An Exploration of Entrepreneurial Activity among Asian Small Businesses in Britain

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ABSTRACT. This paper investigates various aspects of Asian entrepreneurship based on a survey of small Indian, Pakistani and Bangladeshi businesses in Britain. It analyses the motives for business entry, the choice of initial business, the factors that influence business success and the validity of treating Asian businesses as a homogeneous group. It cannot support the hypothesis that Asians were pushed into self-employment in order to avoid unemployment. The nature of entrepreneurial entry, predominantly through small retail businesses, depends largely on the access to informal, rather than formal, sources of capital and information or advice as well as on the entrant's previous experience. Business success appears to be closely related both to the share of personal capital invested at start-up and to the entrepreneur's educational qualifications. The evidence suggests that the motives for business entry differ among the three Asian communities studied although that does not seem to have a lasting effect on their business success. The predisposition of many well educated Asian migrants towards establishing businesses with their own capital in an unfamiliar environment illustrates their entrepreneurial spirit. The paper points to the potential role of banks and government agencies in encouraging the creation of many more such small businesses in Britain.

I. Introduction[1]

This paper reports some of the initial findings of a study of Asian businesses in Britain conducted during 1994–95.[2] It focuses on the factors that stimulate entrepreneurship among Asians, specifically, small business owners of South Asian origin, the reasons why they decide to be self-employed, the advisory support that they receive and the factors that influence the degree of their business success.

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There is growing evidence of the rapid expansion of Asian-owned small businesses in Britain and in North America (Simon, 1990; Waldinger et al., 1990). By the end of the 1980s, nearly two-thirds of Britain's independent retail outlets were estimated to be owned by Asians (*Financial Times*, 24 September 1991). This growth is truly remarkable when viewed against the background of the pattern of Asian migration to Britain after the Second World War. Most Asian migrants arrived virtually penniless in Britain either to satisfy the labour shortage in British industry or as refugees. The largest influx from the Indian sub-continent occured between 1956 and 1968. This was later followed by the migration of East African Asians who left Kenya or were expelled from Uganda in 1971. The selection of Britain as the country of immigration may have been influenced by their colonial relationship with it. Nevertheless, the people who migrated must have had to overcome many initial barriers, caused by their lack of knowledge of the British marketplace, before they could start a business in this country. The fact that they left their home country and were then able to establish businesses in a competitive foreign environment illustrates their risk-taking temperament and entrepreneurship.

According to the 1991 Census of Britain, South Asians account for 2.7 per cent of the country's population. A relatively high proportion of them are self-employed with employees of their own compared with the average for the British population as a whole. For instance, if we consider the ratio of employers (self-employed with employees) to the economically active population, we find that the average for the South Asians (Indians, Bangladeshis and Pakistanis) is 7.21 per cent compared with an average of 3.89 per cent

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for the entire British population (see Table I). This comparison suggests that it is nearly twice as likely that an Asian businessman will be an employer than his average British counterpart. This has significant implications for the creation of employment and wealth in the British economy. It highlights the importance of Asian business activity in the U.K. and the need to understand the nature of entrepreneurial behaviour within the South Asian community.

II. Theoretical background and hypotheses

An aspect of entrepreneurial behaviour that has received considerable attention both in theory and in empirical research is the decision regarding business entry. Economic theorists emphasise the importance of the profit motive in stimulating entrepreneurship in a dynamic economy characterised by risk and uncertainty (Cantillon, 1755; Knight, 1921). In the small firm economics literature, entrepreneurial entry is modelled as a monotonic function of the difference between profits from starting a new firm and wages from employment in an existing firm (Audretsch, 1993; Evans and Jovanovic, 1989). However, economists recognise the existence of non-profit motives as well, along the lines of Schumpeter (1934). According to Schumpeter, innovative entrepreneurial acts include the introduction of new products, new processes or new institutional arrangements, or the exploitation of new export markets or new sources of supply. Such actions may be motivated either by profit or by non-profit motives such as the dynastic desire to be lord of one's own "industrial manor", the desire for conquest over new markets and over one's competitors, and creativity. Thus, entrepreneurial behaviour is influenced by economic as well as psychological motives in Schumpeter's theory. Recent economic theorists have tried to incorporate non-economic motives into the decision to enter business. Shapero (1971) identifies four factors that influence business entry and company formation. These are displacement, implying an external push such as redundancy or forced migration; a disposition to act which is a psychological propensity; credibility or social acceptability; and the availability of financial and technical resources. While the first is a "push" factor, the other three are "pull" factors that attract potential entrepreneurs into business. Casson (1991) incorporates the desire for respect from others and self esteem, in addition to factors such as a belief in one's own superior judgement or access to information, into the business entry decision.

