



RESEARCH REPORT

UK Business Creation Process for Ethnic Minorities: Panel Study of Entrepreneurial Dynamics 2023-25

October 15th 2026



strive



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Executive Summary

The **Panel Study of Entrepreneurial Dynamics (PSED) 2023-25** examines the complex process of **business creation** in the UK, specifically highlighting the experiences of **ethnic minority entrepreneurs**. By tracking a cohort of **nascent business owners**, identified from the Global Entrepreneurship Monitor (GEM) Annual Population Surveys over two years, the research identifies that individuals from diverse backgrounds often display higher initial interest in starting ventures but face significant **structural and financial hurdles**.

The findings show that **non-white entrepreneurs** and women experience higher **dropout rates**, frequently due to funding shortages, personal time constraints, or the pursuit of more stable employment. Additionally, the data suggests that while **immigrants** and regional migrants are highly active in the start-up space, their progress is often stalled by **market competition** and a lack of formal support. Ultimately, the report advocates for **policy reforms** that improve access to seed-stage financing and mentorship to better support these underrepresented groups.

Key Findings at a Glance

The analysis of the PSED Wave 1 and 2 surveys has revealed different experiences for Ethnic Minority Backgrounds (EMB) nascent entrepreneurs compared to the wider population in the first 24 months of starting their new business venture. These can be summarized as follows:

- Dropout rates are higher for non-white ethnicities and, indeed the same can be said for women.
- Lack of funding is a major challenge for these fledgling nascent entrepreneurs - a common theme often cited EMBs.
- For one in four of nascent entrepreneurs getting employment is the reason why they abandoned their venture which indicates that their nascent business was necessity driven - especially for EMBs.
- Even though 71% of the nascent entrepreneurs think starting a business is relatively easy, it appears to quickly become too much to do alongside their other priorities.

Policy implications

Immigrant and ethnic minorities are consistently the most entrepreneurial groups in UK society since the start of the new millennium. Immigration policy needs an urgent reset to ensure we can return to a society that welcomes individuals to enhance our entrepreneurial stock. Nothing seems to have changed under the new Labour Government in the last 12 months (GEM, 2025).

The report identifies several key policy recommendations aimed at supporting **underrepresented groups**, particularly **EMBs**, **women**, and **immigrants**, who often face higher dropout rates and unique structural challenges. These can be summarised as follows:

1. **Structural and Infrastructure Improvements:** to address higher dropout rates among women and EMBs—often caused by personal and caring responsibilities—the report suggests:
 - a. **Improvements in social and care infrastructure** and stronger NHS provision to reduce the personal burdens on entrepreneurs.

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- b. **Enhanced seed-stage support** specifically designed for fledgling ventures to help them survive the critical first 24 months.
 2. **Innovation in Finance:** recognizing that funding is a major barrier and that many entrepreneurs from underrepresented groups rely on personal financing due to access criteria or fear of debt, the report recommends **bridging the gap between personal and business finance products**. Specific suggestions include:
 - a. Offering **smaller loan amounts** with a more streamlined and **easier application process**.
 - b. Implementing **variable repayment charges** and flexible term periods.
 - c. Providing **finance alongside mentoring** to increase the likelihood of success for nascent ventures.
 3. **Pre-start Support and Expectation Management:** many entrepreneurs report that the process of starting a business becomes "too much" once they begin, despite initial confidence. Policy recommendations include:
 - a. Providing more support to help nascent entrepreneurs initially understand the sheer volume of work involved.
 - b. Offering upfront support focused specifically on business planning and market testing to mitigate the high rate of exits (one-third in the first year) caused by a lack of customers

1. Introduction

1.1. Preamble

Since 1970 substantial evidence has accumulated that new, not necessarily small, firms are a major source of job creation, productivity improvements, economic and product innovations, as well as a major career options for many, particularly immigrants, minorities, and those from disadvantaged backgrounds. Consequently, national, regional, and local governments all over the world have developed policies and programmes to facilitate the development of new firms. While these efforts have worthy objectives, and many are associated with dramatic examples of success, systematic evidence of general effectiveness is not well established.

