MINORITY BUSINESS DEVELOPMENT: AN INTERNATIONAL COMPARISON

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The migration of people from the developing nations to the industrialized world has created significant minority population concentrations in those industrialized countries. Invariably, the minority population (generally black, Hispanic, and/or Asian) occupies the lower end of the socioeconomic distribution spectrum because of lower levels of educational achievement and higher unemployment rates. The host countries confronted with these issues of minority inequities are exploring a variety of alternatives to alleviate the socioeconomic problems; one of which is minority business development. This article looks at the industrialized countries of Canada, France, Great Britain, Holland, West Germany, and the United States, and how they are addressing the issue of minority business development. The size and diversity of the minority population, the economic, social, and political conditions under which they migrate, and the host country recognition of their status affects the economic climate and the development success of this business sector, formed outside of their native habitats. Although conditions differ from country to country, minority businesses in general suffer from similar problems of capital access, market restrictions, and general management inadequacies. The developmental path of these business sectors are, however, affected by the host country policy and the official programs designed specifically to address their needs.

Population shifts from developing to industrial countries have taken place as a result of the aftermath of economic and political colonialism, the labor needs of economic development, the international demonstration effect, and modern transportation technology. These migratory movements have created concentrations of minority populations outside of their native habitats. Stereotypically, these population groups are poorer, less educated, and possess less wealth stock than the indigenous population, and they make up the lower end of the socioeconomic spectrum. Additionally, they are heavily dependent on employment as a source of income although they make up the majority of the unemployment rolls.

Economic frustration and social discrimination have resulted in social unrest and violence as the younger generation of migrants clamors for access to economic opportunity. Unfortunately, economic conditions and finite resources have placed restrictions on employment growth. The alternative is to encourage minority business development to provide employment opportunities[1] and to develop community financial and commercial capabilities. This article looks very broadly at governmental efforts to promote minority business development in the United States, Canada, the United Kingdom, France, West Germany, and the Netherlands. Also, it attempts to show that the degree of official support affects the developmental status of minority business in the host country.

Business development is the lifeblood of economic development. It creates jobs, meets consumer demands, efficiently allocates and utilizes resources, and generates capital. Without the formation, growth, and failure continuum of business development, a country's economy would stagnate. Since the minority population is usually concentrated at the lower end of the socioeconomic spectrum, their involvement in business is also limited. The policy is thus to encourage the minority population to initiate and to participate in business ventures so as to create job opportunities, provide income, and generate capital for community investment and development.

It is interesting to note that although the minority population is defined in the United States as immigrants or generational successors from Africa, the Caribbean (black); North, Central, and South America (Hispanic); China, Korea, Vietnam, Cambodia, India, and the Pacific Islands (Asian); and indigenous Americans (American Indians, Aleuts, and Eskimos), their economic positions differ from country to country either as a result of migratory conditions or as a result of official country policy.

MIGRATION PATTERNS

The migratory pattern or movement of people from one region to another and the conditions which govern that flow generally affect the business development incentives or motivations of the forming minority populace. The patterns of migration flow into the six countries reviewed in this study are governed by world affairs, domestic economic and political environment, and legal restrictions. Since these situations change, migratory patterns also change, thus the minority population coming in at any given time will exhibit differing socioeconomic characteristics. For example, in England the so-called minority population is comprised of first and succeeding generations of sub-Saharan Africans and West Indians (Afro-Caribbeans), and Pakistanis and Indians (Asians). As a colonializing power, England allowed limited access to denizens from her past colonies. The advent of colonial independence and Commonwealth status opened up England to migration from these ex-colonies. However, the big migratory waves were triggered by employment needs in Britain, economic conditions in the Commonwealth, or political actions such as the ousting of Asians from East Africa.

