

ACCESS REPORT

Investigating Access to Finance for Ethnic Minority Social Entrepreneurs in Scotland

*We are proudly supported by Scottish Enterprise and The
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Foreword

Scotland can be rightly proud of its social enterprises, making up a sector that has benefited hugely from the support of the Scottish Government, via an ambitious strategy and successive action plans. Our social enterprises have proven their ability to make a significant impact in local communities, particularly through the challenges of the Covid-19 pandemic and subsequent cost of living crisis- rapidly changing their business models to respond to local needs. It's a business model that is gathering more attention, particularly as Scotland's focus switches to economic transformation, creating jobs and inclusive growth in all parts of the country. Social enterprises will also have a key role to play in our transition to net zero.

Firstport and Social Investment Scotland (SIS) are committed to supporting a social enterprise sector that is open to all, regardless of background, disability, gender, sexuality, class or race. We need more social entrepreneurs establishing new businesses if we want to realise our full potential. As partners, we recognised that we could be doing more to support ethnic minority entrepreneurs in particular; the journey from start up to step up and scale up is not straightforward and we know that social entrepreneurs from ethnic minority backgrounds have not been accessing the full range of support and investment that is on offer.

This research, building on the work of the Adebawale Commission and other Diversity, Equality and Inclusion focussed initiatives for social enterprises and social investment from elsewhere in the UK, aims to explore these issues with a Scottish focus. Supported by Scottish Enterprise through the Scottish Government's Ecosystem Fund, Dechomai, Firstport and SIS have worked together to carry out this research. The findings will allow us as partners, but also other agencies, to reflect on the issues raised and develop a set of actions in response. It was disappointing that the criteria mandated that SIS lead the consortia as the largest partner, rather than Dechomai, itself founded and led by an ethnic minority team. As much financial resource as possible has been passed on to Dechomai to ensure they have been adequately compensated for their vital role in the project and reach into under-represented communities.

The report raises important questions for Scotland's social enterprise ecosystem but also provides a clear set of recommendations and next steps. Our work will not stop here and, on behalf of Firstport and SIS in particular, we are absolutely committed to continuing our journey of learning and reflection, but also delivering clear actions to improve our reach. We deserve to be held accountable for our progress and commit to continuing to share our experience and further reflections.

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Alastair Davis. Social Investment Scotland

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Access to Finance at a Glance

- The census in Scotland does not record the total count of ethnic minority social entrepreneurs, although it does include data on social enterprise board members from minority backgrounds without specific quantification.
- Confusion around the definition of social enterprise, with some entrepreneurs opting out of participating in this research due to not identifying as 'social entrepreneurs.'
- There are currently more women social entrepreneurs from Scottish ethnic minority backgrounds than men.
- 48% of respondents felt that their understanding and awareness of social investment opportunities would influence their decision to seek social investment. 26% stated that the amount of capital required would be their top consideration, while 22% responded that additional support is an important factor.
- 15% of respondents asserted that concerns around the risk of taking out a loan constitute a significant barrier to seeking social investment.
- 39% of investors who provide monetary support to social entrepreneurs from ethnic minority backgrounds offer a wide range of assistance, varying from monetary to non-monetary support.
- A significant majority, 76% of respondent investors, offer "one size fits all" products to entrepreneurs, including social entrepreneurs. This approach suggests a lack of tailored support and individualised solutions for entrepreneurs, potentially overlooking the unique needs and challenges faced by social entrepreneurs, especially those from ethnic minority backgrounds.
- 70% of investors do not have goals and targets for ethnic minority social entrepreneurs they deal with. This suggests a lack of an intentional strategy to reach ethnic minority social entrepreneurs in Scotland.
- Majority of the respondents did not know about net zero or how to leverage net zero strategies to enhance their business.

Further Research and Collaboration

- The study should be expanded to include rural communities and impact-led organisations who may not refer to themselves as social entrepreneurs but operate with the same principles.
- Perform a thorough follow-up evaluation to monitor the execution and effects of initiatives detailed in this Report across different sectors. This subsequent assessment should concentrate on assessing the efficiency of tactics, pinpointing areas for enhancement, and gauging the overall advancements achieved. Through monitoring and analysing these developments, stakeholders can acquire valuable insights to guide future decision-making and guarantee ongoing progress towards a more inclusive and accessible environment.
- The report was limited to Ethnic Minority Social Entrepreneurs. However, a further report would be recommended to research the overall experience of Ethnic Minority entrepreneurs accessing finance and investment (this would include experiences with banks).
- Creation of a culturally and socially sensitive course that is appropriate for ethnic minorities to address the low

levels of awareness of on Net zero strategies.

Barriers:

- Limited Awareness
- Confusion around Business Support
- Lack of Trust in Financial Institutions
- Immigration Status
- Mutual Misunderstanding
- Ineffective and Limited Support
- Limited Engagement and Visibility
- Fear of Rejection

Our Recommendations:

- Strategic Awareness Campaign
- Funding Accessibility
- Streamlined Application Process
- Disruptive Ecosystem Initiatives
- Networking
- Detailing and Segmentation of Support
- Collecting Data
- Migration Support
- Diversity and Bias Check-ins

Methodology

Scotland has witnessed a rise in social entrepreneurs from diverse ethnic backgrounds. However, these individuals often face significant challenges in accessing the support needed to fulfil their ambitions, and recognition of their contributions to the Scottish economy and society which frequently go unrecognised. Social enterprises in Scotland are crucial in overcoming these obstacles. They create job opportunities for disadvantaged groups, drive arts and cultural activities, deliver social care services, and redistribute wealth within local communities. These initiatives are essential for fostering genuine economic

“Social entrepreneurs contribute 89,970 full-time jobs and £2.63bn to the Scottish economy”

transformation.

Starting a new business carries inherent risks, especially for entrepreneurs from ethnic minority backgrounds, who are underrepresented in the business sphere. These ethnic minority social entrepreneurs face distinct obstacles in obtaining financial support for their ventures. Factors such as wealth inequality, familial responsibilities, and limited access to networks and information contribute to these challenges, differentiating them from their counterparts in the social entrepreneurship field.

Black social entrepreneurs, in particular, often encounter negative experiences with banks, while Asian entrepreneurs struggle to secure funding beyond their communities. Even when they do apply for funding, these

entrepreneurs frequently face additional barriers that hinder their progress. Addressing these issues is crucial for ensuring a level playing field and enabling all social entrepreneurs to thrive. Ethnic minority social entrepreneurs in Scotland face significantly lower chances of receiving financial support. Despite their vital contributions, which include 89,970 full-time jobs and approximately £2.63 billion to the Scottish economy in terms of Gross Value Added (Social Enterprise in Scotland Census 2021), their efforts often go unrecognised. It is clear that the importance of social enterprises within the Scottish community cannot be underestimated, and steps must be taken to support and develop their potential.

Addressing this issue requires a thorough understanding of the underlying circumstances. Data plays a pivotal role in formulating effective diversity policies. While data is a tool for action, there are substantial gaps in the necessary data required to tackle this situation. Despite the increasing availability of funding for social entrepreneurs, Scottish ethnic minority entrepreneurs face significant disparities in access to and the likelihood of securing these opportunities. This report reveals that Scottish ethnic minority social entrepreneurs are enthusiastic about initiating new social initiatives and growing established ones. However, they frequently encounter obstacles that hinder their progress. It is imperative to examine these barriers and determine how they can be overcome. The approach used in this report is based on the principles of community-led action research. The focus was specifically on the community of underrepresented ethnic minority social entrepreneurs to gain a deeper

understanding of their experiences and to present findings and potential solutions in

Research Design:

The research employed a case study approach to examine the accessibility of social investment for Scottish ethnic minority social entrepreneurs. This method provided in-depth understanding of the issues, encompassing both the breadth and depth of the challenges faced by these entrepreneurs. The case study allowed for the exploration of individuals, groups, and organisations relevant to the research

“The aim of the study was to investigate the understanding, perception, and availability of financial support for Scottish ethnic minority social entrepreneurs.”

question.

The research was conducted by Dechomai in collaboration with Social Investment Scotland (SIS) and Firstport from October 2023 to February 2024. The Scottish Government and Scottish Enterprise 2023/24 Ecosystem Fund provided crucial support for this initiative. The primary objective of the study was to investigate the understanding, perception, and availability of financial support, particularly social investment, for Scottish ethnic minority social entrepreneurs. Additionally, the research was aimed at identifying any existing gaps within the current support system for this specific group.

collaboration with these entrepreneurs.

Sampling:

The choice of purposive sampling strategy employed aimed to capture the maximum variation within the population of interest. This ensured the research included a diverse range of ethnic minority social entrepreneurs and their experiences, thus shaping a well-rounded perspective on the topic.

Participants:

To gather a well-rounded perspective, the study included two key participant groups:

- Scottish Ethnic Minority Social Entrepreneurs: 72 social entrepreneurs participated by responding to a questionnaire distributed via Microsoft Forms. This survey provided valuable insights into their experiences and understanding of social investments.
- Social Investors: Firstport conducted interviews with 10 social investors located in Scotland and across the UK. These investors had prior interactions with Dechomai or SIS, either through seeking investment or participating in capacity-building programs designed to enhance investment readiness. The interviews with this group were aimed at understanding how social entrepreneurs experience interactions with these investment bodies and gain broader insights into the current state of the social enterprise sector, including the challenges and opportunities faced by ethnic minority entrepreneurs.