The firm creation process is often associated with a specific date when an individual decides to open a business bank account and/or register their business at Companies House or with the HMRC for PAYE and/or VAT. However, the evidence contradicts this rather simplistic understanding of 'a business start-up' and points to a much more complicated process that can take place over many months. Despite this most studies of business start-ups rely heavily on administrative data which assigns a specific date to the 'start-up'

The lack of systematic, representative descriptions of the firm creation process has hindered the development of effective, efficient approaches to facilitative business creation. However, the development of longitudinal studies of business creation, which identify those entering the start-up process and track their efforts and outcomes over time, has provided new information about the nature of the firm creation process. Much of this has direct relevance for the development of effective policies and programmes and especially for underserved groups such as women and ethnic minorities who face a range of specific challenges as they embark upon their enterprise journey. These challenges include testing the viability of the business idea, harnessing sufficient start-up resources, including finance, accessing business support.

1.2. Panel Studies of Business Creation

Theoretical and practical interest in these issues has led to the creation of the Panel Study of Entrepreneurial Dynamics (PSED) research paradigm (Gartner et al, 2004; Reynolds and Curtin, 2009). The conceptual model that is the basis for the PSED paradigm is provided in Figure 1. Three stages of the start-up process are reflected in the conceptualisation. Individuals entering the process as active nascent entrepreneurs; they may do this independently, perhaps with a team, or as a job responsibility representing a work organisation.

The business creation process is defined by entry and two possible outcomes, the transition to a profitable firm or disengagement. The business operation stage begins with a period of initial profits followed by various trajectories, growth, steady state, or eventual termination. The PSED paradigm focuses on gathering data over time to represent the first two phases, entry and the start-up process. The complementary research programme, the Global Entrepreneurship Monitor (GEM) project, now in its 27th year, emphasises tracking, at a given point in time, the prevalence of nascent ventures, new firms, and established firms. However, both projects are based on the same conceptualisation of the firm creation process, which facilitates comparisons and cross-utilisation.

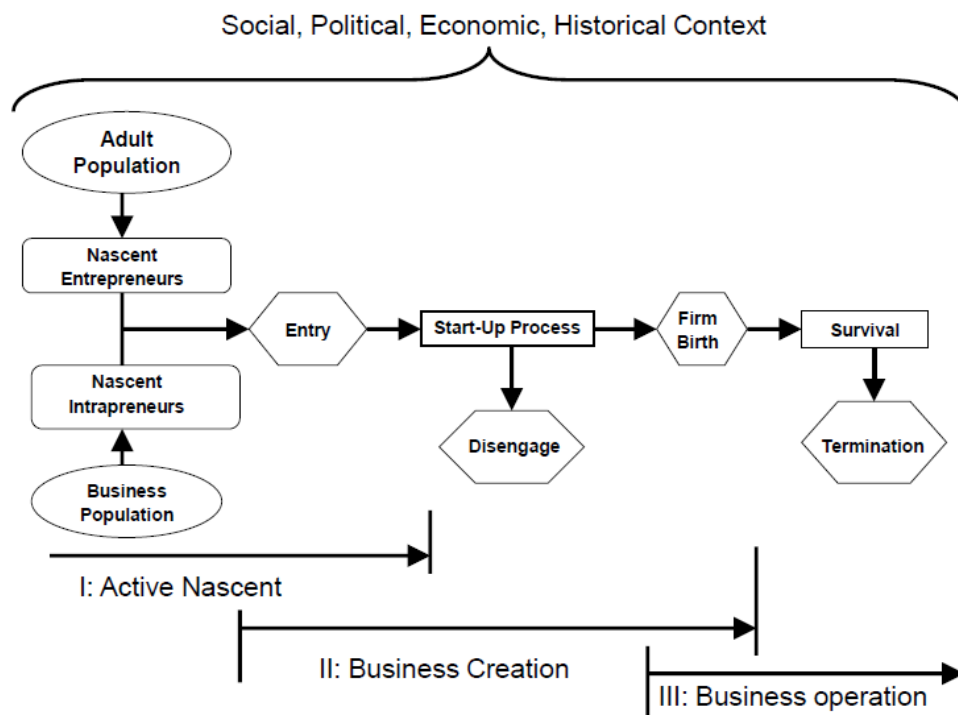


Figure 1 Business Creation: Conceptual Overview

1.3. UK PSED Pre-test (2012-14)

The UK PSED pretest in 2012-14, under the guidance of Professor Paul Reynolds, was designed to illustrate the types of information that could be developed in a large scale effort; determine the operational feasibility of the data collection paradigm; establish the cost estimates associated with data collection and provide an example of the benefits of implementing the project.

