Minoritised Ethnic Community and Social Enterprises

A literature review and analysis of support from Power to Change, Social Investment Business and Access – The Foundation for Social Investment

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Terminology

Power to Change, the Social Investment Business and Access – The Foundation for Social Investment are working hard on diversity, equity and inclusion within their organisations. Language is key to this because it has a direct impact on who feels invited, recognised and represented. In this report, we use 'minoritised ethnicity' and 'minoritised ethnic communities/community and social enterprises' as these acknowledge the structural barriers faced by people and enterprises from these communities.

Other terms, such as 'BAME' (Black and Minority Ethnic) are also used in the context of what is being discussed, namely existing research and historical funding and support programmes. The data and evidence section refers to 'BAME-led' and non 'BAME-led' groups. This reflects the terminology used at the time in data collection but is not intended to reflect personal or community identity. The literature review of this report explores definitions in more detail.

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Foreword from the CEOs of Social Investment Business, Power to Change and Access – The Foundation for Social investment

We are pleased to be publishing this review of how our three organisations are currently performing in serving the needs of minoritised ethnic communities. We are encouraged that it finds that we have made some progress in doing so, particularly in the area of enterprise development. But we recognise that overall, the picture that emerges from this research is one that calls for significant improvement. This report provides us with both a platform for change and also a baseline against which we can measure our progress; and by working together, we can better hold each other to account.

As three key organisations supporting community and social enterprises in England, we clearly recognise we need to do more to support those which are led by and serving minoritised ethnic communities. We know that processes and decisions for accessing funding and finance feel remote, and we know that not enough money is flowing through our programmes to those communities. We also know that when we prioritise support for minoritised ethnic communities, and work with partners who understand them better than we do ourselves, we can make real headway. This gives us a drive to improve.

This project forms the start of our shared commitment to make greater progress, by understanding where we have been and where we are now, and by identifying future priorities.

Firstly our detailed understanding has to continue to improve. Data collection on how well our programmes serve minoritised ethnic communities has not been good enough, particularly for investment programmes. Collecting standardised data from both applicants and organisations receiving funding is a shared commitment for all of our organisations. This will help us better understand not just which organisations and communities are able to access our programmes, but how much funding and finance is flowing to minoritised ethnic communities – and how likely they are to be failed by our processes.

But good quality data is only an enabler. Progress means decisive actions to overcome the barriers which are cited in the literature review in the report. Each of our organisations is responding fully to the report with an update on the actions we are taking. In summary they include initiatives such as:

- Changing incentives in long-standing programmes to reward **partners** who can consistently demonstrate better reach to minoritised ethnic communities, and engaging new partners who we have not worked with before;
- Developing new **programmes** which specifically support minoritised ethnic communities in collaboration with appropriate partners and networks; and changing existing ones too
- Changing investment **policies** to place Equality Diversity and Inclusion on an equal footing with financial performance and social impact;
- Using our improved data to understand the points in the **process** where specific barriers exist for minoritised ethnic communities and removing those barriers;
- Continuing to address **power** dynamics: reviewing our own governance and decision-making processes and structures, and those of our delivery partners.

We are committed to being transparent on our own progress in these areas, and look forward to working collectively with a broad range of partners to ensure that minoritised ethnic communities wanting to start, maintain and grow social and community enterprises have access to the tools they need to help them to thrive.

Vidhya Alakeson,
Power to Change

Seb Elsworth,
Access Foundation

Nick Temple,
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Executive summary

Purpose of the research

Access – The Foundation for Social Investment (Access), The Social Investment Business (SIB) and Power to Change (collectivley – the partners) wished to collectively improve their understanding of how well they currently serve the needs of minoritised ethnic communities, specifically relating to the provision of enterprise development support for social and community enterprises and access to social investment. Alongside our advisors to this research, Black South West Network and Ubele, they shared a view that the current offering around enterprise development and social investment could be better tailored to the needs of minoritised ethnic communities. The aim of this research was to test that view by looking at the three commissioning organisations' own performance in currently meeting the needs of those communities, and by reviewing what is already known about those needs from existing research. The partners wished to establish a baseline of current performance in order to measure progress against this in the future and to be provided with concrete recommendations for next steps to take. In light of the growing levels of vulnerability, poverty and inequality that affect UK minoritised ethnic communities (Khan, 2020; Pidd et al., 2020) and simultaneous negative impacts on many social and community enterprises and others that provide services to such communities (Home Truths, 2020; Stumbitz et al., 2021; Ubele, 2020) since the outbreak of the Covid-19 pandemic, this research is all the more pertinent.

Methodology

The methods used for this research were twofold:

1. Literature review: a desk based review of existing research and other relevant material was conducted exploring insights into the demand and supply side barriers that minoritised ethnic communities face when accessing enterprise support and social investment.

2. Data baseline: routine monitoring and survey data was supplied by SIB, Power to Change and Access covering the three year period from January 2018 to December 2020. This was for the ten programmes listed below. This was in order to establish a baseline across Access, SIB and Power to Change's programmes to determine how much enterprise development and social investment support was currently reaching/ flowing to minoritised ethnic communities. The intention is that the baseline forms the basis for monitoring future progress.

- The Community Business Trade Up Programme* – enterprise support and small grants for community businesses seeking to increase income trading
- Bright ideas* – enterprise support and small grants to help community organisations get ideas off the ground
- The Community Business Fund* – larger grant funding support to community businesses transitioning towards self-sufficiency
- Community Share Booster Programme – match funding for community businesses seeking to launch their community shares offer

- C-19 Community-led Orgs Recovery Scheme* – grant support to community businesses supporting people at high risk from Covid-19 (particularly 'BAME' organisations)
- Enterprise Development Programme – enterprise support to organisations seeking to explore new models or scale up existing models of trading
- The Reach Fund – investment readiness support to charities and social enterprises seeking to raise investment
- The Growth Fund – small, flexible unsecured loans to smaller charities and social enterprises
- C-19 Emergency Trading Income Support Scheme* – emergency grants to community businesses impacted by Covid
- C-19 Resilience & Recovery Loan Fund – emergency loans to charities and social enterprises impacted by Covid

Key findings

The literature confirmed some important barriers across the enterprise support and social investment sector:

- There are structural/systemic barriers concerning the support infrastructure for social and community enterprises which mean that monoritised ethnic communities are scarcely represented.
- Minoritised ethnic social and community enterprises feel that available support often does not recognise their unique and varied needs. As a result, there is an over-reliance on informal personal, family and community networks to access resources such as information, contacts and finance.
- Although there is clear preference for grant funding, repayable loans are also an important source of external finance for minoritised ethnic community and social enterprises. However, evidence shows that the current demand for social investment of minoritised ethnic organisations is limited.
- Capacity building concerning business and financial management skills was identified as a key barrier which determines the organisations' chances of accessing external finance and winning contracts. Filling application forms and writing bids is often considered complex, burdensome and time consuming.

The findings from the "baseline" analysis of a sample of the three commissioning organisations' existing programme data are as follows:

Data quality

- There has been an insufficient amount and quality of DEI data collected. This is particularly true across Social Investment programmes compared to enterprise support. In general, DEI data has not been as routinely collected at the application stage as it is at the awarded stage. Nor has DEI data been as routinely collected about values (i.e. how much money flows to 'BAME'-led organisations) as it has for numbers (i.e. the count of how many 'BAME'-led organisations are in receipt of grants/ investment). In addition, DEI data is not routinely collected about beneficiaries meaning we currently have a poor picture of minoritised ethnic communities supported by funds and programmes.

* These programmes are now closed. Search the Power to Change website for blogs and related information about them. powertochange.org.uk.

Common cross-programme findings

- The proportion of applicants to the programmes from 'BAME'-led organisations is in line with expectations in terms of wider UK representation. It is important to note however that we only had applicant data on four programmes, two of which had a focus (to varying degrees) on minoritised ethnic communities.
- Generalist programmes (i.e. those not specifically targeting 'BAME'-led organisations) are supporting a lower number of 'BAME'-led organisations compared to the proportion represented in the UK as a whole.
- 'BAME'-led organisations funded by generalist programmes (i.e. those not specifically targeting 'BAME'-led organisations) also received a lower proportion of overall grant/ loan value compared to the proportion expected from UK representation as a whole.
- 'BAME'-led organisations receive comparable amounts of grant funding per individual organisation compared with non 'BAME'-led organisations. Note that data is only available from three programmes.

Social investment versus grant support

- There is a lower success rate for 'BAME'-led organisations applying for social investment or social investment related programmes. This is pertinent given the findings in the literature review about lower demand for social investment amongst minoritised ethnic communities.
- 'BAME'-led organisations receive smaller investment amounts per individual organisation than non 'BAME'-led.
- The two enterprise support programmes for which we have data received a comparable or good success rate for 'BAME'-led organisations (though there is overt targeting of 'BAME'-led organisations with one programme and to a lesser extent the other).