Employment needs forced Britain to recruit West Indian and African labor. The social class, educational achievement, and degree of cultural adaptability of this group were limited. This contrasts with the influx of Asians from East Africa who were primarily in the merchant class or who came from a more middle-class background. A similar situation existed in the Netherlands where migrants from Surinam or the Netherland Antilles[2] were usually of a blue-collar or urban background. In West Germany, the *gastarbeiters*, or imported workers from Turkey, were recruited from either rural areas or small towns.[3] And France, like Britain, as a past colonial power, also allows access to people from their past and present dominions. France did not recruit alien labor and their minority migration was primarily for education or economic reasons; therefore migrants tended to be more middle class than lower class or rural. Canada, being vastly underpopulated and never having been a colonizer, has a relatively open immigration policy. This has led to a positive migratory trend of middle-class urban migrants who tend to be more educated. (Canada now actively recruits business investor/owners for repatriation into Canada, especially from the Pacific Basin countries). The United States was involved in slavery and the slave trade; in addition, indentured labor and contract labor were recruited and the nation has acted as a repository for political refugees. Plus, the strength of the U.S. economy is such that the country is often seen as a land of economic opportunity.

The preceeding overview introduces the argument that because of differing economic reasons on both the part of the host and the migrant countries, host country legal environment, world political and economic climate, the background or demographics of the migrant populations are different. How does this affect minority population business development? Blaschke,[4] in a study of *gastarbeiters* in West Berlin, looks at education, family background, and rural/urban residence in an attempt to determine business participation and finds that urban background, education, and skill affect the Turkish immigrant's desire to act as a business owner. Sowell[5] also has advanced a theory of ethnic trait dominance (stereotype) as an indicator of career choice (employer vs. employee). He uses the example of the larger representation of West Indian Americans as minority business owners in the U.S.

Evidence would indicate that there is no overriding ethnic trait that stimulates ethnic business participation (thus favoring one ethnic group as business owners over another) because of the greater ownership variations within ethnic groups as opposed to across ethnic groups. Aggregate evidence from Canada, England, and the United States does show a higher participation of Asians (Pakistani, Indian, Chinese, Japanese, Korean, Cambodian, Vietnamese, Pacific Islander) than Afro-Caribbeans and/or Hispanics in business ownership. However, if that data are broken down to look at countries as opposed to regions, a different picture is obtained. What we see is that minorities are not an agglomorous group, but are a heterogeneous mix whose behavior patterns are governed by family and family background, education, individual motivation, etc.—much the same determinants that drive the behavior patterns of the greater population.

It thus becomes important in looking at minority business development to realize that host-country migratory regulations as well as migrant background combine to determine the ultimate career path of the migrant. It is rare (except in the Canadian situation) where a migrant possesses the financial wherewithal to immediately start a business. Another determinant of career choices of employment vs. business ownership is the length of time that the migrant group has been domiciled in the host country. There is evidence to indicate that there is a high business participation rate among migrants.[6] There are, however, some other considerations. Casual analysis implies that first generation migrants (especially Asians) choose business ownership as an income-generating activity because of language barriers, inability to find employment in keeping with education, and host-country employer lack of acceptance of migrant experience/qualifications. Succeeding generations adapt to the general culture and invest in human capital and seek employment as a career path. Business succession is passed instead to each new wave of similar ethnic migrant. This also explains why migrants from the Caribbean into Britain and the United States or Holland (who face no language problems) are more likely to be employees than business owners. Fratoe[7] has also advanced the idea that minority communities that are more integrated (Asian) as opposed to diversified (Afro-Caribbean), contain more support networks to encourage and abet the business development effort—an offshoot of the ethnic enclave idea (this is discussed further elsewhere in this article).

To recap the effect of migration on minority business development: migratory trends have created significant minority elements in host-country populations. Finite resources limit employment opportunities, thus requiring an alternative method of income-generation-business formation. The cultural and social background of the migrant has an impact on business formation. Language and education act as stimuli in the choice between employment and business ownership. The length of time in the host country is also a factor, the shorter the time the higher the business participation. The degree of minority community integration acts as a catalyst and support for business ownership. All of the above variables notwithstanding, there are external constraints to minority business ownership and operation, constraints such as capital availability and market discrimination.

ETHNIC ENCLAVE PHENOMENON

In the preceeding section, I touched upon the idea of minority community integration. The literature on black business development in the United States and Asian business in England addresses this issue as that of the ethnic enclave. This is where migration has resulted in identifiable areas of ethnic or minority population concentration either from migrant choice or from external discrimination, or both. Such enclaves are close-knit communities serving as links with the ex-patriate homeland to provide the migrant with family, community, and institutional support needs so as to allow for quasi-assimilation.