A small amount of funds were assembled to gather initial year data from nascent entrepreneurs identified in the 2013 Global Entrepreneurship Monitor (GEM) interviews and a 12 month follow-up with nascent entrepreneurs identified in the 2012 Global Entrepreneurship Monitor (GEM) interviews. A total of 201 interviews were completed. Of these, 90 were one year follow-ups with those identified as nascent entrepreneurs in the GEM interviews during the 2012 cycle and 111 were initial year interviews completed about 2 months after nascent entrepreneurs were identified in the GEM interviews during the 2013 cycle. Operationally the pre-test has been successful on all counts. There was good cooperation from the respondents, the costs were in an acceptable range, and the result was a high quality data set.

Overall, we established that:

1. there is a large amount of start-up activity, requiring effort and funds, which preceded the initial entry into the main administrative registries such as HMRC and VAT.
2. women form a substantial minority of start-up activity and that ethnic groups are a small proportion of the total.
3. half of those in the start-up process were not aware of any programme that might assist their new venture
4. personal savings are the most important source of finance for nascent entrepreneurs
5. those who do 'disengage' do so for personal reasons, problems in attracting customers, complications in getting the business organised, as well as the inability to secure financial support

1.4. UK PSED 2023-25

The UK PSED 2023-25 was commissioned by Be the Business with the financial support of the MasterCard Centre for Inclusive Growth and the GEM UK Adult Population Survey (APS) in 2023 was used as the baseline. The usual GEM UK 2023 sample of 10,000 interviews (10,234 to be exact) were undertaken between June and September. This included 816 nascent entrepreneurs (8.0%) defined as individuals in the first 3 months of setting up their business, of which just under 200 are from ethnic minority groups. To facilitate the creation of a Panel Study of Entrepreneurial Dynamics (PSED) in the UK a boost of an additional 6,000 online (CAWI) interviews was enabled by financial support from Mastercard Centre for Inclusive Growth and Be the Business under Mastercard Strive in the UK. This boost was designed to provide a large enough sample of nascent entrepreneurs to enter into the panel study over the period 2023–2025.

The ethnic boost was conducted via online panel interviews with invitations sent out during September by the market research firms BMG Ltd – the main survey vendor for the GEM survey. The interview was based on a shortened version of the GEM survey and on average took just over 10 minutes to complete. In total, just over 6,100 interviews were achieved across England with 69% being White and 30% being Non-white. A small number of respondents (1%) refused to provide their ethnicity. For the non-white interviews no targets were set to ensure we achieved as many interviews as possible for this group. For the white interviews broad targets were set on region, age and gender to ensure these were broadly representative of the population. These additional interviews were completed and merged with the normal 10,000 interviews. This created a dataset of 16,377 interviews across the UK including the boost to uplift the number of ethnic respondents to the survey.

Overall, therefore, it was estimated that at the outset of the project (Year 0) there were over 2,307 nascent entrepreneurs that qualify to enter the PSED, of which, around 571 are from the ethnic minority population. This is a very robust number for the first year of the PSED and significantly higher than in the previous attempt at a PSED in the UK in 2012-14. The next stage was to contact those that expressed a willingness to be involved in the PSED study over the next 2-3 years. We received a list of individuals who had agreed to be contacted from this cohort of nascent entrepreneurs as well as their contact details. In total, 832 individuals (36% of total nascent sample) agreed to be recontacted with 297 (37%) from the ethnic minorities. The aim was to complete a first call with these 832 individuals by the end of April 2024.

1.5. PSED Outline Methodology

The PSED methodology focuses on gathering data over time to represent two phases, entry and the start-up process itself. The first step is the identification of a representative sample of nascent entrepreneurs, one that reflects the entire national adult population. This allows extrapolation from the sample to the entire adult population. This is achieved by re-contacting all **nascent entrepreneurs** (i.e., those in the very early stages of setting up their own business – up to 3 months) identified in the 2023 Global Entrepreneurship Monitor (GEM) Adult Population Survey (APS).

