

The contribution of Asian-owned businesses to London's economy

June 2005



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foreword by Ken Livingstone, Mayor of London

The strength of London's Asian business community is of great importance to London's economic success, and I am delighted to be launching this report with the Asian Business Association, which assesses the vital contribution Asian businesses make to the London economy.

As Mayor, I have been determined to ensure that the economic value of London's Asian community is fully acknowledged. This new report by GLA Economics provides a more comprehensive understanding of the depth of the contribution London's Asian businesses are making.

With over 39,000 businesses in London generating around 300,000 jobs, the total turnover of Asian owned businesses approached £60 billion in 2003/4. The report also highlights the level of entrepreneurialism within the community, with people from Indian, Pakistani and Chinese backgrounds more likely to be self-employed than the average for the population as a whole.

Using data from the 2004 London Annual Business survey, the report also examines the challenges facing Asian businesses in London today: notably the barriers and enablers that will determine future economic prosperity.

I hope this report provides a detailed understanding of the significant role London's Asian businesses make to the capital, and I look forward to continuing my support for London's Asian business community.



Ken Livingstone
Mayor of London



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foreword by Tony Sarin, Chairman, Asian Business Association, London Chamber of Commerce and Industry



The Asian Business Association has rightly gained a reputation as an important and influential group and its success reflects that of the 39,000 Asian businesses in London. Such businesses are not only creating jobs and contributing to the enterprise culture, they are also an important source of innovation which is so critical in a modern economy. The introduction of new ideas, products, processes and services is undoubtedly enhanced by the cultural diversity which we are now experiencing so keenly in the capital.

As Chairman of the Asian Business Association I welcome this report and the work of the Mayor's office which, with the support of the ABA, sheds new light on the contribution and characteristics of Asian businesses and highlights the important issues we must address. The conference which launches this report will provide an ideal annual forum to update ourselves on progress, pinpoint problems and solutions, and make an even greater contribution to the London economy in the future.

A handwritten signature in black ink, appearing to read 'Tony Sarin'.

Tony Sarin

Chairman, Asian Business Association
London Chamber of Commerce and Industry

executive summary

This report summarises the latest data on the important contribution made by Asian-owned businesses to London's economy.

Data from the 2004 London Annual Business Survey (LABS) reveals that there were almost **39,000 Asian-owned businesses** in London in 2004. This was about 14 per cent of all London businesses covered by the survey (private sector businesses with one or more staff, excluding refused or don't knows). The definition of Asians in this report includes Indians, Pakistanis, Bangladeshis, other South Asians, British Asians, Mixed White and Asian, Chinese, Japanese, other East Asians, Turkish, Kurdish, other West Asians and other Middle Eastern. An Asian-owned business is defined as a business in which a majority of the owners are Asian.

Asian-owned firms provide around **300,000 jobs** to the London economy. This represented around 12 per cent of total employment by firms covered in the survey. The total turnover of Asian-owned firms in London was around **£60 billion** in 2003/4. This was around 13 per cent of total **turnover** for all London businesses covered by the survey.

This means that Asian-owned businesses make up a similar share of all businesses as the Asian share of London's population. Asian-owned businesses comprise 14 per cent of all businesses, while 15 per cent of London's working-age population is Asian.

The strength of entrepreneurialism among the Asian community in London is also illustrated by the **high rates of self-employment**. According to the 2001 Census, Indian, Pakistani and Chinese individuals are more likely to be self-employed than the average for the population as a whole.

Most Asian businesses are relatively small – 56 per cent of businesses have one to four employees compared to an average of 48 per cent of all firms in London, and 49 per cent for White-owned firms.

The **most common sectors** for Asian-owned firms are Wholesale and Retail and Business Services. Over 35 per cent of Asian-owned businesses are in the Wholesale and Retail sector (compared to around 20 per cent for businesses in general). In Business Services Asian-owned firms are relatively under-represented. Around 27 per cent of Asian-owned businesses are in Business Services compared to 40 per cent for all businesses.

Asian-owned businesses are more likely to describe themselves as 'lo-tech' than the average for all businesses. However, the majority of

Asian businesses that utilise online transactions have experienced a positive impact on sales and purchases.

Female business ownership in Asian-owned businesses is somewhat lower than average. Around 16 per cent of Asian-owned businesses are owned by women, compared with 25 per cent for black and 23 per cent for white-owned businesses.

1 introduction

The Asian community in London's economy

In December 2001 the Mayor of London commissioned and published research from the London Chamber of Commerce and Industry and its Asian Business Association on the contribution of Asian businesses to London's economyⁱ. The December 2001 report used data from various sources to help provide an overview of the position of Asian businesses in London.

This report is an update of that research and follows the December 2004 GLA Economics publication on the contribution of black-owned businesses to London's economyⁱⁱ. The report uses data from different sources on Asian-owned businesses in London to assess the contribution these businesses make to London. However, the majority of data for this report comes from the 2004 London Annual Business Survey (LABS). The LABS data allows for a comprehensive examination of the issues that affect Asian-owned businesses in London. These include the size and distribution of these businesses in London in terms of sales and employment; their sectoral representation and presence in the IT sector; the gender of owners; the turnover and profitability of Asian-owned businesses; their access to finance, premises and business management.

Methodology

The principal data source for this report is the 2004 LABS. This survey was commissioned for the first time in 2003 by the London Development Agency (LDA) and Business Link 4 London (BL4L). It is a telephone survey of over 4,000 private sector businesses employing at least one person. The survey does not cover the self-employed, so data for this had to be obtained from other sources. The achieved sample in the LABS of over 4,000 businesses makes it the best currently available source on issues regarding the ethnicity of London business owners. The achieved sample for Asian-owned businesses was 519. The question asked on ethnicity of owners was unprompted and ran as follows: 'What ethnic groups would you say that the majority of owners or partners of this business belong to?' Approximately 13 per cent of businesses taking part in the survey did not know or refused to give information about the ethnicity of the owners. It is likely that a large proportion of the respondents who did not supply the ethnicity of the owners of the firm are public limited companies (plcs) which are often owned to a significant extent by pension funds or other institutional investors, or firms which in other ways have a more complex ownership structure. In such cases it is not necessarily possible (or meaningful) to analyse the ethnicity of the owners.

Definitions

Ethnicity is difficult to define, as noted in the GLA report *Black People Pushing Back the Boundaries*ⁱⁱⁱ. To do quantitative analysis, we are often limited to the definitions for which data are available. The definitions used in this report are those proposed by the LDA report, *Redefining BME Businesses*^{iv}. This definition and its components in terms of broad ethnic categories are shown in table 1 below.

Note that the Asian category includes Mixed-White and Asian, East Asian and West Asian groups. Not all the data from the 2001 census allows the amalgamation of these categories. As a result, table 2 and charts 1 and 3 display the data in census categories.

For statistical and practical reasons it was not possible in all instances to analyse the data in terms of each individual sub-category, but the sample for the broad category of Asian-owned businesses was large enough to allow fairly robust analysis (see the Appendix for more detail of statistical reliability). Where it was considered practical and useful, some analysis of sub-categories was conducted to see if there were significant differences between them.

Table 1 Ethnic definitions used in the report

White	Black	Asian			Other
		South Asian	East Asian	West Asian	
White British	Black – British	Asian – British	Chinese	Turkish	Greek Cypriot
White Irish	Black – Caribbean	Asian – Indian	Japanese	Kurdish	Mixed – Other
White – Other EU	Black – African	Asian – Pakistani	Other Asian	Middle Eastern	
South-East/Eastern European	Black – Other	Asian – Bangladeshi			
White – Other	North African	Asian – Other			
	Mixed – White and Black Caribbean	Mixed – White and Asian			
	Mixed – White and Black African				

source LDA, 2005, Redefining BME Businesses

According to the 2001 census (see table 2), the Asian population (including for the purposes of this report the Census categories 'Asian or Asian British', 'Mixed – White and Asian' and 'Chinese') is over one million, or around 14 per cent of the total London population. Table 2 below shows the population of different ethnic groups in London and some relevant economic statistics (also from the 2001 Census). In summary:

- Economic activity rates (economically active as a proportion of the population aged 16 to 74) among the Asian population are somewhat lower than average. For the broad Census Asian category and the

Chinese category, economic activity rates were around 60 per cent and are around 64 per cent for Mixed – White and Asian in 2001. The average for all ethnic groups is 68 per cent. This may be due to many Asian populations being younger (and therefore students) than the population in general^v.

- Unemployment rates among all Asian ethnic groups are fairly high. In 2001 total unemployment was 8.8 per cent for the Asian or Asian British census category, 7.1 per cent for the Chinese category and 9.2 per cent for the Mixed – White and Asian category, compared with 6.7 per cent for the total population. The highest unemployment rates are among Bangladeshis and Pakistanis, at 20.5 per cent and 12.2 per cent respectively (see *Prime Minister's Strategy Unit report Ethnic Minorities and the Labour Market*^{vi} for more detailed analysis of the reasons for this).
- Self-employment rates are high among the Asian population of London. There were over 58,000 self-employed Asian people in London according to the 2001 Census. The rate of self-employment (as a percentage of those in employment) for the Asian or Asian British census category was 15.8 per cent in 2001. For Chinese it was 17.7 per cent and for Mixed – White and Asian it was 13.8 per cent. The average for all ethnic groups was 14.9 per cent. Indian, Pakistani and Chinese individuals were more likely to be self-employed than the average for all people.

Table 2 Census 2001 data by ethnic group

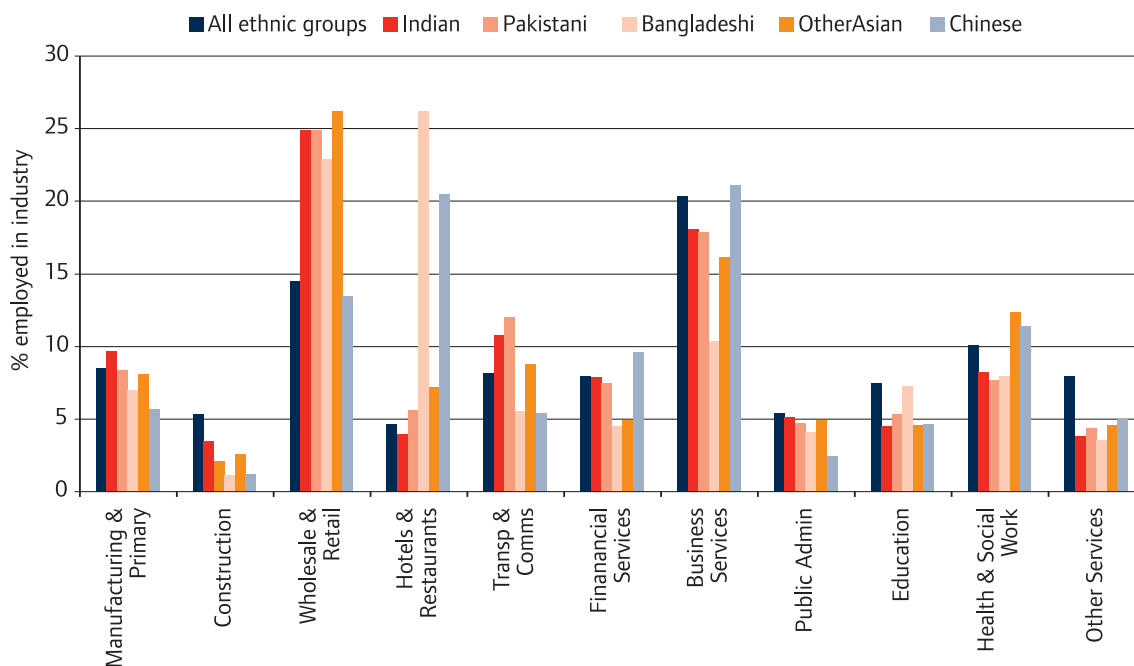
	Total Greater London residents	% of total	Economically Active as % of population aged 16-74	Self-Employed as % of all employed	Unemployment rate (%)		
					Persons	Males	Females
White	5,103,203	71.2%	69.5%	15.6%	5.3%	6.0%	4.4%
British	4,287,861	59.8%	70.2%	15.4%	5.0%	5.7%	4.1%
Irish	220,488	3.1%	63.1%	16.1%	5.9%	7.1%	4.5%
Other White	594,854	8.3%	67.8%	16.7%	7.2%	7.9%	6.5%
Mixed	226,111	3.2%	63.4%	12.7%	12.3%	14.2%	10.4%
White and Black Caribbean	70,928	1.0%	64.2%	11.0%	15.6%	18.5%	12.9%
White and Black African	34,182	0.5%	62.1%	11.6%	14.7%	16.5%	12.8%
White and Asian	59,944	0.8%	63.5%	13.8%	9.2%	10.6%	7.5%
Other Mixed	61,057	0.9%	63.3%	13.6%	11.2%	13.1%	9.4%
Asian or Asian British	866,693	12.1%	60.0%	15.8%	8.8%	9.2%	8.2%
Indian	436,993	6.1%	66.4%	16.0%	5.9%	5.9%	6.0%
Pakistani	142,749	2.0%	52.3%	19.2%	12.2%	11.6%	13.3%
Bangladeshi	153,893	2.1%	43.7%	11.7%	20.5%	20.6%	20.0%
Other Asian	133,058	1.9%	61.7%	14.6%	9.3%	9.5%	9.0%
Black or Black British	782,849	10.9%	65.8%	8.6%	14.3%	17.2%	11.6%
Black Caribbean	343,567	4.8%	66.8%	8.1%	12.3%	16.6%	8.8%
Black African	378,933	5.3%	64.7%	9.4%	16.0%	17.1%	15.0%
Other Black	60,349	0.8%	66.0%	7.0%	17.6%	22.7%	13.4%
Chinese or Other	193,235	2.7%	58.4%	14.7%	9.0%	10.3%	7.7%
Chinese	80,201	1.1%	60.0%	17.7%	7.1%	7.5%	6.7%
Other Ethnic Group	113,034	1.6%	57.2%	12.3%	10.4%	12.3%	8.4%
All ethnic groups	7,172,091	100%	67.6%	14.9%	6.7%	7.6%	5.8%

