnic population in higher education (which stood at 11 per cent in 2004, according to Race for Opportunity and Hobsons, 2004) and higher initial unemployment amongst ethnic minority graduates (Smetherham, 2005) than white graduates, a higher proportion of ethnic minority graduates may choose entrepreneurship to overcome underemployment (Nabi et al., 2008). The growth in graduate entrepreneurship, if it materialises, will not require the same level of financial awareness and management training.

Evidence in the literature suggests that there is 'over-education' amongst BME groups (i.e. the education level is higher than that required by the job in which they are employed) with 29.9% of ethnic minority graduates 'over-educated', whereas white graduates are 26.8% 'over-educated' (Alpin et al., 1998). However, the proportion of graduates entering self-employment by choice remains relatively small and, according to Hussain and Matlay (2007a), in which we observed that:

"appetite for enterprise amongst ethnic minorities could be explained by high deprivation, difficulty in entering employment, a lower skill base and lower achievements at school, evidenced by their GCSE results."

For many non-graduates, enterprise is not a choice but a necessity which assists them to mitigate the financial and educational gap with the use of 'talent' (Slack, 2005). Entry into self employment carries with it all the risks, and a lack of financial management skills has the capacity to amplify such risks. This suggests the need for broader financial management education and training provision for entrepreneurs prior to start-up: dedicated training and financial management education is essential for EMBs to respond to the changing economic and financial environment and technological change. The absence of adequate financial knowledge, skills and education represents a major obstacle to entrepreneurial success and growth. The evidence suggests that some "lifestyle" entrepreneurs have access to networks of family and friends to seek financial advice (Basu, 1998) but generally this issue remains relatively unexplored. The 'financial education gap' amongst EMBs may be negating the high propensity for enterprise amongst ethnic minorities. This process may partially explain the erosion of EMBs which are not able to restructure due to financial constraints that limit their ability to compete against larger businesses. The financial management gap appears to be more acute amongst EMBs which are located in sectors with low barriers and come under the 'necessity entrepreneurs' classification (Hussain and Scott, 2006, p.19). Necessity entrepreneurs may largely rely on passing trade (Ram et al, 2002a:34-37). These enterprises tend to have lower profit margins and are mostly under-capitalised. There is normally a mismatch between essential skills or education required in financial management of the firm and the traditional qualification they have. Coupled with adverse factors, lack of financial management and technological knowledge renders them less competitive and vulnerable to economic change.

Hussain and Matlay (2007a) note that there has been but a trickle of recognition amongst prominent academics (Storey and Westhead, 1994, p.15) that the training needs of 'special' groups' were not met but this does not address the need for financial training, financial knowledge and financial management. This is not an argument to make EMBs a special 'ethno-cultural' group as suggested by Kloosterman et al., (1999) but is an observation that EMBs lack financial management knowledge, thus preventing their growth and having adverse implications for employment and wealth creation in deprived inner city areas.

The literature makes a compelling case that "success is related to the degree of investment in human capital" (Westhead, 1997, p.30) as it enables businesses to sustain their competitiveness (Corney, 1997). The view that adequate access to vocational education and training is essential is highlighted by earlier research by Deakins and Hussain (1992), which recognised the role of financial management amongst SMEs. However, whilst the same theme is further researched within this paper, the wider literature is silent about the financial awareness education and training needs of EMBs, suggesting that there is a significant knowledge gap. But equally, the literature also has concentrated largely upon vocational training that has predominantly overlooked issues relating to financial education and training.

With the exception of a few medium-sized EMBs, the vast majority do not possess sufficient financial awareness and education to manage and develop systems to make strategic investment and management decisions. Though there is some recognition that SMEs are heterogeneous (Curran et al, 1997), which is also applicable to EMBs, variation amongst some is expected. Thus we suggest in this paper that there is a knowledge gap relating to financial awareness and education amongst EMBs which has significant implications for the UK's competitiveness in world markets. Therefore, there is a need to bridge this gap by recognising that small EMBs are individuals who may have started the business to escape unemployment but in the first place he or she lacked the financial sophistication that cannot be compensated for by hard work or reliance upon family or friends. This requires adoption of strategies to deal with the distinct nature and requirement of EMBs, especially regarding the approach and conduct in delivering financial awareness and education by taking into account the cultural, language and business ethics of the business.

