

**How SME owners' characteristics influences external advice and access to finance****Dr Jonathan Scott, Research Fellow, Aston University**

Aston Business School, Aston Triangle, Birmingham B4 7ET

Tel: +44 121 204 3287 Email: [j.m.scott@aston.ac.uk](mailto:j.m.scott@aston.ac.uk)Website: <http://www.abs.aston.ac.uk>**David Irwin, Irwin Grayson Associates**

**Objectives:** This paper aims to investigate the linkage between the use of external advice and access to finance for small and medium-sized enterprises (SMEs) in the UK, with particular consideration of differences in personal characteristics: gender, ethnicity and education.

**Prior work:** There is little evidence on gender, ethnic and educational differentials in obtaining external advice, with the exception of a paper by Barrett (1995) comparing the use of external advice by men and women. In the UK an extensive programme of research into the use of external advice has been undertaken, primarily by Robert Bennett and Paul Robson drawing from the Cambridge Centre for Business Research survey of SMEs in manufacturing and business services. A large number of other articles investigate business advice, but few attempt to make comparisons by personal characteristics.

**Approach:** The approach adopted for the research is a telephone survey conducted by the Barclays small business research team in late 2005 on behalf of the authors. These data are quantitative in nature and involve a large sample of 400 SMEs with specific questions analysed by gender, ethnicity and education level. The approach adopted is robust and empirically sound and is a long established research methodology.

**Results:** We find that there appears to be a correlation between the provision of external advice and the ability to raise bank finance. Furthermore, there are clear gender, ethnic and educational differentials in the use of particular sources of advice which are explored in detail in the paper.

**Implications:** The study is of much relevance to policy-makers and providers of external advice (whether private sector or Government backed sources of advice) in that it provides insight into differences by personal characteristics, and secondly into the correlation between business advice and accessing finance.

**Value:** The paper is the first that compares sources of external advice by gender, ethnicity and educational level and is therefore a major contribution to the already highly-developed literature on external business advice.

**Keywords:** external advice, access to finance, SMEs, gender, ethnicity, education

## 1. Introduction

This paper aims to investigate the linkage between the use of external advice and access to finance for small and medium-sized enterprises (SMEs) in the UK, with particular consideration of gender, ethnic and educational differences in these firms.

There is little evidence on gender, ethnic and educational differentials in obtaining external advice, with the exception of a paper by Barrett (1995) comparing the use of external advice by men and women. In the UK an extensive programme of research into the use of external advice has been undertaken, primarily by Robert Bennett and Paul Robson drawing from the Cambridge Centre for Business Research survey of SMEs in manufacturing and business services. A large number of other articles investigate business advice, but few attempt to make comparisons by personal characteristics.

In terms of theoretically positioning, this study draws upon the Bennett and Robson (2004) 'trust' element of business advice and also upon the market failure approach to providing business support. It is clear that provision of business advice by Governments is often predicated on the 'market failure' interventionist paradigm (Atherton *et al* 2002; Mole and Bramley 2006). Mole and Bramley also identify a policy-choice hierarchy with issues around delivery, type, rationing and funding. To be specific, Atherton *et al* (2002) examined the role of business support services in addressing market failure:

"market failures can serve as a useful framework for developing rationales for the provision of public business support services to SMEs. Specific market failures relating to information and advice services, as analysed in this report, can be identified and considered in terms of their implications for SME development and support. The application of market failures concepts to the development of rationales for public intervention ensures that such intervention occurs only if there is no adverse impact on private sector activity, in this case the provision of commercial information and advice services." (ibid: 34-35)

The other theory that influences this study is that of Kon and Storey's (2003) theory of 'discouraged borrowers', that is, in that there are cases of potential borrowers from banks who may offer perfectly reasonable business proposals but who "do not apply for a bank loan because they feel they will be rejected." (and more recently considered in studies such as Roper and Scott, 2007, and Brooksbank *et al*, 2007 (gender) and Fraser, 2007 (ethnicity)). We would posit that trust, as described by Bennett and Robson (1999a) – and further developed in Bennett and Robson (2004) – leads to a situation in which there are "discouraged advisees." In this case, we argue that it may be that owner-managers do not approach particular sources of external advice since they are not confident, and do not trust the advisers, to provide useful information. Clearly, organisations such as Business Link have suffered from a 'trust deficit', which is slowly being ameliorated (although with some evidence from Bennett and Robson (2003) that there has, in fact, been a decline in the usage of Business Link between 1997 and 1999). Most recent evidence, however, suggests considerable improvements in Business Link.