The literature on ethnic enclaves and business development is synonymous to the "internal colony" debate that raged in the United States in the early 1970s. Here the idea is that the enclave provided the client base or the demand for certain goods and services. Ethnic business owners would provide these goods and services through retail or service-sector outlets. These enterprises were consumer outlets for products manufactured elsewhere, and in fact were imports into the enclave. As such, this type of business development was limited to the retail, personal and business services, construction, transportation, and finance industrial categories. Construction, retail, and service categories' firms abounded because of the level of demand and the relatively low cost of entry. In the United States, both consumer discrimination and business discrimination served to provide a market niche within which minority firms could operate, but it also restricted their growth. In England, France, West Germany, Canada, and Holland this was also the case. Minority residential concentrations formed the client base for enterprises catering to the specific ethnic needs of the population. Those enclaves provided the support necessary to maintain those operations; unfortunately, such small market niches also served to constrain the growth of those enterprises.

Not only did these ethnic enclaves serve as a guaranteed market niche, they also served to determine the types of businesses formed. Ethnic enclave businesses are primarily retail or service sector. Also, those industrial areas are relatively easy to enter (in terms of the microeconomic literature) except in Holland and West Germany where artificial restraints such as regulations or laws act as barriers. These restraints[8] are intended to protect and give indigenous business owners an additional artificial advantage. The restraints not only limit the growth and development of minority businesses (though creating alternative, adaptive modes for minority owners to meet the existing demand), but they also effectively curtail minorities from competing in the general marketplace.

While it can be said that most ethnic enclave businesses were created to serve a minority market demand, in West Germany[9] a significant proportion were created to provide employment for the owners' family. Additionally, especially in West Germany and to some extent in England and the United States, business ownership came about as an outgrowth of employment-obtained skills. Thus, in countries where there was active external labor recruitment the employment needs also served to fashion future minority business categories (of course dependent upon the immigration status and the length of stay before the ownership decision is made), for example, cobblers, contract construction, and other business categories along this line.

Not only did ethnic enclaves serve as the client base and determinant of business categories, they had a more important function in the business-formation process. The potential business owner/operator identifies a market demand opportunity and possesses the necessary skills and abilities to operate and manage an enterprise; the missing ingredient is capital. Both JACA and Ward and Jenkins[10] evince that the second most important source of equity capital for business start-up is the community. The owners' and families' personal savings are the primary equity base for the starting business. This means that the business owner is usually older and has held some type of income-generating employment for some time. The fact that the community provides a significant equity investment means that minority communities with a high degree of integration (usually Asian communities) should have a higher business start ratio and higher business capitalization ratio than other communities. This hypothesis is borne out by evidence from Fratoe, Friedman, and Ward and Jenkins[11] in the United States, Canada, and England. These Asian communities have highly developed informal financial institutions and processes. While the diversity of the Afro-Caribbean community in the U.S., U.K., and Holland basically precludes the development of such institutions in terms of size and depth, these institutions operate in Asian communities in the U.S. and the U.K. In the U.S., Asian start-up businesses have a higher total capitalization than other minority and nonminority businesses, and I suspect that this is also the case for the other countries analyzed in this article[12].

Another impact of ethnic enclaves on minority business development is that of the labor force. It has been posited elsewhere[13] that minority businesses use a predominantly minority labor force. That is one of the bases for governmental action in the United States. In minority communities—be they integrated or diversified—unfamiliarity, discrimination, information gaps, and unfavorable perceptions more or less inhibit the use of the external labor force. Also, business size, firm longevity, and profitability limit wage and salary sizes, thus barring minority businesses from effectively competing for a nonminority labor force. Information bottlenecks really define the labor force, because it is very rare that one ethnic group will hire members of another ethnic group, especially in small retail and service operations. Of course, as business size increases, or as businesses move out of the traditional standard industrial classification (SIC) categories into more sophisticated categories such as manufacturing or finance, the minority business/minority employment relationship lessens.