source ONS

Asian workers are distributed across all industries as shown in Chart 1. The sectoral distribution for most Asian sub-groups is broadly similar to the distribution for the population as a whole. However, there are some significant variations. Some of the most significant over-representations relative to the average for the workforce as a whole include Pakistanis, Bangladeshis, Indians and Other Asians in the Wholesale and Retail sector; Bangladeshis and Chinese in the Hotels and Restaurants sector; and Indians and Pakistanis in the Transport and Communications sector. There are also certain sectors where some Asian groups are significantly under-represented relative to the workforce as a whole. These include Bangladeshis in Business Services, Chinese in Public Administration and most of the Asian groups in Other Services. This data is presented for

context. It should be remembered that there is not necessarily any connection between the ethnicity of workers in a sector and the ethnicity of owners of businesses in that sector.

Chart 1 Sectoral distribution of employees in London, 2001



source 2001 Census, Crown copyright, ONS

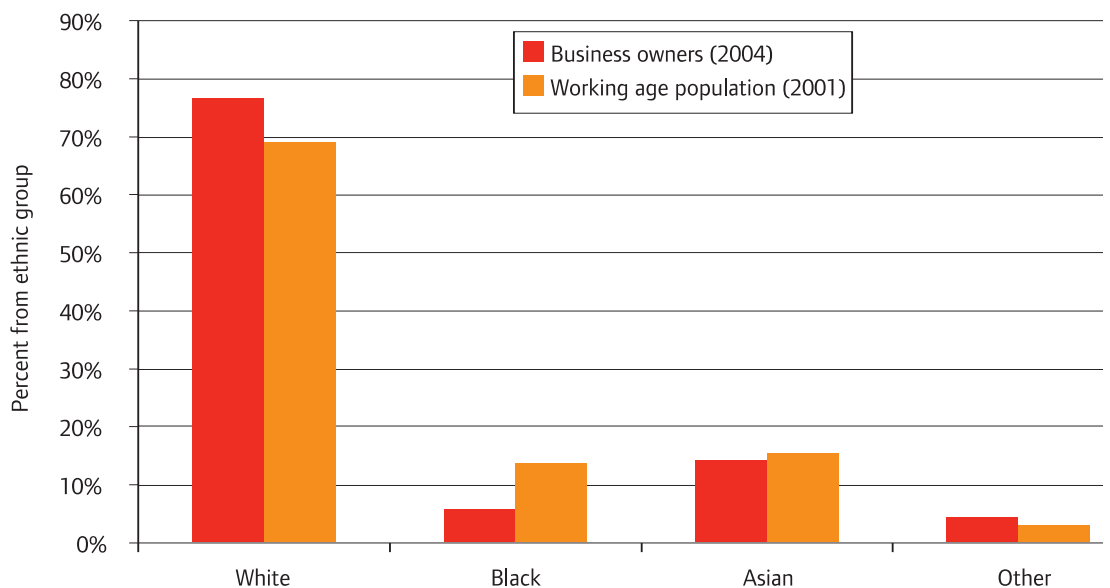
2 Asian-owned businesses in London's economy

Headline Statistics

Asian-owned businesses are important to London's economy. The latest available data from the 2004 London Annual Business Survey shows that there are around 39,000 Asian-owned businesses in London that employ one or more staff. This is approximately 14 per cent of all London businesses (excluding those that did not report the ethnicity of the owners). The total number of employees in Asian-owned firms is approximately 300,000 (12 per cent of total employment by private sector firms with one or more staff). Total turnover of Asian-owned businesses in London was over £60 billion in 2003/04.

Chart 2 shows the proportion of business owners and the working-age population by ethnic group. The proportion of businesses that are owned by Asians is approximately the same as the proportion of the working-age population in London that is Asian.

Chart 2 London Businesses and working age population by ethnicity



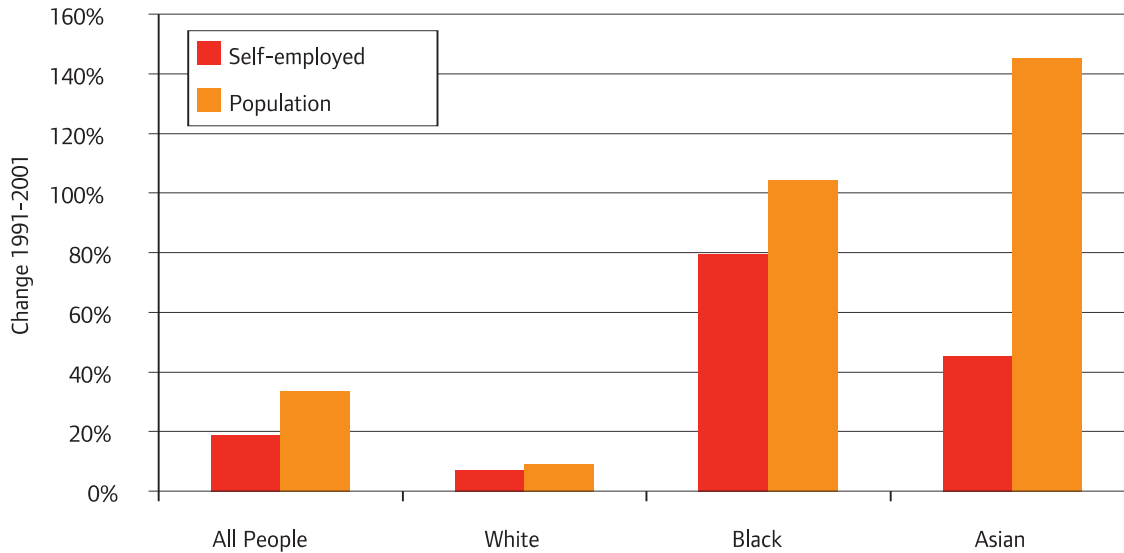
source LABS 2004 and ONS 2001 Census
Base for LABS: All businesses that reported the ethnicity of the owners

Longer term changes

The first LABS was in 2003, so there are only two years of data thus far. This is insufficient to infer meaningful trends. In addition, the sample changed considerably between 2003 and 2004, making it difficult even to compare the results for these two years. Self-employment data is available for a longer time period from the Census (1991 and 2001) and some analysis of changes in Asian self-employment are presented below. It should be remembered that self-employment is not synonymous with business ownership.

The Asian level of self-employment grew at a faster rate than the average for all ethnic groups between 1991 and 2001 (as shown in Chart 3). For the period 1991 to 2001 the number of self-employed Asians rose by 45 per cent. However, self-employment levels have not grown quite as fast as population levels. Over the same period the Asian population in London rose by over 140 per cent.

Chart 3 Growth in self-employment 1991-2001 in London

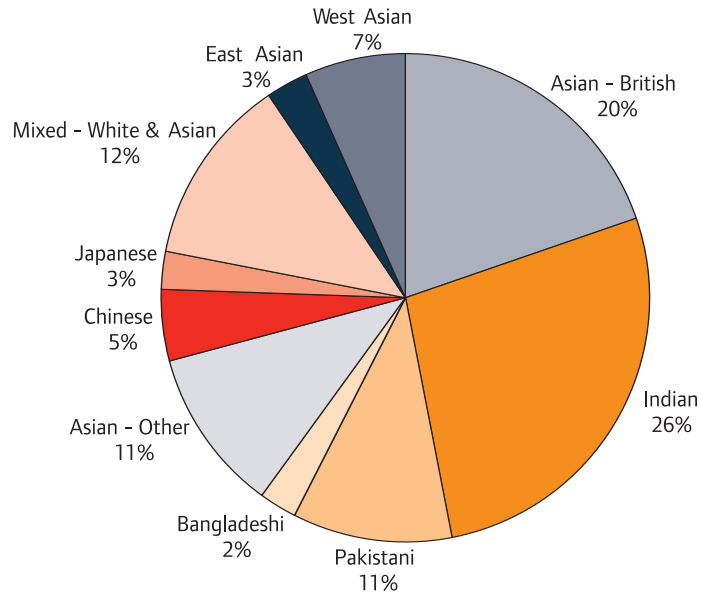


source ONS, Census 1991 and 2001

The sub-groups within the Asian-owned businesses sample

Chart 4 below shows a breakdown of the LABS sample of Asian-owned businesses. The biggest sub-groups are Indians, with around 26 per cent of Asian-owned businesses, and Asian British with around 20 per cent of Asian-owned businesses.