Nascent entrepreneurs are those that consider themselves active in the firm life course, implementing start-up activities, expect to own part of the new business, and involved with a business start-up that has not achieved initial profits. While the conceptual definition of a nascent entrepreneur is relatively straightforward, the interviews occur at an arbitrary point in the early stages of the process. Creating a useful presentation of the start-up window and the outcomes requires operational solutions to several issues:

- Identification of active nascent entrepreneurs
- Identification of a date of entry into the start-up process
- Identification of a date for the transition to a profitable new firm
- Identification of a date for disengagement from the process

- Separating the activity of the respondent, who may be one member of the start-up team, from the outcomes for the start-up venture, which others may continue to pursue.

There are three possible outcomes to the start-up process. Dates for these outcomes were defined as follows:

- **Initial profits:** The date when monthly revenue exceeds month expenses, that includes the salaries of the owner-managers, is considered the date of transition from a start-up to a profitable new firm.
- **Disengagement:** Those that report they are no longer spending significant time on the start-up, no longer consider it a major career emphasis provides a date when they disengaged from the venture; this is considered their “quit date.”
- **Active startup:** If there are no reports of initial profits or a date of disengagement, the case is considered an active start-up as of the date of the last PSED interview.

Engagement is crucial and consideration needs to be given on how potential respondents could be incentivised to participate in the PSED. Financial incentives have been considered in the past but the GEM UK have not been in a secure financial position to offer this and indeed our preference would be to align the project with an organisation prepared to offer free and accessible online advice and mentoring – we did this by referring to the Government’s Help to Grow: Management programme (launched in 2021) and which had curated 17 short videos on various aspects of business start-up and growth – Help to Grow Essentials.

2.GEM 2023 BOOST

2.1 Introduction

In order to enhance the value of the GEM PSED the sample in the 2023 Adult Population Survey (APS) was boosted to a total of around 16,000 respondents.

2.2 Ethnicity, Mobility and Gender

Following previous trends over many years in GEM UK project, the Total Early-stage Entrepreneurial Activity (TEA)¹ rate of the white ethnic population in the UK in 2023 was significantly lower than that of the non-white population (Figure 2.1a). The TEA rate for Asian, Black and Mixed ethnic groups being statistically significantly higher than the TEA rate for the white ethnic group. The same can be said regarding the group of nascent entrepreneurs in the 2023 survey (Figure 2.1b).

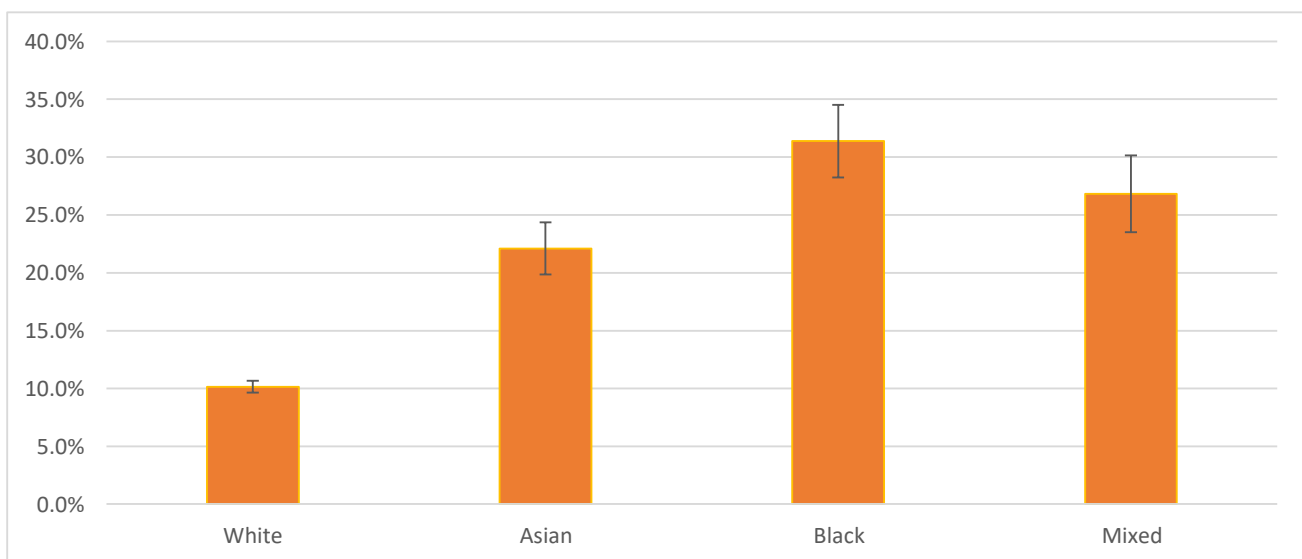


Figure 2.1a: Total early-stage Entrepreneurial Activity Rate by Ethnic Status 2023 (Source: GEM UK APS 2023)

