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Financial Education and Awareness in Small Ethnic Minority Businesses

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Abstract

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 (2007) have identified 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, 2005; Hussain, et al., 2006).

Approach: Mixed research methods are used to investigate financial awareness and related education and training needs in a combined matched sample of 110 ethnic minority small businesses (EMSBs) 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 is analysed to evaluate financial awareness and establish the education and training needs of these owner/managers.

Results: The central role of financial information is recognised in most of these small businesses. Amongst the EMSBs, financial decisions are informed and supported by an accountant or an expert from the owner/manager's social network. In indigenous small firms, this important function is 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

Paper type: Research paper

Introduction

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

Though 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). However, 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 MEBs, especially those at the lower end of the spectrum which entered self employment to mitigate unemployment affect and at large lacked 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 MEBs specifically in the UK.

Financial awareness education and training amongst the citizens of a country and more specifically for businesses is essential pre-requisite for an efficient and well functioning modern economy. Financial skills and knowledge aid optimal combination of capital for personal and businesses purposes. Financial education for the purposes 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 set-up and develop new businesses, a vital action that enhances enterprise culture, increases economic activity and wealth creation; it is fuel for ‘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 well being of SMEs and also of MEBs in the UK. Though vocational education and training is examined extensively in the literature but this does not appear to deal with financial awareness at large or MEBs in specific. This empirical article examines the characteristics of MEBs, level of financial awareness and education and whether this has implications for their survival, innovation and growth.

Literature Review

It was the meteoric rise of minority ethnic businesses (MEBs) to academic and policy topicality that ushered in a rapid growth in research the UK. However, researchers' pre-occupation mainly extended to motivations, practices and aspirations of MEBs (Barrett, et al., 1996; Ram and Jones 1998 and Ram, et al., 2002), and this tended to overlook the functional aspects of the MEBs. At a general level in the UK, academics and policy-makers have recognised the distinctive characteristics, growth potential and importance of MEBs in the broader ensuing enterprise debate over the last two decades and its importance has gained a more central position, especially since the upward trend and projected growth of the ethnic minority population. There is a positive correlation between the wellbeing of MEBs and economic prosperity, community cohesion and social stability and this is backed by a body of literature (Hussain and Matlay, 2007; Scott and Hussain 2008; Mataly 1999; Ram, et al., 2003 and Storey, 1994). In terms of statistical presence, MEBs 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 amongst the ethnic community total population 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 MEBs in vocational training and education, the exception being Marlow (1992) that examined the take-up of training provision by the ethnic minorities owned firms, Ram, et al., (2000) considered take up of formal training and role of informal training and Hussain and Matlay (2007) that examined the provision of education and training amongst MEBs. More specifically, literature relating to financial training is limited. Training and education at large and the financial aspect, amongst MEBs in particular, has implications for the sustainability and global competitiveness of UK economy; where the future trade will be informed by knowledge-driven economies. Though at national level, the general education and training issues are partly addressed by the government response and action (DfES Departmental Report 2004) but there is no clear strategy to specifically respond to needs of MEBs. Such findings make a compelling case for empowering this niche population, with appetite for enterprise, to improve their effectiveness. However, such training, awareness and education needs to be focused and must deal with specific needs of the existing 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 HE (which stood at 11 per cent in 2004 , according to Race for Opportunity and Hobsons, 2004) and high initial unemployment amongst ethnic minority graduates (Smetherham, 2005) than white graduates means a higher proportion may choose entrepreneurship to overcome underemployment (Nabi, et al., 2008). The growth in graduate entrepreneurship, if materialised, will not require the same level of financial awareness and management training. Evidence in the literature suggests 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). But the graduates entering self employment, by choice, remains relatively small and in the main, according (Hussain and Matlay, 2007) "appetite for enterprise amongst ethnic minorities could be explained for high deprivation, difficult in entering employment, lower skill base and lower achievements at school, evidenced by their GCSEs results." For 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 lack of financial management skills have the capacity to amplify such risks. This suggests the need for a broader financial management education and training provision for entrepreneurs prior to start-up: dedicated training financial management education is essential for MEBs to respond to the changing economic and, financial environment and technology. 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 at large this issue remains least explored. The 'financial education gap' amongst MEBs may be negating the high propensity for enterprise amongst ethnic minorities. This process may partially explain erosion of MEBs which are not able to restructure due to financial constraints which limit their ability to compete against larger businesses. The financial management gap appears to be more acute amongst MEBs which are located sectors with low barriers and come under the 'necessity' entrepreneurs' classification (Hussain and Scott, 2006, p.19). Necessity entrepreneurs 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 traditionally qualification they have. Coupled with adverse factors, lack of financial management and technology knowledge renders them less competitive and vulnerable to economic change.