3 Research methodology

There is an extensive literature that has explored the role and significance of SMEs, nationally and internationally, and a range of methodologies, including quantitative, qualitative and case study approaches, have been employed. However, the same cannot be said for the topic of vocational education and training (Pettigrew et al., 1990) and, in the case of EMBs (Hussain and Matlay, 2007a), the issue of education and training remains least explored and specifically financial education and awareness and its implications have been overlooked. There has been a somewhat excessive focus on the skills of owner-managers and the level of financial knowledge but its use in business is under-researched. Therefore, the approach used to find the level of awareness and the presence of financial education amongst EMBs poses methodological challenges for authors.

Earlier work (Hussain and Matlay, 2007a) enabled researchers to focus on the issues relating to awareness and education of finance for SMEs and, in order to gain an insight, the authors constructed a detailed structured questionnaire which was piloted with practitioners and academic colleagues, as well as with established and new EMBs to test the content and validity. The pilot study included 5 micro, 5 small, and 4 medium-sized businesses. In addition, the questionnaire was consistent with the qualitative approach used in the SME literature and is grounded in the tradition of over two decades of qualitative research for SMEs (Hussain and Matlay, 2007a; Hussain et al., 2006; Gartner and Birley, 2002; Deakins et al., 1994; Bell et al., 2004 and Fillis and McAuley 2000). To understand the level of training and skills amongst the EMBs, it was necessary to adopt methods that allow those involved to consider a holistic approach. The exception is that this survey used a questionnaire to seek their views and secondly it uses a controlled sample of non-ethnic groups for purposes of comparison. In response to feedback received regarding the phrasing of the questions, the final questionnaire was amended and piloted with a further sample of 3 businesses, one from each category.

The approach used in this study builds on the general SME research methodology, but an attempt was made to ensure that the reality on the ground is captured. Learning from the criticism associated with quantitative postal surveys in the area of vocational education research (Matlay, 1996; 1997 and 1999), the authors have attempted to mitigate such problems by using postal questionnaires and also personally visiting businesses in Birmingham to improve the response rate and, at the same time, ensure that account is taken of owner-managers who fail to respond, and that such bias limits the generalisability of the findings to the population as a whole (Hussain and Matlay, 2007a).

This research was undertaken during the period October 2007 to March 2008. The questionnaire was sent to a total of 347 EMBs in Birmingham, selected from all parts of the city and the representative ethnic groups in proportion to their census population, generating a response rate of 6 per cent useable (23) replies. To compensate for this low rate, the authors personally visited businesses in two areas, Sparkbrook / Sparkhill and Handsworth, and used networks to generate an additional 64 responses. For the controlled survey, 100 questionnaires were sent with a response rate of 9 and an additional 14 responses were gathered through networks.

4 Discussion of results

The data collected were examined to establish whether there were any differences amongst small, medium-sized and large businesses in the level of financial awareness and training. We did find a relationship between training, education and the size of the business and its level of sophistication. Table 1 presents the statistics of respondents according to firm size, gender, age, position within the business, level of education, training received prior or since starting the business and whether they believe they are competent to deal with banks, accountants or external stakeholders. The results highlight a number of issues relating to their current knowledge and its utilisation within the business. In the sample, the average age of the owner progressively increases for micro, small and medium size businesses, a trend consistent with the non-ethnic businesses. In terms of gender, ethnic (9) and non-ethnic (5) businesses have low female ownership, findings consistent with the general trend in society.

