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## Coronavirus and the financing of ethnic minority entrepreneurship in the UK

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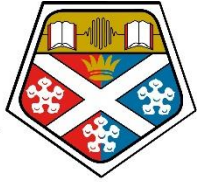


University of  
**Strathclyde**  
Glasgow

# Strathclyde Pandemic Research Journeys

Personal accounts of research  
during the Covid period

THE UNIVERSITY  
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**Glasgow**



**The Place of  
Useful Learning**

# Reflection and thoughts from across all the University of Strathclyde on our response to the worldwide Covid-19 pandemic.

Alec Morton, Jens Sutter, Roma Maguire (eds.)

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# Dr Samuel Mwaura

Lecturer

Hunter Centre for  
Entrepreneurship

## **Coronavirus and the financing of ethnic minority entrepreneurship in the UK**

I was greatly fortunate to have secured a pot of funding from the Royal Society of Edinburgh (RSE) in 2021. The funding, dubbed “research reboot”, was targeted at academics, especially those from a minority background like myself, whose research would have been severely impacted by the pandemic and thus needed a jumpstart. In my case, I had been experiencing some challenging personal circumstances at the time which had significantly jeopardised my research productivity. In addition, the shift to online teaching required much longer class preparation time and there were a lot more meetings, emails and other admin tasks than usual. As a migrant and single parent with co-parenting and home schooling duties and no family support locally, I had found it very difficult to find time to prioritise research during the pandemic. The RSE funding could not have come at a better time and I remain profoundly grateful for the research time the RSE enabled me to secure.

The project undertaken investigated the various steps access to bank financing by small and medium enterprises (SMEs) entails and the ways in which various variables impact the outcomes for SMEs at the various steps. In particular, we were interested in finding out if gender and ethnicity had a significant association with these outcomes. In addition, given the raft of interventions introduced by the government to support businesses rebuild amid the pandemic, the study also examined how the pandemic (interventions) had influenced enterprise financing and in particular whether there were significantly different effects for ethnic minority-led SMEs.

The main findings were that during the pandemic period, the likelihood that ethnic-minority SMEs had their loan application approved by banks increased by 32 percentage points compared to the pre-pandemic period.

White-led SMEs also saw their approval chances go up by 15 percentage points. Minority SMEs thus appear to have benefitted from the loan guarantee schemes introduced by the government to support SMEs to a significantly greater magnitude. However, this was only conditional on having actually submitted an application. Before the bank's approve or deny decision, SMEs need to have had an appetite for investment and then the confidence to approach banks for such funding. Success in these steps is selective and in fact significantly disfavours ethnic minority SMEs. Once you account for this selectivity, approval chances did still improve for ethnic minority SMEs but the improvement was significantly lower than that observed for White-led SMEs. The implication is that while the significant relaxation of loan approval criteria following government guarantee schemes during the Covid period did help minority businesses, to enhance the chances of minority SMEs in the population, and not just the crème of minority entrepreneurs that get to the last application stage, research and policy requires to understand and alleviate disadvantage from a lot earlier in the enterprise financing journey.

This was an interesting project to undertake during the pandemic in an area of interest to me both as an enterprise finance researcher and as a minority ethnic myself. The funding came through very quickly and the work needed to be completed within a short period so one challenge was that the project period overlapped with previously arranged teaching commitments. Thankfully, I was able to extend the project period to finish the work properly and my Head of Department then also allowed me to carry over some of the buyout beyond the project period to account for the overlap.

I also had a couple of encouraging highlights while undertaking the project. During one of the windows when international travel restrictions were relaxed, I had the opportunity to attend a methods summer school in Lugano, Switzerland, as part of the research reboot. Here, I not only made new international research contacts, but I received very helpful feedback on my work in progress. Besides, I learnt how to implement a highly technical methodological procedure that I had been keen on for some time. The RSE also hosted a mini conference in Edinburgh for everyone that received the research reboot award. It was hugely refreshing to meet other colleagues from elsewhere in Scotland that had had a reboot and talk about challenges we had all been dealing with and celebrate the reboot success together.