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Recommendations

— **Improve engagement with minoritised ethnic community and social enterprises in the early stages of programme design**. Support providers and funders should acquire 'sector-relevant' knowledge before a support programme is designed. This may be possible through outreach, networking and consulting with minoritised ethnic social and community enterprises. A well-thought-through consultation process may also help to raise awareness among social entrepreneurs, community businesses and other organisations about the support available.

— **Minoritised ethnic communities need to be genuine partners in the design and production of policy (and other) initiatives**. They must become active parts of networks in which 'rules of the game' are negotiated. Those who experience racial inequality should be partners and 'co-producers' of policy initiatives and programme development within the mainstream support infrastructure.

— **Acknowledge and mitigate barriers**. Support providers and funders should recognise the specific characteristics of minoritised ethnic social and community businesses when assessing applications – for example in relation to their often more limited resources and turnover.

— **In relation to social investment specifically, support providers should reduce complexities in the application process** and be more proactive in supporting minoritised ethnic social and community enterprises to get investment-ready prior to applying for support and funding. This may mean working with specialist partners in order to ensure there is a better and more representative success and conversion rate from those organisations. The process might include support with reviewing application forms; eligibility criteria or supporting evidence and due diligence required.

— **Change language**. Funder and support providers should consider removing terms such as 'BAME' in application forms and else where. Instead they should use the terms "minoritised ethnicity-led and supporting".

— **More and better quality DEI data needs to be collected going forward, particularly across the Social Investment sector**. This data needs to be tracked from the application stage through to the awarded stage; so that we not only understand how funding is distributed, but where access and fund eligibility may be a barrier to improved diversity. The data also needs to include both numbers of organisations as well as amounts and values flowing to organisations as we can see that minoritised ethnicity-led organisations systematically request less funding than those that are not minoritised ethnicity-led. There also needs to be more and consistent collection of information about community and social enterprises which are specifically supporting people from minoritised ethnic communities.

— Ideally the **data needs to be comparable across the sector**. The shared use of informed benchmarks would mean we learn from what works and hold ourselves to account in comparison to our peers and the broader social economy.

— **Sector organisations (including the three partner commissioning organisations) need to continue to be open and transparent in their reporting, in real-time**. While it is helpful to have data looking back on decisions made to understand funding flows, we will start to see more change if we have that information at the point of decision-making, and enhanced accountability, when that decision-making information is shared openly.

— There is a need to **further understand discrepancies in terms of values and amounts flowing to 'BAME'-led organisations**. Namely how much is down to these organisations being smaller in general and how much is an unacceptable bias.

1. Introduction

This report examines how well the provision of enterprise development support and access to social investment provided by Power to Change, Access – The Foundation for Social Investment (Access) and the Social Investment Business (SIB), (the 'commissioning partners' of this study), currently serve the needs of minoritised ethnic communities. The partners share a view that their current offering of support could be better tailored to the specific needs of minoritised ethnic social/community enterprises. For this to happen support providers should start by acknowledging this community and understanding its needs. Hence, the partners wish to establish a baseline of current performance of their enterprise support and social investment programmes and better monitor and measure progress in the future.

This study addresses the following research questions:

1. How much of the social/community enterprise support and investment provided has flowed to minoritised ethnic communities?

2. How is minoritised ethnicity involvement in social/community enterprise support and investment different to non minoritised ethnicity organisations?

3. What lessons can be learnt for future support provision?

Following the outbreak of the Covid-19 pandemic, the growing levels of vulnerability, poverty and inequality that affect UK minoritised ethnic communities have become increasingly evident (Khan, 2020; Pidd et al., 2020). The pandemic has simultaneously had a negative impact on many social and community enterprises, charities and voluntary organisations that provide services to such communities (Home Truths, 2020; Stumbitz et al., 2021; Ubele, 2020). Hence, it is pertinent to ask, as this study does, how can minoritised ethnic social and community enterprises be better supported by social investors and others? In addition, there is an understanding that minoritised ethnic communities are not properly engaged in social enterprise policy-making structures and networks, and that the social enterprise movement as well charities and the voluntary sector largely remains a 'White middle class' affair (Home Truths, 2020; Sepulveda et al., 2013; Voice4Change, 2008).

1.2 Methodology

The methodology adopted by this study consisted of two main components, a literature review and analysis of programme data. Internal consultation with relevant staff members from Power to Change, Access and SIB was also conducted in order to request programme information.

The literature review drew upon a range of academic and grey literatures including on minoritised ethnic social/community enterprise, minoritised ethnic voluntary and charitable sector, ethnic minority businesses (EMB) and small business more generally, providing thus a wider perspective on both supply side barriers faced by minoritised ethnic social/community enterprises and support programmes that seek to address such barriers.

Programme data on the ten programmes/funds of focus were obtained from the three commissioning organisations. Portfolio data sources included expression of interest (EOI) and application forms, and surveys between January 2018 to December 2020. Some of the programmes/funds were still active during the start of this research project, in which case all data was taken as of March 2021 (the start of this research project).

The data analysis highlights some of the nuances to consider when reflecting on the data findings, including – (i) considering the inconsistency of data collected across the ten programmes/funds, (ii) the lack of standard definitions and variables, and (iii) the differences to funding purpose and instrument (e.g. social investment vs. grant funds).

2. Literature review

This literature review examines some categorisations and definitions of minoritised ethnic communities as well as looking at the barriers that minoritised ethnic social and community enterprises face in accessing enterprise development support and social investment. As the study has been funded by three funding organisations, this literature review is particularly focused on understanding supply-side barriers – from those organisations providing funding, investment and support. It starts by examining categories and definitional issues before exploring these in the context of social and community enterprise support and policy. It goes on to explore the barriers to support for minoritised ethnic social and community enterprises.

2.1 Categorisations and definitional issues

The terms 'Black, Asian and Minority Ethnic', 'minority ethnic', 'communities experiencing racial inequity' and 'minoritised ethnicity'

Inclusiveness is central to the term **'Black, Asian and Minority Ethnic' ('BAME')**. (Aspinall, 2020), the origins of which lie in the notion of 'political blackness', an expression that was used during the 1970s by the British anti-racist movement to allow anyone affected by racism to self-identify as 'politically Black' (Dawson and Thompson, 2019). Since the 1990s 'BAME' has become more associated with public policy and welfare service provision for minoritised ethnic organisations and their migrant and refugee beneficiaries (CEMVO, 2010; Sepulveda et al., 2013).

Over the years, however, various criticisms have been levelled at 'BAME' as a term for classifying people according to their ethnicity:

1. First, the term does not include 'White minorities' such as Gypsy, Roma and Traveller or Irish Heritage groups, who are often among the most marginalised and disadvantaged communities in the UK. Some have argued that to leave these communities out of the very language we use to address diversity and inclusiveness is to marginalise them even further (Dawson and Thomson, 2019).

2. Many of the ethnic groups included in the 'BAME' label are referred to as 'Other' which includes people of Mixed or non-White heritage such as Arab and Latin American. 'BAME' thus promotes the fundamental idea of 'otherness' and so, arguably, reinforces the concepts of institutional racism it was originally designed to react against.

3. Some people categorised as 'BAME' resent and do not feel fairly represented by the label, including people of Black and Asian heritage and particularly those from newer Black communities who feel that, at an institutional level, the 'Black' subcategory is mostly dominated by longer-established Black communities (Sepulveda, et al., 2013).

4. Some have argued that the 'BAME' label implies that the groups included are somehow homogenous (Dawson and Thomson, 2019), when it is well known that differences between and within groups – e.g. on political, religious, social class, caste and indeed ethnicity lines – are common.

5. Some have argued for the 'BAME' acronym to be dropped, particularly given that separating out only Black and Asian (as the 'BAME' label does) suggests that those are not ethnic minorities or are special groups which need to be treated differently (Modood, cited by Dawson and Thomson, 2019).

The political climate around diversity, race and equalities is changing and new terms and labels will replace 'BAME' as a commonly-used term. The Commission on Race and Ethnic Disparities set up by the Conservative government has advised against using the term 'BAME' on the basis that it is 'unhelpful', people that it refers to do not recognise the term, it includes some groups but not others (i.e. White), and it is somehow 'redundant' as it is too broad to describe the varying experiences of people from different backgrounds (Commission on Race and Ethnic Disparities: The Report, 2021).

Nevertheless, despite its shortcomings, the term 'BAME' continues to be used by government departments, public agencies, the media and practitioners when referring to individuals from minoritised ethnicity communities, groups, organisations and services (Aspinall, 2020). However, the criticisms outlined here draw attention to the need to be aware of the sensitivities around using this or any other term, as any categorisation is bound to simplify a complex reality.