For the traditional business categories of retail and service, the ethnic enclave provides a captive market niche and client base. The local economy also provides the labor force. Skill requirements are minimal, wages are low, and hours of employment are long. However, there is employer/employee familiarity, relatively little job competition, and an insignificant journey to work cost both in time and expense. Also, most importantly, the ethnic enclave acts as a source of financing for the business. On the other hand, the enclave becomes a constricting factor in that it acts as a market definition or boundary constraining business growth, especially for retail and service firms. The limitation on market size and familiarity also extends to financing availability because the enclave location reduces the information/communication flow to the outside, resulting in unfamiliarity to external sources of capital. In short, the ethnic enclave provides financing and market support to maintain ethnic enterprises but it limits growth. Ethnic enterprises located outside of ethnic enclaves have a wider market appeal and can also attract external capital.

BUSINESS GROWTH AND DECLINE

Although the glamour, permanence, and fame lies with large corporations, the majority of businesses in most countries are defined as small businesses. Small businesses the world over are confronted with problems of competition in terms of resources input and product perspectives, management capabilities, and financing. They not only have to compete with other small businesses for market territory and access to capital, but they also have to compete with large enterprises. According to the definition of size standards drawn up by the United States Small Business Administration (SBA), the majority of businesses are small. Although size definitions vary from country to country, most businesses are small by any of the standards. The minority businesses located in the countries under analysis almost all fit into the definition of small business.

It is widely accepted that almost all minority businesses are in the small-business category. They are however, different from the average small business because they face additional and more severe problems of management skills and capabilities, limited market appeal and competition, and limited financing. A comparison of minority businesses across the study countries shows that only in the United States have some minority businesses moved out of the small-business category to compete in the wider market in product, labor force, and capital. Minority businesses are not unique in the problems that they face.

The Research Division of the U.S. Department of Commerce/Minority Business Development Agency developed a typology to explain the problems confronting minority businesses in the United States. This typology categorizes the specific problems under the broad genres of business formation, business growth, and business failure. The following sections address these phenomena across the study countries.

Business Formation

The principal reason why minority businesses are not a more significant force is because of a low level of formation. Apart from the fact that the minority population is small, the business ownership rate for minorities is less than that of the general population. It is posited that this low formation level is a result of a variety of factors; not many role models of *successful* business owners, a generally low social status of the business owner, a lack of business management knowledge and skills, very limited equity or start-up capital, and restrictions on available business opportunities.

In general, host-country restrictions on available business opportunities for minorities are a function of an information gap. Additional restrictions are created by laws or regulations designed to protect the consuming public. Unfortunately, some of these restrictions become more onerous for the minority population because they either require additional human capital investment or add more to the cost of doing business. The United States, Canada, and England have less restrictive regulations than West Germany or Holland, partially accounting for a more suitable minority business climate. What is common in all of the countries, however, is lack of uniformity in imposing and enforcing regulations across firms.[14]

As mentioned earlier, a characteristic of the minority population in these countries is the lower educational level, the lower income level, and the resultant lower wealth level. This characteristic restricts business formation since the primary source of equity capital is family, friends, and community. Not only does this constrain the number of business starts but it also places limitations, after start-up, on the business expansion. Consequently, the majority of minority businesses will be small and struggling, and provide little in the way of a positive role model.

Business Growth

Business growth or operations after the business has started is primarily dependent on market appeal, the management skills of the owner/operator, and access to resources (information, product input, and capital). The minority business owner/operator, operating within the confines of an ethnic enclave, will at best maintain a low level of operation because of limited market appeal and potential consumer income. Those operating outside of an ethnic enclave have a higher profit potential but are also faced with a larger downside risk for failure because of competition or consumer nonacceptance. It is paramount in the latter situation then that business owners be prepared either through formal training or experience to be able to effectively compete. The minority populations throughout the study countries do not (in general) possess the necessary management experience or skills to advantageously utilize resources or the environment. They also cannot hire the necessary trained personnel. These constraints also limit access to capital. As a result, minority businesses start small and remain small, or fail at a relatively high rate.