Data Collection:

To gain a robust understanding of the research topic, a mixed-method approach was employed. Dechomai relied on a

combination of interviews and focus groups as the primary means of data collection. 15 semi-structured interviews were conducted virtually via Zoom with key stakeholders. This included 15 investment providers specialising in social enterprise funding (fund managers). The interviews provided valuable insights into the perspectives of those directly involved in social investment decisions.

To gain deeper qualitative insights, the study incorporated two additional data collection methods.

- **Focus Group Discussions:** 7 focus group discussions were held across Scotland. This explored the perspectives of ethnic minority entrepreneurs on accessing support as social entrepreneurs and their views on the potential of social investment to fuel the growth of their ventures. This method provided a platform for rich discussions and the exchange of lived experiences. This approach facilitated rich experience or awareness of social investment products offered by Firstport or SIS. Their insights provided a broader understanding of the target audience's familiarity with social investment options.
- **In-Depth Interviews with Social Investors:** While the primary focus of the interviews conducted by Firstport was to understand the experiences of social entrepreneurs interacting with SIS and Firstport, which yielded valuable additional insights, the study engaged participants who shared broader feedback on the current state of the social enterprise sector in Scotland. This included their observations on various barriers and enablers faced by ethnic minority social entrepreneurs throughout their personal and professional journeys. These unforeseen contributions enriched the overall understanding. Interviews with both

social investors and ethnic minority social entrepreneurs shed light on two key areas. **Financial Literacy and Accessibility:** These discussions explored the level of understanding that ethnic minority social entrepreneurs have regarding financial options, particularly social investment. They also probed into the specific challenges these entrepreneurs face in securing funding.

The research also investigated the unique experiences of ethnic minority social entrepreneurs when interacting with social enterprise fund managers. This provided valuable insights into potential roadblocks or areas for improvement within the funding landscape.

Data Analysis:

The interviews, ranging from 30 to 60 minutes in length, were recorded, transcribed, and analysed using a two-stage thematic coding process facilitated by the software Statistical Package for Social Scientist (SPSS). The two-stage process involved first assigning initial codes to transcribed data collected, categorising those codes into broader themes that capture the essence of the data and address the research questions. This approach, guided by the research objectives, aimed to identify key themes related to awareness and perceptions of support available to ethnic minority social entrepreneurs. Following the initial thematic coding, a second cycle of analysis employed pattern coding. This technique involved the grouping similar concepts related to various business support areas into broader codes. For example, codes might capture the 'nature of experience,' or 'access and understanding of financial opportunities' available to ethnic minorities.

The data from the focus group discussions underwent the same analytical process as

the interview data. This included transcription and thematic coding using SPSS software. By triangulating the findings from both interviews and focus groups, we were able to comprehensively explore and explain the key themes that emerged from the research. This triangulation process ensures the validity and robustness of the research

findings by identifying convergent themes across different data sources.

Ethical Considerations:

Throughout the research process, the utmost importance was placed on adhering to ethical research principles and ensuring participant well-being.

Limitations:

There is no data capturing the total number of ethnic minority social entrepreneurs operating in Scotland. The census captures the totality of social enterprise board members from minority backgrounds but lacks a quantified number. Not knowing the baseline makes it difficult to design outreach and engagement activities targeted at ethnic minority social entrepreneurs.

An additional limitation was the **confusion around the definition of social enterprise**, with some entrepreneurs opting out of participating in this research due to not identifying as 'social entrepreneurs.' Some of these individuals may lead impact-led business and others may simply be unaware of their organisations being classed as social enterprises. Social Enterprise UK states that to be a social enterprise a business must have a clear social or environment mission set out in its governing document and be controlled in the interest of that mission, be independent of government control and earn more than half of its income through trading, reinvest or donate at least half of its profits or surplus towards their mission and be transparent in the way they operate and the impact they have (Social Enterprise UK). In contrast, in Scotland there is a more restrictive definition of social enterprise as defined by the Voluntary Code of Practice for Social Enterprise. Social Enterprise Scotland contends that social enterprise is centred on utilizing business as a force for positive change. In essence, social enterprises are vibrant and autonomous businesses that operate with the purpose of achieving a specific social, economic and/or environmental objective. Any profits or surpluses generated by these enterprises are directed towards advancing their mission. Social enterprise embodies a more ethical and sustainable approach to conducting business, with the ultimate goal of fostering a more equitable society.

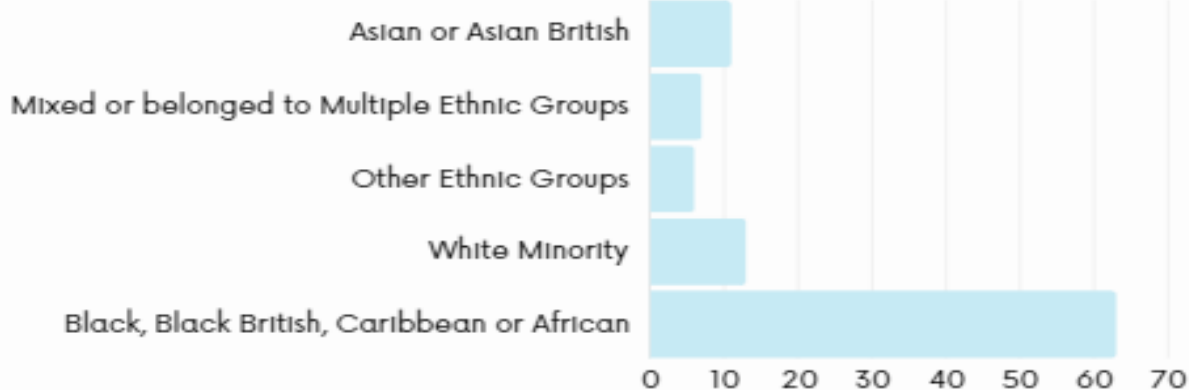
Finally, despite concerted outreach efforts, **most of the responses received were from social entrepreneurs based within the central belt.** However, more data is needed on the distribution of ethnic minority led social enterprises across the whole of Scotland, including rural and remote-rural locations. Without having this baseline data, it is difficult to ascertain whether this project was unsuccessful in engaging with those based in more rural locations or whether the distribution of ethnic minority entrepreneurship varies across Scotland, being more predominant across the central belt. If the latter were true, then one could argue that more effort and resources should be invested in stimulating diverse entrepreneurship across Scotland.

Before each interview, participants were provided with a detailed information sheet outlining the study's objectives, data collection methods, and data analysis procedures. This information sheet also explicitly addressed participant confidentiality. The study emphasised that all data would be anonymised and used solely for research purposes. Participants were informed of their right to withdraw

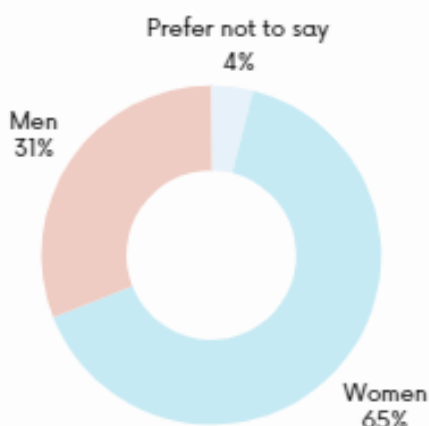
from the study at any point and to decline answering any specific questions during the interview. Written informed consent was obtained from all participants before commencing the interview process. This ensured their voluntary participation and full awareness of their rights. The research was conducted in strict compliance with these ethical guidelines, as approved by the participating individuals.

