

Business Advice for Refugees

This section describes in more detail some of the issues that face would-be refugee entrepreneurs, and gives some ideas for tackling them. It includes:

- What refugees need to know about writing business plans
- Common factors of refugee businesses
- Alternative forms of finance – syndicates, cooperatives, social enterprises
- Problems with UK banking
- Other issues – National Insurance, language
- Women-specific needs

Why Refugees Need to Know About Business Plans

Writing business plans is very much part of UK business culture. It forms the basis of many lending decisions, and has a number of benefits, including making the would-be entrepreneur thoroughly think through their decision to be self-employed. However, written business plans may be completely unfamiliar to refugees. In many developing countries, business plans and ideas are often expressed verbally, and agreements between parties equally so. Business planning is often informal. And while a refugee may have adequate spoken English, their written English may still be poor. However, in the UK, lending decisions are made on the basis of a business plan, even from charitable business support organisations, and refugees may have to be encouraged to produce a business plan and think through their ideas.

Common Factors of Refugee Businesses

Some refugees may attempt to duplicate the successful business they had in their own country, some of which might not be appropriate in Britain. Refugees, like other minority ethnic groups, sometimes choose business ideas based on small markets. Their businesses may also be geographically concentrated, probably because immigrants tend to live close to each other for mutual support, eventually creating enough demand for products or services that meet their tastes.¹ A refugee's language abilities give them more of an open door to their own community and can enable them to build a successful business there. But this can also create excessive competition for the same market and actually force some businesses to close. While it is rational to copy an idea that is successful in the community, it is important to note the effect of too much competition and to take these factors into account in business planning.

Many of these issues can be noticed at the business planning stage, and sustainable strategies initiated.

Alternative forms of finance

Syndicates

Getting finance for a start-up business is difficult at the best of times. However, using a syndicate has become common practice amongst refugees in the UK. Several people come together and pool their money in the syndicate. Every member at set times, usually every month, will put in a certain amount. Then each member will take it in turns to use the full amount. Some Muslims may use a syndicate for religious reasons, as there is no system of interest involved. Others may not be fully aware of the UK banking system, and some may have been used to this system in their country of origin.

The key advantage is the availability of a large sum of money, especially for those using it at the beginning of the arrangement. However, there are issues of trust that involve an element of risk - who will take responsibility for collecting the money for each set period?

Businesses will also have to be made aware of their capital requirements. While a relatively large pot can be created using syndicates for start up, businesses will also need working capital, and it is important that this is taken into account when advising clients who are building capital via syndicates.

Co-operatives

Refugees may be interested in setting up a business as a co-operative. You should be aware of this option and be able to assist them if this is appropriate. A co-operative is a group of people who run the business together and who have an equal say and usually an equal financial share in it. Co-operatives are part of an international movement that tries to base itself on a set of values and principles, which the International Co-operative Alliance (ICA) sets out as including democracy, participation, voluntary, educational and co-operation with others also including self-help, self-responsibility, equality and equity.² This means that members have come together with a common set of values and make these the basis of their business. A co-operative is owned and democratically controlled by its members, therefore business decisions are supposed to balance profitability against the needs of members and the interests of the wider community.³

There are many different types of co-operative and there is no set formula for how they are run, making them flexible, applicable to any business activity and

potentially innovative. The most common model is a consumer co-operative where ownership is based on membership rather than shares, and profits are distributed as lower prices and improved services. Other types include credit unions, which can provide credit for people who cannot access commercial banks or financial institutions, and worker co-operatives, which are owned solely by the employees. One problem that has been identified with co-operatives is their inability to grow and expand due to the constraints of ensuring a democratic workplace.⁴

Social Enterprises

Refugees may be interested in setting up social enterprises. These are businesses that use business methods to deliver social goals. Typically, their surpluses (rather than profits) are reinvested in social or environmental goals. The scope for activity is unlimited but can include bringing employment to those on the margins of employability, earning additional money for voluntary or community organisations, or bringing niche products to the market place. There are many available structures for social enterprises, including a Community Interest Company, and a company structure specifically designed for social enterprises. Refugee clients should be made aware of this form of operating if it appears they are mixing business methods with community goals. It may even be of interest to small under-resourced Refugee Community Organisations.

Checklist

- Is this business entirely based within the refugee's own community?
- If so, does this mean there is no room for future expansion?
- Is the business going to be sustainable in the long term?
- Are there lots of similar businesses in the area that would make the success of a new one less likely?
- Does the proposed business look more like a co-operative or social enterprise?
- Is syndicate finance a viable option?