Chart 4 Breakdown of Asian-owned businesses sample in LABS 2004

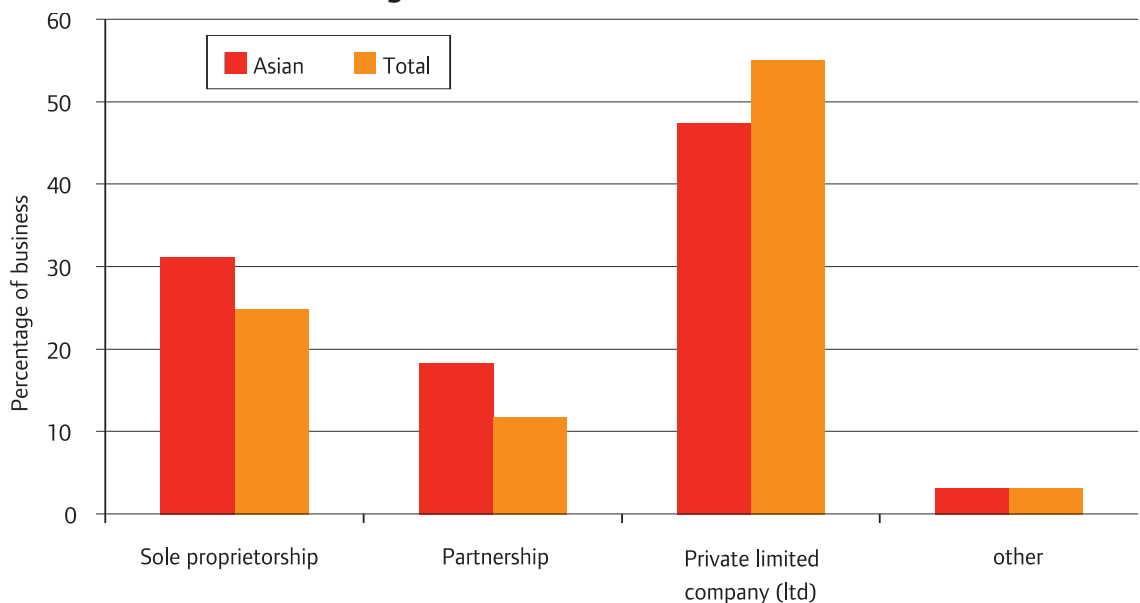


source LABS 2004

Legal structure

As with most businesses in London, the majority of Asian businesses are private limited companies. Approximately 47 per cent have this legal structure. Sole proprietorships form the second largest business type, with around 30 per cent of Asian businesses being sole proprietorships. Partnerships also make up a fairly large proportion of Asian-owned businesses, with approximately 17 per cent of the total being partnerships^{vii}.

Chart 5 Business legal structure

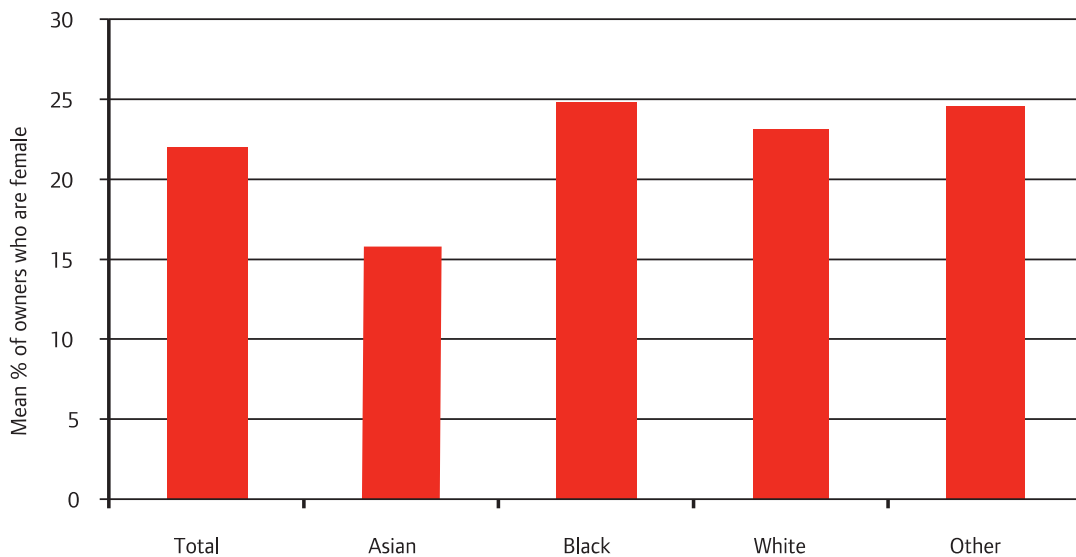


source LABS 2004
base excludes public limited companies

Female ownership

Asian-owned businesses exhibit lower than average levels of female ownership. The average for all groups is 22 per cent ownership by women, while only 16 per cent of Asian-owned businesses are owned by women. Black-owned and other-owned businesses have the highest proportion of female ownership (25 per cent). The reasons for these differences are not clear, though one factor may be the lower economic activity rates for women among some Asian communities compared with White and Black women^{viii}.

Chart 6 Women Entrepreneurs

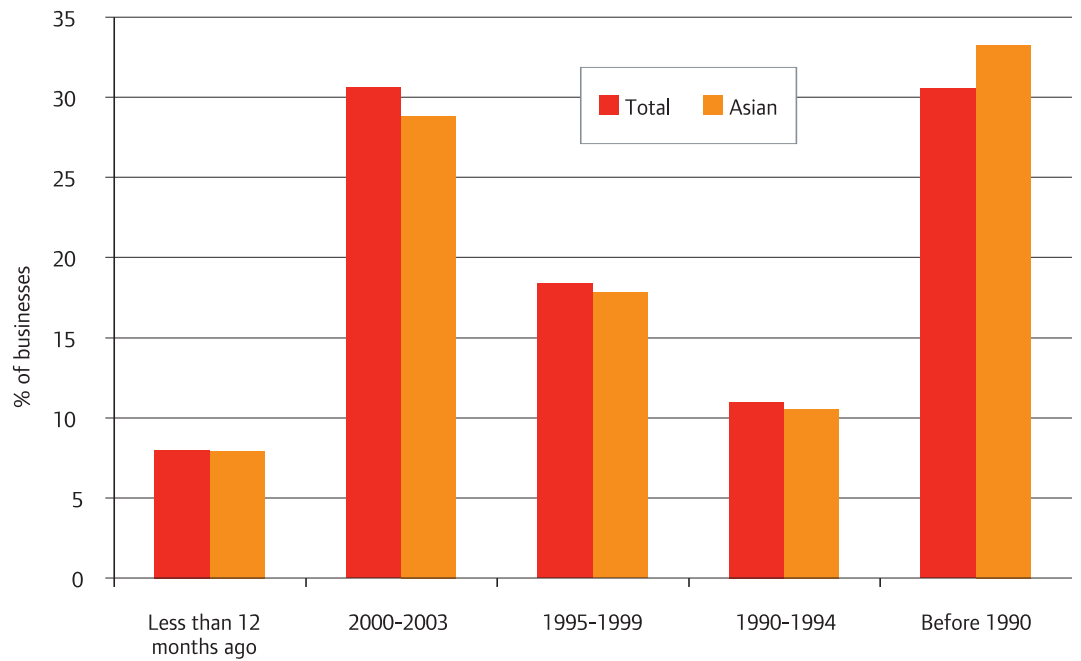


source LABS 2004

Length of time established

A majority of Asian-owned businesses had been established for four years or more when they took part in the 2004 LABS. Chart 7 shows that the dates of establishment of Asian-owned businesses almost mirror the average date of establishment of all businesses, reflecting the fact that most of the Asian communities have been established in the UK and London for a long time. Asians have been associated with business ownership in the UK for a considerable period of time and continue to be so.

Chart 7 How long has business been established?



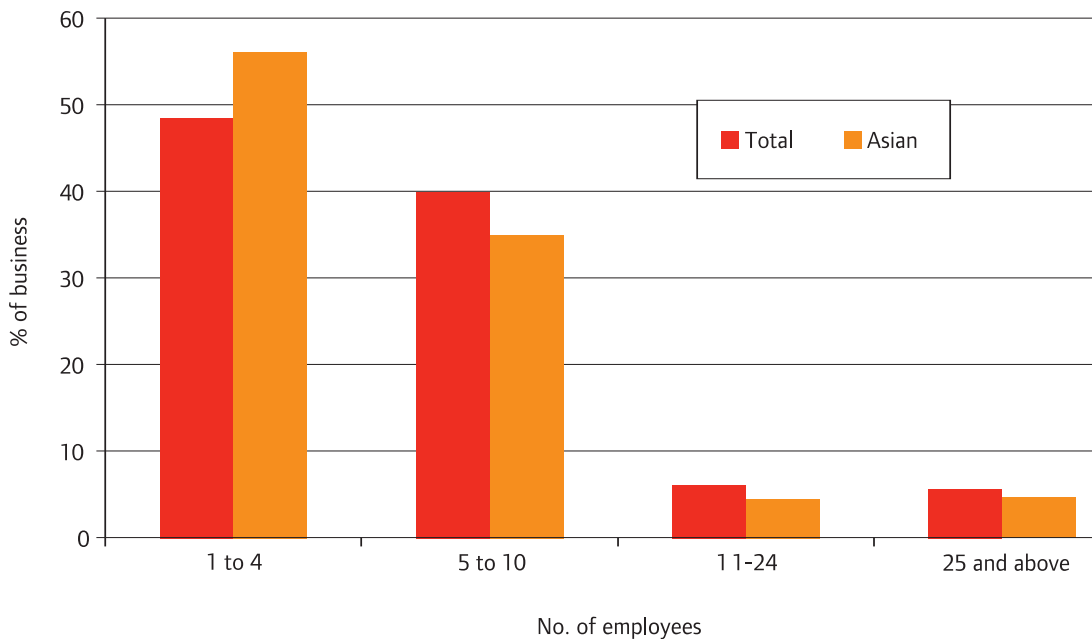
source LABS 2004

3 business size

Employment

Asian-owned private sector businesses provide around 300,000 jobs to the London economy. The vast majority (91 per cent) of Asian-owned business sites are small, with one to ten employees. This compares to 88 per cent for all businesses. Chart 8 shows that Asian-owned businesses are also more likely to be in the one to four employees category^x. Fifty six per cent of Asian-owned businesses compared to 48 per cent of all businesses have one to four employees. The proportion of Asian-owned businesses having 25 or more employees is five per cent, while the proportion for all businesses is six per cent.

Chart 8 Employee size bands for business sites



source LABS 2004

note excludes 'Do not know' responses

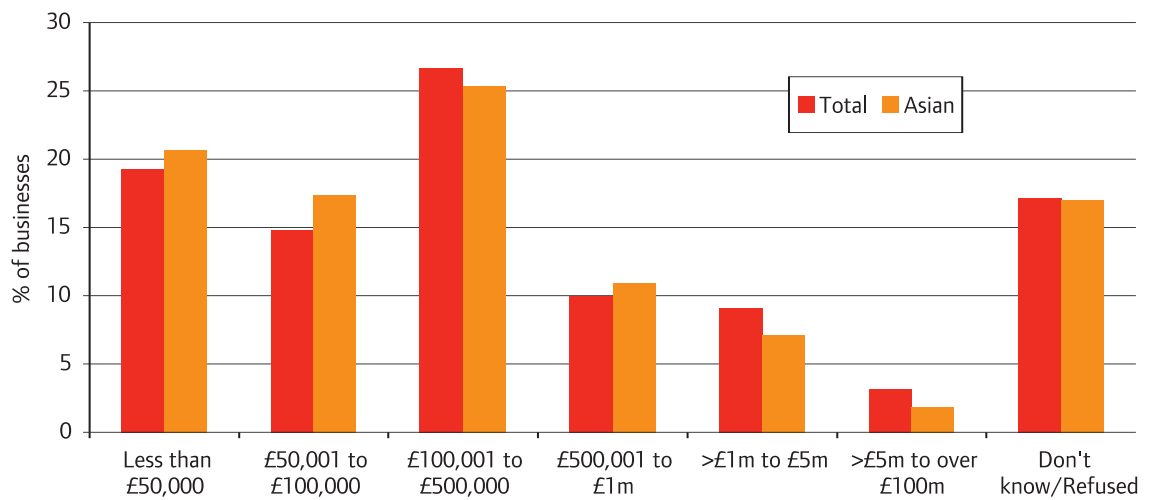
Turnover

The 2004 LABS estimates that Asian-owned firms have a turnover of about £60 billion a year. This represents around 13 per cent of turnover for all London businesses covered by the survey. Chart 9 shows the concentrations of Asian-owned and all firms in the different turnover bands. The distribution of businesses over turnover bands is similar for Asian-owned firms and all businesses. Around 60 per cent of business sites have turnover of less than £500,000 a year both for Asian-owned businesses and London businesses in general.