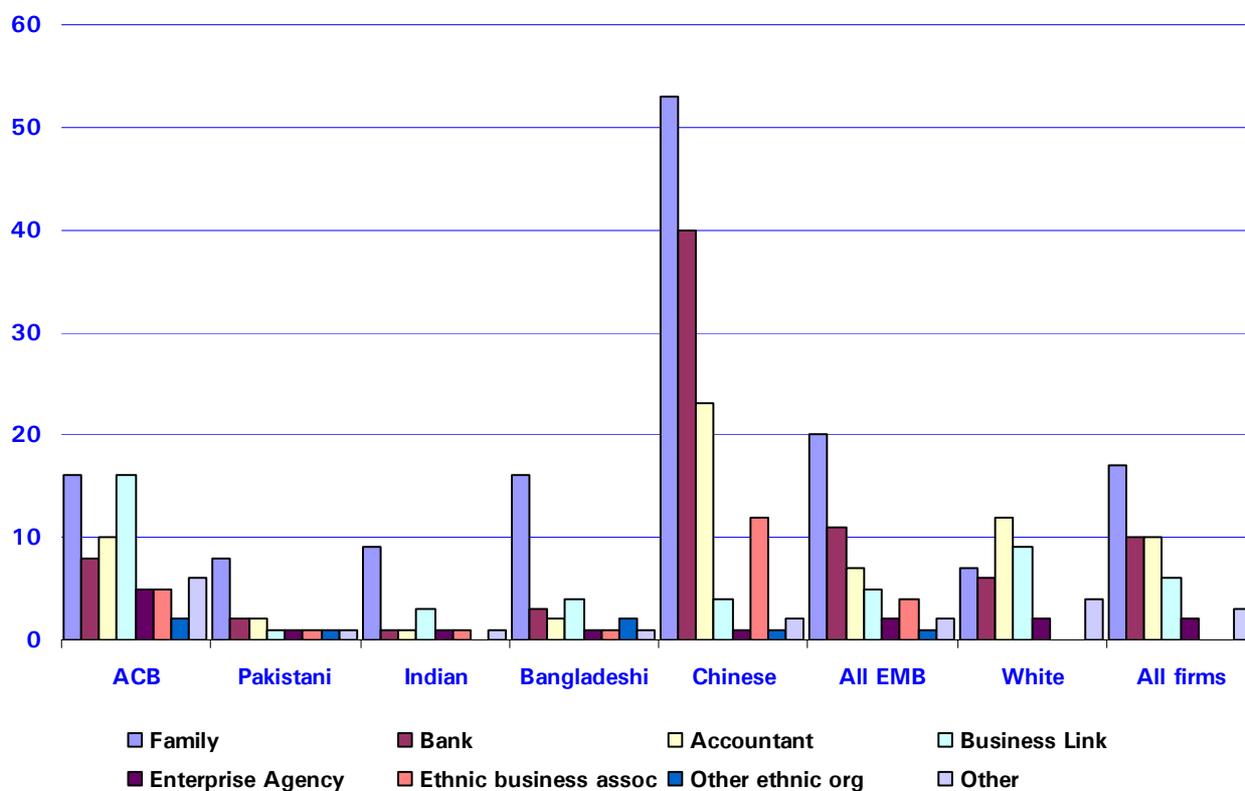
Next, in Section 2, we review the relevant literature. Section 3 comprises a brief methodology, Section 4 an analysis of the results, and Section 5 offers some conclusions.

## 2. Literature review

As we stated above, there is little evidence on gender, ethnic and educational differentials in obtaining external advice, although there are several articles from the UK, Australia which explore this subject area. However, Read (1998) in her comparison of UK men and women business owners' access to bank finance found that 40% of women and 15% of men had "asked the bank for advice on running their business." Moreover, she found that "neither the female nor the male business owners used their banks as a source of advice on a frequent basis and the majority of both male and female entrepreneurs were of the same opinion that the banks do not understand small business." Barrett (1995) found that men were more likely than women to use advice from customers, investors, lenders, strategic partners, management team and paid professionals (e.g. lawyers) – whereas there were no gender differences for suppliers, professional acquaintances and family and friends. However, in contrast she reported that women actually found investors, suppliers, management team and business acquaintances *more useful* than men did (Barrett 1995).

Elsewhere, Ram et al (2002) in Figure 1 below found that ethnic minority businesses were much more likely to access external start-up advice from family, with African Caribbeans and Chinese also having quite high access to banks and accountants for their start up advice. The “business support gap” has certainly been recognised, particularly when such data was available since 2002, though it is not clear to what extent improvements have been made nationally. Dhaliwal and Aldcroft (2005) have suggested that business support providers need to understand the distinct differences between ethnic minority businesses (in this case, Asian firms) and white owned businesses, for example “consideration of alternative methods of promotion and support, perhaps through ethnic or socio-cultural characteristics.” Elsewhere, Fallon and Brown (2004) have undertaken a case study of a specific Asian business support agency in Birmingham and they argue strongly for the replication of this model elsewhere in order to ensure that the demand for support and advice amongst BME communities is being met. Earlier, Oc and Tiesdall (1999) explored targeted BME business support in City Challenge areas and identified some key “lessons for business support agencies serving ethnic minority groups are: first, the need to be demonstrably sensitive to ethnic minority business needs, problems and opportunities; secondly, the need to be sufficiently aware of the diversity of ethnic minority business in order to provide appropriate and targeted business support and, thirdly, the need to have credibility in the eyes of ethnic minority businesses.” It is not clear, though, with the notable exception of the Birmingham Chamber-run Business Link Birmingham & Solihull (now part of West Midlands Business Link) and some other examples,<sup>1</sup> whether business support providers and policy-makers have heeded these lessons. Prowess (2005) emphasises the importance of business advice (and support) having the ‘F’ factor, i.e. being tailored to the differing needs of women and avoiding a ‘one size fits all’ approach. One way of providing more tailored support from professionals, of course, is for many ethnic minority owned firms and women entrepreneurs to use accountants who are themselves BME or women (see Ram and Carter 2003; Marlow and Carter 2004).