There has been a trickle recognition amongst prominent academics (Hussain and Matlay, 2007) that MEBs (Story and Westhead, 1994, p.15) that 'special' groups' training needs were not met but this too does not address the need for financial training, financial knowledge and financial management. This is not an argument to make MEBs a special 'ethno-cultural' group as suggested Kloosterman, et al., (1999) but is an observation that MEBs lack the financial management knowledge that prevents their growth that has 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, the same theme is further researched within this paper, but the wider literature is silent about financial awareness education and training needs of MEBs, suggesting there is a significant knowledge gap. But equally, the literature also has largely concentrated on vocational training that has largely over looked issues relating financial education and training.

With the exception of few medium sized MEBs, 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 recognition that SMEs are heterogeneous (Curran, et al, 1997) and that is also applicable for MEBs therefore, variation amongst some is expected. Thus we suggest in this paper that there is a knowledge gap relating to financial awareness and education amongst MEBs which has significant implications for the UK's competitiveness in the world markets. Therefore, there is a need to bridge this gap by recognising small MEBs are individuals who may have started the business to escape unemployment but in the first place he / she lacked the

financial sophistication that can not be compensated with hard work or reliance upon family or friends. This requires adoption of strategies to deal with the distinct nature and requirement of MEBs, especially regarding the approach and conduct in delivering financial awareness, education by taking into account of cultural, language and business ethics of the business.

Research methodology

Now there is an extensive literature that has explored role and significance of SMEs, nationally and internationally and a range of methodologies are employed: quantitative, qualitative and case study approaches are used. However, the same can not be said for the topic of vocational education and training (Pettigrew, et al., 1990) and in the case of MEBs (Hussain and Matlay, 2007) the issue of education and training remains least explored and in specific financial education and awareness and its implications are over looked. There has been 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 presence of financial education amongst MEBs pose methodological challenges for authors.

Earlier work (Hussain and Matlay, 2007) enabled researchers to focus on the issues relating awareness and education of finance for SMEs and 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 MEBs to test the content and face validity. The pilot study included 5 micro, 5 small, and 4 medium businesses. Although the questionnaire was consistent with qualitative approach used in SMEs literature and is grounded in the tradition of over two decades of qualitative research for SMEs (Hussain and Matlay, 2007; Knowles, et al., 2006; 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 MEBs it is necessary to adopt methods that allow those involved to consider a holistic approach. The

exception being that this survey uses questionnaire seek their views and secondly it uses a controlled sample of non-ethnic groups for comparison purposes. In response to feedback received regarding the phrases of the questions, the final questionnaire was amended and tried with a further sample of 3 businesses, one from each category. The approach used in this study builds on the SMEs research methodology at large but an attempt was made to ensure the ground realities are captured. Learning from the criticism associated with mainly the postal quantitative survey's 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 the account of biases is taken of owner managers who fail to respond, that limits generalizability of for the population as a whole.(Hussain and Matlay, 2007).

This research was undertaken during October 2007 to March 2008. The questionnaire was sent to a total of 347 MEBs in Birmingham, selected from all parts of Birmingham 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 conurbation, Sparkbrook / Sparkhill and Handsworth and used networks to generate additional 64 responses. For the controlled survey, 100 questionnaires were sent with a response rate of 9 and additional 14 responses were gathered through networks.

Discussion of results

The data collected were examined to establish whether there were any differences amongst small, medium and large businesses of the level of financial awareness and training. We did find a relationship between training, education and the size of business and the level of sophistication. Table 1 presents the statistic of respondents according to firm size, gender, age, position within the business, level of education, training received prior or since starting business and whether they believe they are competent to deal with banks, accountants or externally. The results highlight a

number of issues relating to their knowledge currency and its utilisation within the business. In the sample, average age of 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 the society.

| Category | Types of Business | | Average age of owner | Gender M / F | Total no of employees |
|--------------|-------------------|------------|----------------------|--------------|-----------------------------|
| MEBs | 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 | |

The table 2 below provides statistics of 4 ethnic minority groups: 35 Indian (40%), 33 Pakistani (38%), 7 Afro-Caribbean (8%), and 12 Bangladeshi (14%), owner/managers. The proportion of ethnic groups is fair representative of the population in the West midlands. The gender mix for MEBs in total was 96 male and 9 females but for Afro-Caribbean there was only 1 female and non for Bangladeshi. However, higher number of Indian, 5, reported to be owner manager and Pakistani sample had 3 females.