Survey Findings

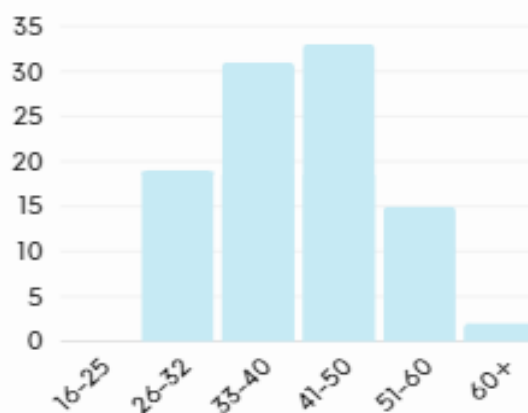
Ethnicity



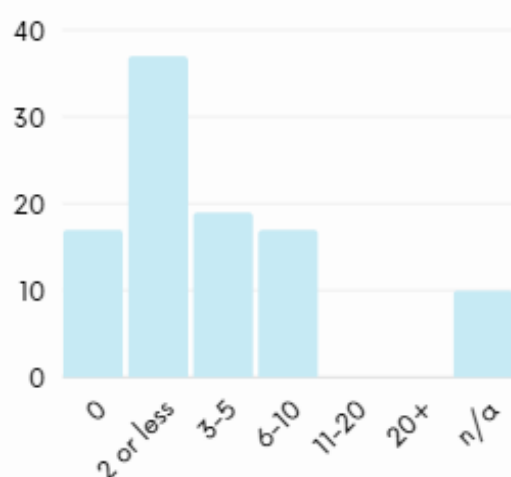
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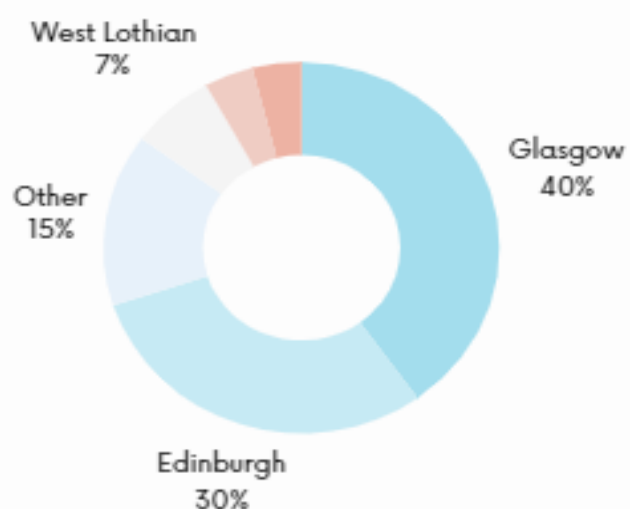
Age



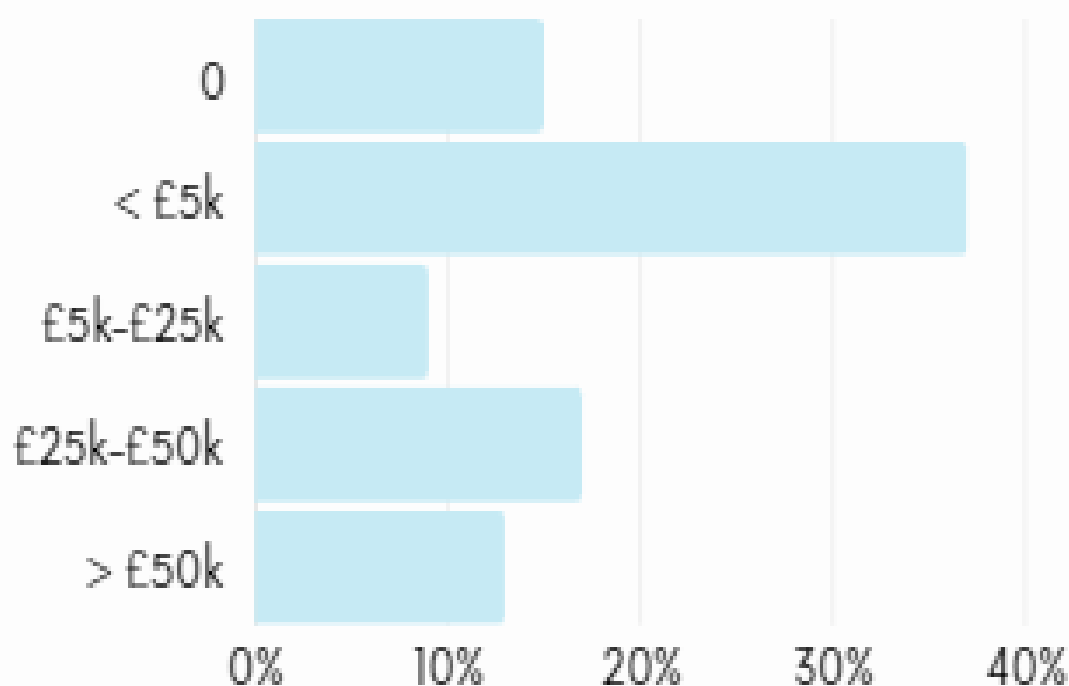
Operative Years



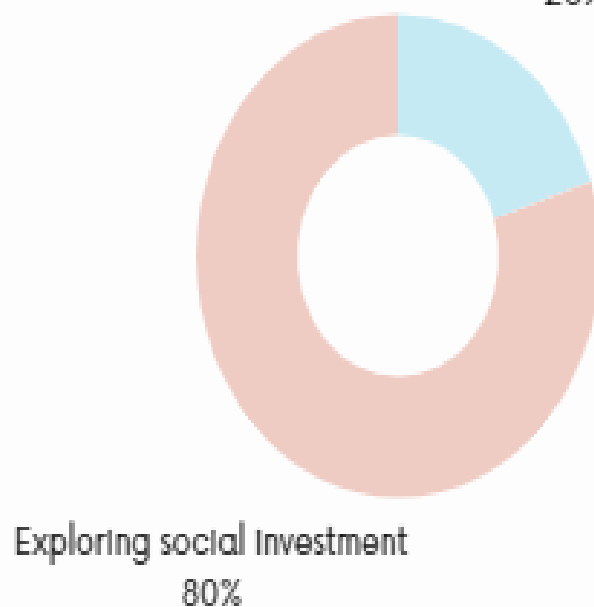
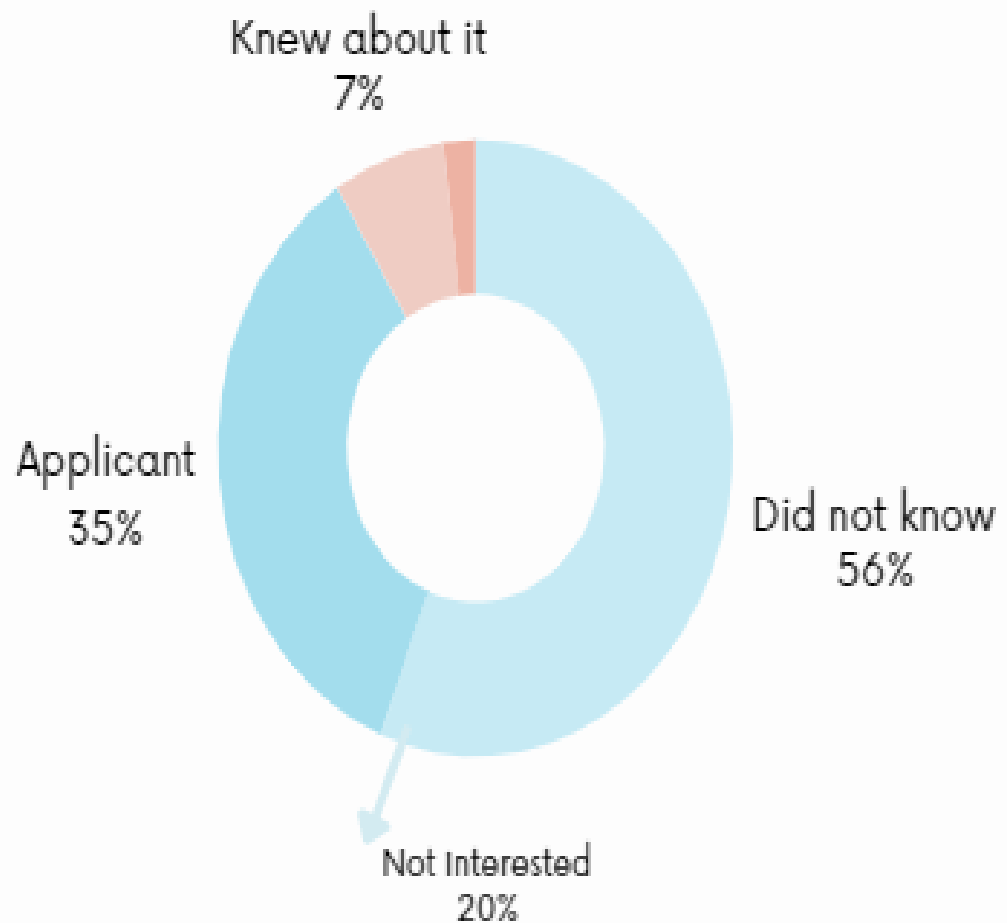
Location