Category	Types of Business		Average age of owner	Gender M / F	Total no of employees
EMBs	Micro (1-10)	32	39	28 / 4	(Σ Employees =293)
	Small (11- 49)	43	45	38 / 5	(Σ Employees = 642)
	Medium (50 -250)	12	56	12 / 0	(Σ Employees= 804)
	Total	87		78 / 9	
Non-ethnic	Micro (1-10)	7	41	4 / 3	(Σ Employees= 73)
	Small (11- 49)	11	44	9 / 2	(Σ Employees= 473)
	Medium (50 -250)	5	55	5 / 0	(Σ Employees= 350)
	Total	23		18 / 5	
Total		110		96/14	

Table 2 below provides statistics for 4 ethnic minority groups: 35 Indian (40%), 33 Pakistani (38%), 7 African-Caribbean (8%) and 12 Bangladeshi (14%) owner-managers. The proportion of ethnic groups is fairly representative of the population in the West Midlands. The gender mix for EMBs in total was 96 men and 9 women but for the African-Caribbean there was only 1 female and no Bangladeshi women. However, there were a higher number of Indians, 5, reported to be owner managers and the Pakistani sample had 3 females.

Ethnic Groups	Sectors	African-Caribbean (%)	Bangladeshi (%)	Indian (%)	Pakistani (%)	
	Micro (1-10)	32 (37%)	4 (12%)	5 (16%)	12 (38%)	11 (34%)
	Small (11- 49)	43 (49%)	3 (7%)	6 (14%)	16 (37%)	18 (42%)
	Medium (50 - 250)	12 (14%)	–	1 (8%)	7 (58%)	4 (33%)
	M/F		56 / 1	12 / 0	30 / 5	33 / 3
	87		7 (8%)	12 (14%)	35 (40%)	33 (38%)

In Table 3, general trends in the education level suggested that the ethnic sample have a larger graduate presence (21) in self employment; in particular, there is a positive relationship between the levels of educational attainment of medium-sized firms' owner-managers. Micro businesses had 20 owners with GCSEs and basic level education but their presence declined in the medium-sized and small businesses. Due to the small sample size, inferences cannot be drawn with confidence for the non-ethnic sample but in general both are similar. Amongst EMBs, financial awareness in terms of effectively dealing with basic financial issues internally and externally is reported to be lower amongst micro businesses but this improves amongst small and medium businesses; whereas all non-white businesses reported a sufficient level of financial awareness. Financial education and training take-up amongst micro ethnic owner is low: only 7 out of 32 received any training to enable them to function at competitively or competent level. Small enterprises are slightly better and there is good take-up amongst medium-size firms. The general take-up of financial education and training amongst non-ethnic owners mirror the results of EMBs. These results suggest that micro businesses, due to poor educational achievement in the first place, and operating at marginal levels, tend not to have financial resources or time to pursue financial education and training - hence negatively impacting on their ability to sustain a competitive edge or grow. In comparison, small and medium-sized organisations are in a better position to finance and take up financial education and training; this trend is similar amongst the non-ethnic group.

These findings above make a compelling case for a more targeted approach to improve the knowledge base of SMEs generally and micro businesses specifically. In the case of ethnic micro businesses, there is a case for a much more targeted approach to support from the support agencies that could reduce the burden of cost and empowering them to learn to improve their positioning and growth potential to increase productive capacity, increase employment and contribute towards national output.

			Degree	A' levels	GCSE	Basic schooling	Financial awareness	Financial education & training
EMBs	Micro (1-10)	32	4	8	14	6	22	7
	Small (11- 49)	43	10	14	16	3	35	17
	Medium (50 -250)	12	7	2	3	–	12	8
Non-ethnic	Total	87	21	24	33	9	69	32
	Micro (1-10)	7	3	2	2	–	7	3
	Small (11- 49)	11	4	4	2	1	11	8
	Medium (50 -250)	5	1	3	2	–	5	5
	Total	23	8	9	6	1	23	11
Total		110	29	33	39	10	92	44

Financial awareness and effective management of finance is an integral part of a successful business. A successful owner-manager's financial decisions have implications for the business as they use generic and financial skills to make key decisions to manage and control their enterprises (Goss, 1991; Storey, 1994; Matlay, 1999). Previous research relating to EMBs tended to highlight finance constraints, dependence on family networks and finance and cultural subtleties generally. However, issues relating to financial management (Deakins and Hussain 1993) first began to emerge in 1993 and have been cited as a root cause of business failures (Najak and Greenfield, 1994) but the issue of education, level of financial awareness and take-up of training has not received the attention it deserves and more specifically micro businesses as such have not been targeted to empower them to gain basic financial skills and education to manage, select and use finances optimally. Financial education and training has the potential to have a significant impact upon the efficiency and quality of decision making; this enhances the knowledge base that reduces barriers and enables them to absorb external shocks.