Theories of *ethnic* entrepreneurship focus on how the ethnicity or ethnic minority status of an individual has an effect on his or her decision to enter business. It is possible to distinguish, along the lines of Auster and Aldrich (1984), between three types of explanations for business entry in the case of an individual belonging to an ethnic minority group. One explanation emphasises the role of pure prejudice as a reaction in pushing members of ethnic minorities into self-employment and small business owing to discrimination in the labour market. According to this view, the contracting jobs market of the 1970s exacerbated the problem so that Asian immigrants were left

TABLE I
Economic position of South Asians in Britain

	Indian	Pakistani	Bangladeshi	All South Asian	Total population
Total persons aged 16 or over	591,980	273,306	85,922	951,208	43,865,121
Economically active	395,094	139,281	41,615	575,990	26,776,802
Economically active as % of total persons	66.74	50.96	48.43	60.55	61.04
Total self-employed	67,340	22,642	5,060	95,042	3,078,436
– with employees (i.e. employers)	29,150	8,706	3,679	41,535	1,043,965
– without employees	38,190	13,936	1,387	53,507	2,034,471
Self-employed as % of economically active	17.04	16.25	12.15	16.50	11.49
Employers as % of self-employed	43.29	38.45	72.70	43.70	33.91
Employers as % of economically active	7.37	6.25	8.84	7.21	3.89

Source: 1991 Census.

with a choice of being either unemployed or self-employed (Jones et al., 1992b). This view is supported more generally by Storey (1991) who argues that the move towards self-employment in Britain during the recession of the early 1980s may be explained by the fact that although the expected income from self-employment may be lower than from employment, it is higher than from being unemployed. A recent study of ethnic minority firms concludes that their decision to establish small businesses is essentially a 'damage limitation' exercise in order to avoid unemployment; however, this may be true of all small business entry decisions including those made by the indigenous white population and, therefore, irrespective of ethnic origin (Jones et al., 1994).

A second set of explanations may be labelled under the head of cultural theories. These point to distinctive cultural features and values of different ethnic minority groups that explain their relative representation in business. For instance, many researchers allude to an entrepreneurial or commercial culture among some Asian communities like the Gujaratis (Lyon, 1972) and the Pakistanis (Werbner, 1984, 1990). The cultural values of these communities emphasise the virtues of self-sufficiency and thrift in the host country and predispose members of the community towards self-employment. In addition, the importance of strong family structures in many ethnic cultures, including the Asians, may facilitate access to resources such as family capital, family labour as well as "free" information and advice if some family members are already in business or are professionally trained as solicitors or accountants.

A third group of explanations emphasises the importance of historical and social contexts and situations in shaping business opportunities and constraints. For instance, it could be argued that most Bangladeshis came to Britain to escape the poor living conditions in their homeland and brought with them little by way of educational qualifications or financial capital. On the other hand, the previous business experience of many Gujarati immigrants, particularly those from East Africa, together with their inherent aptitude for business, acted as an obvious spur to them to opt for self-employment. The East African Asians were relatively better equipped than the average Asian immigrant in terms of skills, qualifications and capital; they had also belonged to a successful business community in East Africa. These historical and social factors are bound to have had an impact on their decision to venture into entrepreneurship in Britain. The ethnicity of the immigrant may also offer certain business opportunities. The distinctive consumption pattern and needs of an ethnic minority community are most intimately known to, and hence best served by, someone from the same community. The ethnic entrepreneur with superior knowledge of this particular market niche will therefore be tempted to enter it. Examples of ethnic products include food items, like pickles or spices, and ready-made garments. The advantage of entering this market niche would be that the entrepreneur may be able to source (import) the main raw materials required or even the final product from his/her country of origin and may, consequently, be able to circumvent many of the barriers caused by his lack of knowledge of the local (British) marketplace. Financial factors also play a significant role in influencing business entry. The access to family or community funds both encourages and enables an immigrant to start his or her own business. On the other hand, the access to well paid employment may deter taking the risk of self-employment since the latter implies that the individual replaces a certain wage income by an uncertain self-employed income stream. "In districts where employment in the foundries has been available, few Asian settlers are engaged in any form of business. By contrast, work in textile mills . . . is less well paid. Significantly, where Indians and Pakistanis have settled in mill towns, far more of them are running small businesses" (Mars and Ward, 1984, p. 12).

Ward (1983) tries to bring together many of these explanations in his model of ethnic resources and opportunities which suggests that the degree of entrepreneurship is determined by the interaction between these two sets of factors. The greater the resources and opportunities available to the ethnic minority migrant, the higher the probability that he or she will venture into business. The ethnic resources referred to are the access to relatively cheaper labour and capital from within the ethnic minority community, trading experience, as well as cultural characteristics like family structure and the trading ethic of certain groups.

Opportunities include the demand for ethnic goods and labour intensive services, the existence of unattractive or neglected markets such as those in inner city areas and industries that face unstable market conditions (Waldinger, Aldrich and Ward, 1990). An important aspect not considered by the model is the role of socio-economic resources such as the level of education and the class background of migrants, emphasised by Light (1984), in stimulating entrepreneurial entry. The influence of such resources on the business entry decision may not be confined to Asian businesses and may apply to all potential business entrants (see Cressy, 1994; Keeble et al., 1993). However, the use of resources supplied by the family or community may be peculiar to the Asian immigrant and may not be available to other potential entrants.

Thus, the first hypothesis (H1) that we wish to test with our sample is that "self-employment is the only alternative to unemployment". Our purpose is to determine the relative importance of push factors vis-à-vis pull factors in influencing business entry among South Asians in Britain.