Asian-owned businesses tend to be slightly more likely to be in the smaller size bands and slightly less likely to have turnovers of above £1 million a year. These differences are comparatively small however, and may

not be statistically reliable. Nonetheless, they are consistent with other statistics which suggest that Asian-owned businesses are somewhat smaller than the average.

Chart 9 Business size by turnover (turnover at business site)



source LABS 2004

4 sector distribution

The biggest sector for Asian-owned businesses in London is the Wholesale and Retail sector. It contains over 35 per cent of Asian-owned businesses in London. Business Services is the second biggest sector with approximately 27 per cent of businesses. Taken together these sectors account for approximately 63 per cent of all Asian-owned businesses in London. For businesses in general the two biggest sectors are the same as for Asian-owned businesses, but the order is reversed. The biggest is Business Services with around 40 per cent of all businesses and second is Wholesale and Retail with around 20 per cent.

The third biggest sector for Asian-owned firms is Hotels and Restaurants, with almost ten per cent of businesses, and the fourth is Transport and Communications with around eight per cent. The four biggest sectors for Asian-owned businesses account for around 80 per cent of businesses, indicating a slightly higher level of concentration than for businesses in general (for which 71 per cent are in the top four sectors). Table 3 shows the ranking of the biggest sectors (in terms of number of firms).

Table 3 Biggest sectors (by number of businesses)

Asian	Total
1. Wholesale and Retail	1. Business Services
2. Business Services	2. Wholesale and Retail
3. Hotel and Restaurants	3. Other Services
4. Transport and Communication	4. Construction

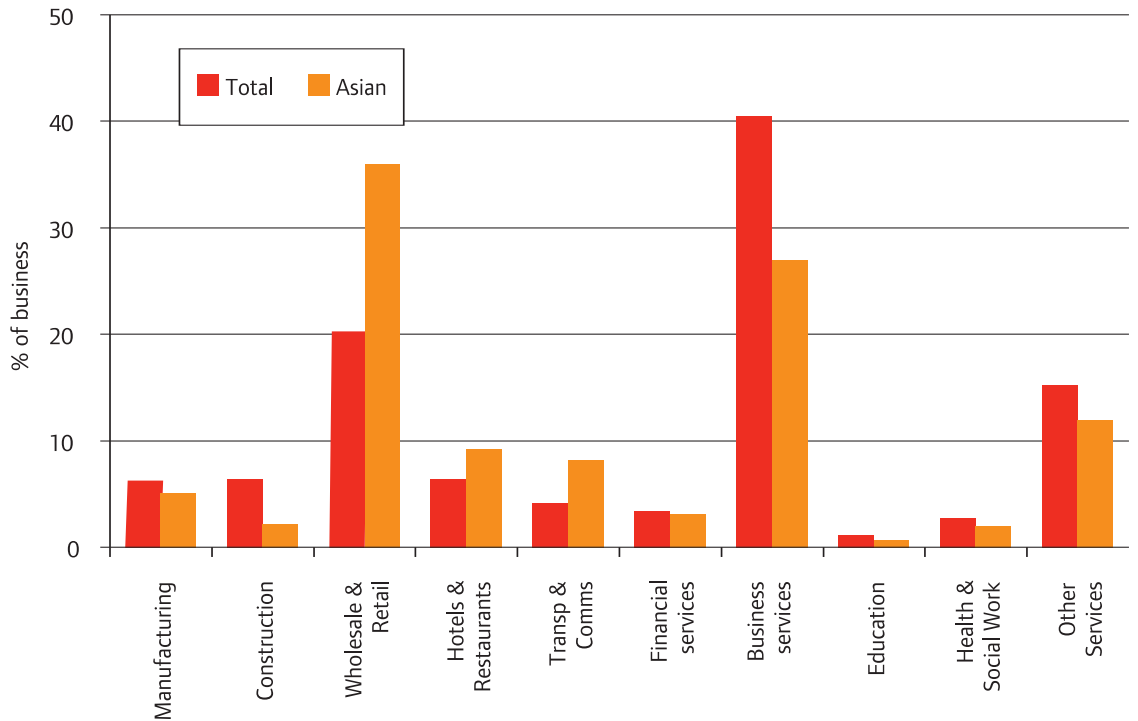
The main significant differences between the sectoral distribution of Asian-owned businesses and businesses in general is the relative over-representation of Asian-owned businesses in the Wholesale and Retail sector and the relative under-representation in Business Services. Thirty six per cent of Asian-owned businesses compared to 20 per cent on average of all businesses are in the Wholesale and Retail sector. Asian-owned businesses are far less likely to be in Business Services, with just 27 per cent operating in this sector compared to 40 per cent of all businesses.

The concentration of Asian-owned businesses in the Wholesale and Retail sector is well known and its causes are to some extent historical (see Ram and Jones (1998)^x). Nor is it solely a London phenomenon. The Asian Marketing Group estimates that in the UK as a whole, Asian retailers account for around 75 per cent of all independently owned retail outlets, and this rises to almost 95 per cent within the M25 and other major metropolitan areas (Asian Marketing Group 2001^{xi}). Having such a large presence in one sector may mean that Asian-owned businesses are particularly affected by trends in this sector^{xii}. Likewise the under-

representation of Asian-owned businesses in the Business Services sector may have implications for the ability of Asian-owned businesses to take advantage of future growth in this sector. Business Services is one of the highest-productivity and fastest-growing sectors in the London economy. And *The London Plan** predicts that it will continue to be one of the fastest-growing sectors in the medium term.

* See GLA Economics Working Paper 11 'Working London', November 2004

Chart 10 Sectoral distribution of Asian-owned businesses



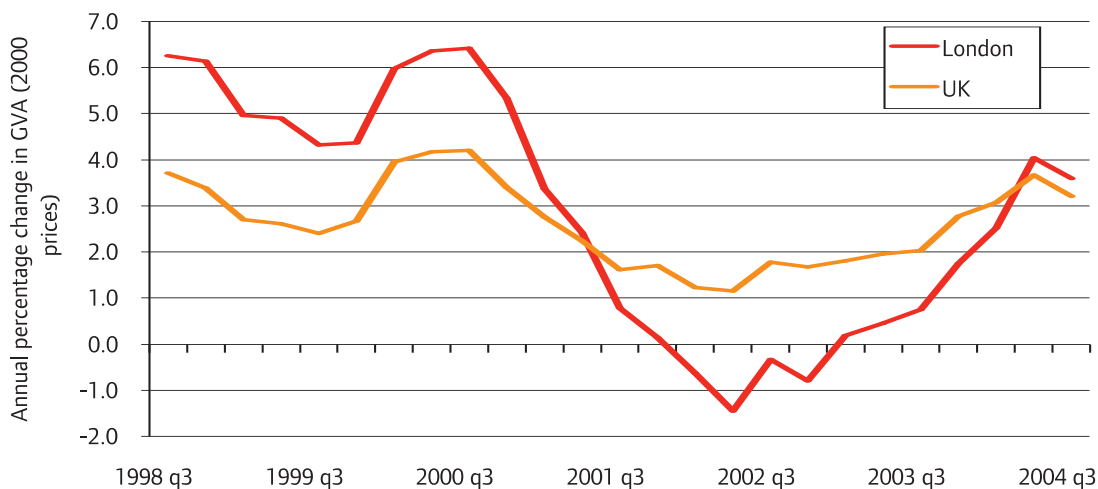
source LABS 2004

5 recent performance

The London Annual Business Survey contains more timely information than official sources on recent business performance. The survey has questions asking businesses about how they performed during the last financial year compared to the previous financial year (ie 2003/04 compared with 2002/03). Chart 11 below shows how the London and UK economies performed during the last few years. In 2003/04 the London and UK economies were emerging from a slowdown, though this was more severe in London than in the UK.

UK and London economic growth improved in 2003/04, providing a better business environment. The rates of growth of UK and London GVA are shown in chart 11. Although growth has continued, towards the end of 2004 there appears to be a slowing down in the rate of growth, as indicated by the decline between the second and third quarters of 2004.

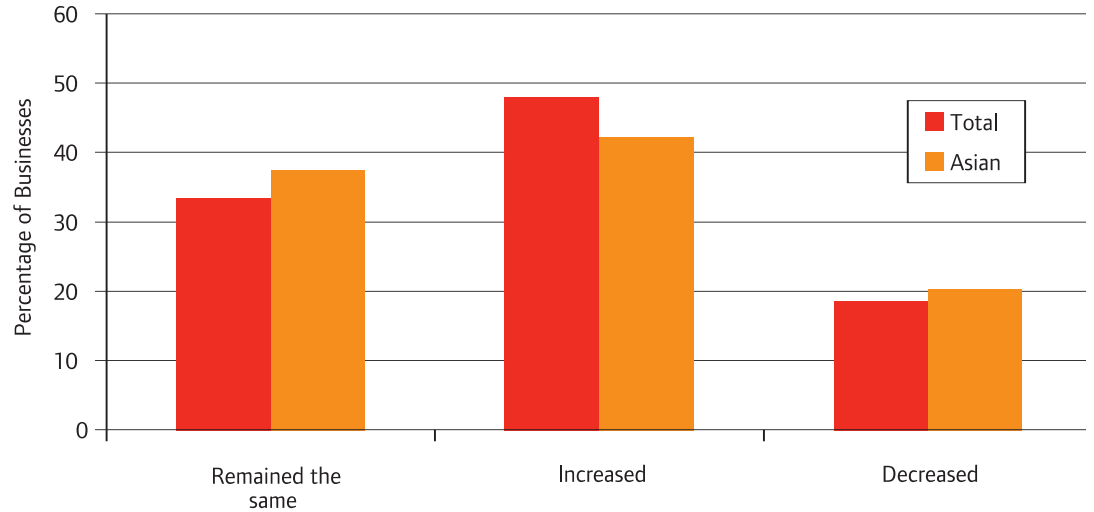
Chart 11 Economic growth (GVA – Gross value added) for London and UK



source EBS

For the 12-month period preceding the survey, 42 per cent of Asian-owned businesses experienced a rise in turnover and profitability as shown in chart 12. Only around 20 per cent reported a decrease in turnover. The performance of Asian-owned businesses was broadly similar to that of all businesses. There were only small differences between Asian-owned and all businesses, and these may well be within the sampling error for the survey. To the extent that Asian businesses have performed slightly worse than other businesses in the recent past, this may well be due to the concentration of Asian-owned businesses in the London Retail sector which has had a difficult time in the last few years.

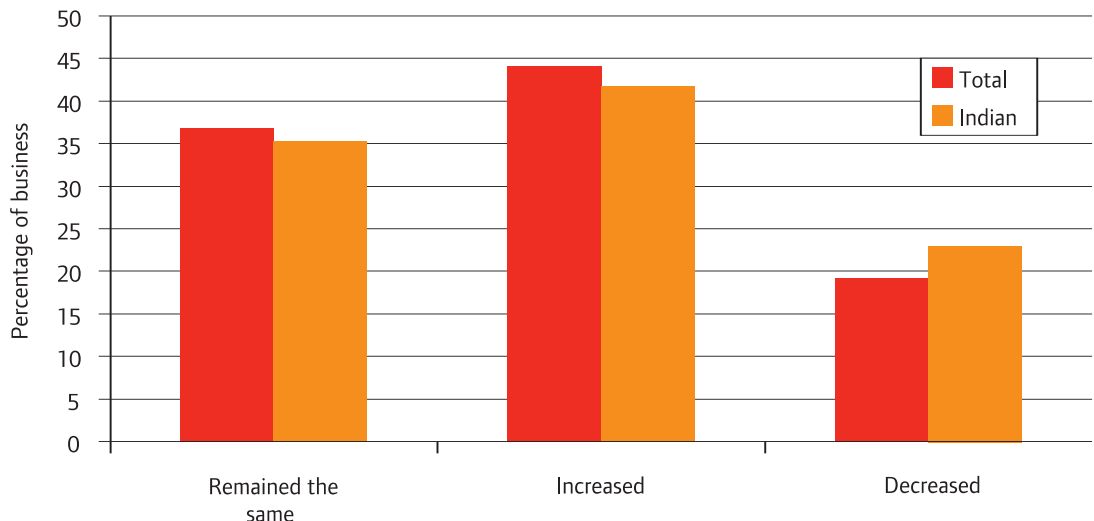
Chart 12 Change in turnover during last 12 months



source LABS 2004

In terms of profitability over the 12 months preceding the survey, around 75 per cent of Asian-owned businesses reported that they had increased or stayed the same, compared with only around 25 per cent who reported a decrease. This was broadly in line with the reported performance of all businesses. Again, there are slight differences indicating that Asian-owned businesses might have performed slightly worse than businesses in general, but these figures should be interpreted with caution, as the differences are probably within the sampling error of the survey. To the extent that these differences are 'real' differences, they are likely to derive from the fact that Asian-owned businesses are smaller than the average and that they are highly represented in sectors such as Retail and Wholesale that have performed poorly of late.