¹ TEA covers both nascent entrepreneurs and young businesses up to 42 months old

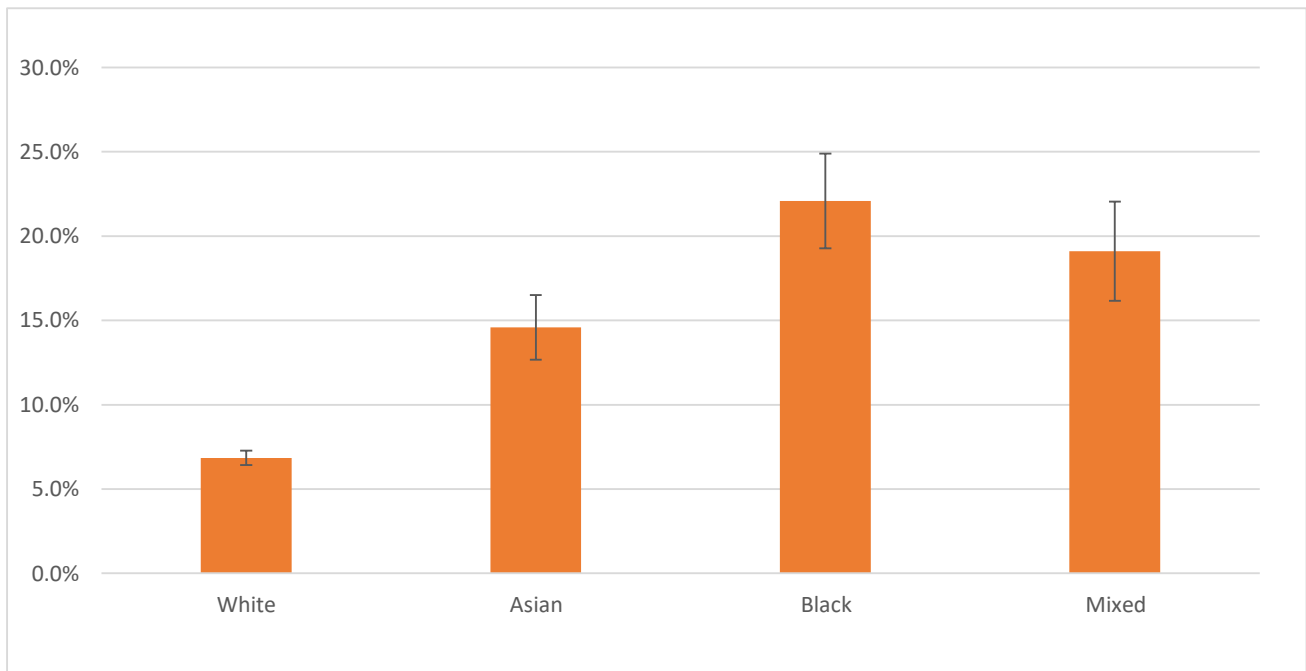


Figure 2.1b: Nascent Entrepreneurial Activity Rate by Ethnic Status 2023 (Source: GEM UK APS 2023)

Figure 2.2 shows that there are no significant differences between male and female early-stage entrepreneurial activity in each of the three broad ethnic groups, although there is in the white ethnic group. Sample sizes are too small to break the nascent entrepreneurial group down in this way.