A second aspect of entrepreneurial behaviour observed among South Asians is the fact that a high proportion of them are concentrated in the retail, distribution, hotels, catering and repairs sector. Data from the Labour Force Surveys for 1988–90 indicate that 72 per cent of self-employed African Asians, 62 per cent of self-employed Indians and 53 per cent of self-employed Pakistanis are in this sector, compared with only 23 per cent of the self-employed white population (Jones, 1993). This pattern may be explained in terms of the previous trading experience of many south Asian migrants and the concept of "entrepreneurial chains" (Werbner, 1990) which facilitated the entry of all those who followed the initial ethnic immigrants into trading activity in Britain. Thus, most new entrants could draw on their own previous experience or that of their family or community members who were in the same line of business (Boyd, 1989). Moreover, a large proportion of employment in these sectors is female and part-time, which the entrepreneurs could obtain from their own families. Another reason for this pattern of self-employment may be the relatively low financial and technical barriers to entry in this sector. This is consistent with the findings of Bates (1995) regarding the influence of entry barriers in determining the types of industries that potential business owners are likely to enter. Bates finds that while self-employment in skilled services is dependent on the entrant's level of education, the entry into manufacturing and wholesaling is constrained by the access to finance. The existence of low financial barriers is particularly important if banks discriminate against ethnic minority entrants in their lending practices, as has been found by some studies (for instance, Ward and Reeves, 1980; Jones et al., 1992b), although this is disputed by others (such as Curran and Blackburn, 1993). A further reason may be that since retail, distribution and catering are traditionally low wage sectors, the people working in these sectors wish to replace their low wages with an, albeit uncertain, income from self-employment. The hypothesis (H2) that we test is that "Asian entrepreneurs choose to enter business by way of small-scale trading activity (retail distribution) because of: (a) the start-up capital constraint that they face and (b) the fact that many of their family, friends or community members already operate in that line of business, which gives them access to relevant information through informal networks".

A commonly held view about Asian businesses in Britain is that the secret of their success lies in cultural attributes such as the long hours of work expended by the owner-managers and their reliance on and exploitation of family labour. These are the 'internal mechanisms of self-help' referred to by Soar (1991) which are said to give Asian businesses a competitive edge over other minority businesses such as those run by Afro-Caribbeans. The extent to which such a stereotype is justified is an issue which has been investigated by empirical researchers, most recently, Jones, McEvoy and Barrett (1994). Their study concludes that while there is some truth in this view, the reality is much more complex. The comparatively higher labour-intensiveness of Asian and many Afro-Caribbean businesses is "as much a function of sectoral distribution and of external pressures as of specific ethnic cultural and behavioural traits. Furthermore, labour-intensiveness is very definitely not in itself a sufficient precondition for satisfactory entrepreneurial returns." (Jones et al., 1994, p. 201). While this may indeed be true, the close family and community ties among immigrant

Asians give them access to a trusted pool of labour which, as Werbner (1990) notes, may contribute positively to business expansion. Close family and community networks may influence entrepreneurial success in other ways as well, for instance, by providing access to informal sources of finance and information (Light et al., 1993). The importance of internal (family) financial resources in influencing ethnic entrepreneurship has been emphasised by several researchers, notably Ward (1983). The informational aspect of family support has been noted by Werbner (1990) though this factor is regarded as being more significant in determining entrepreneurial entry into particular lines of business than in influencing business success. Another factor which may influence success is the level of educational qualifications of the entrepreneur. According to Werbner (1990), "a university degree, no matter how irrelevant it may be, has a radical impact on the expansion of businesses" (p. 21). She does not, however, investigate in any depth the reasons for such a link which seemed to emerge from her empirical research. The importance of human capital, in the form of education, training and prior experience, in influencing small business survival has been empirically observed by Cressy (1994) in a study of British small businesses. A similar conclusion is drawn by Bates (1994) in the context of Asian immigrant-owned small businesses in the U.S. whose business success and survival are found to stem from their large capital investments and impressive educational backgrounds. In fact, Bates finds that it is the less successful, or failure-prone, businessmen who rely heavily on social support networks (in the form of customers, loyal employees and financing) provided by the community. Our hypothesis (H3) is that "there is a link between the origins of entrepreneurship and the degree of success of an entrepreneur. Thus, as a rule, long-run success depends on: (a) the access to and use of informal (personal and family) sources of capital at the time of business start-up; (b) educational qualifications which lift the internal resource constraint by providing easier access to formal sources of capital; and (c) access to informal sources of information by virtue of other family or community members being in the same line of business".

Most studies of Asian businesses in Britain treat them as a homogeneous group (eg., Aldrich et al., 1981; Cater and Jones, 1978; Jones 1981) or else focus on a single community like the Gujarati Patels (Lyon, 1972) and Pakistanis (Werbner, 1990). Only a few studies have attempted to compare the entrepreneurial activities of different sub-groups within the Asian community such as Muslim and non-Muslim immigrants (Rafiq, 1992) or Indian (mostly Hindu) and Bangladeshi and Pakistani (mostly Muslim) migrants (Modood, 1992). These studies, together with analyses of socio-economic indicators like unemployment, educational qualifications and job levels (Jones, 1993), point to the existence of noticeable disparities amongst different groups within the Asian community. Thus, a final hypothesis (H4) that we attempt to test is the extent to which it is valid to make generalisations about south Asians as a homogeneous group or whether there are clear differences between Indians, Bangladeshis and Pakistanis with regard to their reasons for business entry and degree of business success in Britain. Is it true, for instance, as Modood (1992) argues, that Asian success in Britain is basically an Indian success story?