Business Failure

The failure rate of minority-owned business is relatively high, i.e., it is higher than nonminority-owned business and is high in comparison to business starts. Minority businesses fail because of an unfavorable capital structure, generally small size, and limited management skills. As mentioned above, the minority populace is not exposed to employment or on-the-job training in the management area. Previous studies show that the average nonminority entrepreneur worked for approximately 10 years in some management capacity before making the ownership decision.

Minorities do not have that exposure. The fact that limited market appeal places constraints on firm size creates further survival problems. While small size is not necessarily bad—small size allows for quicker reactions to market climate and smaller overheads—it does have detrimental effects such as no cushion to absorb economic downswings, more costly operations (scale inefficiencies), and limited alternative to the chain of command. Finally, although minority firms start out in comparatively good financial positions, limited access to equity financing inevitably skews the firm's capital structure to make it highly debt intensive and a potential candidate for failure.

Special Problems for Minority Firms

While it is true that almost all small businesses face the above list of problems confronting minority businesses, these problems are exacerbated for the minority business because discrimination is an additional factor in the equation. Minority business owners and potential entrepreneurs, either because of community insularity or lack of acceptance into a more heterogeneous setting, are not privy to information flow or to informal support systems. Additionally, there is generally a negative perception of the goods and services profferred by minority business owners. Finally, lack of familiarity with the nature and the environment of minority business operations creates a high risk perception that precludes capital flows into the minority firm. Discrimination is directly responsible for developing and maintaining these negative business stereotypes of the minority business—perceptions that nonminority firms do not have to contend with.

Since most minority businesses are small businesses and most businesses are small, is there a need for special services to minority businesses? From the above discussion, a strong case can be made for providing special services to the minority business sector in the study countries. The negative perception of risk discussed above puts minority firms at a competitive disadvantage in the market. Consequently, they have to pay a premium that further adds to their production costs. What then can be done? Market inefficiencies can be addressed through a variety of ways. Since lack of information is obviously at fault, one strategy is to more efficiently communicate the effectiveness or competitiveness of the minority business sector. The other way is to allow for some type of intervention strategy by government (public body) to offset the previously mentioned market inefficiencies. This is the subject of the next section.

THE CLIMATE FOR MINORITY-BUSINESS DEVELOPMENT

Because of differences in how each of the study countries acquired a minority population, the differences in the socioeconomic characteristics of those populations, and because of differences in country economic institutions and climate, it will be difficult to come up with a broad-brush approach to the minority business development issue. Furthermore, the minority population of each country is not homogenous but is comprised of different ethnic subgroups possessing varying degrees of skill and occupying different levels on the economic ladder. The relevant question then is: Should the intervention strategy be to address the lowest attainment group or address the needs of the many?

As discussed earlier, the human capital skills and consequent economic position of a minority group are affected by the manner in which that group migrated as well as how long they have been resident in the host country. Turks in West Germany (arriving in the second half of the 1900s) entered as an imported labor force; North Africans and West Indians (post-1930s) entered France as citizens of present or past French colonies; Afro-Caribbeans (post-World War II) were recruited for the English labor force as well as being a part of the British Commonwealth, while Asians entered as part of the Commonwealth (after the 1950s); Sub-Saharan Africans (first half of the 1800s) were imported as slaves into America, Chinese (second half of the 1800s) were brought in as laborers, Koreans, Vietnamese, and Cambodians (post-1950s) were political refugees, and Hispanics are economic refugees; while in Canada (post-1950s) Afro-Caribbeans, Asians, and Hispanics migrated to a sparse population area (Canada actively recruits Asian capital and business owners).

Only in the United States and Canada is there a somewhat positive climate for minority-business development. West Germany does not recognize their immigrant population as being German, while England still believes that their ethnic population will one day "go back home." It seems therefore that the first step to developing a positive minority business climate is to publicly recognize that there is an identifiable minority population which faces both implicit and explicit discrimination from the general population as well as from established institutions.