Defining and measuring financial awareness is a complex area of research, as it ranges from simple product awareness to advanced level knowledge of practices to manage businesses. Training budgets are smaller for SMEs and there is a tendency amongst them to give less importance to training and such firms keep minimum training records (Matlay, 1999). Respondents in the sample were asked to estimate the basic level of financial literacy, defined as the ability of an individual to deal effectively with banks, accountants and make basic investment decisions (see Table 4). One would expect that these business owner-managers would have basic competence and basic financial knowledge, and yet in the sample only 69 reported that they had competence; the lower financial awareness is mostly amongst micro and small firms. The same businesses also have lower participation in training; 40 out of 87 owners/managers did not attend any finance related course (see Table 4). The lowest level of financial literacy and participation in financial training is exhibited amongst Pakistani and Bangladeshi businesses. In contrast, African-Caribbean respondents have much higher financial literacy and propensity to engage in training.

With regard to SMEs relationships with banks and their level of comfort when dealing with banks, 34 out of 43 small firms and 11 out of 12 medium-sized enterprises reported that they coped well. However, 3 out of 17 micro businesses are less confident. The trend is similar when dealing with accountants, financial and legal advisors. These findings are attributable to lower education, training and financial competence amongst this group. Findings suggest that, when dealing with less educated and experienced micro businesses, professionals need to develop skills to positively engage with these vulnerable clients.

Questions relating to the use of financial accounts, investment appraisal and the internet were asked to examine the level of financial literacy and the use of modern technology in the context of finance. Micro and small businesses generally tended to have a lower understanding of the purpose and use of financial and accounting information but medium-sized businesses have better understanding and utilisation of financial information; this may be explained by their scale and size, training resources and their failure to appreciate the relationship between their training and performance.

The impact of the internet is recognised by all respondents but its level of utilisation amongst micro and small businesses lags behind medium-sized enterprises. Though there is a *desire* to use basic tools such as spreadsheets and databases, their *actual utilisation* is limited.

The results of the training needs analysis suggest that micro businesses have a need in all areas listed in Table 4 but we found the most common areas of concern were identified as finance (18), accounting (29), budgeting and planning (26) to gain training in all areas – but financial awareness was a priority for micro (18 out of 32) and small (11 out of 43). Budgeting and planning (26 out of 32) and ICT infrastructure (25 out of 32) and, in particular, computer literacy (26 out of 32) is a high priority. Whereas for small medium-sized enterprises, use of computer packages (35 out of 43) and skills required for forecasting and decision making (27 out of 32). It is clear that micro businesses need generic skills, education and training to enhance their capabilities and do business effectively. Small businesses, in aggregate, show a similar trend, though their level of severity is less acute – whereas medium-sized businesses are relatively better off.

A comparison of different ethnic groups suggests that, in general, micro and small businesses have similar views about financial education and training but amongst this group the most active user of training is the African-Caribbean group (a finding confirmed by Hussain et al, 2008) but the sample is small, limiting generalisation of results. Second is that the Indian respondents and Pakistani and Bangladeshi sample mirrors one another.