III. Research methodology

This paper reports and analyses the results of a sample survey of 78 small businesses carried out during January–May 1994. These businesses are in the retail, distribution (wholesale) and catering sector and are located in the south-east region, in and around London. One of the main problems of doing this research is the absence of a comprehensive and reliable database of South Asian businesses in Britain. It is therefore currently impossible to survey a random sample without first constructing a population oneself. Since the survey reported in this paper was exploratory, the method of sample selection used was to "cold call" a number of firms listed in the Ethnic Minorities Business Directory for 1993–94, based on their location and their nature of business. However, since this method did not prove very successful, we had to rely to a large extent on personal contacts and further names and introductions obtained from those interviewed (a commonly used practice in this type of research). The interviews were administered on the basis of a detailed questionnaire which was filled in by the interviewer. This method offered the advantage of ensuring that responses were obtained for all the questions asked.

The questionnaire had six sections. The first asked general questions about the respondent's country of origin, entry into the U.K. and educational background. The second section asked questions relating to the respondent's family such as their occupation and country of domicile as well as asset ownership details of the respondent. The third section, the longest and perhaps most important section, focused on issues concerning business start-up, financing and expansion. The fourth section asked questions regarding the respondents' aspirations for themselves and their children. The fifth section dealt with the day-to-day running of the business while the final section tried to elicit opinions on and attitudes towards delegation, organisational hierarchy, business performance and relationships with employees and bankers. Many of the questions asked respondents to say whether they considered specific motivational factors and resources important or unimportant, or whether they agreed or disagreed with a statement, on a five-point, Likert-type scale with 1 implying "very important/useful" or "fully agree" and 5 implying "totally unimportant/useless" or "disagree".

The respondents were assured of complete anonymity throughout the research. Each interview lasted for about one hour and many were conducted at the respondents' home rather than at their business premises. This was in accordance with their own wishes since they felt that the chances of conducting an interview undisturbed were much higher after closing time. This was particularly true of the shop owners rather than the restaurant owners.

The results of the study were analysed using frequency distributions, correlation and variance analysis using the appropriate parametric (*t*-tests, ANOVA) and non-parametric (chi-square) tests as reported with the findings.

The sample consisted of 67 per cent Indian, 18 per cent Pakistani and 12 per cent Bangladeshi respondents. The proportion of these three groups in the sample corresponds approximately to their share in the total South Asian population in the U.K. (although Pakistanis are somewhat under-represented in our sample). In terms of their nature of business, the respondents' profile is as follows: 48.7 per cent own CTNs (confectionery, tobacconist, newsagent stores), 35.9 per cent own groceries, 7.7 per cent own a pharmacy, 26.9 per cent are restaurant owners, 6.4 per cent own a 'take-away' service, 6.4 per cent own 'cash and carry' businesses and 20.5 per cent own either a post office or other retail business. The aggregate of these percentage shares exceeds 100 which implies that some respondents own more than one business.

All but one of the respondents are first generation immigrants to the U.K. and their average age is 44 years, with almost two-thirds (64 per cent) aged between 40 and 59 years. One-third of them came to this country in search of work while about another third (28 per cent) were forced to flee East Africa in the early 1970s following Idi Amin's expulsion of all Asians from Uganda in 1971. In a majority of cases, their fathers were either agriculturists, factory workers or employees of some form rather than businessmen. Thus, only 9 per cent of the respondents inherited their businesses while 68 per cent bought an existing business and 23 per cent claim to have set up their business from scratch. The average size of business in the sample is £300,000 (in terms of annual turnover) with 75 per cent concentrated in the region of £100,000 to £500,000 (annual turnover). 87 per cent of the businesses in the sample have been in operation for 5 years or more and the average age of the businesses is 11 years. More than half (55 per cent) of the respondents are sole traders while 36 per cent operate as a partnership with a relation or family member.

The use of family labour appears to be less significant than expected, within the sample. Less than half the respondents have their spouses working in the business, either full-time or part-time. Again, less than half the respondents (48 per cent) benefit from family members working on a full-time basis in the business. A large majority (88 per cent) employs non-family labour and more than half (54 per cent) employ people from the indigenous white population. Recruitment decisions are based on personal recommendations from other Asians or customers (50 per cent) or through advertisements placed in the windows of their premises. Although 58 per cent of the respondents said that they did not actively try to recruit staff from their own ethnic group, 78 per cent believe that Asians are more efficient and work harder than the rest of the population in the U.K. Businesses are run in a fairly informal manner and only 4 per cent of the respondents said that they assign formal job titles to those employed in their business. This is understandable, given the nature and size of the businesses covered by the sample.

IV. Business entry motives

In order to test the first hypothesis (H1) that self-employment is the only alternative to unemployment, the respondents were asked what they were doing before they decided to set up their own business. They were also asked to assign relative values or weights to ten different push and pull factors (identified by previous academic studies), in terms of the extent to which they felt that each factor had influenced their decision to go into business.