| Ethnic Groups | Sectors | Afro-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 the table 3, general trends in education level suggest ethnic sample have larger graduate presence (21) in self employment; in particular there is a positive relationship between medium size companies educational attainment. Micro businesses had 20 owners with GCSEs and basic level education but their presence declined with the medium and small size businesses. Due to small sample size inferences can not be drawn with confidence for the non-ethnic but in general is similar. Amongst MEBs, 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 report to have 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 MEBs. These results suggests that micro businesses due to poor educational achievement in the first place, operating at marginal levels tend not to have financial resources or time to pursue financial education and training that negatively impacts on their ability to sustain competitive edge or grow. In comparison small and medium size 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 at large and micro businesses in specific. In the case of ethnic micro businesses, there is a case for a much more targeted approach for 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.

| Table 3. - Education, financial awareness and financial education and training | | | | | | | | |
|---|------------------|------------|--------|-----------|------|-----------------|---------------------|--------------------------------|
| | | | Degree | A' levels | GCSE | Basic schooling | Financial awareness | Financial education & training |
| MEBs | 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 an 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; Story, 1994 and Matlay, 1999). Previous research relating to MEBs tended to highlight finance constraints, dependence on family network and finance and cultural subtleties at large. 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 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 the barrier and enables them to absorb an external shocks.

Defining and measuring financial awareness is a complex area of research, as it ranges from simple product awareness to advance level knowledge and practice 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 and keep minimum training records (Matlay, 1999). Respondents in the sample were asked to estimate the basic level of financial literacy, defined as an ability of an individual to deal effectively with banks, accountants and make basic investment decisions (see Table 4). As one would expect these business owner / managers should have basic competence with the basic financial knowledge but in the sample only 69 reported to have 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, Afro-Caribbean respondents have much higher financial literacy and propensity to engage in training.

With regard to SMEs relationship and level of comfort when dealing with banks, small 34 out of 43 and medium size enterprises, 11 out of 12 reported to cope well. However, micro, 17 out of 3, 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, professionals when dealing with less educated and experienced micro businesses need to develop skills to positively engage with the micro enterprises.

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

| Table 4. Level of financial awareness | Indian | | | Pakistani | | | Afro-Caribbean | | | Bangladeshi | | | Total | | Micro | Small | Medium |
|--|--------|----|---|-----------|----|---|----------------|---|---|-------------|---|---|-------|----|-------|-------|--------|
| | M | S | M | M | S | M | M | S | M | M | S | M | Yes | No | | | |
| Total participants numbers | 12 | 16 | 7 | 11 | 18 | 4 | 4 | 3 | 0 | 5 | 6 | 1 | | | 32 | 43 | 12 |
| Do you have 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 followings: | | | | | | | | | | | | | | | | | |
| 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 data bases in the business | 4 | 14 | 7 | 3 | 4 | 7 | 3 | 2 | 0 | 0 | 1 | 0 | 45 | 42 | 10 | 21 | 14 |
| Spread sheets | 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 database | 9 | 16 | 7 | 10 | 16 | 4 | 4 | 2 | 0 | 2 | 1 | 0 | 71 | 16 | 25 | 35 | 11 |
| Use of spread sheet | 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 |

The impact of internet is recognised by all respondents but their utilisation amongst micro and small businesses lacks behind of medium size enterprises. Though there is desire to use of basic tools such as spreadsheets and data bases but their actual utilisation is limited.

The results of training needs suggest micro businesses have a need in all areas listed in Table 4 but we found the most common areas of concerns 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.

Where as for small medium size 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. Where as medium size businesses are relatively in a better off.

A comparison of different ethnic groups suggests that in general, micro and small businesses have a similar views about financial education and training but amongst this group the most actively user of training Afro-Caribbean group but the sample is small that limits generalisation of results.

Second is the Indian respondents and Pakistani and Bangladeshi sample mirrors one another.

| Table 5. Financial management & advice | Indian | | | Pakistani | | | Afro-Caribbean | | | Bangladeshi | | | Total | | Micro | Small | Medium |
|---|--------|----|---|-----------|----|---|----------------|---|---|-------------|---|---|-------|----|-------|-------|--------|
| | M | S | M | M | S | M | M | S | M | M | S | M | Yes | No | | | |
| Total participants numbers | 12 | 16 | 7 | 11 | 18 | 4 | 4 | 3 | 0 | 5 | 6 | 1 | | | 32 | 43 | 12 |
| Who provides you 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 of assets do you: | | | | | | | | | | | | | | 87 | | | |
| 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 MEBs in that amongst ethnic businesses family remains central but there is evidence of a shift towards professionals, accountants, banks. However, accountant (micro, 23; small 36; medium 10) and network are the two most important groups considered to be of higher importance (micro31; small 22; medium 7). A closer examination of the ethnic group also suggest that there is no one general trend amongst four ethnic groups. However, the role of accountant is consistently considered to be important micro and small businesses have greater reliance upon family. For asset purchasing decisions, small (27 out 43 and medium (11 out of 12) businesses are more likely to undertake financial evaluation than