Table 4. Level of financial awareness	Indian			Pakistani			African-Caribbean			Bangladeshi			Total		Micro	Small	Medium
	M	S	M	M	S	M	M	S	M	M	S	M	Yes	No			
Total participant numbers	12	16	7	11	18	4	4	3	0	5	6	1			32	43	12
Do you have a basic level financial literacy	8	14	7	7	16	4	4	2	0	2	5	0	69	18	21	37	11
Did you attend any finance courses	4	12	7	2	8	4	4	3	0	1	2	0	47	40	11	25	11
Are you comfortable when dealing with:																	
Bank manager	7	16	6	4	11	4	3	3	0	3	4	1	61	26	17	34	11
Accountant	9	13	7	6	12	4	4	3	0	2	4	1	64	23	21	32	12
Financial advisor	8	12	5	8	13	4	4	2	0	3	4	1	63	24	23	31	10
Legal advisor/ consultants	4	13	7	9	12	3	4	2	0	4	5	0	63	24	21	32	10
Do you understand / use the following:																	
Profit and loss account	5	13	6	3	9	4	3	2	0	1	1	0	47	40	12	25	10
Balance sheet	8	14	5	7	13	4	3	2	0	2	3	0	61	26	20	32	9
Cash flow forecast	12	12	7	6	7	8	5	2	0	3	2	0	64	23	26	23	15
Any of the project appraisal methods	3	6	7	5	8	4	3	1	0	1	0	0	38	49	12	15	11
Use of databases in the business	4	14	7	3	4	7	3	2	0	0	1	0	45	42	10	21	14
Spreadsheets	11	12	6	6	15	4	4	2	0	1	2	0	63	24	22	31	10
Use of e-mails	10	13	7	7	14	4	4	2	0	3	2	0	66	21	24	31	11
Use of web pages	9	12	7	5	7	8	4	1	0	0	0	0	53	34	18	20	15
What are your training needs?																	
Basic financial literacy	8	7	0	9	4	0	0	0	0	1	0	0	29	58	18	11	0
Use of databases	9	16	7	10	16	4	4	2	0	2	1	0	71	16	25	35	11
Use of spreadsheets	5	13	1	12	16	3	2	2	0	5	4	0	63	24	24	35	4
Understanding & use of basic accounts	10	11	4	10	14	2	4	2	0	5	5	0	67	20	29	32	6
Preparation & use of cash flow forecasts	7	15	3	11	14	4	4	2	0	5	3	0	68	19	27	34	7
Breakeven points	4	11	2	10	14	3	3	1	0	3	2	0	53	34	20	28	5
Capital investment decision making	7	12	7	8	8	4	2	2	0	1	1	0	52	35	18	23	11
Budgeting and planning	10	13	7	8	12	4	4	2	0	4	3	0	67	20	26	30	11
Working capital management	9	13	7	7	13	4	4	2	0	2	5	0	66	21	22	33	11
Developing ICT infrastructure	10	16	8	7	15	4	4	2	0	4	5	0	75	12	25	38	12
Basic computer literacy	9	5	4	8	6	4	4	1	0	5	5	0	51	36	26	17	8

Table 5. Financial management & advice	Indian			Pakistani			African-Caribbean			Bangladeshi			Total		Micro	Small	Medium
	M	S	M	M	S	M	M	S	M	M	S	M	Yes	No			
Total participant numbers	12	16	7	11	18	4	4	3	0	5	6	1			32	43	12
Who provides your financial advice?																	
Family	4	12	2	9	14	2	1	0	0	3	2	0	49	38	17	28	4
Friends	6	7	1	10	12	3	2	0	0	4	2	0	47	40	22	21	4
Accountant	11	16	6	5	13	4	4	2	0	3	5	0	69	18	23	36	10
Bank	2	4	1	6	3	2	1	1	0	2	2	0	24	63	11	10	3
Business networks	8	11	4	17	8	3	2	0	0	4	3	0	60	27	31	22	7
When purchasing assets do you:																	
Undertake financial evaluation	4	15	4	3	8	4	5	2	0	1	2	0	48	39	13	27	8
Consult accountant / financial advisor	9	14	7	6	9	4	6	2	0	2	4	0	63	24	23	29	11
Seek advice from business network	10	12	2	9	13	2	2	0	0	5	3	0	58	29	26	28	4
Follow competitors' trends	12	11	7	5	11	4	3	1	0	5	4	0	63	24	25	27	11

Results reported in Table 5 support the general literature on EMBs in that, amongst ethnic businesses, family remains central but there is evidence of a shift towards professionals, accountants, and banks. However, accountants (micro, 23; small 36; medium 10) and networks are the two most important groups considered to be of higher importance (micro 31; small 22; medium 7). A closer examination of the ethnic group also suggested that there is no one general trend amongst the four ethnic groups. However, the role of accountants is consistently considered to be important, and micro and small businesses have greater reliance upon family. For asset purchasing decisions, small (27 out of 43) and medium-sized (11 out of 12) businesses are more likely to undertake financial evaluation than micro; they are more likely to consult accountants and financial advisors but in all cases competitors' behaviour is closely followed, a trend arising from lack of self-confidence and entrepreneurial innovation.