In the two years prior to entering business, most (61 per cent) of the respondents were in paid employment as factory workers or in a shop or restaurant. In their opinion, the two factors that exerted a great deal of influence on their decision to go into business were the desire to better themselves financially and be independent, both of which may be regarded as "pull" factors encouraging entrepreneurship. As Table II indicates, 98 per cent of the respondents felt that the desire to better themselves financially played a great deal of influence in their decision to enter business and none felt that it had had no influence. Similarly, 94 per cent felt that the desire for independence had exerted at least some influence on their business entry decision and 88 per cent felt that this factor had exerted a great deal of influence. Two-thirds of the sample stated that previous business experience exerted at least some influence on their decision to go into business. A large majority (71 per cent) claimed that the inability to obtain salaried work or being made redundant (83 per cent), both of which may be regarded as significant "push" factors, played no role in their decision to become self-employed. However, a majority of them did acknowledge that discrimination in the British labour market and a feeling that they were being underpaid in their salaried jobs had at least some influence on their decision to opt for self-employment. If we group the push factors (the first four reasons listed in Table II) and pull factors (the remaining six reasons), we find that on average, 54 per cent of respondents felt that the push factors did not have any influence on their business entry decision. On the other hand, almost 85 per cent felt that the pull factors exerted at least some influence on their decision. Thus, the responses suggest that it is difficult to support the hypothesis that the small businessmen in our sample were driven or pushed into self-employment as the only alternative to escaping unemployment.

TABLE II
"To what extent did the following factors influence your decision to go into business?"
(numbers indicate percentage of responses)

Reasons	Great deal of influence	Some influence	No influence	Mean response (std. deviation)
Couldn't get salaried work	17	13	71	4.09 (1.39)
Discrimination in labour market	60	14	25	2.83 (1.72)
Salaried job underpaid	56	8	37	2.74 (1.74)
Made redundant	15	3	83	4.49 (1.28)
Previous business experience	28	38	33	3.14 (1.25)
Wanted independence	88	6	5	1.25 (0.72)
Wanted to climb social ladder	47	49	14	2.75 (1.20)
Saw business opportunity	73	23	4	1.63 (0.99)
Family tradition in business	31	24	45	3.29 (1.42)
Wanted to better myself financially	98	3	0	1.31 (0.65)

[1] The numbers in each row for columns 2, 3 and 4 may not add up to 100% due to rounding errors.
[2] For mean responses in column 5, the scale is from 1 (= 'great deal of influence') to 5 (= 'no influence').

V. Selection of initial business

The hypothesis (H2) that entrepreneurial entry into certain types of business (like small-scale trading activity) rather than others is determined by: (a) the start-up capital constraint that ethnic minority entrepreneurs face and (b) the fact that many of their family, friends or community members already operate in the same line of business, was investigated by asking respondents why they chose their particular line of business, whether any of their relatives were self-employed and, if so, in the same line of business as themselves, who they approached for advice at the start-up stage, their sources of start-up capital and their experience with banks in Britain.

According to the respondents, the main reasons why they chose their particular line of (initial) business were previous experience of working in that type of business as employees, the fact that other family members or acquaintances were already in that line of business or because they felt – based on hearsay and the experience of their family and friends – that this was "an easy kind of business to enter" in terms of the initial capital outlay and skill requirements or "an easy kind of business to run" (Table III).

An analysis of the relationship between the respondent's type of business and whether relatives are in the same line of business, using the chi-square test, shows some evidence of a positive link between these two variables in the case of CTNs (Mantel-Haenszel chi-square value of 3.32 and probability of 0.068, which is significant at the 10 per cent level). In other words, nearly half (48 per cent) of those running CTNs have 75 per cent or more of their self-employed relatives in the same line of business and only 3.4 per cent of CTN owners have no relatives owning CTNs. However, a similar association is not evident for the other types of business. This result might simply indicate a sample bias or might mean that the type of business entered depends more on the individual's previous employment experience rather than on his/her relatives being in the same line of business. Those starting certain small businesses, such as a pharmacy, may do so because of the special training that they have received. Statistical analysis (using the chi-square test) suggests strong evidence of a link between reasons why respondents chose their particular line of business and what the respondents were doing in the two-years prior to entering self-employment (Mantel-Haenszel chi-square value of 6.55, significant at the 1 per cent level). For example, among those previously employed in a shop or a restaurant (34.6 per cent of the total sample), 76.5 per cent and 90 per cent, respectively, chose to start a similar business because of their prior experience; none of them made this selection because they thought it was an easy business to run. On the other hand, among those formally employed as factory workers (26.9 per cent of the sample), nearly half or 47.6 per cent chose their initial business based on the belief that it was an easy business to run while another third based their decision on the fact that other family members were already in that business.

In our sample, about half (47.4 per cent) of the respondents said that three-quarters or more of their relatives residing in the U.K. were self-employed while 23.1 per cent said they had no relatives in the U.K. who were self-employed. Among those who had self-employed relatives in Britain (76.9 per cent of the sample), 42.4 per cent said that three-quarters or more were in the same line of business as themselves. It seems reasonable to assume that those with relatives already established in the same line of business (about a quarter of the sample according to Table III) would have taken their advice at the business start-up stage and may have been persuaded to enter the same line of business for that reason.