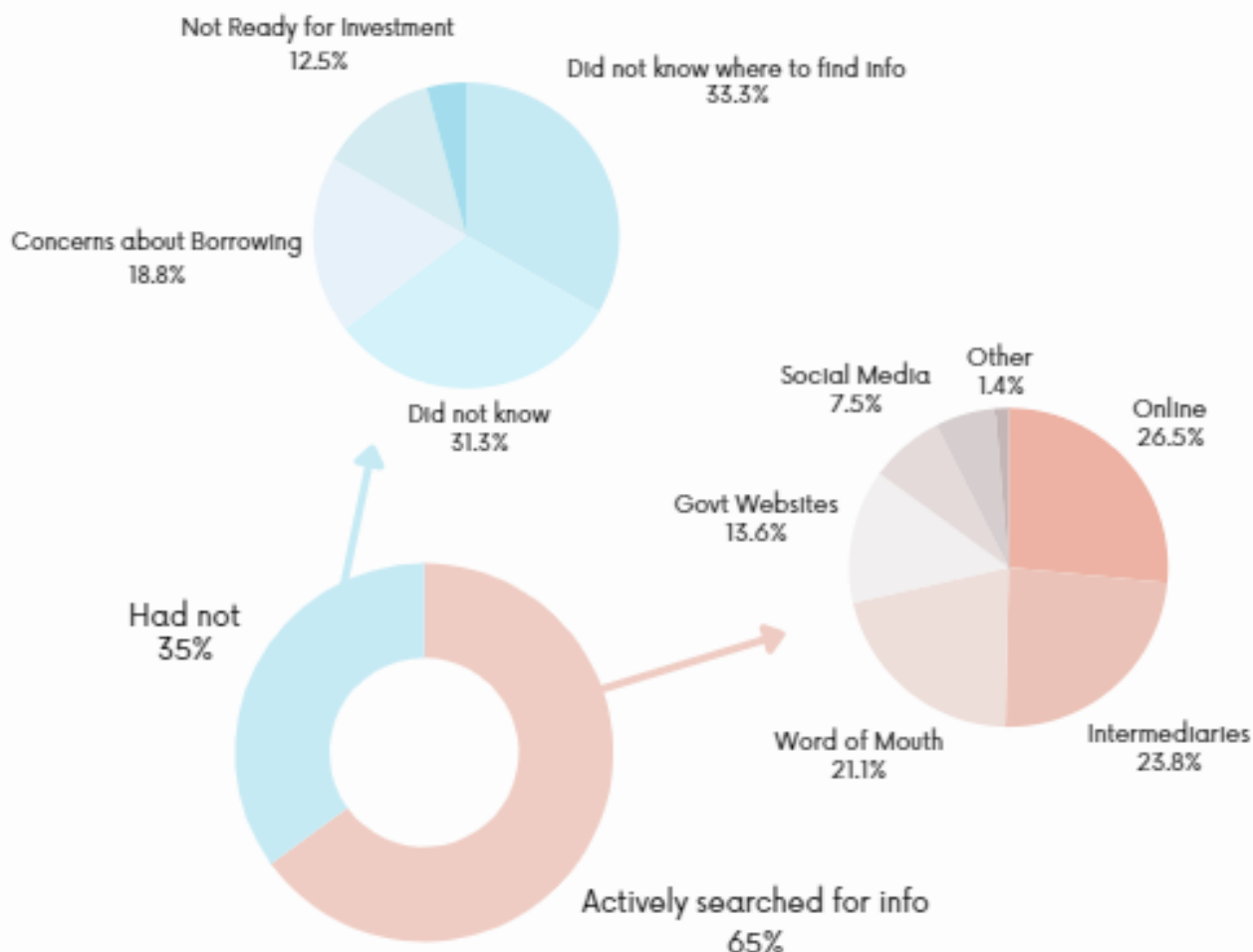
Income in 2023



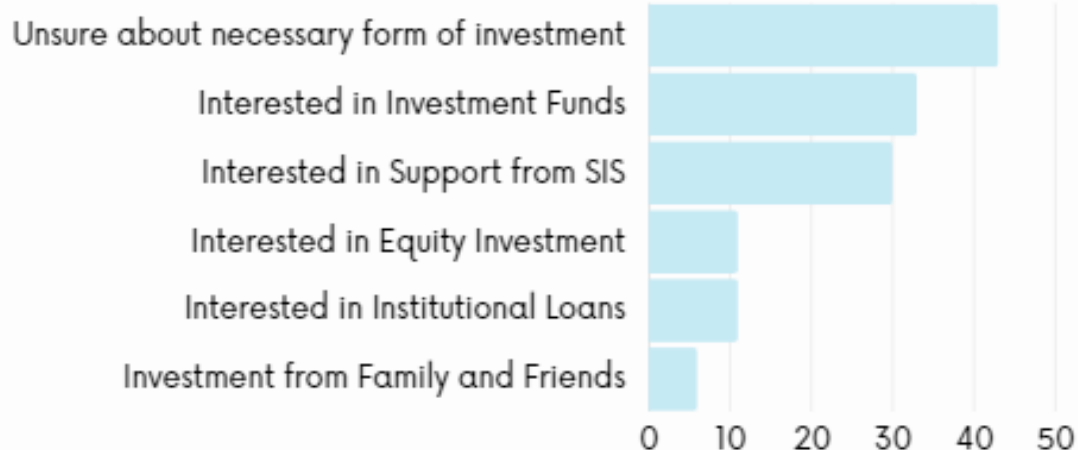
Financial Support



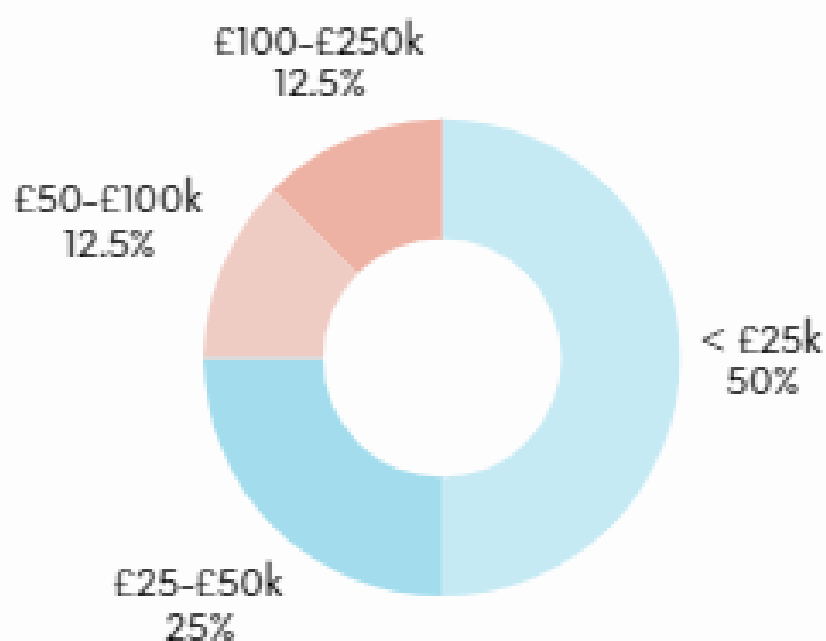
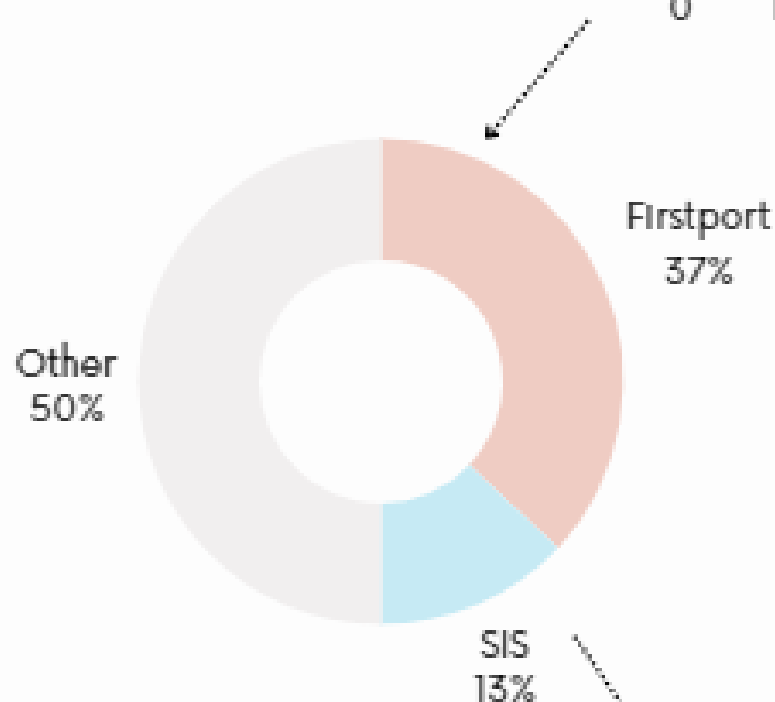
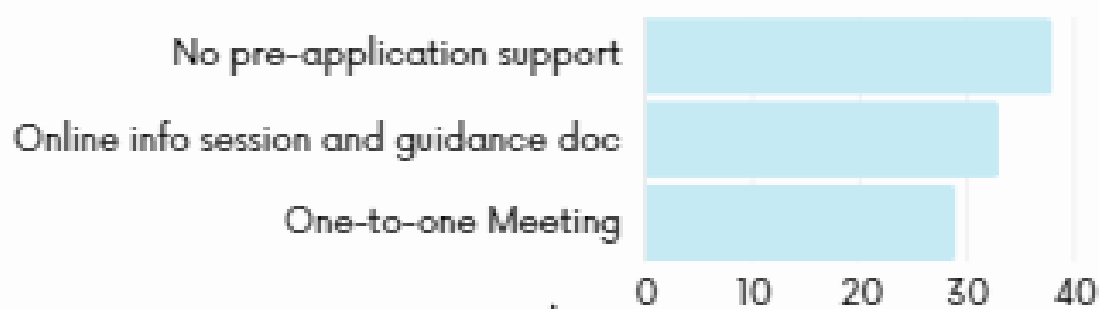
Information Channels