The importance of training and education amongst SMEs remains a complex area of research, but there is generally a tendency amongst smaller firms to minimise the benefit of training. EMBs in the research sample were asked to estimate whether they received training over a period of 6, 12 and 18 months prior to completing these questionnaire (see Table 8). Responses confirm that there is no strategic importance attached to financial training; 7 out of 32 micro; 11 out of 43 small; 5 out of 12 medium-sized businesses participated in any financial training and the trend for 12 and 24 months is not any better. Table 6 also demonstrates that there is no significant difference amongst the four ethnic groups. Emerging trends show overall low training provision rates across the whole of the research sample, except for medium-sized firms, which have a relatively higher level of take-up of training.

	Indian			Pakistani			African-Caribbean			Bangladeshi			Total		Micro	Small	Medium
	M	S	M	M	S	M	M	S	M	M	S	M					
Table 6. Financial training	12	16	7	11	18	4	4	3	0	5	6	1	87		32	43	12
Have you received training over:																	
last 6 months	2	4	3	3	5	2	2	1	0	0	1	0	23	64	7	11	5
last 12 months	5	7	2	5	6	1	4	1	0	2	2	0	35	52	16	16	3
last 24 months	3	4	6	2	3	3	3	2	0	1	2	0	29	58	9	11	9
Factors affecting training:																	
Cost of training	12	16	4	11	17	4	4	2	0	5	3	0	78	9	32	38	8
Time availability	10	13	5	11	12	4	3	1	0	5	4	0	68	19	29	30	9
Benefit of financial training not understood	6	7	7	11	15	3	4	2	0	3	4	0	62	25	24	28	10
Availability of relevant training	5	8	6	7	18	4	4	1	0	4	2	0	59	28	20	29	10
Size of business	3	11	7	11	16	3	4	2	0	2	5	0	64	23	20	34	10
Owner's education & training	5	8	7	8	15	4	3	2	0	4	3	0	59	28	20	28	11
High turnover of staff	11	13	1	10	15	4	3	2	0	5	4	0	68	19	29	34	5
Expect govt to train	10	14	3	14	14	4	4	2	0	3	2	0	70	17	31	32	7

The cost of training (micro, 32 out of 32; small 38 out of 43; 8 out of 12), time availability (micro, 29 out of 32; small 30 out of 43; 9 out of 12), lack of understanding of benefits (micro, 24 out of 32; small 28 out of 43; 10 out of 12) are reported to be a major barrier. Table 6 also shows that the size of the business, the owner's education and training and high turnover of staff are other factors affecting take-up of training. There is a higher level of expectation amongst all ethnic groups that responsibility for financial education and training rests with the government; this expectation is consistent with micro (31 out of 32), small (32 out of 43) and medium-sized firms (7 out of 12).

Table 7. Perceived benefits of training	Indian		Pakistani			African-Caribbean			Bangladeshi			Total		Micro	Small	Medium	
	M	S	M	M	S	M	M	S	M	M	S	M	Yes				No
Total participant numbers	12	16	7	11	18	4	4	3	0	5	6	1	87		32	43	12
Perceived benefit of financial training:																	
Positive impact on profit	5	14	7	3	6	4	4	2	0	2	4	0	51	36	14	26	11
Better financial management	11	9	7	8	7	2	4	1	0	1	3	0	53	34	24	20	9
Better decision making	6	14	5	5	13	3	4	2	0	3	3	0	58	29	18	32	8
Better working capital cash management	8	13	7	9	15	4	4	2	0	4	5	0	71	16	25	35	11
Reduction in cost of finance	10	11	7	7	9	2	4	2	0	2	4	0	58	29	23	26	9
Easier to prepare information for banks	7	9	7	9	12	4	3	2	0	3	5	0	61	26	22	28	11
Easier to prepare information for accountant	9	10	7	11	13	3	4	2	0	4	5	0	68	19	28	30	10
Informed asset purchase decision	7	13	5	10	11	1	3	1	0	2	4	0	57	30	22	29	6
Better time management	10	12	7	9	12	4	4	2	0	4	5	0	69	18	27	31	11
Decision made in good time / less stress	8	13	7	6	14	3	4	2	0	1	4	0	62	25	19	33	10