The main advice sought by respondents (90 per cent of them) at the time of business entry was on issues relating to start-up funding. As regards the advisory sources consulted on start-up funding,

TABLE III
"Why did you decide on this particular line of business?"

Reasons given	% of respondents
Previous experience in this business	35.9
Other family members already in this business	25.6
Other community members/friends in this line of business	6.4
Conducted market analysis and saw need for business	0.0
Easy kind of business to enter/run	28.2
Other reasons	3.9

TABLE IV
Sources of advice on business start-up (% of responses)

Source	Very useful	Some use	Useless	"Never heard of"	"Did not approach"
Direct family	80	12	2	–	5
Community friends	50	20	17	–	13
Accountant/Consultant	33	15	40	–	12
Banks	34	20	38	–	7
Others in same line of business	16	4	48	–	32
Asian Business Associations	0	0	23	59	19
Local Authority Business Units	0	0	21	59	20
Training and Enterprise Councils	0	0	11	76	13

The numbers in each row may not add up to 100% due to rounding errors.

respondents were asked to rank eight sources on a scale of 1 (very useful) to 5 (useless) or indicate if they had either not approached or never heard of the institution. On this basis, 92 per cent of the respondents considered the advice on start-up funding received from their direct family to be useful (ranking of 1, 2 or 3) as indicated in Table IV. Community friends were the second source whose financial advice was regarded as being useful by 70 per cent of respondents. About half of the respondents found the advice of banks and accountants to be useful although almost one-third of them regarded the advice received from these two sources to be of no use. None of the respondents found Asian business associations, local authority business units or training and enterprise councils to be even marginally useful sources of advice. A majority admitted that they had never heard of these institutions while the rest said either that they did not approach these sources or that the advice received from them was of no use to the respondent. The negative response regarding Asian business associations may be related to the geographic location of the respondents, that is, mainly around London where a formal institution of this sort did not exist until recently.

The average start-up capital required by our sample of small businesses was £40,000. Table V shows the share of various sources of funds used at the start-up stage and for subsequent business expansion. It indicates that, on average, 60 per cent of the initial capital was raised from personal, family or other informal sources. Bank loans played a more important role as a source of finance for subsequent business expansion. More startlingly, however, the table reveals that no government grants were used by any of the respondents at either the start-up stage or for expanding their businesses.

In order to assess whether the respondents were unable to raise further capital from formal financial sources or preferred not to do so, they were asked several questions on their experience with bankers in Britain. Three-quarters of the respondents approached banks for loans when starting their own business. Of these, nearly a quarter were declined the loan outright while a third found that the amount offered by the bank was too low and one-fifth were asked to provide more security in order to obtain their loan. This seems to indicate that although most respondents were willing to borrow from banks to fund their initial entrepreneurial efforts, many experienced difficulties in obtaining access to this source of finance. As a result, they had to rely on their families and other informal sources of capital and this, in turn, may explain the (generally small) size of their initial business venture.

The above responses suggest that entrepreneurial entry into small-scale businesses in the retail and catering sectors was influenced by

TABLE V
Sources of capital: Contribution of each source (mean %)

Source	At start-up	For expansion
Personal capital	15.3	35.5*
Family capital	44.1	7.5
Bank loans	39.4	57.0
Govt. grants	0.0	0.0
Other	1.2	0.0

* Includes cash generated from the existing business.

previous employment experience in that line of business, the entrant's perception of the relatively low barriers to entering and operating this sort of business and the advice received from informal sources such as family or community members and friends who were already in business. It would not be unreasonable to expect that the latter factor would provide the new entrant with access to information and advice that he or she trusts regarding the way to enter and run that type of business. The significant reliance on internal sources of finance in starting such relatively small business ventures and the respondents' experience with bankers at the time of business entry suggests that the initial choice regarding business size was constrained by the access to formal sources of finance. These findings lend support to H2.

VI. Entrepreneurial success factors

Hypothesis (H3) regarding a link between the origins of entrepreneurship and the degree of success of an entrepreneur is tested using the statistical analysis of variance (ANOVA), chi-square tests and Duncan's multiple range test. Entrepreneurial success is measured by the annual rate of growth of business, in terms of sales turnover, since start-up. It is hypothesised that "success" is positively related to: (a) the access to and use of informal (personal and family) sources of capital at the time of business start-up; (b) educational qualifications and (c) access to informal sources of information by virtue of other family or community members being in the same line of business.

We find that there is strong evidence of a positive relationship between the share of personal capital invested for business start-up and entrepreneurial success, using ANOVA (see Table VI) and Duncan's multiple range test. However, when we add the share of family capital invested at start-up to that of personal capital invested at start-up, the ANOVA test indicates weak evidence of a relationship between this new variable, that is, total funding from informal sources, and success. This seems to imply that the greater the personal risk taken by the entrepreneur in terms of investing his own money in the business venture, the more likely he is to be motivated to make a success of the venture and hence, the higher are the chances of achieving success. This result is quite consistent with the assumption that entrepreneurs are basically self-seeking profit maximisers who are interested in maximising the return on their own investment. Consequently, as soon as their own risk or investment is diluted, their incentive to maximise returns weakens and hence, the less likely they are to achieve business success.