**Figure 1: Sources of external advice at start-up 2000**

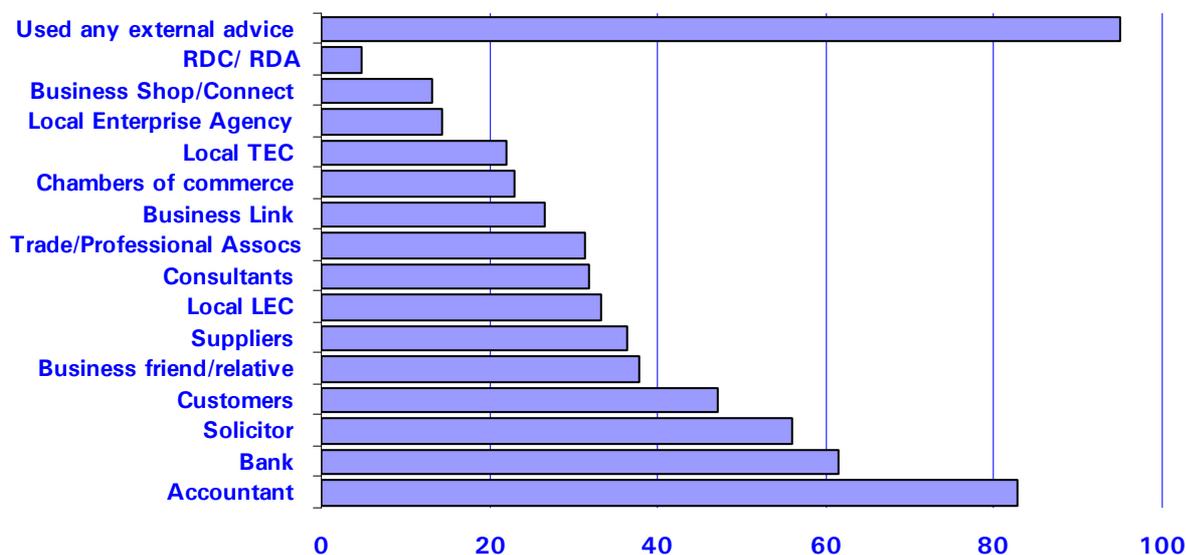


Source: Ram et al, 2002

<sup>1</sup> See Ram and Jones (2006), Ram and Smallbone (2003) and Deakins *et al* (2003), Ram and Patton (2003) and more recently Scott (2007) for further discussion.

In the UK an extensive programme of research into the use of external advice has been undertaken, primarily by Robert Bennett and Paul Robson drawing from the Cambridge Centre for Business Research survey of SMEs in manufacturing and business services (Bennett and Robson 1999a, b; 2000; 2003; 2004; Bennett *et al* 2000a, b; Robson and Bennett 2000), but there have been some notable international studies. A strong theoretical element of their work has been that of *trust* and, indeed, they have drawn a distinction between those sources of external advice which are trusted to a greater extent ('accountants, lawyers ..., customers, suppliers and business friends') and those which are less trusted, i.e. Government funded advice and business associations, with 27% of SMEs in their sample reporting Business Link (Bennett and Robson 1999a). Their results are shown in Figure 2 and are broadly supported by previous studies in the UK although there are significant variations in the usage of different sources in each study. Bennett and Robson (1999b), however, draw upon the theory of interaction intensity and find that interactions between sources of external advice and SMEs essentially intensified the lower the level of trust due to information asymmetries. Their research was developed further in Robson and Bennett (2000a) in which they found that: "size of firm, rate of growth and innovation appear to be the main variables influencing the likelihood of firms seeking external advice" (*ibid*: 1675). Latterly, it transpires that there have not actually been significant increases in the usage of external business advice between the 1991 and 1997 period, but with evidence of a reduction in its usage, and in particular of Business Link, by 1999 (Bennett and Robson 2003). The importance of trust within the relationship between SME owner-managers and external sources of advice is reaffirmed, and developed, by Bennett and Robson (2004) and concluded that 'social networks and family' provide sources of advice which are 'based exclusively on relational exchange, governed uniformly by trust relations, have no charges or fees, and make no use of legal contract controls' (*ibid*: 484). Other papers point to the critical importance of accessibility of external advice sources (Bennett *et al*, 2000a) and the local context of Business Links (Bennett *et al*, 2000b).

**Figure 2: Sources of advice**



Source: Bennett and Robson (1999a)

Bennett and Robson (1999a) also find multiple sources of advice, particularly the combination of 'accountants along with solicitors and/or banks'. Basu (1998) found that,

"The Asian entrepreneurs who rapidly expanded their businesses invested their personal savings at start-up, relied on their family and friends for advice ... These results imply that Asian entrepreneurs aspiring to grow need to advance beyond the traditional reliance on informal support networks for finance and labour. Formal institutions could play a catalytic role by offering long-term debt or equity finance, encouraging investment in employee training, and providing appropriate training schemes by understanding their needs." (Basu, 1998: 325).

Fraser (2007) more recently examined different types of advice used by businesses and how these differ by ethnicity, but there was not surprisingly no attempt to correlate types of advice with success or failure in obtaining external finance. It is worth highlighting some of Fraser's findings here with regard to ethnic differentials in sources of advice at start up. 16% of Indians relied upon bank managers and 16% used accountants, but 60% had no sources of advice – compared to between 30 and 35% for all other ethnic groups (suggesting prior business experience for Indians, e.g. in family businesses, or high levels of education). 36.7% of Pakistanis and 32.8% of Bangladeshis used friends and business associates compared to only 2.1% of Indians in the sample. Nearly a quarter of Black Caribbeans used Business Link and 11.1% used friends and business associates, whilst 22.2% of Black Africans used the latter source (and 14.4% used bank managers). 16.5% of white-owned startups used bank managers, 11.4% used accountants and 9.6% used friends and business associates.