Investment Channels



Successful Investment

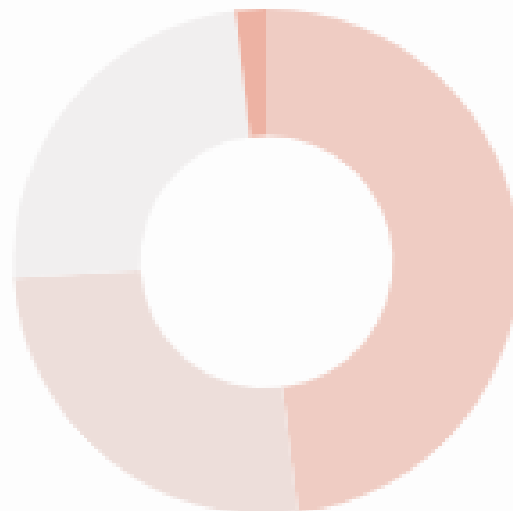


Incentives and Deterrences

Incentivising Factors:

Additional Support

24%



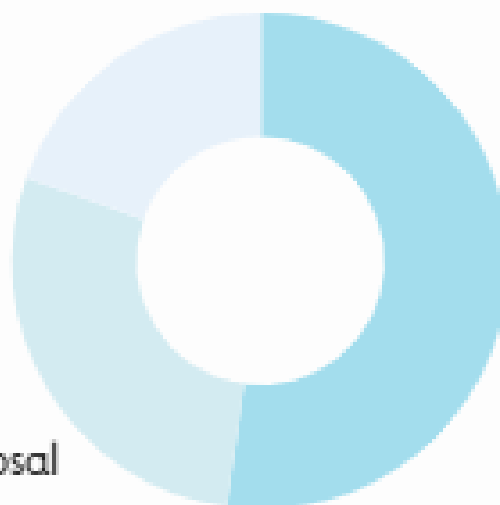
Awareness of Funding
48%

Amount of Capital
26%

Deterring Factors:

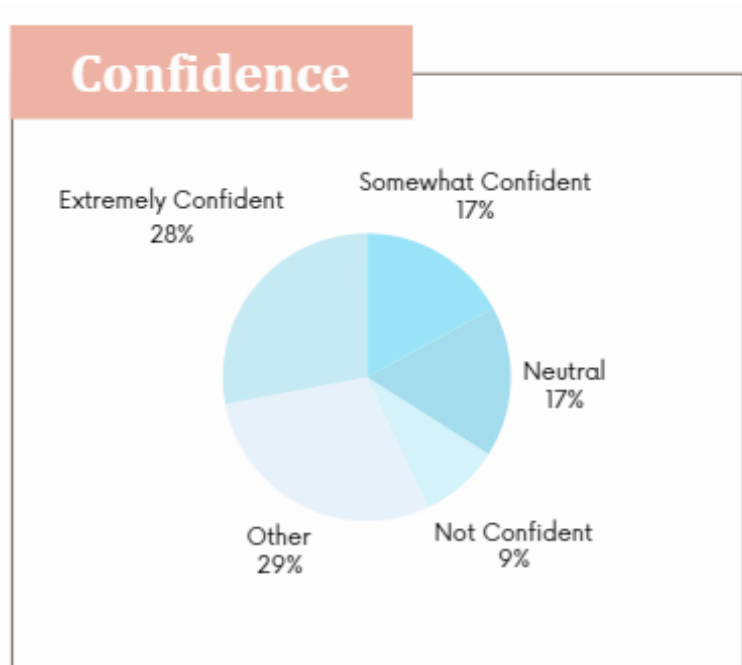
Technical Proposal/Business Plan

19.6%



Tedious Paperwork
52.2%

Financial Proposal
28.3%



Barriers to Accessing Investment:

- 15% of respondents asserted that concerns around the risk of taking out a loan constitute a significant barrier.
- 9% stated lack of personal wealth to fall back on.
- 7% responded to general concerns around the principle of borrowing.
- 7% responded to discouragement arising from personal perceptions and experiences.
- 7% of respondents stated lack trust in finance providers.
- 7% stated limited or a complete lack of business management and finance skills was the factor stopping them,
- 7% had difficulty understanding, navigating, and complying with regulatory requirements and procedures.
- 7% stated high costs attached to applying for finance. 12% stated they lacked appropriate business support.
- 5% stated that they had experience of facing racism or discrimination.
- 1% identified language as a barrier.

A cumulative 40% of respondents stated that the application process should respect and understand the cultural diversity of ethnic minority groups. Furthermore, these additional steps should be considered for adoption:

- Adapting eligibility criteria which would indicate whether the applying social entrepreneur would qualify for investment.
- Social investors facilitate networking events with community organisations.
- Clearly outline the criteria used for evaluating applications.
- Establish a system for providing constructive feedback to applicants, whether their application is successful or not.

Investor Interview Findings

Out of the total number of investor respondents, 61% of interviewed investors currently showed low to little effort in supporting ethnic minority social entrepreneurs from Scotland. This fact highlights a concerning trend where a significant portion of investors are not adequately backing social entrepreneurs from ethnic minority backgrounds in Scotland. Efforts to address this issue are being made by organizations like Key Fund, which is actively working to tackle barriers to investment for social entrepreneurs from ethnic minorities.

76% of respondent investors offer “one size fits all” products to entrepreneurs.

This finding underscores a troubling trend where a substantial proportion of investors are not sufficiently supporting social entrepreneurs from ethnic minority backgrounds in Scotland. The lack of adequate backing can have far-reaching implications, impacting the growth and success of businesses led by ethnic minority entrepreneurs. This trend not only hampers the economic advancement of these entrepreneurs but also perpetuates inequalities by limiting their access to crucial resources and opportunities.

From the interviews, it was found that 39% of investors who provide support to social entrepreneurs from ethnic minority backgrounds offer a range of assistance, varying from monetary to non-monetary support. Identified support structures includes micro loans up to 25,000, funding for different stages of entrepreneur journey

from idea stage after experiment to launching of business to the incubator where we help social entrepreneurs are helped to operationalize their business, help them formalized in terms of structure, legal support among other and then the growth stage and the accelerator programs which positions social entrepreneurs for further support (networking events, master classes, hackathons, mentoring coaching programs).

This diverse support can play a crucial role in addressing the challenges faced by ethnic minority entrepreneurs and fostering their growth and success in the business landscape. By offering a mix of financial aid

“a whole range of community activities, such as networking events, master classes, hackathons, mentoring coaching programs, tailored toward social entrepreneurs most especially ethnic minority social entrepreneurs.”

and other forms of support, these investors contribute significantly to the development and sustainability of businesses led by individuals from ethnic minority communities. This multifaceted approach not only aids in overcoming the arching barriers to investment but also helps in building a more inclusive and supportive entrepreneurial ecosystem that empowers entrepreneurs from diverse backgrounds to thrive and make valuable contributions to

the economy. The interview further reveals that 76% of respondent investors offer “one size fits all” products to entrepreneurs. This approach suggests a lack of tailored support and individualized solutions for entrepreneurs, potentially overlooking the unique needs and challenges faced by social entrepreneurs, especially those from ethnic minority backgrounds. Providing standardized products may not effectively address the diverse requirements of different businesses and could limit the potential impact of the support offered. Adopting a more personalized and flexible approach tailored to the specific circumstances and goals of each entrepreneur can enhance the effectiveness of the support provided, leading to better outcomes for both the entrepreneurs and the investors involved.

Hence investors offer general funding models and products that are offered to entrepreneurs out of which social entrepreneurs can take advantage. Investors offer grants and loans (at 3%) and awards, which range from 500 pounds to little more than 50,000 pounds generally to entrepreneurs in general not specifically to social entrepreneurs from ethnic minorities in Scotland. Social investments worth millions in Scotland are deposited into community funds to support social

“No, we don't have an intentional strategy to reach really any entrepreneurs.”

investments.

The interview revealed that 76% of respondent investors observed a trend where ethnic minority social entrepreneurs predominantly apply for grant funding rather than other forms of financial support highlights several concerns. The finding that

92% of investor respondents believe that the majority of Scottish ethnic minority social entrepreneurs are not forthcoming to them, indicating a lack of openness to discuss how best they could be helped, is concerning. This lack of engagement can have several implications. Addressing this issue requires efforts to build trust between investors and ethnic minority social entrepreneurs, raise awareness of the benefits of engaging with investors, and simplify the support systems to make them more accessible.

- **Limited Awareness:** Ethnic minority social entrepreneurs may not be aware of the range of financial support options available to them, leading them to rely primarily on grant funding.
- **Complexity of Support:** The complex support systems in Scotland may be difficult for ethnic minority social entrepreneurs to navigate, making grant funding a more accessible option.
- **Trust in Support Institutions:** Ethnic minority social entrepreneurs may have lower trust in support institutions, which could influence their preference for grant funding over other forms of support.
- **Risk Aversion:** Grant funding may be perceived as less risky compared to other forms of financial support, which could contribute to its popularity among ethnic minority entrepreneurs.