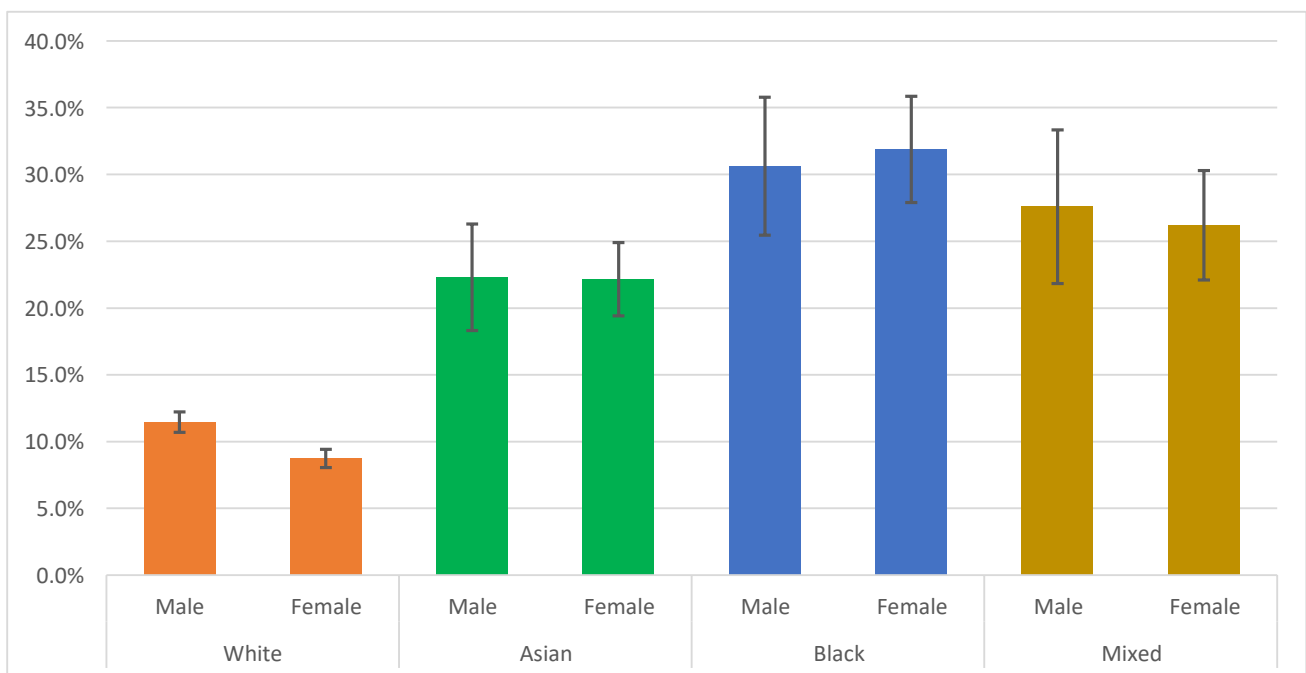


Figure 2.2: Total early-stage Entrepreneurial Activity Rate by Ethnic Status and Gender 2023 (Source: GEM UK APS 2023)

Mobility across regional and international borders has long been associated with enhanced entrepreneurial activity since the early work of Richard Florida on the 'creative class' in large cities and the GEM project in the UK has confirmed this over many years. Estimates of entrepreneurial activity by migrant status are shown in Figure 2.3 and 2.4 and they confirm that mobility is associated with higher levels of entrepreneurial activity.

In 2023, estimates show that immigrant early-stage entrepreneurial activity is statistically significantly higher than the rate for life-long UK residents and UK regional migrants (Figure 2.3). Further, regional migrants are significantly more likely to be an early-stage entrepreneur than life-long residents. In this analysis a regional migrant is an individual who currently resides in a region of the UK where they were not born. Figure 2.4 shows that the same conclusion holds for nascent entrepreneurs.