Deakins *et al* (1998) examine the process for providing mentoring support to entrepreneurs in new firms and found that mentoring had a positive effect and, in particular, has implications for enhancing firm survival rates. Indeed, evidence elsewhere suggests that the provision of advice, in particular, can lead to firms surviving: "entrepreneurs who gained knowledge and ability during the founding process" (Gartner *et al* 1999). Another perspective is that formal 'pre-start' business planning enhances the prospect of business survival (Castrogiovanni 1996). Dyer and Ross (2007) suggest that "advisors and owners have disparate world-views" but emphasise the importance of a long-established relationship – we suggest that those between entrepreneurs and their banks and accountants as opposed to newer relationships such as with Business Link advisers – and indeed the relationship is affected by a number of factors, such as the age of the business and the experience of both the owner-manager and adviser, and will affect the likelihood to seek alternative sources of advice. Edwards *et al* (2006), meanwhile, suggest that firms do not tend to use business advisers within local networks, for example, for "business planning and change management".

There is some evidence that entrepreneurs consider the relationship and advice provision of banks to be highly positive (Haines *et al* 1990). Tan (2007) found that SMEs: "agree more with the conservative advice given by tax practitioners ... [and] also agree, although less strongly, with aggressive advice from their practitioners ... there is a tendency for those who disagree with their practitioner's advice to terminate their service, although there is no clear evidence to indicate that this only occurs when their desire for conservative advice is not met."

Stanger *et al* (2002) suggest that an understanding of gender differences in various factors<sup>2</sup> can be used to inform how, "help and advice of accountants and other assistance providers may be influenced by these gender differences." Gooderham *et al* (2004) build upon the importance of "quality, rather than the longevity," of the relationship between owner-managers and advisers (in this case accountants) in order to understand the extent to which accountants are used. Quality is defined by Gooderham *et al* as the level of 'satisfaction' with the advice and services provided by accountants.

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<sup>2</sup> Specifically, "age, education and experience; motivations, values and risktaking; business and financial planning; financing; training and business assistance needs; networks and mentoring; and legal issues" (Stanger *et al* 2002).

In this regard, two reports commissioned and published by the Association of Certified Chartered Accountants (ACCA) are highly relevant. Berry (2006) used a survey of 1,004 firms to explore SME-banker/accountant relationships and in particular the importance of accountants in the provision of business advice in Germany, Hong Kong, Spain, UK and the USA (and thus 'the effects of structural differences in the accounting profession and an indication of the potential impact of the separation of the audit, tax, preparation of accounts and advice functions on the future relationships between SMEs and their accountants'). Berry (2006) found, as supported by much other evidence, banks to be the major finance source for the surveyed SMEs but not as much in the UK as in other countries. In addition, he identified the accountants, lawyers and banks as the major external advice providers (which again is supported by the other literature). Perhaps the most powerful findings of Berry (2006)'s study is on the role of accountants in providing advice to SME owner-managers, in that their main role is 'tax, audit and accounts preparation work', whilst they identify that advice on finance is provided to no more than 40% of SMEs. Blackburn and Eadson (2006) also provide evidence on how, in both the UK and Canada, "SMEs use accountants more than any other single source as their main provider of advice in relation to dealing with their regulatory obligations."

A number of studies focus more specifically upon the Government sponsored sources of external advice, such as Business Link (Bennett and Robson 2000; Bennett *et al* 2001). There has been a longstanding academic debate about the role and effectiveness of Business Link, for example in the exchange in the *Regional Studies* journal between Hutchinson *et al* (1996) and Bryson *et al* (1997). The impact of external advice upon SMEs has been examined in a number of studies (for example, Robson and Bennett 1999a) Elsewhere, Mole (2002: 156) argues that business advisers from Business Links simply do not have the 'professional kudos' and, indeed, impact of accountants and solicitors due to the "contractual basis of their relationships". More recently, Mole *et al* (2006)'s national evaluation of the economic impact of Business Link concluded that: "the profile of assisted firms differs significantly between the different types of assistance. In particular, firms differ on the strategic choices that they make to develop their business.

Additionally, the types of Business Link Organisations make a difference to the outcomes from Business Link advice." Nationally, also the Business Link organisations have changed in that the regional development agencies (RDAs) have taken over their contracts and they have been amalgamated into regional Business Links e.g. West Midlands BL, BLNE (North East) etc.

In Scotland a study of business advice and mentoring for start up (Deakins *et al* 2000) identified a number of impacts of such support, for example in making clients more focused on objectives; to have a greater use of business planning; to focus on profitability as opposed to sales turnover/cash; and being "able to learn to manage their businesses and to cope with change" (p165). Mole and McLaughlin (2006) found that: "effective meetings are those in which advisers share more of the conversation and ask questions that are of a better quality. The variety of clients means that we have to show both the context of client and adviser and their respective ways of interacting." Elsewhere, we are told that, "Lack of experience may lead to differences in the financing patterns, as business owners with less experience may be assumed to be unaware of the way in which they can acquire financial capital and whom they can contact for help and advice." (Arenius and Autio 2006: 95). The venture capital literature does indicate a connection between obtaining external advice and obtaining equity finance, in particular Hustedde and Pulver (1992) found a correlation between not seeking advice and failing to obtain equity-based finance. However, there is little else in the literature that even remotely ties together advice and success in accessing finance (and certainly not by gender).