'Minority ethnic', as is often used, is also inappropriate because it suggests that being the minority is an inevitable fact, unrelated to context or perspective. 'Global majority', for example, could be used to describe the same group being referred to as an 'ethnic minority' – it depends on one's perspective and who is being 'othered'. Similarly, 'ethnic' is an obsolete label for individuals or groups – historically, those with power and privilege have referred to those experiencing racial inequity as 'ethnic' or 'ethnic communities' or their experiences as 'ethnic problems', 'othering' these groups to reinforce whiteness as the conventional 'default'.

Power to Change, the Social Investment Business and the Access Foundation are working hard on diversity, equity and inclusion (DEI) within their organisations. Language is a key issue because it has a direct impact on who feels invited, recognised and represented and, for the reasons outlined above, Power to Change has issued guidance discouraging the use of 'Black, Asian and Minority Ethnic' ('BAME') and 'minority ethnic'. Following consultation with peer organisations in the charity sector and having listened to the voices of those with lived experience, the terms **'communities experiencing racial inequity' and 'minoritised ethnicity'** will be used in future. We use the latter, 'minoritised ethnicity' and 'minoritised ethnic communities', as a default in this report, but also others, like 'BAME', in the context of what is being discussed. The decision to replace 'BAME' with 'minoritised ethnicity' represents a key insight of this report as it acknowledges the structural barriers faced by people from these communities.

Additionally, Power to Change, Access and others – either in partnership with or as part of the DEI Data Group – subscribe to the Data Standard Guidance (2021) for funders where organisations are classified as either led by or targeting and supporting groups 'experiencing structural inequity' (DEI Data Group, 2021).[1] This taxonomy includes other diversity-led categories such as disabled people, faith communities, LGBT+ people, and women and girls, but of interest here is the definition of communities experiencing racial inequality. The taxonomy proposed by the DEI Data Group (2021) also includes White-minoritised ethnicity groups (such as Gypsy and Traveller communities) who have traditionally been excluded from the 'BAME' label and who may feel discriminated against and may be experiencing 'structural/racial inequity' – however this is defined. Because of its inclusion of White-minoritised ethnicity groups, the DEI data standard taxonomy definition could pose some complex challenges which may come under scrutiny. However, it is a step in a progressive direction as it acknowledges the structural inequity faced by people from all minoritised ethnicity communities.

1 https://www.funderscollaborativehub.org.uk/dei-data-standard.

'BAME'-led' and 'BAME'-supporting' organisations

'BAME'-led' and 'BAME'-supporting' are two additional categories used in relation to existing and historical grant and support programmes and the characterisation of their leaders' and beneficiaries' ethnicity.

Broadly speaking, a 'BAME'-led' organisation is one where over 50 per cent of the board and senior management team are from 'BAME' backgrounds; or one where core strategic decisions are taken by people who self-identify as being from a 'BAME' background (adapted from Arts Council England[2]). The 'BAME'-led' category thus primarily relates to organisational governance and participation in decision-making (Greater London Authority, 2007).

The definition of ''BAME'-supporting' is more subjective and may come down purely to a matter of 'intention' in the design of services, to determine if an organisation supports people, and the relative proportion of that support that it provides to people from minoritised ethnic communities. As such, the definition and parameters of ''BAME'-supporting' are more flexible and based on the views of the organisations themselves. Governance is not an issue in defining ''BAME'-supporting' organisations – it may well be the case that a White-led organisation provides support to minoritised ethnic communities.

In the authors' view, the distinction between ''BAME'-led' and ''BAME'-supporting' becomes more relevant in the context of support programmes specifically targeted at minoritised ethnic social and community enterprises (such as the Covid-19 Community-Led Organisation Recovery Scheme – CCLORS programme), and where the majority, or a significant proportion, of the beneficiaries of such programmes are minoritised ethnic organisations. In this case, and assuming that ''BAME'-led' does mean greater commitment to minoritised ethnic communities, funders and support providers will feel more assured about their investment decisions.

CCLORS is a support programme which specifically targets minoritised ethnic communities, representing a good example of how ''BAME'-led' and ''BAME'-supporting' categories can be used to inform practice. CCLORS was delivered by Power to Change, Locality, the Ubele Initiative and the Social Investment Business on behalf of The National Lottery Community Fund – the two categories were informed by The Ubele Initiative and are used by Power to Change and the Social Investment Business. The CCLORS programme is expressly committed to distributing a proportion of the available funding to organisations that are ''BAME'-led' and organisations that work closely with 'BAME' communities, i.e. ''BAME'-supporting' (see Footnote 2).

In the case of support programmes which are not targeted at minoritised ethnic social and community enterprises, and where minoritised ethnic beneficiaries are likely to be fewer in number, a key issue is the extent to which organisations benefiting from the programme state in their application form that their ultimate beneficiaries are from minoritised ethnic communities. Regardless of the governance and leadership of an organisation supported by the programme – White-, Mixed- or diversity-led – greater proportions of ultimate beneficiaries from 'BAME' communities inevitably result in higher levels of inclusion in the programme along lines of ethnicity.

2 https://www.artscouncil.org.uk/diversity-and-equality/consultation-defining-diverse-led-organisations

2.2 Social and community enterprise support and policy context

Over a decade ago, Social Enterprise UK (then the Social Enterprise Coalition) acknowledged the importance of ethnic minority social enterprises and declared ethnic minorities to be a 'core part of the social enterprise movement' (SEC, 2009:4). However, this claim has been questioned by some academic research (Sepulveda et al., 2013) and, as early as 2008, critical voices had observed that the 'BAME' community was not 'properly engaged in policy-making structures and networks relating to social enterprises, and that funding is not reaching BME groups that are developing as social enterprises' (Voice4Change, 2008:11). This controversy led The Sunday Times to claim that the British social enterprise movement had remained a largely 'White middle class' affair that has failed to tap into the activity of non-White groups (The Sunday Times, 2009). Similar concerns around inclusion and representation have been observed within the wider and more established charity and voluntary and community organisations (VCO) sector, where many social enterprises originate. According to the Council of Ethnic Minority Voluntary Organisations (CEMVO, 2010:2), the sector has 'largely failed to build structural links with the BME sector, to aid its development or ensure its proper representation in local and regional decision-making'. A recent study, based on a survey of almost 500 responses from 'BAME' people in the charity sector, confirms the persistence of problems with racism and a lack of engagement (Home Truths, 2020). The study authors conclude that the charity sector 'has a problem with racial and ethnic diversity' and that 'BAME' people are under-represented in the sector, and those who work in charities can be subject to racism and levels of antagonism not faced by White colleagues (Home Truths, 2020). Clearly, this is particularly concerning within a sector that is explicitly committed to justice and equality, and highlights the barriers that continue to affect the performance of 'BAME' social and community enterprises and, to a large extent, continue to shape their opportunity structures.

2.3 Barriers to support for minoritised ethnic social and community enterprises

While lack of engagement and racism continue to shape opportunities for 'BAME' social and community enterprises (Home Truths, 2020), the most recently available data suggests that 13 per cent of all UK social enterprises are ''BAME'-led' and 35 per cent have 'BAME' directors, making social enterprises more representative of the population as a whole compared with a few years ago (SEUK, 2019)[3] . Although this would appear to represent a big step forward for minoritised ethnic social and community enterprises, there is still a need to examine the barriers to delivering and accessing enterprise development support and finance, including social investment, more closely – both the supply-side barriers to be addressed by funders and support organisations, and those demand-side barriers that are for minoritised ethnic community and social enterprises to address.

Access to finance

According to SEUK's State of Social Enterprise report 2019, access to finance is the principal, most significant barrier to sustainability and growth cited by the social enterprise sector as a whole, and for the fifth survey in a row. More than four in ten (43 per cent) of the total social and community enterprise population report barriers in accessing grant funding and debt or equity finance (SEUK, 2019). Overall, grant funding was the most common type of finance applied for in the last 12 months, by 74 per cent of respondents. A third of social enterprises applied for a loan (32 per cent) and 13 per cent applied for an overdraft. Hence, although there is a clear preference for grant funding within the whole sector, repayable loans are also an important source of external finance.

3 The SEUK study is based on a survey of 1,068 participants and it is the largest of its kind in the UK.

Power to Change-commissioned studies confirm this finding for community businesses (Higton et al., 2019; Higton et al., 2021) – 83 per cent (2019) and 81 per cent (2021) of survey respondents indicated they had accessed grants, by far their main source of funding and one they were clearly successful in accessing. Even when consulted about the most important types of support required, three-quarters (77 per cent) placed 'flexible grants or cash injections' in the top three (Higton et al., 2021). Over half the community businesses surveyed anticipate their income from grants will increase in the coming 12 months. They also anticipate a lack of funding to be available to support them, alongside expecting a fall in income from trading and contracts as a result of the Covid-19 pandemic.