Problems with the UK Banking System

Refugees can often be totally unfamiliar with the UK banking system, and indeed may be suspicious of it. Many refugees come from countries where banks are sometimes unreliable. The vast majority of transactions may be cash-based and not accounted for at all, and bank accounts not used. Advice on the UK banking system may have to begin with what a cheque is, so it is important that a business adviser is able to explain from this level.

Getting a bank account can be remarkably difficult for refugees. Sometimes they will not be able to produce the right identity documents, passports may be with government officials, and evidence of address, such as paid utility bills in their

names may also be hard to find or establish, especially if they are living in a relative's accommodation, or the bills are in the husband's or former husband's name, or they are renting a room rather than a property. If someone has no credit history in the UK, this can cause problems in establishing a bank account.

As a business adviser, you may be able to help by having good relationships with banking staff and being up-to-date with the identity requirements of banks. In addition, refugees are likely to need advice on the transactions a bank performs such as direct debits, standing orders, issuing and depositing cheques, and understanding bank statements.

Drawing up proper accounts can be daunting for most businesses. For refugee clients it can be particularly so, because of the jargon and definitions involved. Given the amount of information that a refugee may have to digest to enable them to start up a business, as an adviser, you may find it helpful to suggest good accountants they can turn to.

Checklist

- Has the refugee got a bank account?
- Has the refugee got evidence of identity and address documents?
- Do they understand how the UK banking system works?
- Do they need an accountant?

Other issues

National Insurance (NI)

Self-employed refugees, like all other employed people in the UK, will need a National Insurance Number. Sometimes this can take a very long time; however, the Inland Revenue have a fast track stream for certain groups, refugees included, and they do not have to attend the Department of Work and Pensions evidence of identity interview.⁵

Checklist

- Has the client got an NI number?

Language Needs

As we have mentioned, refugees are likely to have language needs, and may not speak much or any English. You may need an interpreter at various times. While these can be expensive, RCOs often have translation capacity, and some local authorities now have translators available at certain times of the week. It is worth finding out what is available locally. Documentation in English can be translated at a cost, but a verbal explanation is often appreciated. Local authorities should

have information on the language needs of the community they serve, and can provide useful information.

Refugees interested in setting up a business may not be familiar with the language associated with this activity. As an adviser, it is best to try to avoid jargon and to clearly explain it when it is used. It is important to be aware of the language abilities of clients and their familiarity with this subset.

Checklist

- Do you need an interpreter?
- Can your RCO provide interpreters?
- What business opportunities are available in the refugee's language?
- How can their own language be used to advantage?

Women-specific Needs

Refugee women often have additional needs that are distinct from refugee men. The first is childcare, which is usually a woman's responsibility. Refugee women often find it difficult to attend training or classes due to childcare responsibilities, and often a crèche or alternative arrangements (crèches can be difficult) will be needed to encourage attendance. There are some ideas on this in the Self-help Guides, which also points out that there are twice as many women starting their own businesses as there were in 1980, and that today women start one third of all new businesses in the UK.

Because of these responsibilities, some women are particularly isolated and can go many years in the UK without learning English. This means they may need additional language support. Occasionally the only type of support that will work amongst these groups is outreach - delivering the services in women's homes and going to their community rather than waiting for them to contact the services they need.

Cultural issues also need some close attention, as different codes of conduct between men and women apply in different cultures. Sometimes women may not attend training where men are present, and in these cases, women-only training provision will be necessary. Some women may be happier talking to a female business adviser.

Similar cultural issues may make it difficult for women to actively 'sell' their products or services to, and in, their market. Other refugee women may already have experience of this in their home country. If you are working with an RCO they should be able to advise you on the appropriate method of delivering services for a woman's business.

Often there is also an issue of confidence; it takes a lot of confidence to set up your own business and women may need to build this before they feel ready to set up on their own. For example, one woman volunteered in an RCO until she had built up enough confidence and skills to set up her own cleaning business.

Checklist

- Do you need to consider childcare needs?
- Is additional language support necessary? Where will it come from?
- What cultural considerations are there?
- Is a female business adviser preferred?
- How can you help to build women's confidence and skills?

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¹ Monder Ram, David Smallbone, Brian Linnekar and Centre for Enterprise and Economic Development Research (2002): Assessing the potential of supplier diversity initiatives as a means of promoting diversification among ethnic minority business in the UK, 16-17.

² *New Internationalist* 368, June 2004

³ <http://www.ica.coop/coop/index.html>

⁴ *New Internationalist* 368.

⁵ <http://www.hmrc.gov.uk/manuals/nimmanual/NIM39610.htm>