This will help create a more inclusive and equitable entrepreneurial ecosystem in Scotland, where all entrepreneurs have the opportunity to engage with investors and access the support they need to grow their businesses and contribute to the economy.

Respondent investors acknowledged that this challenge is partly attributed to their low visibility in Scottish communities (among social entrepreneurs) and needs improve through targeted marketing, and advertisements (which are not currently done for social entrepreneurs in Scottish communities). To improve access more advertisements are needed. 23% noted educational gaps as the challenge to access social entrepreneurship funding mostly in Scotland. 70% of investors do not have goals and targets for ethnic minority social entrepreneurs they deal with. This suggests a lack of an intentional strategy to reach social entrepreneurs in Scotland could be due to a combination of factors, including limited recognition, resource allocation, policy focus, challenges in social enterprise support, and overarching goals. This suggests most investors deal with ethnic minority

"Our aim is to connect with underserved entrepreneurs who have firsthand experience of the challenges they encounter, with the objective of providing them with social investment to expand their organizations. Our primary goal is to address inequality in the UK by supporting individuals who have not previously accessed social investment."

social entrepreneurs as and when they come by. As such, all investors have incomplete data on social investment for Scottish social entrepreneurs. 92% of investors interviewed stated supported ethnic minorities which are not necessarily social are based in London

" Our focus is often on individuals whose first language is not English, as navigating the system can be challenging. We assist them in understanding the roles of different agencies, the support available, whether through one-on-one sessions or group activities. Language barriers are common, with technical jargon and acronyms posing challenges. To address this, we adapt our communication style, ensuring clarity and understanding as they articulate their ideas."

and England. This indicates that the dispersion of social entrepreneurs and or social enterprises that have access and are supported either through grants or investments are skewed away from Scotland. 69% of investor respondents acknowledged they have to re-strategized to support social entrepreneurs most especially in Scotland, 46% acknowledge they are considering efforts in social investment to ethnic minorities. By re-evaluating their strategies and considering social investment initiatives, investors aim to enhance their

support for social entrepreneurs, particularly those from ethnic minority backgrounds. These proactive steps

demonstrate a commitment to fostering a more inclusive and supportive entrepreneurial ecosystem in Scotland.

Focus Group Findings

The focus group discussion (FGD) covered areas such as how participants feel about loans for their business or social enterprises. All participant expressed were indifferent about taking loans to start their businesses or support their businesses and expressed the desire for alternate funding due to the risk of affordability.

“For me? I would say, I'm not at the stage where I'm generating revenue. So probably a loan wouldn't make sense for me. I may if I'm not generating revenue later on.”

About 50% of respondents express knowledge about British Bank Start up loans while the remaining 50% did not know about the British Bank start up loans but other government supported loans. All respondents in one way or the other stated they attempted acquiring these forms of loans

“I haven't heard about it. But I have one which might be closer to that which was about government supported loans. I have tried that, but I have discovered that they wanted the security of a property. Hmm I didn't have that so I couldn't secure it.”

“I am currently in the process of gathering information on various funds that I have chosen to explore. While there are multiple funding opportunities available, the challenge lies in the qualification criteria, as not all funds may be suitable or accessible. This selection process presents a significant challenge for me as I navigate through the options and assess eligibility for each fund.”

“...Until recently, I have been gradually immersing myself in the system, gaining insight into the processes. Previously, I lacked awareness of available funds, contacts, and essential information within the sector. It was only after taking proactive steps to engage and seek information that I began to understand the landscape. Access to such crucial details seemed limited to a select few who were familiar with navigating the system. This information was not easily accessible and often required membership fees or specific connections to obtain.”

“Over the years, I have built a strong network, received mentorship, participated in panel discussions, and

but were not able to secure them due to one or two challenges.

The FDG further ascertained the participant's level of awareness or

understanding around funding grants or social investment. All respondents stated they had little to no knowledge about specific funding, grants, or social investment all-though they do have knowledge about it. 82% respondents acknowledge they put in a level of efforts to understand and get to know and access some of these funding, grants for their social enterprise activities.

One respondent mentioned his residency status thus migration issues (visa status) as a major barrier that obscures their inability to access funding, grants for their social

"I believe another significant factor to consider is one's racial background, residency status, or visa situation. The lead was mentioning how these factors can sometimes lead to self-disqualification even before attempting to apply for opportunities. Issues such as insufficient years of residency or visa status can create barriers, causing individuals to feel stuck and potentially hinder them from pursuing their ideas and implementing them."

enterprise even though the other 50% of respondents do not have this as a barrier.

"I have attempted to apply for opportunities multiple times, but at a certain point, I decided not to pursue them further. The experience has been frustrating, as I have encountered a lack of recognition for my work and encountered various excuses. This has led me to lose trust in the process, as many funders may not have experience working with individuals from diverse backgrounds. Additionally, within the black community, there may be a preference for individuals who are known and trusted, rather than those who are new to the scene."

"I have reviewed some of the applications you mentioned. The process involves gathering a significant amount of information, which can be challenging, especially when the required information is not readily available. The complexity of the application form and its requirements can be overwhelming and discouraging. Without adequate support or guidance, applicants may feel lost in navigating the process, unsure of how to proceed or interpret legal terms and requirements. This lack of assistance can lead to frustration and a reluctance to continue, as individuals may feel unprepared to meet the necessary criteria."

"I have only applied for general personal loans and have not explored other types of funding opportunities or grants."

The focus group ascertained participants experience with searching for funding, applying for it and accessing in terms of receiving funding. All participants of the FGD acknowledge no formal support in applying for funding as well as in their search for funding. Respondents acknowledge the fact that they are left to their fate as no formal assistance comes from institutions even though they have put a level of efforts in search for funding. As such the inadequate knowledge about these funding opportunities makes them not to apply specifically for funding available for social entrepreneurs.

"The key is obtaining the correct contacts or connections to access the necessary resources."

Participants also stated during the discussion that they would prefer funding at the initial stage thus after testing the idea to see if it's viable or after it has been tested and established that the business is viable.

Also, it was established that the amount of funding participants need ranged from £10,000 to £25,000 yet participants emphatically stated it would depend on the particular project they are developing.

"Initially, I perceived business support in Scotland as non-existent because I had not yet connected with the right individuals. It took me several years to establish these connections and access the necessary support. Once I engaged with people who were well-connected in those areas, I started receiving valuable support, which proved to be immensely beneficial."

"At present, I have limited information regarding organizations that might be interested or potentially provide support. If I had more information, I would have attempted to reach out and engage with these organizations."

"The primary challenge I encounter is that outside of Scotland, where I have a more extensive network, it is easier to connect with individuals who have experience in similar situations or are willing to offer assistance based on our existing relationships. I recently returned to Scotland last year, and the lack of familiarity with people in the region makes it challenging to establish a supportive network for financial assistance or guidance from individuals who have navigated similar journeys without the need for

Participants were asked if they had any business support even before they apply generally in in in Scotland? Participants acknowledge the business support in Scotland yet express access to information as a challenge.

The channel participants deem would be best and appropriate to receive information about on funding, on social investment was

ascertained. Respondents deemed word of mouth to be the most appropriate as it helps in building confidence. As such participants express the dire need of support for ethnic minorities. Even though respondents expressed appreciation and enthusiasm about networking events, they stated the payment of fees to these events as a major challenge.

"I agree with the sentiment that many networking events require payment, which can be a significant consideration. The question of whether the cost is worth it arises, as attending such events may involve a day's salary and additional expenses for childcare. These factors can create a sense of sacrifice and uncertainty, leading to a lack of access to information due to the financial and logistical challenges you have to contend with."

"I also want to emphasize the fact that as an as the minority we really want to be helped, we want to be seen as well. And what is stopping us? Usually it's funding. And if we could get the support that that we need, we would thrive as well. So the most important thing is, we are struggling, and what we need is help at the moment."

"Initially, I will present details about my project, outlining how I believe it will benefit society. I will also identify the target market I am focusing on. This initial information is crucial for potential investors or supporters to understand and consider engaging with and financing the project. The primary aim is to offer a

Successful Investees Findings

The interviews explored the journeys of these social entrepreneurs, from the point at which they start becoming aware of or considering social investment. We found that whilst some preferred investment to grants, as part of their desire to build financial sustainability within their business model, the most common driver was a lack of any other viable alternatives. Grant funding, as it often comes with strict terms, lacked the freedom and flexibility that would allow them to take the steps they needed to grow, consolidate or safeguard their enterprises. However, it is important to note that some felt almost a sense of desperation at having

"It is important to recognize that many minorities have attempted to access funding opportunities without success, viewing this as their final opportunity."

been driven to consider investment as a last resort.

The key barriers to considering investment were lack of awareness of available options, lack of trust in financial institutions (partly based on stories of discrimination), fear of debt and fear of mission drift, as well as confusion and lack of confidence. For the latter, a couple of participants mentioned using smaller, 0% investments (such as the Boost It fund) as 'practice' ahead of considering larger investment. Similarly, one interviewee who had been on an investment readiness programme still felt that their understanding and confidence were limited, highlighting a need for more 'practical experience'.