Funding from sources other than grants primarily came from informal sources including friends, family and other personal networks (around 20 per cent) (Higton et al., 2019). A study on 'ethnic minority businesses' by the Federation of Small Business concludes that support networks are in fact fundamental in providing resources that enable businesses to grow – including personal, family and community finance and sources of labour (Federation of Small Business, 2020). Ethnic minority businesses tend to avoid external financing, they prefer personal funds and, when external finance is sought, they prefer informal sources such as family, friends and community, often leading to lower investment dynamism (HCE, 2018). Many owner-managers in effect felt detached from mainstream business support networks and infrastructure (FSB, 2020) (a demand-side problem), and the same problem of disengagement was observed among minoritised ethnic social and community enterprises (GMCVO, 2020).

The issue of 'discouragement', whereby individuals and communities are discouraged from applying for external funding by their own misperceptions of the possibility of discrimination, is unexplored in studies on minoritised ethnic social and community enterprise and access to external finance. The question here is whether organisations are discouraged because of perceptions of unequal treatment or lack of insight into the right networks and 'rules of the game', or largely because they lack capacity. This issue is critical when applying for repayable loans and combines supply- and demand-side barriers. As far as the authors are aware, no study on discouragement or discouraged borrowers has been conducted in the voluntary and community sector – hence the need to look at the relevant literature on 'ethnic minority businesses'.

Carter et al. (2015) reflect on the fact that while 'discrimination' when approaching external finance sources remains an important barrier among ethnic minority businesses, there is an 'emerging consensus that the divergent experiences of ethnic minority businesses are attributable to business reasons rather than direct discrimination'. Fraser's (2009) large study on bank lending found that Black African businesses are four times as likely as White businesses to be denied a loan outright, while Pakistani businesses are only one and a half times as likely, and Indian businesses had a slightly lower denial rate than White businesses. Standard risk factors such as financial track records and poor investment-readiness, rather than direct discrimination, accounted for the discrepancies observed between different minoritised ethnicity groups. This is confirmed in a recent study by Cowling et al. (2021) where pre-Covid-19 results show that there were no ethnic differences in loan application and success rates. During Covid-19 in turn both white and ethnic business loan applications rose significantly, but the scale of this increase was greater for ethnic businesses. Nevertheless, the perception of unequal treatment by mainstream financial institutions such as banks continues to linger and hence ethnic minority businesses may be discouraged to apply for funding by their own misperceptions of the possibility of discrimination. Discouragement, leading to the 'self-rejection' of applications, was in fact found to be higher among ethnic minority businesses than mainstream businesses (Fraser, 2009). That said, 'self-rejection' may well be a rational decision given the systemic barriers businesses face, notably regarding access to relevant information and influential networks. This is compounded by the lack of systemic confidence that comes from the fact that there are often White males taking decisions within such networks.

This is in line with a recent British Business Bank study (BBB, 2021) on ‘ethnic minority’ businesses which concludes that there is ‘systemic disadvantage’ for entrepreneurs who come from an ‘ethnic minority’ background, particularly if they are female.

Social investment

Social investment is a form of finance which is defined by the government as ‘the use of repayable finance invested into a social organisation to help it achieve its purpose and increase its impact on society’ (Office for Civil Society & HM Treasury, 2013). In 2017 the UK social investment market was valued at over £2.3 billion, 74 per cent of which has been invested in asset-locked charities and social enterprises (EII, 2020).

With regard to the ‘supply-side’ (namely, support providers), a survey of social investment providers (Inclusive Boards, 2018) found that only 6.5 per cent of social investment directors and a further 9 per cent of social investment executives were from ‘BAME’ backgrounds. The social investment sector as a whole was in fact characterised in the report as being largely dominated by White middle-class males, often Oxbridge educated, who come from the City and the financial sector (Inclusive Boards, 2018). A lack of specific diversity policy and appropriate diversity training for staff members was also a feature associated with the smaller social investment providers. While this finding does not directly imply a disinterest in or lack of knowledge about minoritised ethnic communities among social investment decision-makers, it does raise a ‘red flag’ in relation to the relevance for minoritised ethnic communities of support programmes designed within a White middle class-led context, with a decision-making process in which the ‘BAME’ community is hardly represented.

With regard to the ‘demand’ for social investment, the prospect is not very encouraging either. Equality, Impact, Investing’s recent study (EII, 2019), concludes that the level of engagement of minoritised ethnicity equality and human rights ‘voluntary, community and social enterprise’ (VCSE) organisations in enterprise development and social investment in the UK is ‘extremely limited’ (see also BSWN, 2019). Only 5 per cent of the interviewees sought social investment and only 2 per cent did so successfully (EII, 2019). VCSE organisations did however recognise the need for, and seemed to be open to, exploring this form of ‘tangible support’ (EC-MEGA, 2020). In order to enable this, key needs perceived are: ‘more information from social investors; grants to explore and develop enterprise; and tailored support on formulating their offer, articulating and evidencing impact value, and securing and managing investment’ (EII, 2019). This finding is consistent with a study on ‘BAME’ organisations carried out in the South West of England which concludes that a lack of awareness, knowledge and information were the main reasons for not applying to social investment, followed by lack of capacity, opportunity and the cost of debt (BSWN, 2019). Interestingly, this study also concludes that ‘capacity building must be more than investment’, reflecting on the fact that the current policy focus on developing business and finance management skills is primarily to create the conditions for supporting (social) investment.

Participants of a recent study on barriers faced by ‘BAME’ social and community enterprises were unaware of existing opportunities to apply for social finance, lacked information about how social investment works or the eligibility criteria (primarily a supply-side problem), and therefore they were also unsure if they were investment-ready or not (a demand-side problem) (Greater Manchester Centre for Voluntary Organisation (GMCVO), 2020). ‘BAME’ social and community enterprises also said that completing applications and writing bids for contracts is often burdensome and time-consuming and felt that there was a lack of clarity on who to contact for support (BSWN, 2019; GMCVO, 2020). As regards their attitude to indebtedness, they expressed fears of taking on debt (e.g. in relation to repayable loans) and credit checks (another demand-side problem).

Enterprise development support

Lack of awareness and information about available support is reported to be a big supply- and demand-side problem faced by 'BAME' social and community enterprises. Access to information is in effect critical for support programmes to reach out to minoritised ethnic communities (BSWN, 2019).

Research on 'ethnic minority-led business' provides relevant insights on the barriers faced by minoritised ethnic social and community enterprises, particularly among those seeking to move towards the 'business-like' end of the social enterprise spectrum through increasing trading income and reducing grant dependency. The Hunter Centre for Entrepreneurship study (HCE, 2018) identified the following sources of persistent disadvantage among ethnic minority-led business:

— **Bureaucracy:** Ethnic minority owner-managers often find the formal support system very complex, overwhelming and difficult to navigate, and support provided is often not readily helpful for them (primarily a supply-side problem).

— **Disengagement:** Ethnic minority owner-managers are less likely to trust the mainstream support infrastructure, largely because they feel intimidated and that formal support programmes do not recognise the unique needs of their business (a supply-side problem).

— **Information and networking:** Ethnic minority-led businesses often demonstrate lower awareness of the enterprise support available.

— **Financial management skills:** are less likely to have someone in-house with the necessary business and finance management skills, which can also jeopardise their chances of accessing external finance and contracts in the first place.

More broadly, the European Commission's Migrant Entrepreneurship Growth Agenda (MEGA) has put forward what they refer to as 'a comprehensive framework' to support migrant entrepreneurship which can be used to think of policy interventions targeting minoritised ethnicity social and community enterprises. This framework comprises three main components:

1. business-related skills and competences (including business training, legal advice, mentoring and coaching)

2. non-business related skills and competences (including networking and transversal skills – language, communication, intercultural skills)

3 tangible resources (including access to finance and facilities provision, e.g. through incubation space) (EC-MEGA, 2020)

Summary of barriers and recommendations for social investors and support providers

We have summarised the main supply-side barriers identified in the literature. As mentioned, some cannot be easily characterised as solely supply- or demand-side but rather they should be understood as a combination, hence they should be also be addressed from both sides.

1. From a general perspective, **the evidence shows there are structural or systemic barriers concerning the support infrastructure for social and community enterprises which determine that 'BAME' communities are scarcely represented within such an infrastructure** (Home Truths, 2020; Sepulveda et al., 2013), with most key decisions on (social) investment not being taken by people from minoritised ethnicity communities. The growing social investment sector, which has been characterised as being dominated by White middle-class male employees (Inclusive Boards, 2018; EII, 2019), is an example.