Chart 13 Change in profitability in the last 12 months



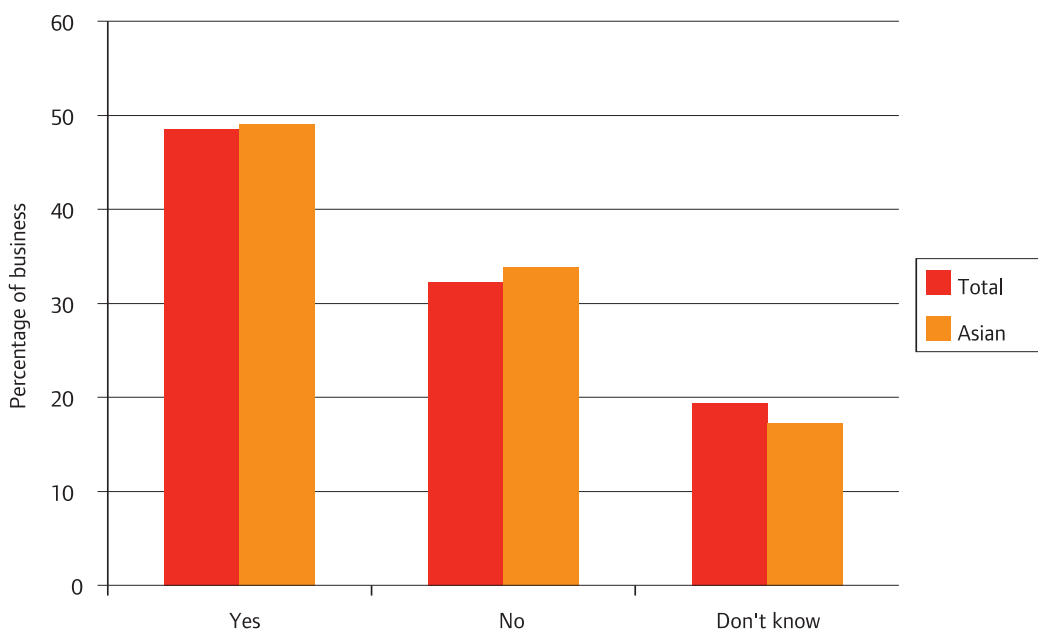
source LABS 2004

6 business barriers: access to finance and business premises

The GLA Economics report *Ready for Business*^{xiii} has described the benefits to businesses of investment and the ability to access finance. Investment is important for businesses to be able to grow, which allows businesses to increase their returns to scale and to become more competitive^{xiv}.

The ability to access finance is critical for investment, since access to the right type of finance can help determine what type of capital a firm can invest in and how profitable that firm can be. Ethnic-minority-owned businesses often experience problems when accessing finance, although the 2004 London Annual Business Survey does not seem to support this view for Asian-owned businesses. When asked whether the desired amount of capital was invested in the last 12 months, 49 per cent of Asian-owned businesses responded by saying 'yes' as compared to 48 per cent for all businesses. The proportions saying 'no' were likewise similar, with 34 per cent of Asian-owned businesses and 32 per cent of all businesses. The proportions saying 'no' were likewise similar, with 34 per cent of Asian-owned businesses and 32 per cent of all businesses.

Chart 14 Whether firm managed to invest desired amount in infrastructure, equipment and staff in last 12 months

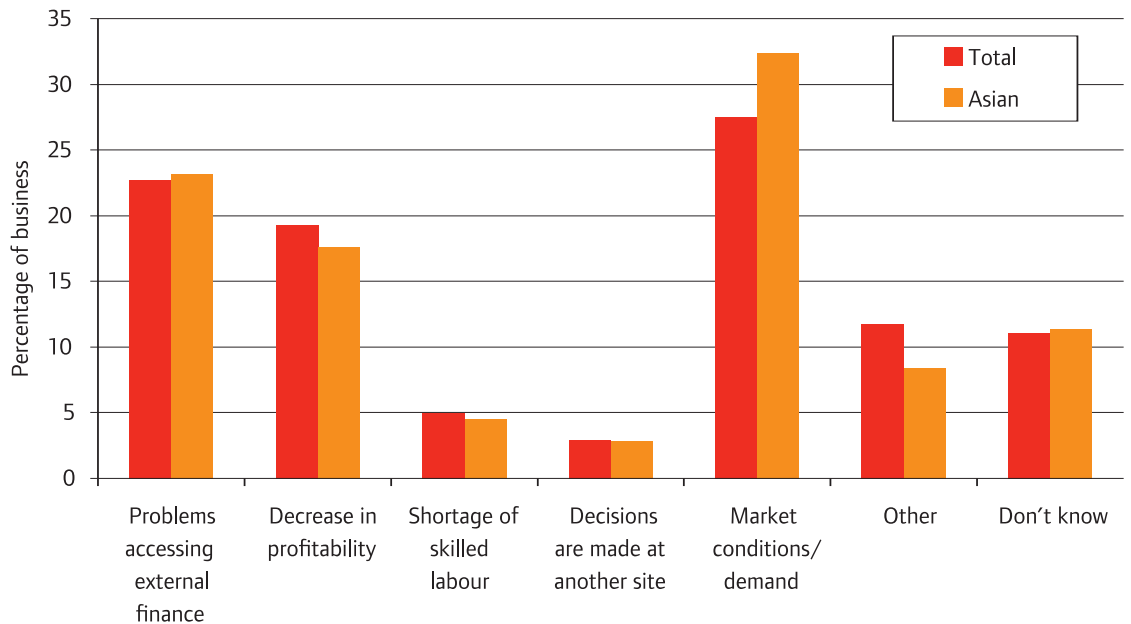


source LABS 2004

The reasons given for not being able to invest as much as they wished were dominated by market conditions and problems accessing external finance. Thirty two per cent of Asian-owned businesses compared to 27 per cent of total businesses cited market conditions for not investing sufficiently. The proportion of Asian-owned businesses reporting access to external finance as a problem was similar for all businesses at 23 per cent.

In all other categories the proportions for Asian-owned and all businesses were similar, as shown in chart 15.

Chart 15 Reasons for under investment



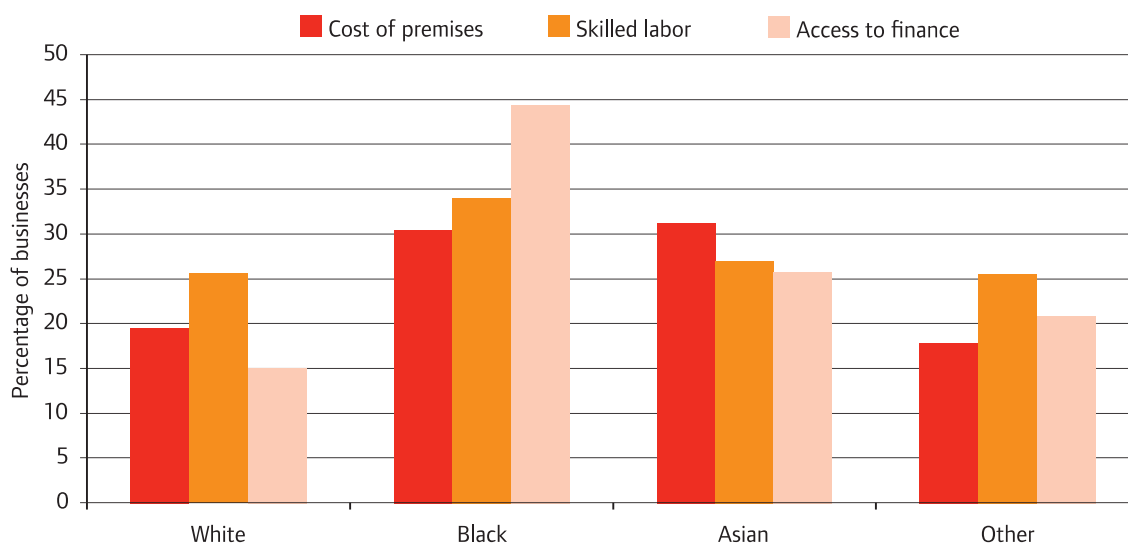
source LABS 2004

Other studies including the British Bankers Association 2002 report *Ethnic Minority Businesses in the UK: access to finance and business*^{xv} have found that different ethnic groups had very different experiences accessing external start-up finance. The LABS 2004 data suggests Asian-owned businesses have had no more problem accessing external finance than businesses in general.

Accessing finance does not appear to be the main problem for Asian-owned businesses. The issue that most Asian-owned businesses reported as the most significant problem in the 2004 LABS was the cost of premises. Chart 16 shows the major problems of businesses in London by ethnicity of owners. Although Asian-owned businesses are more likely to report access to finance as a problem than white-owned businesses, there is not much difference between Asian-owned businesses and businesses in general on this issue. However, the cost of premises is viewed as a bigger problem by Asian-owned businesses than businesses in general. Around 31 per cent of Asian-owned businesses have expressed this as their major concern. This might also be a consequence of the high proportion of Asian-owned businesses in the Retail sector. Retail outlets need to be conveniently located to attract shoppers, meaning they are often located in central London or in other prime property areas. Rising

property values in London have meant that the cost of owning or renting these premises has been significant for retail shop owners, including Asian-owned Retail businesses.

Chart 16 Problems of businesses in London



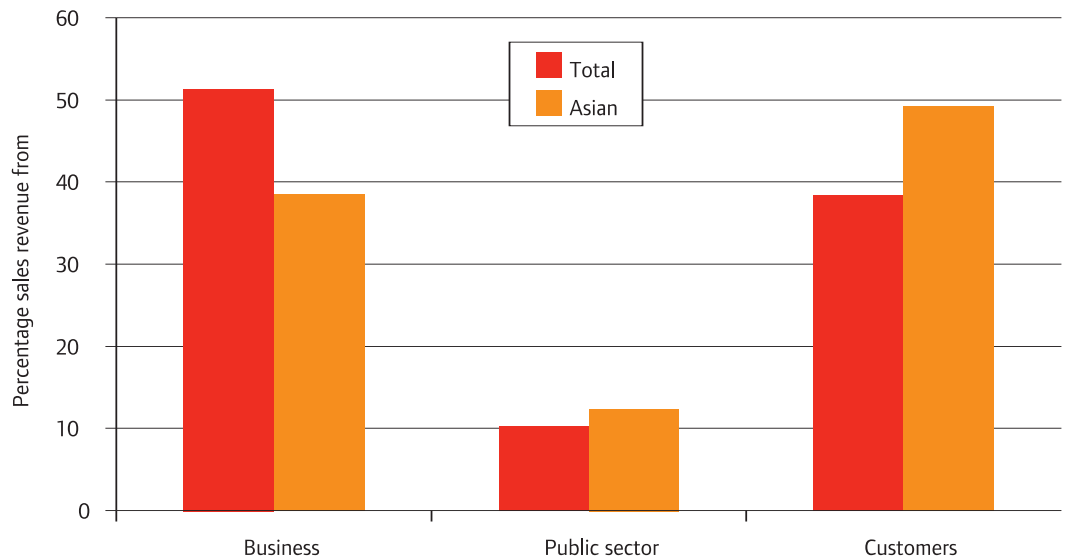
Extent to which specific factors are a problem to the running of the business. Percentages of businesses reporting problems as significant or very significant.

source LABS 2004

7 sales and markets

Chapter 4 showed the sectoral distribution of Asian-owned businesses. Further analysis of the sales and purchasing arrangements of ethnic minority businesses is a useful exercise to help discern whether some of these businesses experience difficulties operating in certain sectors of the economy. The sector distributional analysis of chapter 4 has shown that Asian-owned businesses are over-represented in the Wholesale and Retail and sector, and under-represented in the Business Services sector. Chart 17 shows that Asian-owned businesses earn the largest proportion of their sales revenues directly from consumers. This is followed by sales to other businesses (B2B) and then sales to the public sector.