### 2.1 A summary of the literature – what does it actually tell us?

In summary, we have aimed to give a rather broad review of the literature in relation to business advice and this provides a number of pointers:

- We find little evidence on gender and ethnic differentials in obtaining external advice, although there are several articles from the UK, Australia which explore this subject area.
- There appear to be clear market failures in the *business support*<sup>3</sup> provided to both women and ethnic minorities (for example, Ram et al 2002; Dhaliwal and Aldcroft 2005; Oc and Tiesdall (1999); Prowess (2005). Ultimately, these market failures have very much to do with a lack of trust (Bennett and Robson 1999a) and thus a situation of discouraged advisees (cf Kon and Storey 2003).
- Moreover, there are a number of studies specifically examining advice from banks (Haines et al 1990), accountants (Tan 2007; Stanger *et al* 2002; Gooderham et al 2004; Berry 2006; Blackburn and Eadson 2006) and Government backed sources (Bennett and Robson 2000; Bennett *et al* 2001; Mole 2002; Mole *et al* 2006; Deakins et al 2000).
- The relationship between advisers and advisees is further explored by Mole and McLaughlin (2006), whilst Hustedde and Pulver (1992) is unique in the literature in that they found a correlation between not seeking advice and failing to obtain equity-based finance.
- However, there is little else in the literature that even remotely ties together advice and success in accessing finance (and certainly not by personal characteristics).

Consequently, as our methodology explored, we had a key research question in our analysis of a pre-existing dataset – as well as what sources of external advice are used by gender, ethnicity and education, is there any correlation between the use of external advice and the ability to obtain finance for the business?

In the conclusion to this paper we return to the literature in a rather more focused manner, but broadly we base our theoretical underpinning upon the literature identified in the second paragraph of our introduction: Bennett and Robson (2004) on 'trust' in business advice used to modify Kon and Storey's (2003) theory of 'discouraged borrowers', as "discouraged advisees"; and the 'market failure' interventionist paradigm (Atherton *et al* 2002; Mole and Bramley 2006).

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<sup>3</sup> Although traditionally referring to market failures affecting businesses, there can also be market failures within the market of providing business support and advice. If we were being cynical, we would suggest that such organisations have little hope of addressing private sector market failures if they are a case of market failure themselves! However, we would not dream of making such a suggestion.

Methodology

The authors prepared a number of research questions, which were codified and incorporated into a telephone survey, intended to differentiate by gender, ethnic group and education the level of difficulties raising finance, the sources used to fund business and the impact on the business of difficulties raising finance. The sample population was extracted from a census of Barclays Bank customers across the UK who were under 12 months old and had been recruited as start ups. In other words, they had a business account, but not necessarily a loan. The interviewers then sourced 400 participants from this larger list at random based on willingness to take part. The only exclusions were clubs, charities and societies. The only limitation was that the firms were still active in the month before the date of interview. The interviews were undertaken by the Barclays Telephone Research Unit, in September 2005, using standard Computer Aided Telephone Interview (CATI) techniques and operated on Market Research Society Guidelines. The results are collected wholly independently from Barclays Bank. The authors were provided with an anonymised Statistical Package for Social Sciences (SPSS) data set containing the responses from all 400 firms. They analysed the data using descriptive statistics and cross-tabulations, which were converted into graphs, to produce the results. The sample was large and varied enough to provide solid evidence of differences by personal characteristics.

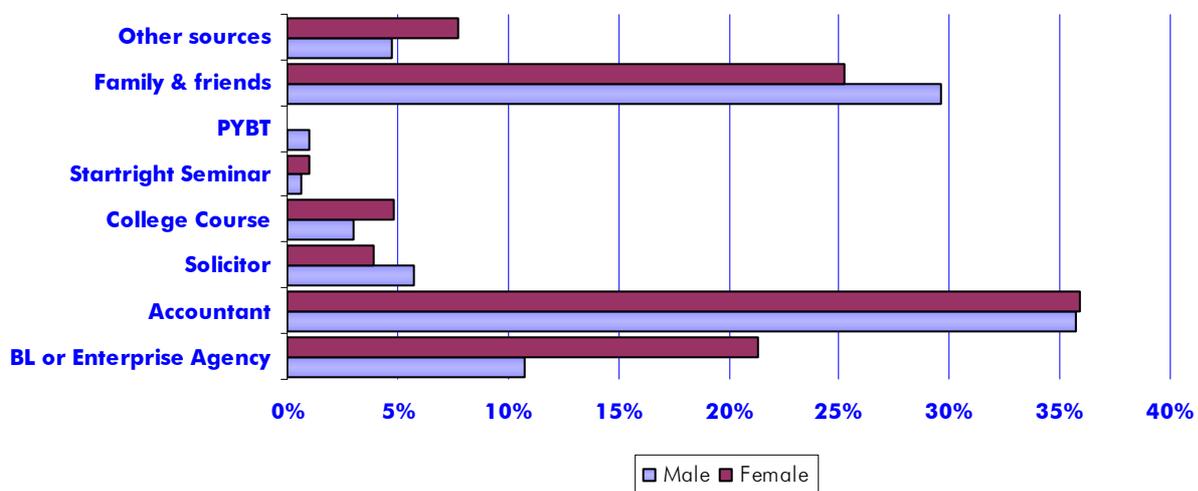
3. Results

4.1 What are the differences in sources of external advice by personal characteristics?

Figures 3, 4 and 5 provide an outline of the variety of sources of advice used by respondents subdivided by gender, ethnic group and education. First, it is clear from all of the figures that the primary sources of advice are accountants on around 35 per cent of all respondents and family and friends on somewhere between 25 and 30 per cent. Compared to these two primary sources, only solicitors manages to break the 5% barrier and that is for men only but there are some considerable differences by ethnic group and education when it comes to the choice of source of advice.