2. **Evidence shows that 'BAME' social and community enterprises felt that available support does not often recognise their unique and varied needs. There is also evidence that they felt detached or disengaged from mainstream support networks and infrastructure** (FSB, 2020; HCE, 2018). This partly explains the observed over-reliance on informal personal, family and community networks to access resources such as information, contacts and finance among other resources (EII, 2019; Higton, 2019; FSB, 2020).

3. **Capacity-building and upskilling of business and financial management was identified as a key barrier and gap among 'BAME' social and community enterprises** (GMCVO, 2020; HCE, 2020), and one that could determine the chances of individual organisations accessing external finance and contracts. Completing application forms and writing bids, key business skills for public service contracts, is often considered complex, burdensome and time consuming (HCE, 2020).

3. Data analysis findings

3.1 Background to data analysis

In order to sit alongside the generalist literature review in Section 2 above, this research also seeks to specifically analyse data from across the three commissioning partners' programmes – in order to establish their recent "state of play" in regards to reaching minoritised ethnic communities. This section analyses the routine monitoring and survey data that was supplied by SIB, Power to Change and Access covering the three year period from January 2018 to December 2020. This was in order to establish a baseline across Access, SIB and Power to Change's programmes to determine how much enterprise development and social investment support was currently reaching/ flowing to minoritised ethnic communities. The intention is that the baseline forms the basis for monitoring future progress. The data analysis alongside the literature review together inform the recommendations made in Section 4.

Note that the literature review in Section 2 above explains all the issues and challenges with the term 'BAME'. This term is used in this data findings section as it reflects the category wordings as they truly appear in the data.

Table 1. Overview of programmes included in the data analysis

Support Programme	Funder	Delivery partner/s	Target group/s	Form/s of support provided
The Community Business Trade Up Programme (TU)	Power to Change	School for Social Entrepreneurs	Community businesses seeking to increase income trading and reduce their grant dependency	Nine months learning programme; up to £10,000 Match trading grant & peer support from community business leaders
Bright Ideas (BI)	Power to Change	Locality delivered in partnership with Coops UK and Plunkett Foundation	Community groups and organisations who have a good idea for a community business and to get the idea off the ground	10 days of tailored enterprise support and grants of up to £15,000 to make the transition
Enterprise Development Programme (EDP)	Access	Social Investment Business	Organisations exploring new models of trading helping them to become more financially resilient	Peer learning, tailored training and learning programme and grants of up to £30,000
The Reach Fund (RF)	Access	Several partners	Social enterprises and charities seeking to raise investment	Grant funding from £5,000 up to £15,000
C-19 Resilience & Recovery Loan Fund (RRLF)	Big Society Capital	Social Investment Business	Social enterprises and charities experiencing disruption as a result of COVID-19	Emergency loans of up to £100,000 to £1.5 million
C-19 Emergency Trading Income Support Scheme (TISS)	Power to Change	Several partners	Community businesses in England	Emergency finance in the form of small grants of up to £25,000
The Community Business Fund (CBF)	Power to Change	Social Investment Business	Organisations utilising community business activities to become more financially sustainable	Grant funding of £50,000 to £300,000
C-19 Community-led Orgs Recovery Scheme (CCLORS)	Power to Change	Several partners	Community-Led businesses supporting people who are at high risk from Covid-19, in particular 'BAME' organisations	Grants of up to £100,000
Community Share Booster Programme (CSBP)	Power to Change	Co-operatives UK	Community business seeking to launch their community shares offer	Matching funding for the amount businesses are able to raise, with an equity investment of up to £100k
Growth Fund (GF)	National Lottery Community Fund, Big Society Capital	Managed by Access and delivered by Social investors	Smaller charities and social enterprises in England	Loan funding of up to £150,000, alongside grant (blended finance)

3.2 Key findings from data

Data quality

In reviewing the data from across the ten programmes it was very clear that **there is insufficient DEI data collected across the social investment sector**. This research was initially commissioned in part to understand the "state of play" in terms of DEI in Social Investment. However, most of the usable data that has been collected that could be analysed as part of this research was from enterprise support and investment readiness programmes rather than for social investment.

DEI data is not as routinely collected at the application stage as it is at the awarded/ disbursed stage. This hinders the ability to calculate the success rate for 'BAME'-led organisations compared to non 'BAME'-led organisations. Only three programmes in this study had 'BAME'-led data for applied and awarded by value and numbers.

Table 2. Data held about number of 'BAME'-led organisations applied/supported by programme

Fund	Total applied for *	BAME-led applied	non BAME-led applied	Total awarded	BAME-led awarded	non BAME-led awarded
The Community Business Trade Up Programme (TU)	X			X		
Bright Ideas (BI)	X			X		
Enterprise Development Programme (EDP)	X	X	X	X	X	X
The Reach Fund (RF)	X	X	X	X	X	X
C-19 Resilience & Recovery Loan Fund (RRLF)	X	X	X	X	X	X
C-19 Emergency Trading Income Support Scheme (TISS)	X			X	X	X
The Community Business Fund (CBF)	X			X		
C-19 Community-led Orgs Recovery Scheme (CCLORS)	X	X	X	X	X	X
Community Share Booster Programme (CSBP)	X			X		
Growth Fund example: 1 Fund				X	X	X
Growth Fund (GF): ALL	X			X		

*Note: We have separated out one of the Growth Fund programmes, which collected 'BAME'-led and 'BAME' community data – Growth Fund example: 1 Fund. Diversity data was not captured consistently across the full Growth Fund portfolio, so this example is shown as a 'dipstick'. The data should not be read as representative of the full Growth Fund portfolio.

DEI data is not as routinely collected about values (i.e. how much money flows to 'BAME'-led organisations) as it is for numbers (i.e. the count of how many 'BAME'-led organisations are in receipt of grants/ investment). This is particularly important as we know that 'BAME'-led organisations are, on average, smaller, newer and systemically ask for less grant/ investment than non-'BAME'-led organisations. It should be noted that some programmes (such the EDP programme for example) are not purely grant programmes – i.e. organisations do not apply for a grant, they apply to join the programme and only then does the partnership begin to discuss potential financial support amounts. That might account for why there are some gaps in tracking values at application stage.

Table 3 – Data held about value of 'BAME'-led application/support by programme

Fund	Total applied for *	BAME-led applied	non BAME-led applied	Total awarded	BAME-led awarded	non BAME-led awarded
The Community Business Trade Up Programme (TU)						
Bright Ideas (BI)	X			X		
Enterprise Development Programme (EDP)				X	X	X
The Reach Fund (RF)	X	X	X	X	X	X
C-19 Resilience & Recovery Loan Fund (RRLF)	X	X	X	X	X	X
C-19 Emergency Trading Income Support Scheme (TISS)	X			X	X	X
The Community Business Fund (CBF)	X			X		
C-19 Community-led Orgs Recovery Scheme (CCLORS)	X	X	X	X	X	X
Community Share Booster Programme (CSBP)				X		
Growth Fund example: 1 Fund				X	X	X
Growth Fund (GF): ALL				X		

DEI data is not as routinely collected about beneficiaries. There may be several reasons for this (e.g. it not seeming to be proportionate for an investor to request information at this level). However, this lack of data does present challenges. It means for example there is insufficient data to draw any conclusions about the amount of grant/ investment flowing to 'BAME' communities. Only one programme, CCLORS, asked whether or not the organisation was supporting the 'BAME' community specifically. Other programmes did ask about beneficiaries reached, but generally this was part of a multi-select group which does not provide accurate enough data about 'BAME' communities specifically. Four programmes collected no data on 'BAME' communities or 'BAME' beneficiaries.

Table 4 – 'BAME' beneficiary data by programme

Fund	BAME supporting	Primary BAME beneficiary variable	Multi select BAME beneficiary variable	None
The Community Business Trade Up Programme (TU)				X
Bright Ideas (BI)			X	
Enterprise Development Programme (EDP)		X		
The Reach Fund (RF)			X	
C-19 Resilience & Recovery Loan Fund (RRLF)				X
C-19 Emergency Trading Income Support Scheme (TISS)				X
The Community Business Fund (CBF)			X	
C-19 Community-led Orgs Recovery Scheme (CCLORS)	X		X	
Community Share Booster Programme (CSBP)			X	
Growth Fund example: 1 Fund				X
Growth Fund (GF): ALL		X		

Flows of grant and investment to 'BAME'-led organisations

Generalist programmes (i.e. those not specifically targeting 'BAME'-led organisations) are supporting a lower number of 'BAME'-led organisations compared to the proportion represented in the UK as a whole. In terms of the numbers/ count, of the 1330 organisations who were awarded a grant or investment, 290 (or 22 per cent) of these were 'BAME'-led organisations. However, this overall figure is skewed by CCLORS (which was a 'BAME' targeted programme) and to a lesser extent by EDP which had one of its four sectors dedicated to Equalities (though this sector did not come on board until summer 2020 so is unlikely to have a major impact on the data and the EDP programme has also been doing work actively to address the diversity of the cohorts). In addition, the data from the GF example included here is not representative of the whole GF portfolio. If we only look at the RF, RRLF and TISS programmes – this average goes down to 6.5 per cent. This compares with 13 per cent of social enterprises in general (Social Enterprise UK, 2019) being led by 'BAME' leaders and 5 per cent of charities. We don't have detail on whether the organisations included in the sample in this research were charities or social enterprises but even if it was assumed to be 50:50 the proportion of those supported through the programmes from 'BAME'-led organisations is likely to be fewer than expected by the sector-wide benchmark.