Participants experienced application processes positively when they felt they were smooth and straightforward, with enough information provided to understand what would happen at every stage and proportionate to the level of finance available. An important contributing factor to this was the existence of a personal, trusting relationship with an account manager or mentor throughout the process. Pre-application support sessions were also seen as beneficial. Having the ability to present information in a variety of formats was important, with one participant reporting that the chance to pitch verbally, in addition to submitting an application form, was instrumental in their success. As

"I'm doing 6 people's jobs. The reason I'm going for investment is so that I don't burn out and I don't have to close out my organisation. Because I'm doing it all by myself and then they give me extra work on top of that."

such, processes should be flexible enough to accommodate individuals' different strengths and weaknesses.

Whilst overall the time from initial enquiry to securing investment was perceived to be appropriate (on average around 2-3 months), others felt that this time requirement was a huge barrier, especially when there was a lot at stake or when they needed the investment urgently. Throughout the interviews, it became clear that ethnic minority social entrepreneurs are incredibly time-poor and often overworked; as such, they cannot afford to waste time. In these

instances, a lack of clarity around the criteria (and the addition of further requirements half-way through the process) added to the feelings of frustration. This contradicts the clear expectations that most other participants highlighted and shines a light on the importance of fair and equal processes for all.

Several further barriers posed by criteria were mentioned. Circular criteria, where the entrepreneurs are being asked to evidence the same processes / developments that they need the investment for, were particularly problematic.

Others noted that cashflow requirements can be restrictive if investors want to see consistent income or profits, especially in the context of non-traditional enterprises that don't trade on a regular basis. Criteria focused on trading length instead of potential impact were also seen as restrictive.

Finally, a couple of participants felt that criteria linked to social impact could be too narrowly focused on refugees / asylum seekers as beneficiaries, instead of including more representative sections of the ethnic minority community.

Suggestions for improvement included making application forms less generic and/or allowing individuals to submit information in a format that suits them; providing clearer timelines, so that entrepreneurs can manage their expectations and plan their efforts; provide an idea of potential terms and conditions earlier on, so that entrepreneurs can progress any governance processes on their side early on.

One message that resonated strongly was that social investors should invest more time in building relationships with entrepreneurs and building an understanding of their context, so that applications can be

considered on a case-by-case basis, instead of being rendered ineligible by criteria which don't take account of their specific circumstances. There was also an expectation that social investors (as opposed to more traditional investors) had more of a duty of care around those they support, and that the onus was on them to provide the correct balance of flexibility and support to enable those they invested in to manage

“looking at high impact, high value, high impact social enterprises, it's a really good way, criteria, to look at and this means having a conversation with who is leading that enterprise. You know, so they can paint a really physical picture of it.”

their investments.

Other aspects important to social entrepreneurs also revolved around clarity of information and relationship building. Knowing where the investment funds were coming from was mentioned, particularly where a mix of providers were involved. Entrepreneurs also reported more positive experiences where they felt they had a human connection with their account / relationship managers, due to two reasons. On the one hand, this made them feel more supported, appreciated and ‘like they mattered.’ On the other hand, it saved them the effort of having to repeat information. These relationships also led to more trust-based, candid conversations. Entrepreneurs were vehement that they did not want ‘sugar coated’ information; they wanted to

receive clear and honest feedback that they could act on.

Negative feedback without clarity on actionable steps, particularly in the context of a rejection, can be very discouraging, or even debilitating for start-up entrepreneurs. When this feedback was generic, it led to a complete erosion of trust, regardless of what the previous engagement had been during the application phase. These situations led to a perception that there was a lack of understanding, either for issues specific to ethnic minority communities or for new ways of doing things.

Those that managed to secure investment used it for an array of purposes, including hiring more staff to expand capacity and operations, implementing passive income streams, securing (new) premises or using the funds as a cushion of support during

“And then you would be like, oh, you know, this social enterprise has struggled to make repayments and stuff like that. Is it worth putting in more money? Why is that? What are the activities that they wanted to put, that they have not managed to put, because of the limitation of the investment that's come in?”

difficult times.

A common thread was that sometimes plans change, but the additional flexibility offered by investment (as opposed to ring-fenced grants) can be vital. This was particularly important for those investees who found

themselves in situations where they were not able to adhere to the initial repayment schedule.

The key supporting factors in these circumstances were reassurance from the investment teams and flexibility within the repayment schedule.

Ensuring business support and/or mentorship continues past the successful application for investment, into the early phases of managing the investment. This was to ensure that entrepreneurs were given practical support to implement any developments that might strengthen their ability to act on their plans and drive return on investment.

Allowing more time before repayments kick-in - up to 18-24 months. Some respondents perceived that one year was not enough time to implement new developments and/or income streams and see them become self-sustaining, particularly if hiring staff or unforeseen circumstances were involved.

Considering lowering interest rates - to ensure that they were at least competitive with (if not lower than) those of traditional investment providers.

If an organisation was struggling with repayments, it could be that the investment was not large enough to help them implement the activities they wanted to implement. As such, **instead of withholding additional investment, the providers should attempt to gain a full picture of the situation and consider whether additional investment would be appropriate** to help them move closer to their goals.

However, a couple of participants noted that despite receiving reassurance and being aware of the patient schedules, entrepreneurs can feel a lot of inner pressure to drive repayments, which can in turn drive inner 'existential' conflict within an enterprise - having to balance driving profits for repayment and delivering on social mission.

Suggestions for improvement included:

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The interviews also touched on wider societal issues that can hinder ethnic minority social entrepreneurs when developing a social enterprise and considering investment. In terms of processes, the use of convoluted, jargonistic language across websites and application forms was a key barrier. This lack of clarity creates further opportunities for misinterpretation, with some noting that cultural background or specific personal circumstances can affect how information is interpreted.

Blanket ways of determining success (for example, based solely on turnover or length of trading) constituted another issue, alongside the level of finance available. Whilst some felt that the limited finance pots were restricting the impact that social enterprises could deliver, others highlighted that there tends to be more finance available outside of Scotland or for traditional for-profit businesses.

The erosion of trust and relationships between ethnic minority social entrepreneurs and finance providers was the strongest prevailing theme across most of the interviews. Participants shared that ethnic minority social entrepreneurs may feel like social investment is not 'for them' or that the processes would be too complex for them to engage in. There was also a feeling that investors would not have the ability to understand innovative ideas born out of the needs of ethnic minority or younger generation entrepreneurs. Most often, this was attributed to a lack of diversity within investment communities, driving unconscious bias in decision making. Several participants noted that this meant ethnic minority social entrepreneurs had to over-explain what they were trying to do and still be asked for more evidence than a non-ethnic minority entrepreneur would. It

is worth noting that this feeling was also shared by those who were born in Scotland, thus identifying as Scottish and their ethnic minority background. These individuals expressed frustration at being 'othered' by support providers, instead of receiving fair treatment. Two participants also shared examples of ethnic minority-led social enterprises which had decided to have non-ethnic minority individuals as their main spokespeople or representatives in wider circles. To add to this, one interviewee shared that attempts to challenge these biases were often met with over-defensive behaviours. Once entrepreneurs felt like they were not trusted and listened to as well as others, that made them, in turn, distrust the organisations they engaged with. This erosion of trust can cause reputational damage to investors which then trickles down within communities.

Intersectionality also played a big role, with some participants noting that there is an additional set of very particular challenges for women entrepreneurs from ethnic minority backgrounds.

Whilst some of these challenges related to how they were perceived by support or finance providers, other challenges stemmed from the cultural behaviours and expectations of the communities they were in, with lack of recognition or appreciation being mentioned.

Whilst some spoke about a lack of financial education that limits the ability of entrepreneurs to drive financially sustainable income streams, others felt that self-limiting beliefs had a role to play too. Finally, one participant also called for nurturing more circular approaches to entrepreneurship, where those receiving support are expected to give something back later down the line to other up-and-coming entrepreneurs, to ensure that expertise and knowledge is being passed on.

Barriers

Citizenship Status

It was identified that respondent ethnic social entrepreneurs living in Scotland without citizenship face a notable barrier due to the lack of a social enterprise pipeline or an incubator program specifically tailored to their needs. Here are some key insights from the interview results that shed light on this barrier:

- **Limited Tailored Support:** The existing frameworks and tools in Scotland are not always tailored to the unique challenges faced by social enterprises led by individuals without citizenship. This lack of customization can hinder these entrepreneurs from receiving the specific guidance and assistance they require to navigate the complexities of the investment landscape.
- **Need for Specialized Business Support:** Entrepreneurs without citizenship require specialized business support that caters to their unique circumstances, including legal considerations, visa requirements, and cultural sensitivities. Without a designated pipeline or program that addresses these specific needs, these entrepreneurs may find it challenging to access the necessary guidance and resources to thrive in the competitive business environment.