Chart 17 Proportion of sales to different sectors



source LABS 2004

Previous studies have indicated that ethnic minority businesses have in the past had problems accessing projects from the government^{xvi}. Several schemes are now in operation across the country to help small and medium-sized businesses, including black and minority ethnically-owned businesses to improve their access to public sector procurement contracts. Data from the 2004 London Annual Business Survey, however, suggests that this is not a disproportionate problem for Asian-owned businesses. Chart 17 shows that Asian-owned businesses get approximately the same proportion of their sales revenue from the public sector as businesses in general.

Asian-owned businesses derive a higher proportion of sales from sales to customers. This is not surprising considering the concentration of Asian-owned businesses in the Wholesale and Retail sector. However, Asian-owned businesses seem to derive a smaller proportion of sales,

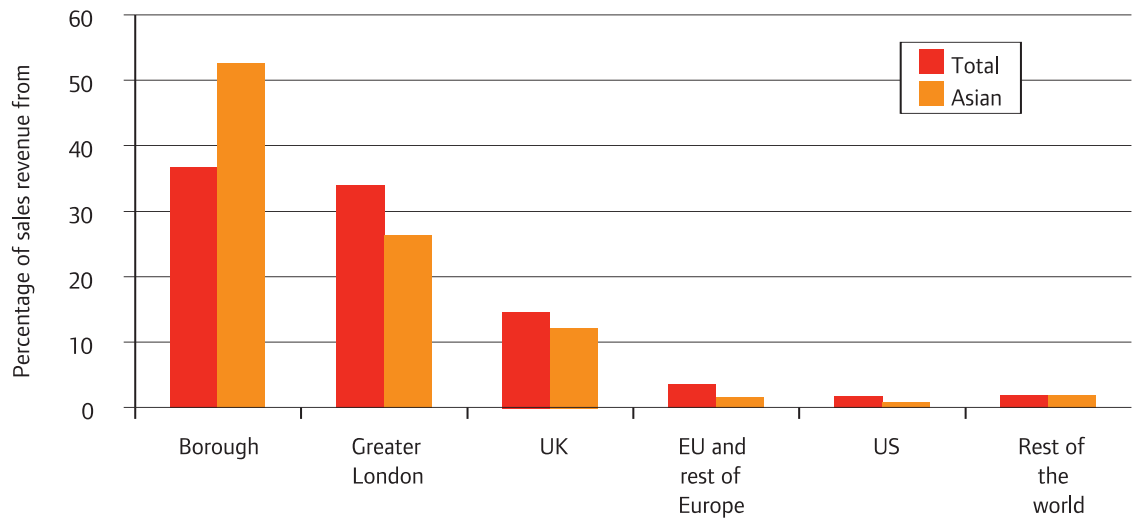
compared to the average for all firms, from sales to other businesses (B2B). Lower B2B sales seem to be symptomatic of many ethnic minority businesses. The GLA report, *Ready for Business: The contribution of black businesses to London's economy*, also showed a similar pattern of lower than average B2B sales for black-owned businesses. Just as that report found that sales in the B2B sector is a possible area of expansion for black-owned businesses, B2B could also be an area of growth for Asian-owned businesses.

Further analysis of the reasons why Asian-owned businesses in London are selling proportionately less than the average to other businesses is not possible with the LABS data. However, some plausible hypotheses are that it could be a function of size, where small firms are unable to compete as well as larger firms in the B2B sector. Larger established suppliers are more likely to win tenders because of greater economies of scale and perhaps brand recognition. The under-representation of Asian-owned businesses in the Business Services sector could also be a reason for their smaller than average share of the B2B market.

An area where ethnic minority businesses might have an advantage is in the export sector, where there may be natural catchment markets from countries of origin. Chart 18 shows the geographical concentration of sales for Asian-owned businesses compared with businesses in general. In fact, Asian-owned businesses sell the majority of their goods and services within the borough of establishment or within the rest of London. A very high proportion of Asian business sales occur within the local borough. This could reflect the high representation of Asian-owned businesses in the Retail and Wholesale sector, which is often focussed on local customers.

The proportion of sales to the rest of the UK, Europe and the USA is slightly lower for Asian-owned businesses than for all businesses. This is not surprising if we consider the fact that Asian-owned businesses are more likely to be smaller than businesses in general. This might make them more likely to trade locally. Further, the sectoral concentration of Asian-owned businesses in industries like Retail and Wholesale also contributes to making these businesses more likely to trade disproportionately with local markets. This notwithstanding, it is interesting to note that the proportion of sales revenue from the rest of the world is similar for Asian-owned and all businesses (these numbers are quite small in the sample, so too much should not be read into this). This analysis is not able to give a comprehensive picture of the export sales potential of Asian-owned businesses and further analysis of this issue could be undertaken in the future.

Chart 18 Proportion of sales within London, UK and to different countries

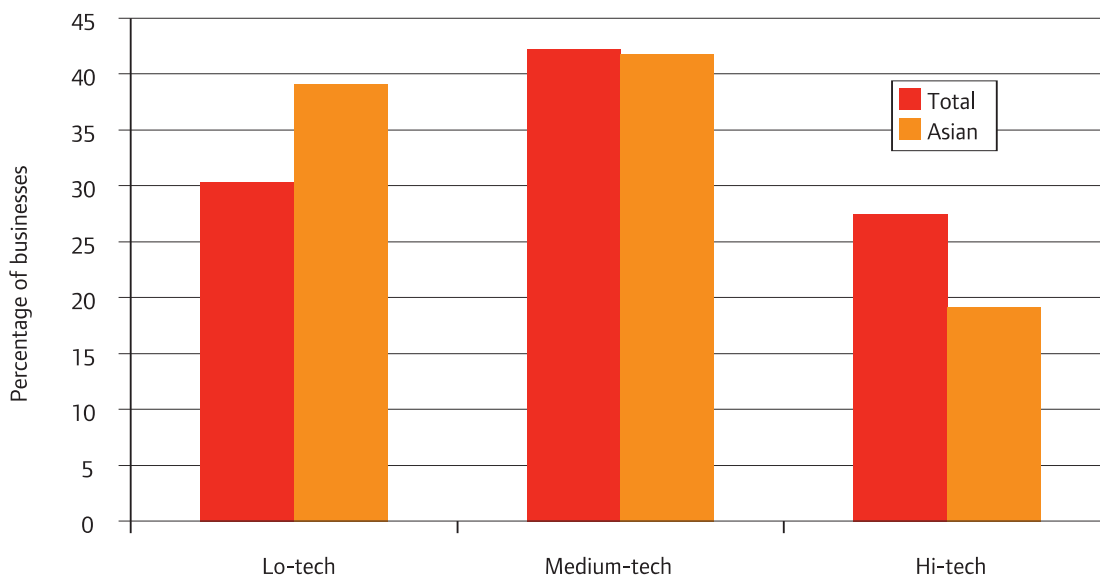


source LABS 2004

8 information technology and innovation

When asked how to describe the IT infrastructure of their businesses, Asian-owned businesses were more likely to describe their business as 'lo-tech' than the average business. Thirty nine per cent of Asian-owned businesses compared, to 30 per cent of all businesses, indicated that their establishments were 'lo-tech' outfits. The over-representation of Asian-owned businesses in the 'lo-tech' segment is reinforced by their relative under-representation in the 'hi-tech' segment, with only 19 per cent of Asian-owned businesses compared to 27 per cent of all businesses considering their businesses to be 'hi-tech'. These results confirm the findings of other, more detailed studies that suggest that ethnic minority businesses are in general less likely to use information and communications technology than businesses in general^{xvii}.

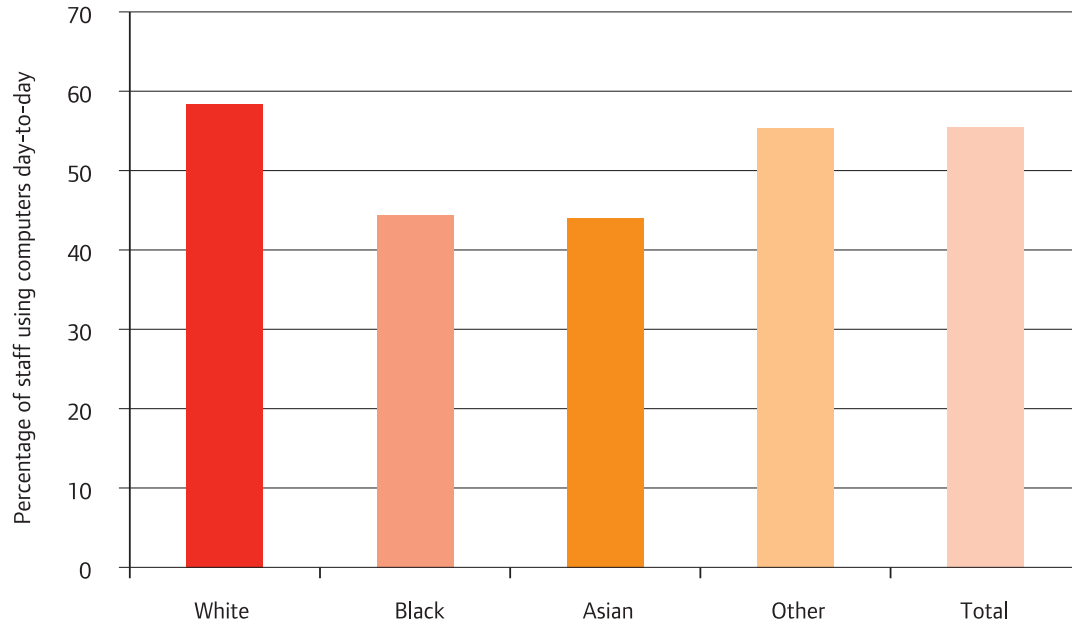
Chart 19 Whether business is low, medium or high tech?



source LABS 2004

The data in chart 19 was further analysed by asking respondents to identify the percentage of staff using computers on a daily basis. Chart 20 shows that staff in Asian-owned businesses, together with staff from black-owned businesses, are the least likely to use computers on a daily basis. This reinforces the above finding that Asian-owned businesses are more likely to be 'lo-tech' businesses.