The major differences by gender, as Figure 3 illustrates, is that men and women are equally likely to use accountants as sources of advice. However, men are more likely by around 4 percentage points to use family and friends (possibly, as the literature suggests, due to men’s higher level of access to social capital such as business networks) and solicitors. Women, however, are around twice as likely to access external advice from Business Link and Enterprise Agencies. In addition, women are slightly more likely to use college courses as sources of advice.

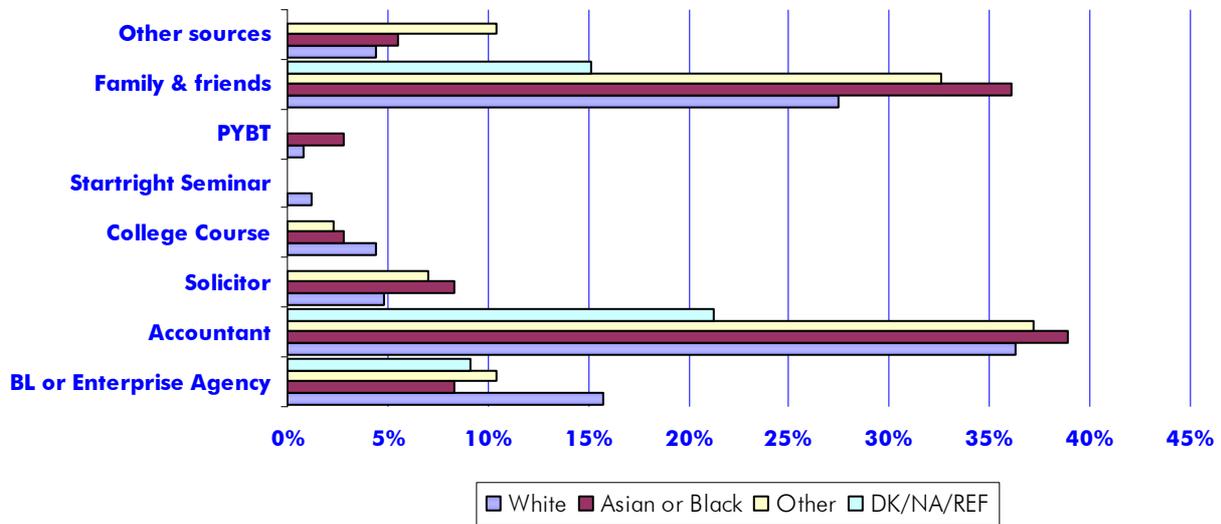
Figure 3: Sources of advice by gender



Source: Barclays Bank research for Irwin & Scott, 2005

Differences in access to advice by ethnicity is quite interesting. Family and friends is a clear leader amongst Asians or black respondents and the other ethnic group, which is also slightly true of accountants and solicitors. This is true of almost every source of advice, except for college courses and Business Link where there is a clear 'lead' for white entrepreneurs.

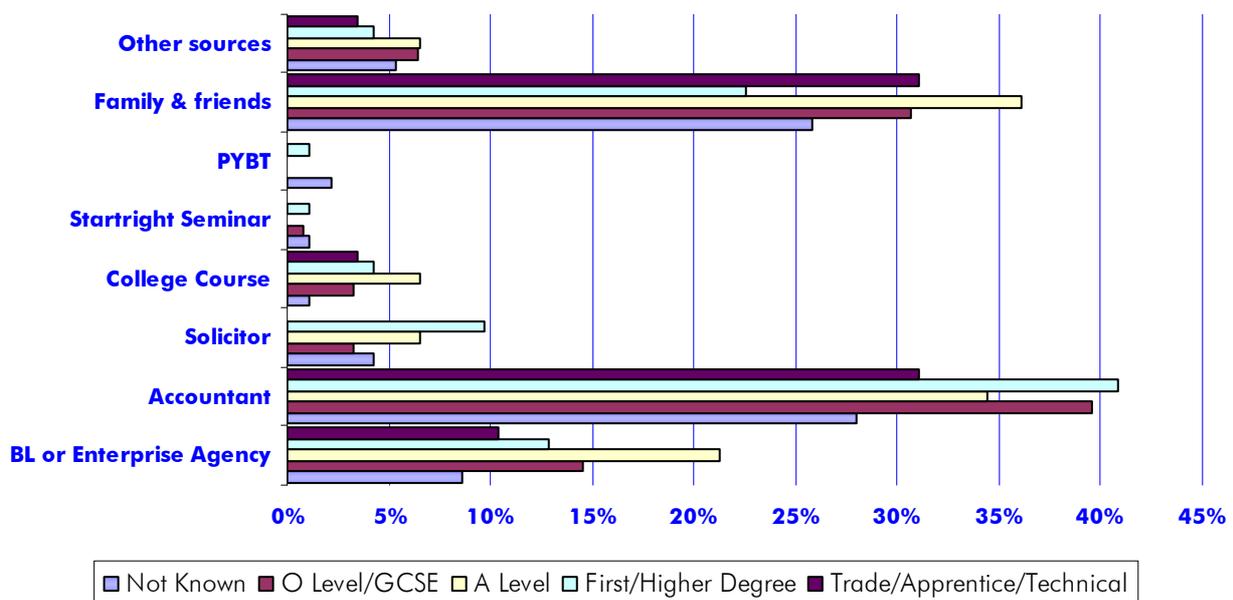
**Figure 4: Sources of advice by ethnicity**



Source: Barclays Bank research for Irwin & Scott, 2005

Variations by education level are quite simply that the graduates are most likely to use solicitors and accountants, whilst they are very low users of advice from family and friends and Business Links/Enterprise Agencies. Those who are educated to A level are the major users of family and friends and Business Link/Enterprise Agencies, whilst those with trade/apprentice/technical qualifications are average users of advice from family and friends and accountants but are amongst the lowest users of Business Link/Enterprise Agency advice. Those respondents who were educated to O level/GCSE, on the other hand, were almost as high as graduates in their use of accountants, and are also major users of Business Link/Enterprise Agencies and family and friends advice.