micro; they are more likely to consult accountant / financial advisor 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, there is at large a tendency amongst smaller firms to minimise the benefit of training. MEBs in the research sample were asked to estimate, whether they received training over a period of 6, 12 and 18 months prior to they completing these questionnaire(see Table 8).. Responses confirms 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 size 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 respondents. Emerging trends show overall low training provision rates across the whole of the research sample is lower except for medium size firms, they have relatively higher take up of training.

| | Indian | | Pakistani | | | Afro-Caribbean | | | Bangladeshi | | | Total | | Micro | Small | Medium | |
|--|--------|----|-----------|----|----|----------------|---|---|-------------|---|---|-------|----|-------|-------|--------|----|
| Table 6. Financial training | M | S | M | M | S | M | M | S | M | M | S | M | | | | | |
| | 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 |
| Owners 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 |

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 major barrier. Table 6 also shows that size of business, 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 of financial education and training rests with government; this expectation is consistent with micro (31 out of 32), small (32 out of 43) and medium size firms (7 out of 12).

| Table 7. Perceived benefits of training | Indian | | | Pakistani | | | Afro-Caribbean | | | Bangladeshi | | | Total | | Micro | Small | Medium |
|---|--------|----|---|-----------|----|---|----------------|---|---|-------------|---|---|-------|----|-------|-------|--------|
| | M | S | M | M | S | M | M | S | M | M | S | M | Yes | No | | | |
| Total participants 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 perceived benefits (see Table, 7) arising from training recognised, to describe the responses orderly would be overly simplistic. When questioned about perceived benefits of training (see Table, 7), Pakistani respondents rated this lower (13 out of 33) than Indian (26 out of 35); where as Afro-Caribbean considered to be of significant. It appears that there is an appreciation of the link between training, financial management and working capital management. Reduction in cost of finance (micro 23 out of 32; small 23 out of 43 and medium size, 11 out of 12) shows that there is an implicit recognition that financial training have benefits for businesses; results contradicting 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, use, assists purchase decision making, improves time management and stress level are reduced. However, the extent of these benefits motivating firms remains rather

elusive, all more the reason for intervention to improve financial awareness and training amongst SMEs at large and MEBs in particular.

Concluding remarks

This study has implications for policy makers and support agencies who wish to encourage MEBs to innovate, improve their performance and perform an important role within the UK economy to reduce unemployment and deprivation in 'ethnic enclaves'. MEBs have experienced a rapid growth over the last few decades. Though this paper does not deal with the entire range of issues with MEBs financial training but it provides a number of important findings. This research confirms the concerns that micro businesses have lower presence of financial awareness to effectively deal with banks, professionals, government and manage their purchase and investment decisions. Whereas small and medium size businesses, relatively have better appreciation of the role of financial training and are more actively avail education and training. Consistent with a prior expectation, owner/managers' education and training has an important implications on 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 size 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 at large and financial education in particular.. However, paradoxically, the majority of these respondents have not provided any training over the , 6, 18 and 24 18 months prior to the completion of this questionnaire. These findings suggest MEBs owner/managers recognised the importance of financial training to enhance the competitiveness of their businesses but the importance varies with micro, small and medium size businesses. To reduce the training deficit amongst micro and small business in particular, there is a need for support agencies intervention.

Analysis of responses from this research suggest there are a number of factors which either encourage these firms to actively use training as a part of their business strategy or not have any

provision. The factors most commonly cited for financial training are, financial benefits, improvement in efficiency, reduction in cost, improve in the management of financial information and their utilisation in the decision making. Financial education then enables them engage in a more meaningful way with banks, accountants, support agencies at arriving at optimal decision for their business. The take up of training / lack of take up is attributable to factors such as economic climate, relevance of training available, associated cost, owner/manager education and disposition to knowledge and skills, the size of the business and owners 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 MEBs suggest supply side of training needs to be proactive to meet the needs of this emerging niche. Results of this research suggest, there is a need for a strategic policy to empower MEBs 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 benefits of training and financial awareness.

Future Research

This research deals with 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 views of businesses. However, there is much more to be gained by ascertaining views of supply side to chart the perceptions and experiences of providers. Given the small sample, the results may not be generalised and there is 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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