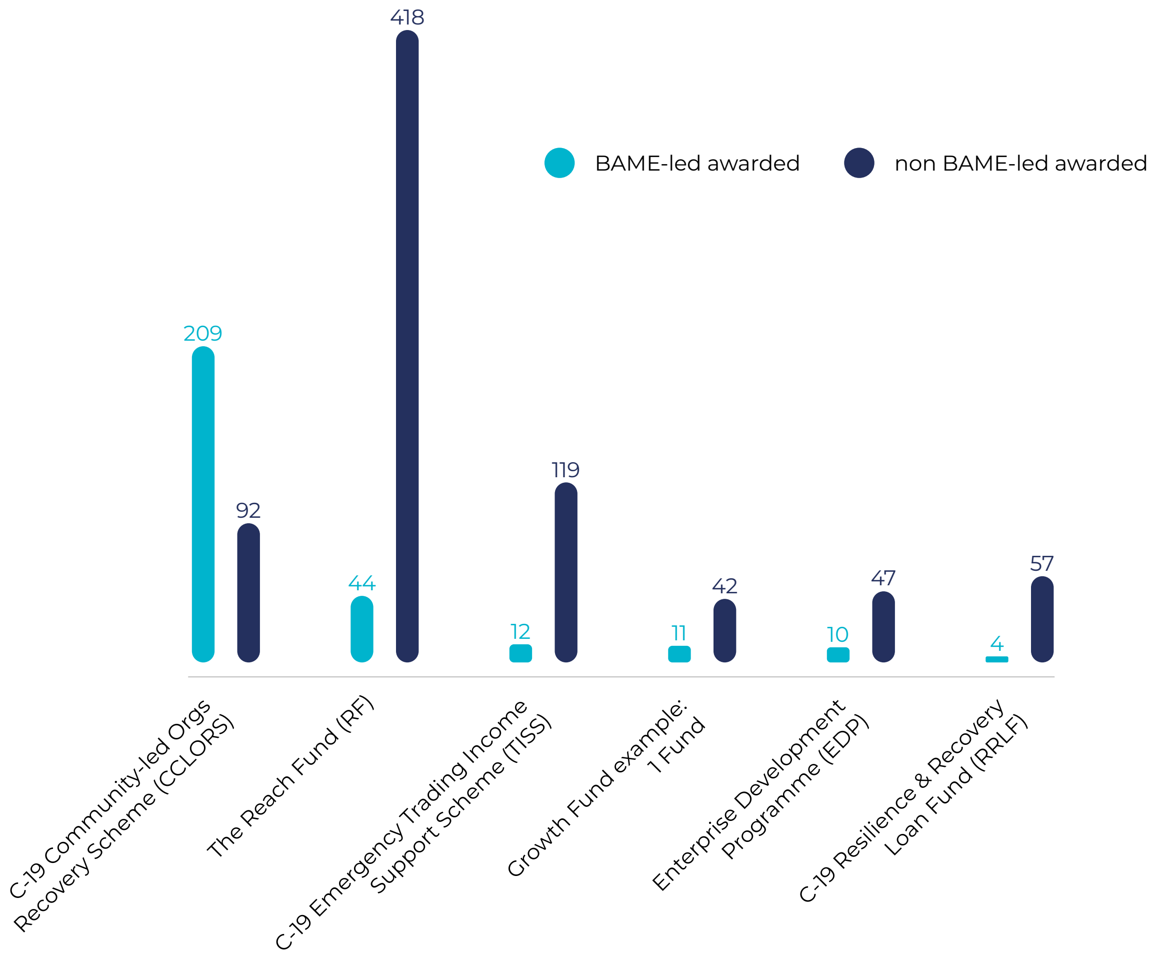
Table 5 – 'BAME'-led, approved funding by programme

Fund	Total awarded*	BAME-led awarded	non BAME-led awarded	% BAME-led awarded
Enterprise Development Programme (EDP)	57	10	47	18%
The Reach Fund (RF)	462	44	418	10%
C-19 Resilience & Recovery Loan Fund (RRLF)	61	4	57	7%
C-19 Emergency Trading Income Support Scheme (TISS)	131	12	119	9%
C-19 Community-led Orgs Recovery Scheme (CCLORS)	301	209	92	69%
Growth Fund example: 1 Fund	53	11	42	21%
Average of BAME-led approved funding (%)**	**22%**			
Weighted average of BAME-led approved funding (%)**	**27%**			

*Note: Total Awarded reflects the total awards made for which we know whether or not an organisation was 'BAME'-led or non 'BAME'-led. (Not the total awards made under each programme/fund).

** Where Average of 'BAME'-led approved = % 'BAME'-led awarded / 6 (programmes); and Weighted average = Sum of 'BAME'-led awarded/ Sum of total awarded (for which we have diversity data)

Figure 1: Number of awards to known 'BAME'-led and non 'BAME'-led by programme



Generalist programmes (i.e. those not specifically targeting 'BAME'-led organisations) also received a lower proportion of overall grant/ loan value compared to the proportion expected from UK representation as a whole. Out of the £41.82m disbursed across the six programmes where there is data, 18 per cent (£7.67m) went to 'BAME'-led organisations. However, if we exclude those programmes specifically targeting 'BAME'-led organisations in some ways and just look at RF, RRLF and TISS the weighted average is 6 per cent (though this is pulled down by the RRLF which, as the only investment fund represented, disbursed a much larger total amount. The unweighted average is 8 per cent.

Table 6 – Value of awards to known 'BAME'-led and non-'BAME'-led organisations by programme

Fund	Total awarded*	BAME-led awarded	non BAME-led awarded	% BAME-led awarded
Enterprise Development Programme (EDP)	£1,189,495	£208,169	£981,326	18%
The Reach Fund (RF)	£6,163,422	£554,977	£5,608,445	9%
C-19 Resilience & Recovery Loan Fund (RRLF)	£22,378,370	£1,037,000	£21,341,370	5%
C-19 Emergency Trading Income Support Scheme (TISS)	£2,474,409	£245,166	£2,229,243	10%
C-19 Community-led Orgs Recovery Scheme (CCLORS)	£9,345,611	£5,549,116	£3,796,495	59%
Growth Fund example: 1 Fund	£271,000	£72,000	£199,000	27%
Average of BAME-led approved funding (%)**	**21%**			
Weighted average of BAME-led approved funding (%)**	**18%**			

*Note: Total Awarded does not reflect the total awards made under each programme/fund, it reflects the total awards made for which we know whether or not an organisation was 'BAME'-led or non 'BAME'-led.

** Where Average of 'BAME'-led approved = % 'BAME'-led awarded / 6; and Weighted average = Sum of 'BAME'-led awarded/ Sum of total awarded (for which we have diversity data)

When this data is represented again in the chart below it becomes clear that programmes that were targeted such as CCLORS have a higher proportion of money flowing to 'BAME'-led organisations. The only dedicated social investment fund for which there was data was RRLF. The proportion of money flowing to 'BAME'-led organisations is much smaller, at 5 per cent. As stated above, 'BAME'-led organisations tend (in the main) to themselves be smaller and newer – though we also know that only four 'BAME'-led organisations received investment (at the point this research was conducted) which is the more likely factor at play.