The analysis indicates a strong positive relationship between the level of educational qualifications of the entrepreneur and success (Mantel-Haenszel chi-square value of 4.03, significant at the 5 per cent level). This is an interesting finding, given the relatively low technical

TABLE VI
Factors influencing entrepreneurial success (Results of ANOVA tests)

Source of variation	Degrees of freedom	Sum of squares	Mean square	F value	Prob > F
1. Share of personal capital in total start-up capital	1	21.527	21.527	8.27	0.005
Error	71	184.809	2.603		
Corrected total	72	206.336			
2. Share of informal (i.e., personal + family) capital in total start-up capital	1	5.078	5.078	1.79	0.185
Error	71	201.258	2.835		
Corrected total	72	206.336			
3. Level of educational qualification	5	41.539	8.308	3.56	0.006
Error	71	165.513	2.331		
Corrected total	76	207.052			

'Source of variance' (column 1) indicates the independent variable in each of the three separate ANOVA tests . Dependent variable in all three tests (1., 2, and 3) is annual rate of growth of business.

skill requirements of small retail distribution businesses. However, it could be argued that educational qualifications endow the ethnic minority entrepreneur with superior communication skills and a better command over the English language. This contributes towards lifting the internal resource constraint by enabling the entrepreneur to negotiate with bankers and thereby providing easier access to formal sources of capital. Moreover, education may help in developing the entrepreneur's analytical capabilities and ability to introduce efficient organisational systems. The latter would also enable the entrepreneur to delegate responsibility which is an essential precondition for expansion and growth (Basu, 1995b).

The relationship between business success and the access to informal sources of information is hard to test given the difficulty of establishing or measuring the latter variable. Nevertheless, an analysis of the link between success and the proportion of family members in the same line of business reveals that there is strong evidence of a positive association between these two variables which lends support to our hypothesis (Mantel-Haenszel chi-square value of 10.84, significant at the 1 per cent level).

VII. South Asians businesses: similar or diverse?

In order to test hypothesis H4 regarding the validity of making generalisations about south Asian businesses as a homogeneous group, we test whether H1 is equally valid for all south Asian businesses or whether there are clear differences between Indians, Bangladeshis and Pakistanis with regard to the relative importance of push and pull factors in influencing their decision to start a business. Table VII shows that while less than 6 per cent of Indian respondents considered push factors to be important and 94 per cent perceived them to be unimportant or to have exerted no influence on their business entry decision, a comparatively larger proportion of Bangladeshi and Pakistani respondents (about one-third) considered push factors to have exerted some or a great deal of influence on their decision to become self-employed. This is confirmed by the ANOVA and chi-square tests which indicate strong evidence of an association between country of origin and push factors (Mantel-Haenszel chi-square value of 4.38, significant at the 5 per cent level). On the other hand, the same tests indicate weak evidence of a link between country of origin and pull factors. This suggests that while pull factors were equally important in terms of their influence on business entry for all three Asian minority groups, the importance of push factors differed amongst them.

The preceding result may be explained by certain characteristics of our sample. As Table VIII shows, 58 per cent of the Indian respondents in our sample possessed a BA degree or higher educational qualification whereas only 21 per cent of the Pakistani and 16 per cent of the Bangladeshi respondents had equivalent qualifications. Similarly, 73 per cent of the Indian respondents possessed an A-level or higher qualification compared with 42 per cent and 41 per cent of the Pakistani and Bangladeshi respondents, respectively.

If we assume that, *ceteris paribus*, educational qualifications improve the chances of securing reasonably well-paid salaried employment, then the Indian respondents in our sample would have found it easier (or less difficult) than the other respondents to secure a suitable salaried job. This would imply that the Indian respondents' decision to go into self-employment was motivated not so much by their inability to get salaried employment

TABLE VII
Relationship between country of origin and perceived importance of push factors

Country of origin	Important	Not important	Total no. of responses
Indian	3 (5.77)	49 (94.23)	52 (100.00)
Bangladeshi	4 (33.33)	8 (66.67)	12 (100.00)
Pakistani	4 (28.57)	10 (71.43)	14 (100.00)
Total	11 (14.10)	67 (85.90)	78 (100.00)

(Figures in parenthesis indicate percentage of total responses for each row)

TABLE VIII
Educational qualifications of sample (% share of each column in parenthesis)

Level of qualification attained	Indian	Pakistani	Bangladeshi	Total (N = 78)
Master's degree	4 (8)	0 (0)	1 (8)	5 (6)
Bachelor's degree	26 (50)	3 (21)	1 (8)	30 (38)
A-level (or equiv.)	8 (15)	3 (21)	3 (25)	14 (18)
O-level (or equiv.)	7 (13.5)	5 (36)	5 (42)	17 (22)
High school	7 (13.5)	3 (21)	2 (17)	12 (15)
Total	52 (100)	14 (100)	12 (100)	78 (100)

as by the attraction of being independent and improving their financial standing.