**Figure 5: Sources of advice by education**

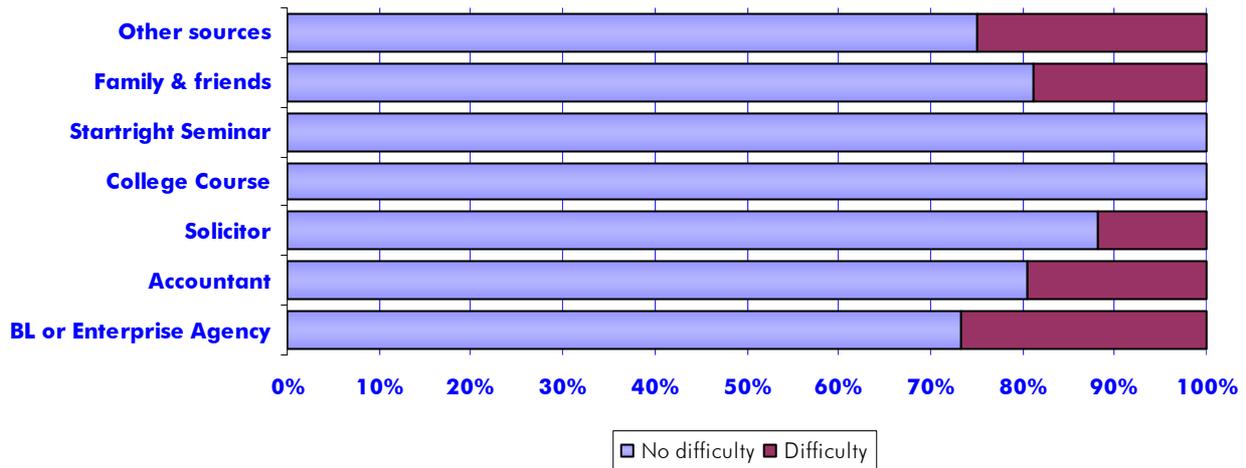


Source: Barclays Bank research for Irwin & Scott, 2005

**4.2 Does using external advice lead to lower levels of financial constraints?**

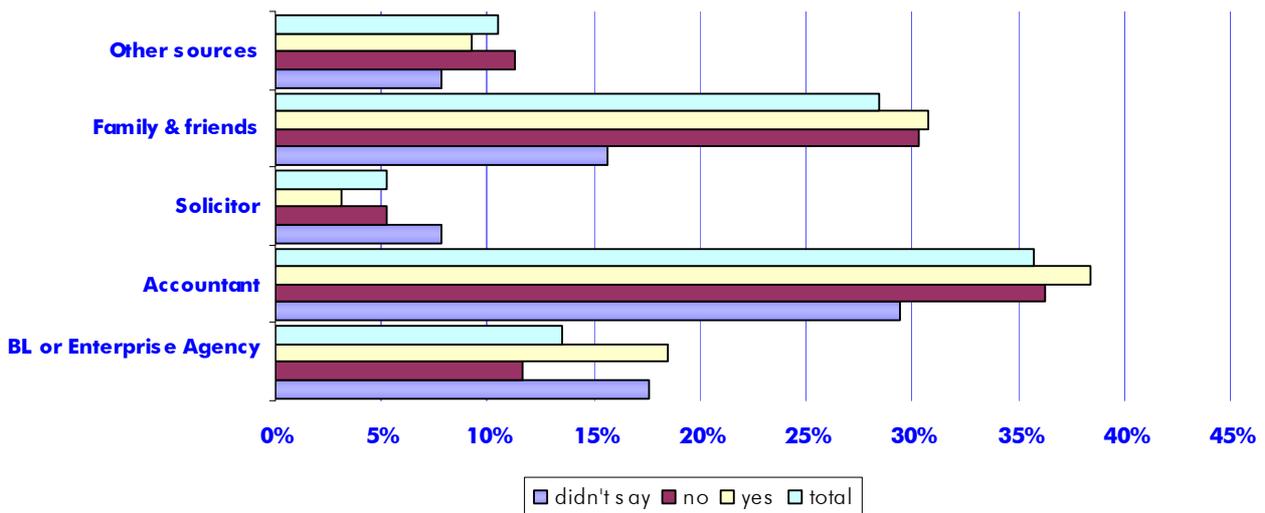
Our second question was whether our data was indicative of lower levels of financial constraints for those firms that were using particular sources of external advice (for an analysis of gender, ethnic and educational differences in finance constraints from the Barclays Bank telephone survey, see Irwin and Scott 2007). Figure 6 reports, for firms that used each of the types of advice shown down the left-hand side, what proportion of them had no difficulty in raising loans and what proportion experienced difficulties in raising finance.