While we found that the perceived benefits (see Table 7) arising from training were recognised, to describe the responses would be overly simplistic. When questioned about perceived benefits of training (see Table 7), Pakistani respondents rated this lower (13 out of 33) than Indians (26 out of 35); whereas African-Caribbeans considered it to be significant. It appears that there is an appreciation of the link between training, financial management and working capital management. Reduction in the cost of finance (micro 23 out of 32; small 23 out of 43 and medium-sized, 11 out of 12) shows that there is an implicit recognition that financial training has benefits for businesses; the results contradict earlier responses where respondents failed to see the link between training and success. There is a general recognition amongst a majority of respondents that training improves information preparation and use, assists purchase decision making, improves time management and stress levels are reduced. However, the extent to which these benefits motivate firms remains rather elusive: all the more reason for intervention to improve financial awareness and training amongst SMEs generally and EMBs in particular.

5 Concluding remarks

This study has implications for policy-makers and support agencies who wish to encourage EMBs to innovate, improve their performance and undertake an important role within the UK economy to reduce unemployment and deprivation in 'ethnic enclaves'. EMBs have experienced a rapid growth over the last few decades. Though this paper does not deal with the entire range of issues with EMBs' financial training, it nonetheless provides a number of important findings. This research confirms the concerns that micro businesses have lower financial awareness to effectively deal with banks, professionals and the government, and to manage their purchase and investment decisions. Conversely, small and medium-sized businesses have relatively better appreciation of the role of financial training and are more actively availing of education and training. Consistent with a prior expectation, owner-managers' education and training has important implications for the provision of education and training for employees. There appears to be a close correlation between the size of the business and the perceived importance of training; medium-sized business respondents have a greater appreciation and propensity to incorporate training for their employees. However, there is contradiction in that respondents have positive or very positive attitudes to training generally and financial education in particular. However, paradoxically, the majority of these respondents have not provided any training over the 6, 18 and 24 months prior to the completion of this questionnaire. These findings suggest that EMB owner-managers recognised the importance of financial training to enhance the competitiveness of their businesses but the importance varies with micro, small and medium-sized businesses. To reduce the training deficit amongst micro and small business in particular, there is a need for support agencies to intervene.

Analysis of the responses from this research suggested that there are a number of factors which either encouraged these firms to actively use training as a part of their business strategy or not have any provision at all. The factors most commonly cited for financial training are: financial benefits, improvement in efficiency, reduction in cost, improvement in the management of financial information and their utilisation in the decision making. Financial education then enables them to engage in a more meaningful way with banks, accountants, support agencies at arriving at optimal decisions for their business. The take-up of training or lack of take-up is attributable to factors such as the economic climate, the relevance of training available, associated cost, the owner-manager's education and disposition to knowledge and skills, the size of the business and owner's perception of training benefits. Barriers to training arise due to the cost of training, spare capacity that limits time for training, perception that trained staff will leave - hence training is a non-recoverable cost.

Our findings about the training needs of EMBs suggest that the supply side of training should be proactive to meet the needs of this emerging niche. Results of this research suggest that there is a need for a strategic policy to empower EMBs to embed training within their management strategy. We suggest that support agencies more narrowly focus on the micro and small businesses and educate them to appreciate the benefits of training and financial awareness.

5.1 Future Research

This research deals with a small range of issues related to financial awareness and related training. The scope of this paper was limited to the demand side, which enabled us to enlist the views of businesses. However, there is much more to be gained by ascertaining the views of the supply side to chart the perceptions and experiences of providers. Given the small sample, the results may not be generalised and there is a case for a larger study to be undertaken to map the UK wide experiences with view to develop a national strategy.

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