Limited Awareness	Ethnic minority social entrepreneurs may not be aware of the range of financial support options available to them, leading them to focus on grant funding as a more accessible option.
Complexity of Support	The complex support systems in Scotland may be difficult for ethnic minority social entrepreneurs to navigate, making grant funding a more accessible option.
Lack of Trust in Institutions	Ethnic minority social entrepreneurs may have lower trust in support institutions, which could influence their preference for grant funding over other forms of support.
Risk Aversion	Grant funding may be perceived as less risky compared to other forms of financial support, which could contribute to its popularity among ethnic minority social entrepreneurs.
Lack of Information	The barriers to investment faced by ethnic minority social entrepreneurs, such as low levels of awareness of enterprise support programs and complex support systems, may lead them to focus on grant funding as a more accessible option.
Uneven Distribution of Resources	There are concerns about the uneven distribution of entrepreneurial ambitions and fortunes across social groups in rural areas, with ethnic minorities facing disparities in participation and success rates in entrepreneurship.
Limited Understanding	Investors do not fully understand the needs and challenges faced by ethnic minority social entrepreneurs, leading to ineffective support.
Ineffective Support	As a result of limited open communication, investors are not be able to tailor their support to the specific needs of ethnic minority social entrepreneurs, potentially limiting the impact of their efforts.
Fear of Rejection	Ethnic minority social entrepreneurs fear rejection or inadequate support, leading to a lack of engagement with investors.
Lack of Networking	Misconception of having a business plan rather than reaching out to investment manager to establish a relationship.

Recommendations

Strategic Awareness Campaign

In pursuit of fostering an inclusive financial landscape, a comprehensive Strategic Awareness Campaign should be initiated. This multifaceted initiative will aim to elevate awareness surrounding a spectrum of investment products tailored to distinct business stages. To fortify this endeavour:

- Strategic collaborations should be forged with community organisations and enterprise support groups deeply rooted in ethnic minority communities. Central to this campaign is the cultivation of trust through meaningful engagement between funders and the ethnic minority community. This integrated approach will seek to not only inform but also to establish enduring connections and partnerships vital for an equitable financial ecosystem.
- Elevate awareness surrounding a spectrum of investment.
- Outreach for establishing social enterprises. This can be done by partnering with grassroots community groups for a series of workshops (include financial compensation to the groups towards admin, organising people for outreach).

Funding Accessibility

- It is recommended that specialised early-stage funding mechanisms are implemented, facilitating entrepreneurs in swift evaluation and validation of their innovative ideas, coupled with transparent accountability frameworks. This initiative could be realised through the introduction of dedicated funding streams explicitly designed for ethnic minorities. An integral aspect of this proposition involves the provision of a start-up programme tied to grants,

ranging between £500 and £8,000, specifically allocated for the meticulous testing of entrepreneurial concepts, thereby setting defined timelines for idea validation. Hatch Enterprise offers support programmes for testing whether a business is a hobby, side hustle or a business with long term possibilities.

- Further financial commitment could be contingent upon the demonstrable achievement of impactful outcomes. This strategic approach is poised to significantly enhance the accessibility and effectiveness of social investment within the ethnic minority entrepreneurial landscape.
- A funding catalogue detailing specific investment for ethnic minority support to inform ethnic minority value of funding available at each stage of their growth.

Streamlined Application Process

Efforts to streamline eligibility and the application process are crucial for fostering inclusivity in the social investment landscape. Simplifying and diversifying the application process, including options such as video submissions, will cater to varied preferences and capacities. Implementing anonymous application processes is vital for mitigating biases and ensuring fair evaluation. Additionally, committing to transparent and comprehensive feedback, coupled with a structured follow-up mechanism, will contribute to building trust and accountability in the application process.

Disruptive Ecosystems Initiative

Implementing disruptive initiatives within the entrepreneurial ecosystem is essential to catalyse meaningful change. Tailoring bespoke business support programs specifically for ethnic minority

entrepreneurs ensures targeted assistance that seamlessly integrates with the broader entrepreneurial landscape. By fostering collaborative efforts among support organisations, a cohesive and streamlined approach can be achieved. Additionally, encouraging, and empowering ethnic minority entrepreneurial support organisations to include grant-funding capabilities enhances their capacity to contribute significantly.

Networking

- A networking platform and ethnic minority social entrepreneur networking events are suggested to improve business support, particularly at the pre and start-up stages of development. This is aimed to reduce the geographical isolation faced by some social enterprises and increase knowledge exchange.
- Suggested support for start-ups should include more mentoring, guiding and peer support to facilitate the development of ethnic minority led social enterprise business site as well as acknowledgement of the personal commitments required when setting up and running a business. The campaign should actively promote networking opportunities, fostering collaborations between seasoned entrepreneurs and those embarking on their entrepreneurial journey.

Segmentation of Support

A strategic approach to supporting through microloans provided at different stages rather than as lump sums is recommended. By breaking down the financial support into smaller, manageable portions, it can enhance accountability as entrepreneurs are required to demonstrate progress to access subsequent funds. This approach can also improve the credibility of social

entrepreneurs by showcasing their ability to effectively utilize resources and achieve milestones incrementally. Overall, implementing microloans in stages could be a practical and effective way to support the growth and sustainability of ethnic minority social enterprises. The following framework is designed for investors to follow:

- Target of existing communities with specific funding opportunities both urban and rural.
- Assigning of consultants to offer support with application process.
- Applications screening which would encompass matching application to funding and support opportunities even if not selected.
- Feedback. Giving feedback to all applicants (both successful and unsuccessful)
- Necessary support given to successful applicants on streaming proposals to meet necessary KPIs.
- Application submitted for review by the funding committee.
- Funding plus support in form of training that would cover key subject areas.
- Engagement in relational infrastructure network activities.
- Developing case for support.
- Monitor progress and support.

Collecting Data

It is suggested that a census be carried out on social enterprises that are founded and led by ethnic minorities which will provide data for tailored support. This would constitute a strategic approach that will yield valuable insights. By gathering specific information through a census, organizations and policymakers can better understand the landscape of social enterprises within ethnic minority communities. This data can then be used to tailor support programs, address specific needs, and allocate resources

effectively. Conducting a census can enhance the visibility of these enterprises, identify areas for growth and improvement, and ultimately contribute to fostering a more inclusive and supportive environment for ethnic minority social entrepreneurs in Scotland.

Migration Support

Entrepreneurs living in Scotland without citizenship should be supported to navigate the world of investment by engaging with various legal and advisory bodies that offer support and guidance tailored to their needs. By leveraging these resources and support systems, entrepreneurs in Scotland without citizenship can access valuable assistance in navigating investment opportunities and overcoming barriers to their enterprises.

Diversity and Bias Check-Ins

- Support panels by offering bias training
- Continual Bias check for programme managers and funding panels.
- Invite Ethnic Minority leaders to funding panels

Further Research and Collaboration

We suggest a follow up report to see what changes have been made in the ecosystem following on from Access 2023/2024 report. This is to conduct a comprehensive follow-up assessment to track the implementation and impact of initiatives outlined in the Access 2023/2024 report across various sectors. This follow-up report should focus on evaluating

the effectiveness of strategies, identifying areas of improvement, and measuring the overall progress made in enhancing accessibility, education, healthcare, and other relevant domains. By monitoring and analysing these changes, stakeholders can gain valuable insights to inform future decision-making and ensure continuous advancement towards a more inclusive and accessible ecosystem. The report was limited to Ethnic Minority Social Entrepreneurs. However, a further report would be recommended to research overall experience of Ethnic Minority entrepreneurs accessing finance. A few Social Entrepreneurs mentioned negative experiences with banks, expanding scope to investigate what banks are doing. A study should be conducted to include rural communities.

Conclusion

While Scotland aspires to cultivate an entrepreneurial nation, there exists a palpable risk of losing invaluable talents within the ethnic minority social entrepreneurial sector to other regions. The recommendations put forth herein provide a holistic and urgent framework for addressing prevailing gaps, thereby fostering an inclusive and equitable social investment landscape. It is imperative to proactively implement these measures to ensure Scotland retains and harnesses the full spectrum of entrepreneurial potential within its diverse communities.

Acknowledgements

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<https://youtu.be/zEq6742Zggc?si=T9KHpqS1DYVgTGWD>

“As a black entrepreneur, I am best telling my story, like wise someone from my community will have a better understanding of my story. It is time our white counterparts stop telling our story or try to understand and interpret our challenges. Immigration is a major barrier that is limiting access, but for someone who is not in our shoes they have no idea of why immigration should be a barrier. I will strongly suggest that black lead organisation like Dechomai can be part of those making decisions for access. Or Access can be channel through Dechomai. Bayile is a voice for a lot of us, I am not just speaking for myself, I am speaking on behalf of hundreds of Black female entrepreneurs. If we have a voice where decision is being made, then a lot of us will not be dealing with rejection. They need to trust us and believe in us, not just saying it on the news but actually put it into practise.”

- Ibitola Amao Olabamiji

“I will add that this research is the start of more valuable research in the future. Thank you, Dechomai, for paving the way for Black, Asian and multi-ethnic minority entrepreneurs to be counted, valued and catered for in the Scottish ecosystem (planet).”

- Viana Maya of pRESPECT

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