**Figure 6: Difficulty in raising loans**



Source: Barclays Bank research for Irwin & Scott, 2005

**Figure 7: Difficulty in raising loans and specific source of advice used**



Source: Barclays Bank research for Irwin & Scott, 2005

Thus, when we examined the variation between those who used particular sources of advice and experienced or did not experience difficulties raising loans, Figure 6 indicated that those who used advice were more likely to experience no difficulties in raising finance. Though it could be argued that some sources of advice appear to improve the success rate, such as solicitors, family and friends and accountants – whilst Business Links/Enterprise Agency usage are not so successful. Therefore, those sources of advice which Bennett and Robson suggest engender more ‘trust’ amongst entrepreneurs are the very ones which appear to correlate with lower difficulties of accessing finance. We need to be cautious here about assigning causality to the use of sources of external advice, but the strong association suggests that this must be a major factor in reducing finance constraints.

In Figure 7 we have sorted the data into those who *did not say* whether they had a difficulty raising finance (though presumably either they did not need it or they did not have a difficulty, as otherwise they would almost certainly have said) and those who did have a difficulty. We have then produced a chart to show the differences.<sup>4</sup> The chart suggests that there is no real difference in the percentages looking for support. The problem with presenting the figures in this way is that it falls into the trap of suggesting that business advice and support makes no difference to the ability to raise finance. Our problem here, though, is that we do not know what the propositions looked like to start with and we return to this point in the conclusion below.

## 5. Conclusion

At the outset, we said that we aimed to investigate the linkage between the use of external advice and access to finance for small and medium-sized enterprises (SMEs) in the UK, with particular consideration of gender differences (and to a lesser extent, ethnic and educational differences). In so doing, we were drawing from the theoretical positioning of trust in business advice (as explored in the work of Bennett and Robson e.g. 2004), market failures (Atherton et al 2002) and discouragement (Kon and Storey 2003).

Our survey found that accountants are the primary sources of advice (35 per cent) followed by family and friends (25-30 per cent) and that men and women are equally likely to use accountants as sources of advice. However, men are more likely to use family and friends and solicitors, whilst women, however, are around twice as likely to access external advice from Business Link and Enterprise Agencies. Not surprisingly, family and friends is predominant amongst Asians or black respondents and the other ethnic group, which is also slightly true of accountants and solicitors. Ethnic minority respondents were considerably less likely to use Business Link/EAs. Meanwhile, graduates are most likely to use solicitors and accountants, whilst they are very low users of advice from family and friends and Business Links/Enterprise Agencies. O level and A level educated respondents predominate in family and friends and Business Link/EAs.

When we examined the variation between those who used particular sources of advice and experienced or did not experience difficulties raising loans, in all cases those who used advice were more likely to experience no difficulties in raising finance. Those sources of advice which Bennett and Robson suggest engender more ‘trust’ amongst entrepreneurs are the very ones which appear to correlate with lower difficulties of accessing finance.

In conclusion, then, it is clear from our findings that the ‘market’ continues to provide sources of external advice for businesses (principally, accountants and solicitors), and that for both women and men accountants are equally used – and Asians use accountants marginally more than white entrepreneurs. The use of accountants is clearly down to the trust paradigm in external advice suggested by Bennett and Robson (2004). Business Link or Enterprise Agencies are an even more important source of external advice for the women in our sample, but remains stubbornly low for ethnic minority entrepreneurs. Here, we venture to say that, whilst women are most definitely engaging with Government backed sources of external advice, perhaps because they ‘trust’ the advisers, there may be a persistent case of ‘discouraged advisees’ (to adopt Kon and Storey (2003)’s theory of discouraged borrowers) amongst many ethnic minority businesses?

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<sup>4</sup> College course, Startright, PYBT and others are grouped under “other” because the sample size is too small.

In short, many South Asian, black (and other ethnic minority) entrepreneurs simply do not **trust** these agencies to provide meaningful advice and are thus **discouraged advisees** because they do not seek advice because they think they will either be discriminated against or provided unsuitable advice by people who do not really understand their business? Finally, and continuing our foray into the theoretical underpinnings for this paper, to what extent are the Government backed sources of advice therefore intervening to prevent **market failures** (see Atherton et al 2002) if they are failing to provide advice to sufficient numbers of ethnic minority businesses who still do not trust them or think they will receive meaningful advice? The private sector, i.e. accountants and solicitors, continue to provide external advice to those who are oft considered 'disadvantaged groups', such as women and ethnic minorities, and whilst the Government sources have high levels of take up amongst women (i.e. white women), why not so amongst ethnic minorities? We can only suggest further research to examine both the continuing low take up of Government backed business advice amongst ethnic minority businesses, as well as the link between the use of external advice and improved outcomes in accessing finance (as suggested in this study). The issue of low take up amongst EMBs, though, remains a persistent and stubborn, to reuse two appropriate words elsewhere utilised in this paragraph, policy issue for the Government and perhaps both for its new Ethnic Minority Task Force and Small Business Panel to consider and hopefully address effectively in policy.

As we identified in the last paragraph of section 4, the problem with presenting the figures from Figure 7 in this way is that it falls into the trap of suggesting that business advice and support makes no difference to the ability to raise finance. Our problem here, though, is that we do not know what the propositions looked like to start with. It may well be that the reason that the 'noes' who had support did not have difficulty is because the support enabled them to borrow more easily than might otherwise have been the case. Could it be that the reason that the 'yeses' had difficulty is because they were poor propositions - and indeed it may have been the support that helped them raise the money even with difficulty. We have not conducted further analysis on the ethnicity, education and gender - because we suspect that we will come back to the same conclusion that we reached in our ISBE paper last year (Irwin and Scott, 2006) - that we need to be reviewing the inputs as well as the outcomes if we are to determine discernible differences. Now that could be a very interesting piece of future research!

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