United States

Minority is defined here as Afro-American, Asian, Hispanic, Aleut, Eskimo, and native Americans. The history of minority immigration and subsequent racial discrimination has resulted in the creation of a socioeconomic underclass that is confined to the unemployment rolls or to the lower end of the employment-income spectrum. These conditions are not conducive to the development or acquisition of education, training, or experience, or other human resource skills necessary to facilitate business ownership and management. Accordingly, minority groups do not have a tradition of business success but instead show a picture of need.

To address those needs, the government accepted the theory that inefficiencies existed in the maket structure of the economy, inefficiencies that impacted unfairly upon both the small and minority business communities. These inefficiencies were of both the factor input and demand types: market needs, human resources, information access, and capital. Normal market activities favored the existence and operation of large businesses, thus the U.S. Small Business Administration was created in 1953 to advocate small-business development, to provide market information and exchange, to develop access to public markets, and to act as a last resort source of capital. Additionally, it was also realized that although minority businesses are a subset of the small-business universe, they face more debilitating conditions and need special dispensations. Thus, in 1969 the forerunner to today's Minority Business Development Agency (MBDA), the Office of Minority Business Enterprise was created to specifically address the above-listed problems of minority business development.

Market needs. Generally, minority businesses do not enjoy access to the larger market area because of location, product appeal, consumer knowledge, or consumer perception. Since public policy cannot coerce but can only influence individual behavior, governmental activity is designed to open access to public markets by creating sheltered markets and hopefully act as a model for similar private-sector activity. Government purchases of private-sector goods and services constitute a very large market and the SBA designates (with individual governmental department input) specified contracted amounts and product types annually that are available only to small businesses (small-business set-asides). State and local governments also have these sheltered market programs designed along the federal lines. MBDA also funds a private-sector organization to negotiate with and persuade large private firms to actively engage in purchasing from minority businesses.

Information. Lack of access to, inability to use, and the high price of information add to the cost of business as well as curtail competitiveness. The novelty of and the lack of acceptance of minority businesses virtually preclude networking, thus opportunities are seldom known by these entrepreneurs. MBDA, through the operation of the Minority Business Development Centers, State Minority Business Opportunity Committees, and various contractor business associations, attempts to provide information on market opportunities, training availability, and capital sources.

Human resources. Job-market discrimination, a dearth of role models, and emphases on alternative career choices do not prepare the minority populace for business management. Both the SBA, through publications and short seminars and through the Small Business Development Centers, and MBDA, through the Minority Business Development Centers, offer management training to those minority business owners and potential owners who want to take advantage of such assistance. Both the SBA/SBDC and the MBDA/MBDC also stress center staff counselling for the business owners in deficiency areas such as marketing, accounting, finance, management, advertising, etc.

Capital. The most widely ascribed problem of minority business development is lack of capital. The SBA licenses small-business investment companies and minority enterprise small-business investment companies to act as both debt and equity capital sources to augment conventional financial institutions. Also, the SBA guarantees 90% of certain high-risk small and minority business loans by commercial financial institutions as well as act as a lender of last resort to minority businesses. The MBDA provides the staff assistance to identify financial types and sources and to assist in the preparation of the relevant proposals to SBA, the SBICs, the MESBICs, and to commercial financial institutions.

West Germany

Since West Germany still does not accept the existence of a migrant Turkish population and self-employment is lagging other areas of employment, the minority business sector here is young. No special provisions have been made to address the development of this sector, except that minority entrepreneurs are eligible for available support programs in much the same way as other West German entrepreneurs. Unfortunate social conditions are causing both the government and private researchers to look at the issues of a minority population problem and how minority business development fits into the scope of general development.

Great Britain

The minority population of Afro-Caribbeans and Asians, although engaging in limited business endeavors for some time, did not elicit specific public considerations here until the 1980s. Previous public policy towards minority business development is addressed by a general small-firms policy and policies regarding inner-city development (where the majority of minorities reside).

Small firms policies do not address the needs of minority firms because the policies are either specific to industries with few MBEs or addressing geographic areas where MBEs are not located. Policies addressing inner cities were derived from an attempt to alleviate poverty through employment, employment training, and housing improvement.

There is no national policy on business development, instead local governments have statutory authority from legislation regarding special needs of inner cities. Local authorities have created business development units to provide business counselling, rent, premises improvement, market research grants, and loan guarantees and subsidized rates of interest. (Note the similarities in some of the service provisions to the U.S. areas.)