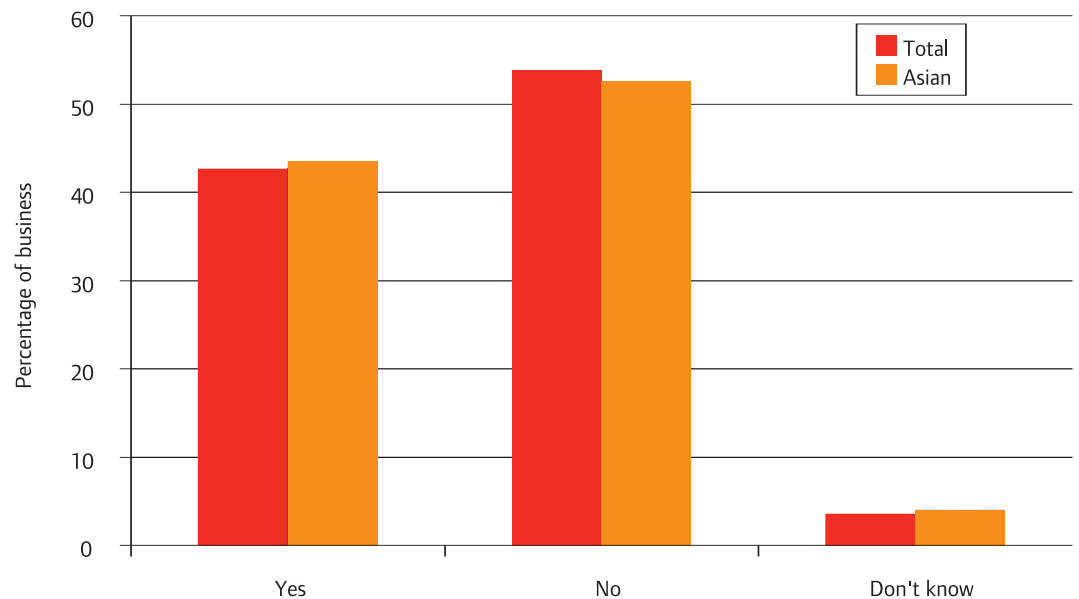
Chart 20 Proportion of staff using computers daily



source LABS 2004

The presence or use of computers, however, is not an indicator of innovation since the introduction of new products or services are not necessarily associated with computers and other information technology. Despite the lower usage of computers, Asian-owned businesses introduced new products or services at the same rate as other businesses.

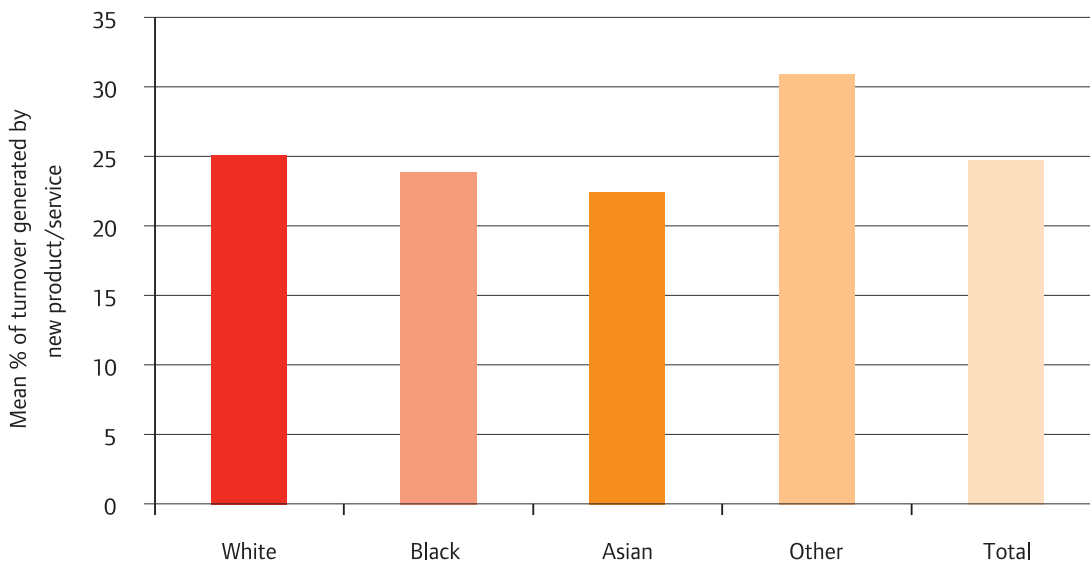
Chart 21 Introduced new product/service in last year?



source LABS 2004

Chart 22 shows that Asian-owned businesses were approximately as likely to derive benefits from new or improved products or services as businesses in general (the difference is not statistically significant).

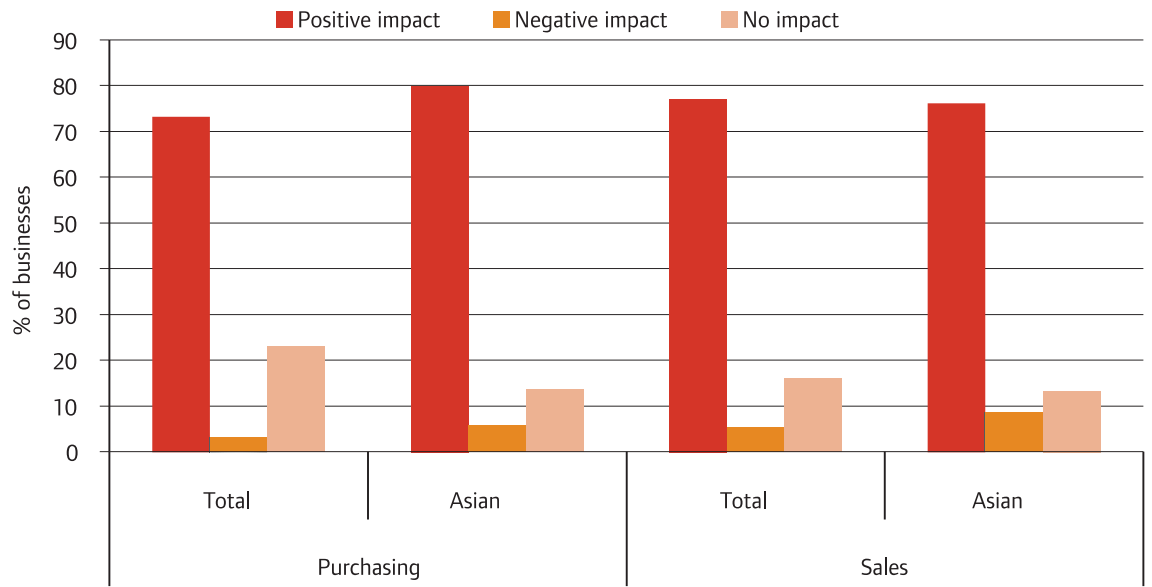
Chart 22 Impact of new or improved products and services



source LABS 2004

The impact and potential of e-commerce for small businesses is a topic that is receiving increasing amounts of attention^{xviii}. Chart 23 shows the proportion of Asian-owned businesses that have experienced a positive impact from online sales and purchases. Eighty per cent of Asian businesses compared to 73 per cent for all businesses experienced a positive impact from online purchases (though this difference was not statistically significant). In general it seems that online transactions have been good for Asian-owned businesses. Further work to understand the reasons for this could be a useful exercise in encouraging Asian-owned businesses to introduce a greater role for IT into their operations.

Chart 23 Impact of online sales and purchases on the business



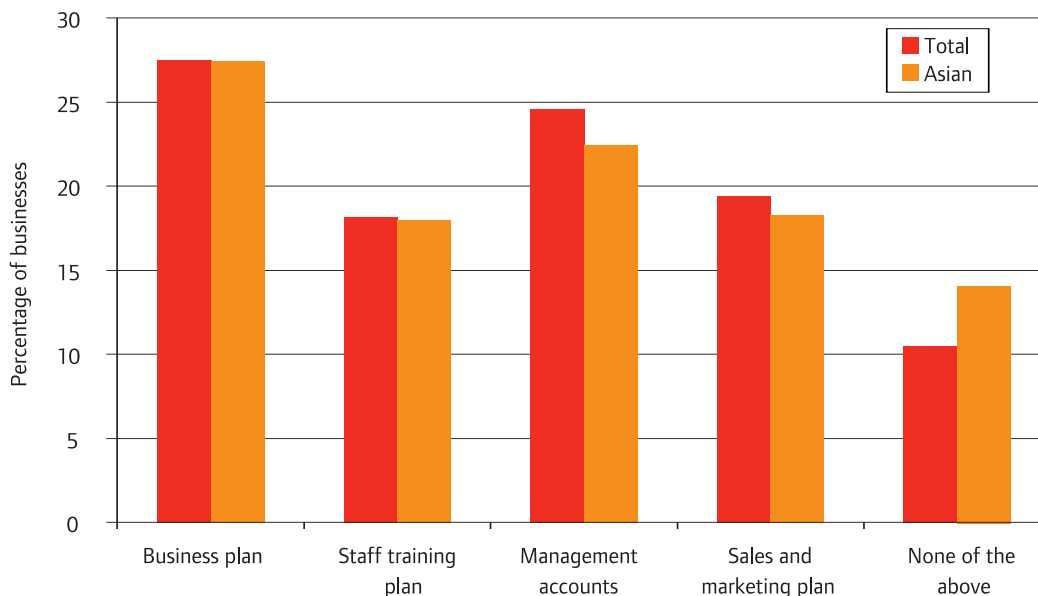
source LABS 2004

9 business practice and management

The survival of firms in today's competitive markets could be bolstered by improving the management structures and strategic tools that a business has. In addition, small businesses can be particularly susceptible to the vagaries of the market, and having access to timely and appropriate business support and advice could be critical for their survival^{xix}. This chapter uses the survey data from the LABS 2004 to assess the business structures of Asian-owned businesses and to discern the source of business support and advice for these enterprises.

Chart 24 shows that Asian-owned businesses are approximately as likely to have business plans, staff training plans, management accounts and sales and marketing plans in place, as the average for all businesses. The biggest difference between Asian-owned businesses and businesses in general is that Asian-owned businesses are more likely to not have any of these management structures or strategic plans in place. The proportion of Asian-owned businesses having 'none of the above' is approximately 14 per cent, compared to ten per cent for all firms. This is likely to be a reflection of the smaller average size of Asian-owned businesses.

Chart 24 Proportion of businesses with various strategic planning tools

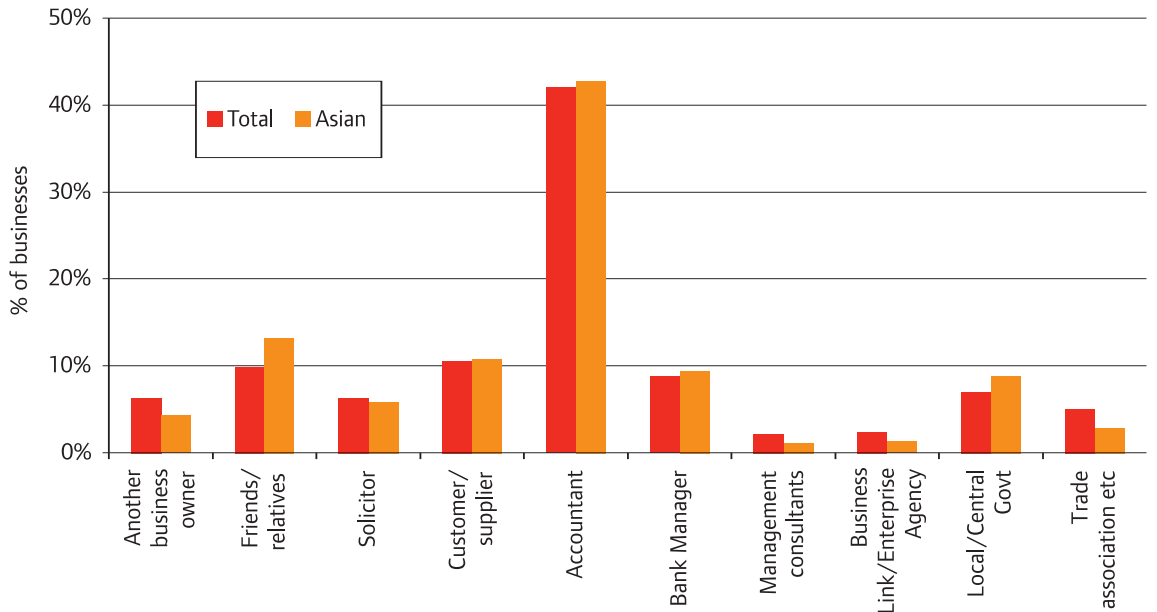


source LABS 2004

Asian-owned businesses are approximately as likely to access most kinds of business advice as all businesses, as shown in Chart 25. There are slight differences, but these are within the margins for error of the survey.