An analysis of the relationship between country of origin and business success using ANOVA indicates that there is no strong evidence of differences in success (measured by the growth in sales turnover) between countries of origin. This suggests that although individuals belonging to different Asian communities may be motivated to start their own business for different reasons, that does not ultimately affect how well they do in business. It would be worth investigating the extent to which business success, as measured by the rate of growth of sales turnover, is related (probably inversely) to the start-up size of the business which, in turn, may be influenced (positively) by the size of family funds available for start-up.

VIII. Conclusion

This paper has attempted to investigate four main aspects of entrepreneurial behaviour among Asians in Britain, based on a survey of 78 small Asian-owned businesses in South-east England. Firstly, we explore the factors influencing business entry and the extent to which it is valid to claim that Asians enter self-employment because they are pushed into it in order to avoid unemployment. An analysis of the responses received from our sample indicates that it is difficult to support this claim. An overwhelming proportion of respondents said that they were motivated by the desire for independence and financial prosperity, both of which are pull factors, rather than by push factors like redundancy or inability to get salaried employment. This supports the findings of Curran and Blackburn (1993) but needs to be interpreted with some degree of caution given the complex nature of motivational influences and the possibility that the pull factors emphasised by respondents may be closely linked to push factors of discrimination and exploitation in the labour market. It is clear, however, that the respondents in our sample consider pull factors to be important and are motivated by economic as well as non-economic reasons.

The second issue that we investigated is the extent to which entrepreneurial entry into certain types of business like small-scale trading and retailing is influenced by start-up capital constraints and the presence of family and community members in the same line of business. Our research suggests that Asian entrepreneurial entry depends quite significantly on the access to internal or informal rather than formal sources of advice and finance. Although most entrants are willing to borrow from banks, many have experienced difficulties in obtaining such financial support. It underlines the need for the banking sector in Britain to be much more responsive to the needs of potential small ethnic minority businesses in the interest of overall economic growth. None of the respondents in our sample received government grants either at the start-up stage or for business expansion. While this speaks volumes for the entrepreneurship of Asian businesses in this country, a more facilitative role on the part of the government would help to generate further employment and income in this sector. The type of business chosen is influenced by previous experience and a perception of the business being relatively easy to enter and operate, gained from family and community members in the same line of business. This indicates the crucial role played by informal networks of advice, information and finance, in determining the nature of entrepreneurial entry.

The third issue addressed by this paper is the possibility of a relationship between business success, as measured by the growth in sales turnover, and the origins of entrepreneurship, as measured by the initial access to informal sources of finance and information and the level of educational qualifications of the entrant. The results indicate a strong positive link between the share of personal capital invested and entrepreneurial success which seems to suggest that the Asian entrepreneur is a rational economic man and, at the same time, a risk taker, motivated to maximise the returns on his own investment. There is also strong evidence of an association between the level of educational qualifications and success. The reason for this may be that education contributes towards lifting the entrepreneur's internal resource constraint by improving communication skills required to negotiate with bankers, which in turn, may help to remove external financial constraints. Education may also enhance the entrepreneur's analytical capabilities required to delegate and manage an expanding business.

The final question as to whether it is valid to treat Asian businesses as a homogeneous group is investigated by comparing their motives for business entry and success. Our analysis of the relationship between country of origin and the dominance of push and pull factors suggests that push factors were much less important for Indians than for the Bangladeshi and Pakistani respondents while pull factors were equally important for all three groups. This divergence in motivations may be explained, in part, by the differential levels of educational attainment of the three groups within our sample: the Indian respondents are more highly educated than the others and therefore may not have been compelled to become self-employed unlike less educated migrants who could not find salaried jobs in Britain. This finding may also be related to the different historical context of migration of the three groups of Asians in our sample. For instance, nearly half (42 per cent) of the respondents of Indian origin migrated to Britain from East Africa where they had already gained some business experience. On the other hand, all the respondents of Bangladeshi and Pakistani origin were first-time migrants from their home country. This raises the question of whether differential motives for business entry are related more closely to the country of origin of the ethnic entrepreneur or to his or her previous experience of business and migration. It is an aspect which merits more detailed research and points to the danger of treating Asian businesses as a perfectly homogeneous group. The observed differences in motivation for entering self-employment do not appear to have any lasting effect on the degree of business success since our results indicate no strong evidence of differences in success based on country of origin. The nature and extent to which business success, as defined by us, depends on the initial size of business and the extent to which the latter depends on the size of personal or informal funds are issues that deserve further investigation.

To conclude, this paper has attempted to contribute towards a better understanding of the nature and significance of small Asian businesses in Britain. It highlights the key role played by informal (family and community) sources of advice, finance and information in stimulating entrepreneurial entry among members of this ethnic minority group in Britain. Despite their generally high educational qualifications which would give them access to salaried employment, Asians opt to establish their own businesses. The fact that they do so by investing a substantial proportion of their own capital in a competitive and unfamiliar environment speaks volumes for their risk taking and entrepreneurial spirit. If this is indeed a cultural trait, then greater formal institutional support from banks and government agencies would undoubtedly foster the creation of many more small Asian businesses. This in turn would have a multiplier effect on employment and income generation for the British economy as a whole. Policy makers should therefore take note of this potential for business development.

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