Human resources. Immigration patterns and employment discrimination have served to deprive the minority population, especially the Afro-Caribbean segment of business experience or education. Oftentimes the business owner possesses the technical skill but not the management skills to successfully operate a business. The business development units provide management assistance to aid owner/operators in the areas of inventory control, accounting, marketing, etc.

Marketing. The majority of minority businesses cater to ethnic markets. In order to grow, these businesses have to break out of the ethnic enclave confinement. However, what was a secure market environment did not create a need for sophisticated marketing techniques. In order to widen market appeal to the larger population, the local business development unit provides (subsidized) market research grants, but unfortunately no direct access to markets.

Capital. Minority firms are very small in England and like the United States have very limited access to capital, although Asian firms have access to informal community sources as well as some Asian banks. It is also assumed that capital availability is a prime inhibitor to business growth. As such, the local government through the local business development unit provides loan guarantees and loans at subsidized interest rates.

Premises. The minority business sector is apparently synonymous with an informal business sector in that fixed business locations are difficult to come by since landlords do not want to rent to minority business owners. As such, local authorities provide premises rent grants to promote stability and to reduce costs, and also improvement grants to adapt and upscale premises to meet the business needs.

More recently, the central government is now making a substantive attempt to provide business services akin to those provided by the US/MBDA to black minorities in London, Birmingham, and Manchester.

Netherlands

The minority population of the Netherlands is made up of Afro-Caribbeans and Pacific Islanders. Because the Netherlands does not have a history of immigration, they have not had much experience regarding foreign trained, self-employed, or craftsmen wanting to establish businesses. Thus, foreign credentials are not considered acceptable. Governmental regulations, semi-governmental boards and councils, municipal and national inspections, and professional associations have established criteria to govern business operations in terms of credit, operator skill/competence and consumers, and are wont to maintain the status quo.

Although there is official recognition of a minority population and minority business sector, the minority business sector is not cohesive enough to demonstrate that the regulatory requirements only serve to foster monopolies or control competition. Unless it can be shown that the artificial institutional structure only causes reduced competition, minority-business development in the Netherlands will never be more than a trickle.

France

The largest component of the French minority population is the Afro-Caribbean group. France, also having a colonial history (and it still has colonies), has always allowed migration for education and employment purposes from its colonies. It was not until very recently (1985) that France established a national minority business development program. They have spent considerable time studying the U.S. model of the SBA and the MBDA in an attempt to fashion an adaptive model. The program has not yet been unveiled.

Canada

Canada's minority population is similar in ethnic make-up to that of the U.S., although Canada does have an aggressive immigration recruitment policy especially in regards to potential business owners. Minority business development falls under the aegis of "Multiculturalism Canada," and the latest available data show an interesting match with U.S. data in terms of ethnic group business participation rates and industrial categories. The problems are also somewhat similar: MBEs face capital, labor force, and trade credit and supply problems.

Capital. Some credit discrimination against small and minority firms does exist in the form of higher loan interest rates and more collateral requirements. Although capital access from conventional sources is not a problem, the government offers a variety of financial assistance programs, unfortunately they are small business but not minority small business specific. Also, information about the government assistance programs is not well distributed in the minority community.

Perceptions. MBEs felt that because of identification as an MBE they were unable to attract a quality labor force, although most relied on family and other relatives for unpaid labor inputs. Also, business location has a lot to do with the ability to attract a labor force. Although trade credit and factor supply is a problem with all small businesses, MBEs feel that it is more so for them because of the perception as an MBE.

Canada is now instituting a very aggressive policy of business development. The national government instituted various financial assistance programs to buy down the cost of loans as well as to provide easier access to capital. Both local and national governments have also implemented sheltered market programs to increase MBE sales and to use such contracts as collateral for trade credit and factor supply as well as financial asset collateral.