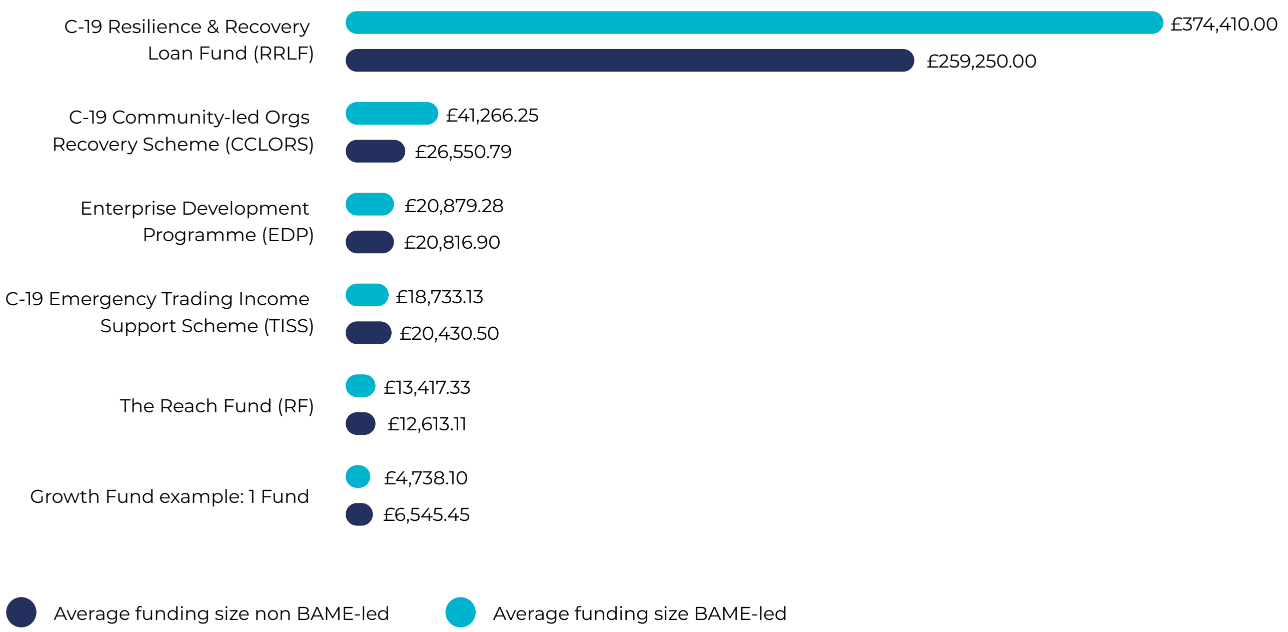
Figure 2: Value of awards to known 'BAME'-led and non-'BAME'-led organisations by programme

*Note, total awarded will not always tally to 'BAME'-led + non 'BAME'-led as diversity data was not collected for all investees across funds. % 'BAME'-les been calculated out of the sample for which diversity data was available.

‘BAME’-led organisations receive smaller investment amounts per individual organisation than non ‘BAME’-led. Whilst the data has not been included in the overall analysis above, we do have additional investment data for the Reach Fund. (Note that this is an investment readiness programme and not an investment programme though organisations applying for a grant do need to be working with an investor ahead of applying.) Of the organisations known to have gone on to receive investment, those organisations that were ‘BAME’-led (*note only eight organisations) raised on average £217,739 less in their investments (the average investment raise for 97 non ‘BAME’-led organisations was £265,364, compared with £47,625 for the eight ‘BAME’-led organisations). From the RRLF data we can see that the four ‘BAME’-led organisations who received investment raised on average £115,160 less than non-’BAME’-led organisations. We don’t know whether these figures are proportionate (i.e. due to the fact that ‘BAME’ organisations tend to be newer and smaller) or whether these organisations could have benefitted from more investment and either asked for less or were awarded less than needed. However in light of the discussion in the literature review around discouragement and capacity amongst minoritised ethnic communities, these are pertinent findings.

‘BAME’-led organisations receive comparable amounts of grant funding per individual organisation compared with non ‘BAME’-led organisations. For the generalist grant support programmes (i.e. excluding CCLORS) comparable amounts of grant were awarded per ‘BAME’-led and non ‘BAME’-led organisations (see chart below for Reach Fund, EDP and TISS).

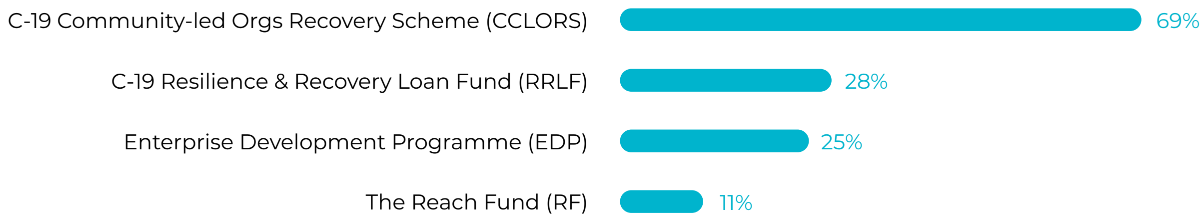
Figure 3 – Difference in funding size awarded for known ‘BAME’-led and non ‘BAME’-led by programme



Pipeline and success rate of from application to award

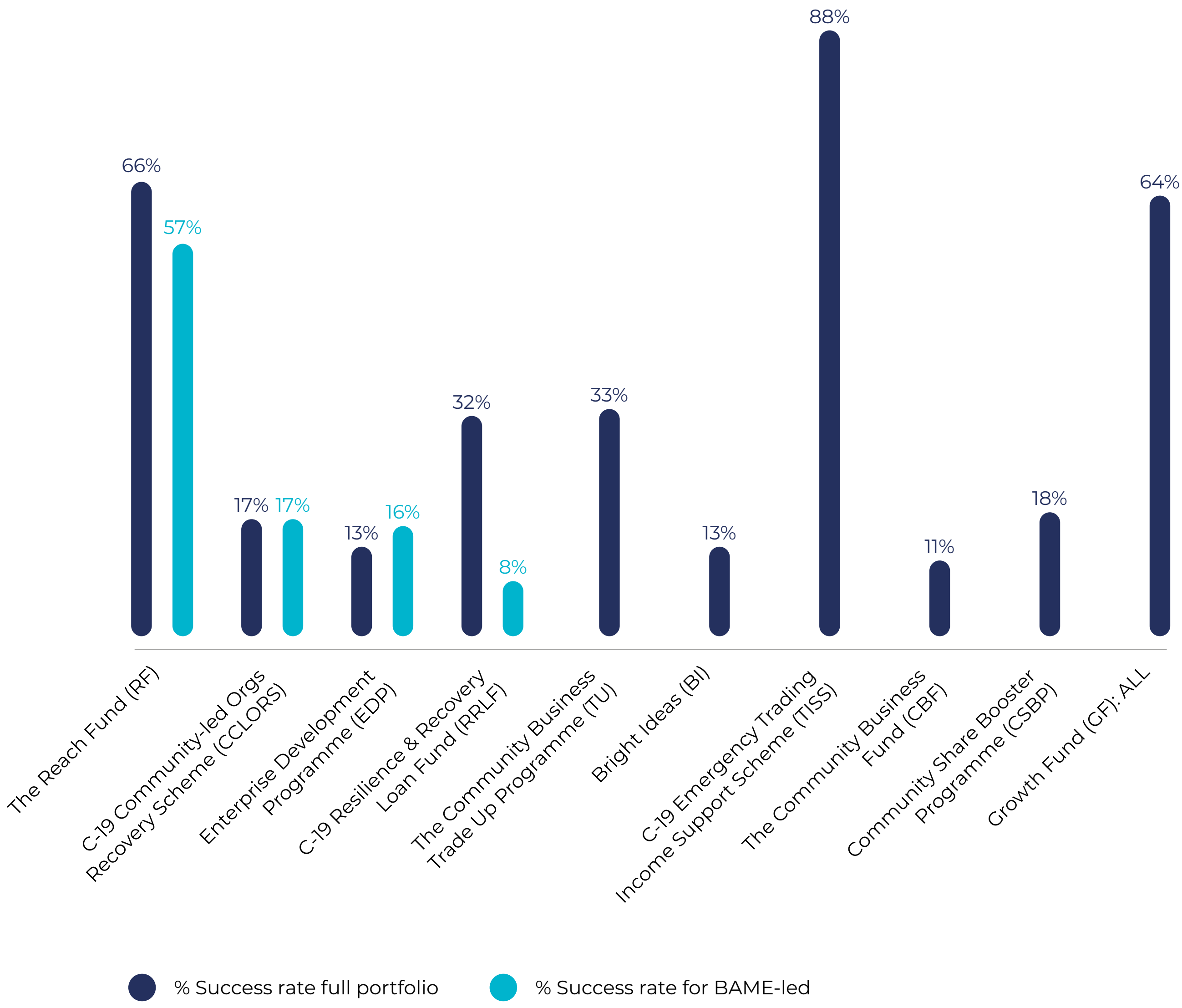
The pool of applications to the programmes from 'BAME'-led organisations is in line with expectations in terms of wider UK representation. For the generalist programmes (i.e. excluding CCLORS who had a dedicated outreach partner – The Ubele Initiative) 17 per cent of the overall pipeline (i.e. those applying) were from 'BAME'-led organisations (this is including the EDP programme which did have an Equalities sector partner and two other programmes for which there was data).