Chart 25 Sources of business advice

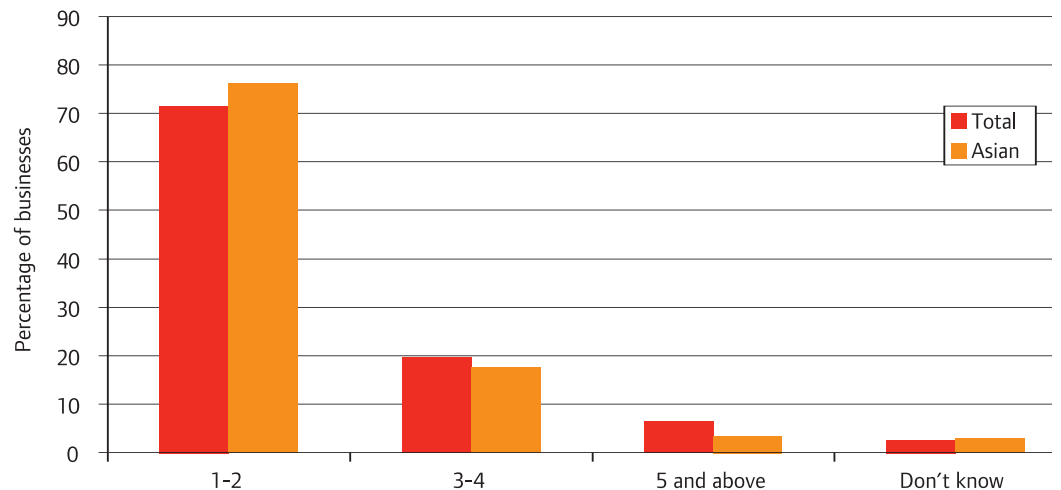
Most frequently used source of business advice in last 12 months



source LABS 2004

There are some minor differences in the size of the management teams in Asian-owned businesses compared with London businesses in general. The largest proportion of Asian-owned businesses and all other businesses have one to two managers – reflecting the fact that the majority of businesses are fairly small. The proportion of Asian businesses having one to two managers is slightly higher than the proportion of all businesses – though this difference lies within the margin for error of the survey.

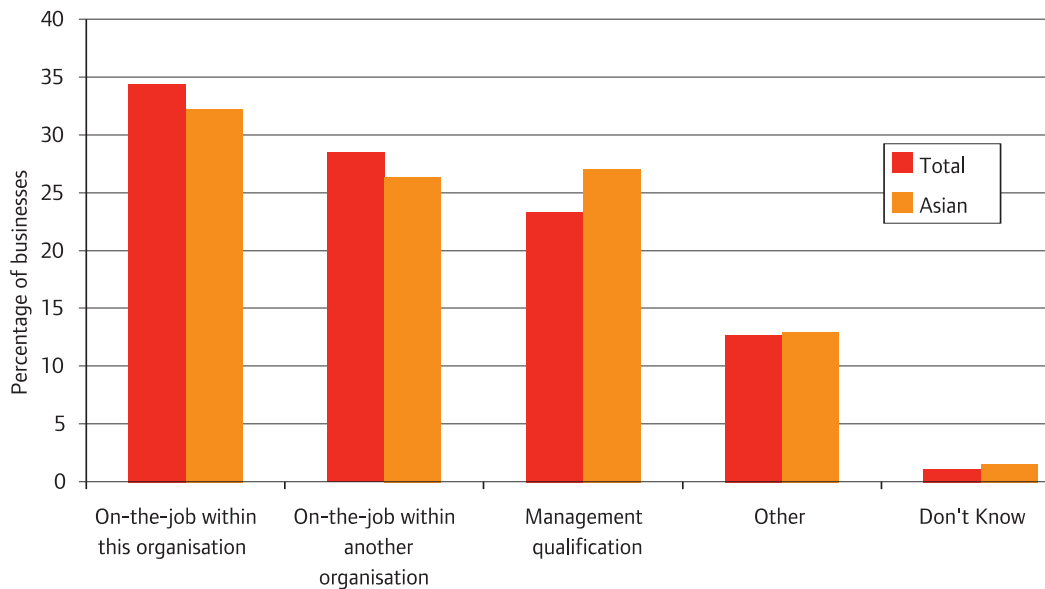
Chart 26 Number of members of the managerial team



source LABS 2004

Managerial experience in Asian-owned businesses has been acquired in similar ways as in other businesses, as illustrated in Chart 27. Most managers have acquired their main experience with on the job training at their current organisation or with another organisation. It is, however, noteworthy that a higher proportion of managers in Asian-owned businesses have managerial qualifications when compared to managers from all businesses. Twenty seven per cent of managers in Asian businesses, compared to 23 per cent in all businesses, are likely to have managerial qualifications.

Chart 27 Ways in which principal managerial experience was acquired



source LABS 2004

10 conclusion

This report has used 2004 survey data on businesses in London to describe and analyse the contribution that Asian-owned businesses make to the London economy. This report, and the extensive data available through the London Annual Business Survey, confirms the significant contribution that Asian-owned businesses make to London's economy. The latest survey data from 2004 suggests that Asian-owned businesses make up around 14 per cent of all London businesses, produce annual turnover equivalent to around 13 per cent of all turnover (for businesses covered by the survey) and provide jobs to around 300,000 persons.

Many Asian-owned businesses were established before 1990, which indicates that Asian-owned enterprises have a survival rate that is similar to the average business in London. Though the lack of data makes it difficult to say anything about trends in Asian-owned businesses, self-employment increased significantly for Asians in London between 1991 and 2001.

There is a high concentration of Asian-owned businesses in the Wholesale and Retail sector. The slowdown in sales in the Retail sector across the UK may have had a significant dampening effect on the performance of Asian-owned businesses in 2003/04. Despite this, the profitability of Asian-owned businesses is similar to that for all businesses.

In terms of business barriers, Asian-owned businesses do not appear to have greater problems of access to finance than businesses on average. However, a higher proportion of Asian-owned businesses compared to all businesses indicated that market conditions in 2003/04 were a disincentive to invest.

The cost of business premises seems to be one of the most significant problems faced by Asian-owned businesses. This may stem from the high concentration of Asian-owned businesses in the Wholesale and Retail sector. This highlights the important effect of having timely and appropriate advice for businesses within a sector and the effect this may have on ethnic-minority-owned businesses.

The international links of Asian-owned businesses are a potential area for comparative advantage and further business development. While the data from the LABS suggests that Asian-owned businesses are overwhelmingly local in focus, there is certainly scope for development in this direction. Another area where Asian-owned businesses may profitably expand is in the B2B market. LABS data suggests that this is the principal market where Asian-owned businesses are significantly under-represented compared with the average. The reasons for these characteristics of

Asian-owned businesses may be the concentration in sectors that have a more local customer base and are less likely to sell to other businesses, but this distribution could change with new or existing Asian-owned businesses taking advantage of the opportunities in this market.

A higher than average proportion of Asian-owned businesses describe themselves as 'lo-tech'. Despite this, online transactions have had a positive impact on those Asian-owned businesses that have used it. These benefits should be disseminated to other Asian-owned businesses to help encourage the take up of information and communications technology.

appendix: statistical reliability

The London Annual Business Survey 2004

LABS is a survey and so is subject to sampling error. While a random sampling framework maximises the probability that the sample is representative of the wider population, the fact that the information comes from a sample and not the total population means that there is a risk that the estimates of any particular sample parameter are different from the population (true) parameters.

What this means in practice is that a parameter like the mean turnover for eg Indian owned businesses is estimated at around £2.3 million from the sample (which was a fairly large sample of 136 businesses). With this particular sample size and for this particular question (turnover) there is a standard error of around £1.5 million. This means that the 95 per cent confidence intervals for mean turnover a year is in this case £1.96-£2.52 million. For the total turnover of all Indian-owned businesses, the corresponding range for a 95 per cent confidence interval is £21-27 billion. Clearly, this is a very wide range. For larger sample sizes – eg for larger groups, like all BME businesses, the confidence intervals will be smaller, but for smaller sub-groups, eg Turkish owned businesses, the confidence intervals may be so large as to make any estimate virtually meaningless. For a full discussion of the standard errors associated with the LABS results see the publication *The London Annual Business Survey 2003* (available on the LDA website). Below is a table of the sample sizes from LABS of the main ethnic groups used in this report:

Figure A1 Sample sizes for different ethnicities of business owners from LABS

Total white	2,675
Total black	181
Black – British	40
Black – Caribbean	32
Black – African	58
Black – other	9
Mixed – white/black Caribbean	29
Mixed – white/black African	13
Total Asian	519
Asian – British	100
Asian – Indian	136
Asian – Pakistani	44
Asian – Bangladeshi	11
Asian – other	63
Asian – Chinese	20
Asian – Japanese	12
Mixed – White Asian	87
East Asian	14
West Asian	32
Total other	165
Mixed – other	113
Other	52

source LABS 2004

endnotes

- i GLA, 2001, The contribution of Asian businesses to London's economy
- ii GLA, 2004, Ready for Business: The contribution of black businesses to London's economy
- iii GLA, 2003, Black people pushing back the boundaries, London
- iv LDA, 2005, Redefining London's BME-owned Businesses, London, March 2005
- v GLA, 2003, Black people pushing back the boundaries, London
- vi Prime Minister's Strategy Unit, 2003, Ethnic Minorities and the Labour Market
- vii Responses indicating that the firm was a publicly listed company were excluded since it would not be possible to tell what the ethnicity of the owners was.
- viii Prime Minister's Strategy Unit, 2003, Ethnic Minorities and the Labour Market
- ix The DTI define Small Businesses as those meeting two out of the following three criteria – fewer than 50 employees, balance sheet total of not more than £2.8 million, or turnover of not more than £5.6 million (for two consecutive years or one year if in first year of incorporation). However, the statistics from the LABS refer to number of employees at a business site, not necessarily across the business as a whole, so these classifications cannot strictly be applied.
- x Ram, Monder and Trevor Jones, 1998, Ethnic Minorities in Business, Small Business Research Trust
- xi GLA, 2001, The contribution of Asian businesses to London's economy
- xii See e.g. GLA Economics, 2005, Retail in London Working Paper A: Retail in the West End
- xiii Ready for Business: The contribution of black businesses to London's economy. GLA Economics, 2004.

- xiv See eg Mirjam Schiffer and Beatrice Weder, August 2001, Firm size and business environment: Worldwide survey results, IFC Discussion paper No. 43, The World Bank or J. J.S Metcalf and M. Porteous, 1990, Barriers to growth in Small Firms, Routledge, London.
- xv British Bankers Association, 2002, Ethnic Minority Business in the UK: Access to Finance and Business Support
- xvi Ram, Monder, David Smallbone and Brian Linneker, 2002, Assessing the potential of supplier diversity initiatives as a means of promoting diversification among ethnic minority businesses in the UK
- xvii Foley, Paul and Monder Ram, 2002, The use of online technology by ethnic minority businesses: A comparative study of the West Midlands and the UK, De Montfort University
- xviii Foley, Paul and Monder Ram, 2002, The use of online technology by ethnic minority businesses: A comparative study of the West Midlands and the UK, De Montfort University
- xix Ram, Monder and David Smallbone, 2001, Ethnic Minority Enterprise: Policy in Practice, Final report prepared for the Small Business Service, www.sbs.gov.uk

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Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ. ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دینے گئے پتے پر رابطہ کریں

Arabic

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