CONCLUSION AND POLICY IMPLICATIONS

There are differences between ethnic groups in each observed country, and moreover differences among similar ethnic groups in different countries. These differences reflect the respective immigration policies of the countries and how each country's economic environment and cultural adaptability affected the immigrant group. Migrant cultural and language cohesion, although fostering a certain amount of business participation, tended also to restrict the size of the business. On the other hand, the ease of migrant absorption into the general populace and culture tended to decrease the business participation rate but also allowed for larger businesses.

Additionally, because of problems of capital accumulation and legal and technical requirements, the make-up of the minority business sector in each observed country differs somewhat from that of the general population. MBEs are more likely to be in the retail and personal and business service categories because of the relative ease of entry in terms of capital and human resource development. Also, the ethnic enclave provides a ready market, although a restricted one.

Generally, MBEs face similar problems of capital availability, general populace perception (discrimination), human capital development, market acceptance, and regulatory burdens. The differences in how each observed country addresses its respective MBE problem depends to a great extent on whether it views the minority populace as a problem or not. Public policy is thus geared to public perception.

National policy in the U.S. and Canada, and to a lesser extent in England (more local policy), recognizes a minority business problem and has thus set out to redress those ills. The general policies have recognized the inefficiencies of the established market system and have set out to address them by implementing programs in capital, management assistance, sheltered markets, and human capital development. The other European countries of West Germany, Netherlands, and France are just coming to grips with the presence of a minority population. It will therefore, be some time before they develop programs to address the ills of MBEs.

Research shows that MBEs face problems somewhat more debilitating than those faced by other small businesses. These problems are capital availability, regulations, public and consumer perception and acceptance, labor force quality, trade supply and credit, and human capital development. Public policy can only go so far to redress these problems. Policy, to be effective, should provide a healthy climate of growth through capital availability programs to provide debt and equity funds at competitive rates, sheltered markets programs to encourage access to both public and private markets, channels for information distribution to influence public perception, and make available human resource development programs to substitute for past employment discrimination practices.

NOTES

1. A study by David Birch et al., *The Evolution of Minority Business Enterprises*, (MBDA Report, 1983), indicates that small business formation and failure account for the growth and fluctuation in employment opportunities annually.

2. Jeremy Boissevan, Issac Joseph, Ivan Light, Marlene Sway, Pnina Weber, "Ethnic Community and Family Firms: Strategies of Ethnic Enterprise," Proceedings of International Ethnic Business Development Symposia, Birmingham, England. July 1985, and New York, May 1986.

3. Jochem Blaschke and Ahmet Ersoz, "Life Histories: The Establishment of Turkish Small Business in West Berlin," unpublished study, Berlin, 1985.

4. Ibid.

5. Thomas Sowell, *The Economics and Politics of Race*. Wm. Morrow and Co., New York, 1983.

6. Peter Bearse, "An Econometric Analysis of Minority Entrepreneurship." (U.S. Department of Commerce/MBDA, Washington, D.C., 1983). Further elaborations show that migrant status and educational attainment are indicative of social class and not merely ascriptive to migrant psychological trait; Timothy Bates, "An Analysis of the Minority Entrepreneur: Traits and Trends." U.S. Dept. of Commerce//MBDA/ARI, Washington, D.C., 1986 and Development Associates, "The Sociology of Minority Business Enterprise," USDOC/MBDA/ARI. November 30, 1985.

7. Frank Fratoe, "Abstract of the Sociological Literature on Minority Ownership." USDOC/MBDA/ARI. Unpublished Report, 1984.

8. Boissevan et al., 1986.

9. Blaschke, 1985.

10. JACA, "Issues in Equity Capital Formation and Use," Preliminary Report for USDOC/MBDA/ARI, 1986 and Robin Ward and Richard Jenkins, ed. *Ethnic Communities in Britain*, Cambridge University Press, London, 1984.

11. Fratoe, Frank, 1984. (Friedman) Multiculturalism Canada, "Highlights of Self-Employment of Ethnic Cultural Groups in Canada," March 1986, and Ward and Jenkins, 1984.

12. JACA, 1984.

13. See the discussion by Lorenzo Brown elswhere in this issue.

14. MBDA/ARI is currently addressing this issue of regulatory discrimination in two research studies. The idea is that regulations are uniform but enforcement varies because of discrimination.