Figure 4: Proportion of 'BAME'-led applicants



However, there is a lower success rate for 'BAME'-led organisations applying for social investment or social investment related programmes (i.e. The Reach Fund which is a social investment readiness programme is included here alongside RRLF which is an emergency investment programme). We only have 'BAME'-led success rates for four programmes (the remaining six show just the success rate in terms of number applied versus number awarded). **The two enterprise support programmes for which we have data received a comparable or good success rate** (though there is overt targeting of 'BAME'-led organisations with CCLORS and to a much lesser extent EDP through one of the four sectors supported).

Figure 5 – Success rate from application to award for 'BAME' led vs full portfolio by programme



Funding flowing to 'BAME' communities

As stated in Section 3.1 on data quality, **there is insufficient data on programme beneficiaries and communities to draw many conclusions about flows of money and support to 'BAME' communities**. Of the two funds where there is data (CCLORS and EDP) the total 'BAME' community funding was £6.95m out of £10.53m. 80 per cent of CCLORS grantees substantially supported 'BAME' communities (243 out of 302) and 12 per cent of EDP grantees (22 out of 187).

Figure 6 – Awards to 'BAME' supporting and non 'BAME' supporting for two programmes

CCLORS

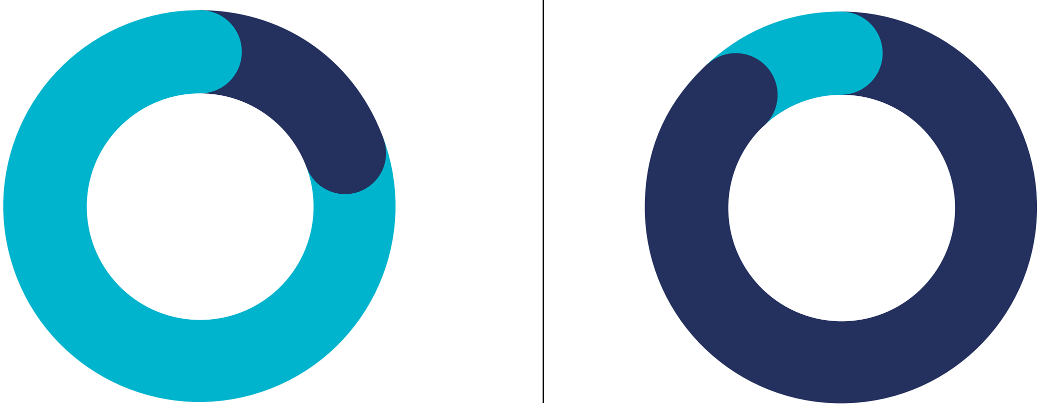
243
Substantially supporting BAME communities

59
Not substantially supporting BAME communities

EDP

22
BAME community primary beneficiaries

165
Not BAME community primary beneficiaries



4. Recommendations

The following recommendations have been drawn from both the literature review and data analysis. They are presented below under those two headings:

4.1. Recommendations from literature review:

Previous studies recommend that support providers develop strategies to identify and address their DEI gaps at an organisational level and at the level of their support programmes. The 'diversity taxonomy' developed by DEI Data Group (2021) is trying to address this, representing therefore a promising strategy for support providers in future. Inclusive Boards (2018) recommends that diversity policies and protocols, and appropriate diversity-led training (e.g. on 'transversal skills' as proposed by EC-MEGA (2020)), for both employees of support providers and those taking strategic decisions, could be implemented across the sector.

Support programmes should be tailored to address the unique needs of the 'BAME' community (GMCVO, 2020). This does not necessarily translate into the design of programmes specifically targeted at minoritised ethnic communities, such as the CCLORS programme. This can be more general support that can be tailored to social and community enterprises and the voluntary sector more generally. The key issue here is for support providers and funders to recognise the specific characteristics of minoritised ethnic social and community businesses when assessing applications – e.g. in relation to their often limited resources and turnover. Some research suggests that the terms of the application need to be altered, as smaller 'BAME' organisations may be excluded if they do not have the turnover to service large investments (BSWN, 2019).

Acquiring 'sector-relevant' knowledge should be made possible through outreach, networking and consulting with minoritised ethnicity social and community enterprises, before a support programme is designed. This can take multiple forms including surveys, interviews, round tables and involvement in advisory groups. A well-thought-through consultation process may also help to raise awareness among social entrepreneurs, community businesses and other organisations about the support available and so address the lack of information observed, notably in relation to social investment (EII, 2019), as reported by 'BAME' organisations (GMCVO, 2020; BSWN, 2019). **Beyond consultation, 'co-production' in the early stages of a process (Durose and Richardson, 2015) can mean 'BAME' communities are included as genuine partners in the design and production of policy (and other) initiatives** (Ram and Aziz, 2021). Durose and Richardson (2015)'s work on policy can be applied to the notion of social investment. They suggest that co-production is a more democratic alternative by which those outside the elites of politics can get involved and shape society for the better. Becoming active parts of networks in which 'rules of the game' are negotiated, may help to shift the structural barriers and reduce the endemic problem of 'communities experiencing structural and racial inequity' in the context of support and funding infrastructure around them.

Support providers can reduce complexities in the application process and be more proactive in helping minoritised ethnic social and community enterprises to get investment-ready prior to applying for support and funding. Acquiring these critical business and financial skills may also contribute to preventing discouragement when applying for external funding (Carter et al., 2015), as well as easing potential fears about credit checks and taking on debt. All of which may help to reduce grant dependency and contribute to moving social and community enterprises towards a model in which grants are part of a 'healthier' funding mix (e.g. keeping a balance between grants and loans) or a financing escalator – where grants are used to lever organisations into an investment-ready stage.

4.2 Recommendations from data analysis:

More and better quality DEI data needs to be collected going forward, particularly across the Social Investment sector. This includes:

— **across all programmes, standard questions to identify minoritised ethnicity-led and supporting organisations' must be asked and recorded at application and grant awarded stage**. This **data needs to be tracked**; so that we not only understand how funding is distributed, but where access and fund eligibility may be a barrier to improved diversity.

— **the data also needs to consistently and routinely include both numbers of organisations and amounts or values flowing to organisations** as we can see that 'BAME'-led organisations systematically request less funding than non 'BAME'-led. In order to ascertain where lower/ smaller flows to 'BAME'-led organisations are proportionate and where it is unacceptable, first the data itself needs to be collected and analysed.

Moving forward, it would be ideal and advisable for the data to be comparable across the sector. This would need to start by standardising questions across the commissioning organisations support provision. These include: adding the terms minoritised ethnicity-led and supporting to the programme set up; whether minoritised ethnic community organisations applications were funded or not; type and size of support received as well as turnover; final beneficiary ethnicity, size and age of organisations. This standardisation would enable:

— **The shared use of *informed* benchmarks to enable** comparison of trends and performance between programmes. Then the **support sector, including the commissioning organisations, can learn from what works and start to hold ourselves to account in comparison to our peers and the broader social economy**.

— Comparable data would also enable characterisation of the profile of applicants across programmes,and where applicant characteristics may not reflect the existing assumptions set by funders within the priorities of a fund or programme.

There is a **need for commissioning organisations to fill in the information gaps which are evident from this study**. More specifically:

— There is a **need to further understand discrepancies in terms of lower amounts of funding flowing to 'BAME'-led organisations**. Namely how much is down to these organisations being smaller in general and how much is an unacceptable bias.

— **We need more quantitative data on purpose of funding, types of business models supported, sectors and community needs reached/ supported to better build our evidence base on how social investment could better support equality, diversity and inclusion** (by looking at funding flows, but also wrap-around support, patience, subsidy, flexibility, and tailored product offerings).

— **We also need more qualitative data, in addition to the literature review findings above, to help explain the 'why'** behind some of these figures. Specifically, we need more evidence **to help understand direct and indirect/ systemic barriers to inclusion**; and how those might change based on size of organisation, type of community need, reliance on commissioning contracts vs other income streams, asymmetries of information, network access and decision-making power.

— **Sector organisations (including the three partner commissioning organisations) need to continue to be open and transparent in their reporting, in real-time**. While it is helpful to have data looking back on decisions made to understand funding flows, there will be more change if that information is available at the point of decision-making, and enhanced accountability, when that decision-making information is shared openly.

Practical action is needed to mitigate the inequality seen in the data:

— As a short term measure in the absence of immediate change to the structural barriers outlined in the literature review findings and recommendations, **working with specialist partners could ensure there is a better and more representative success rate for minoritised ethnic community and social enterprises – from pipeline and application through to award**. This might include support with reviewing application forms; eligibility criteria or supporting evidence and due diligence required as well as education, encouragement to apply and other such supportive activities which recognise the barriers that exist to people who experience racial inequity.

— The overall aim is for all funds and programmes to be working towards more equitable access to funding and support for organisations which are led by and supporting minoritised ethnic communities however **targeted programmes can go a long way to ensuring more funding and support is reaching more diverse communities in the short term**. More of such targeted programmes can help to restore the balance before the rest of the social investment and funding sector catches up.

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