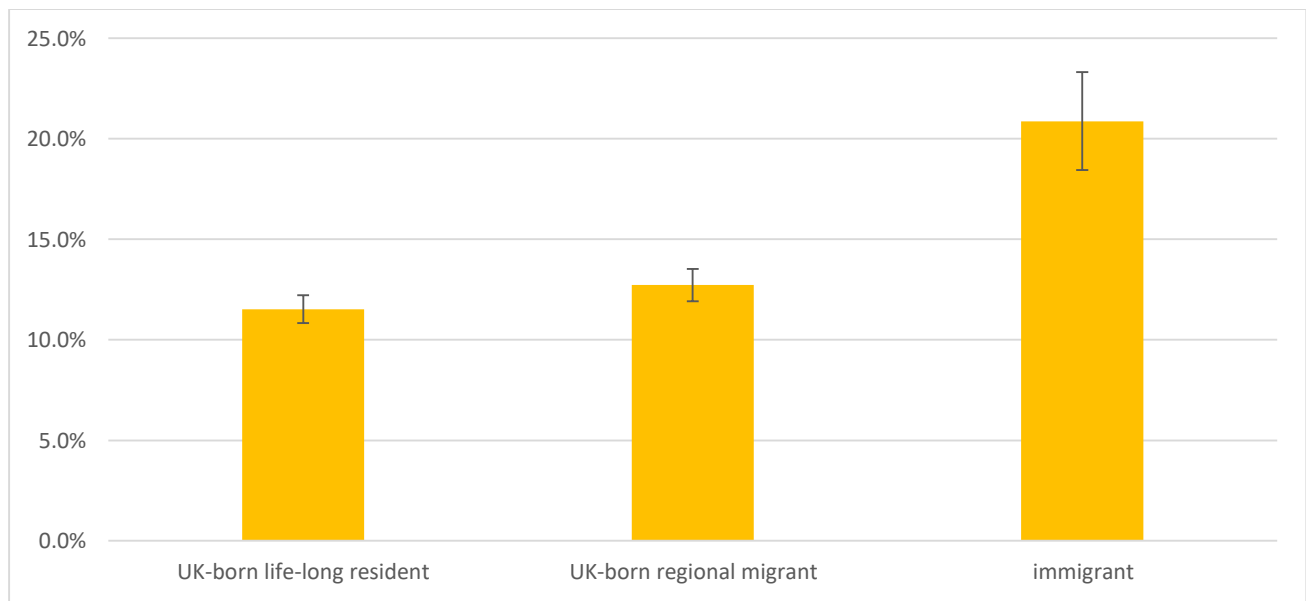


Figure 2.3: Total early-stage Entrepreneurial Activity Rate by Migrant Status 2023 (Source: GEM UK APS 2023)

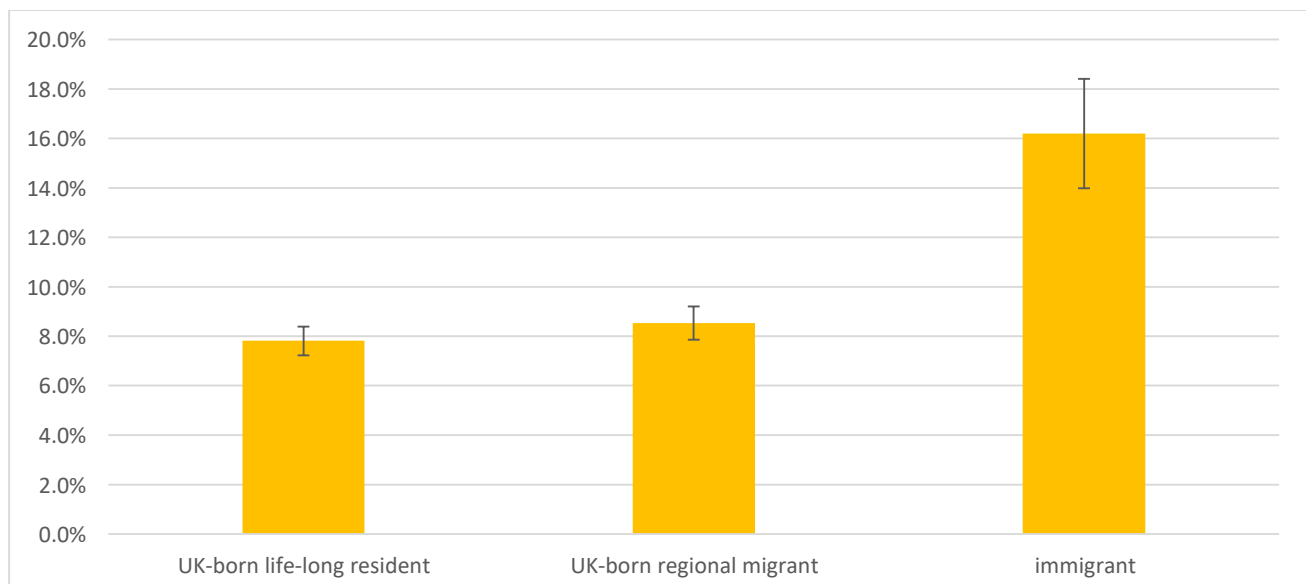


Figure 2.4: Nascent Activity Rate by Migrant Status 2023 (Source: GEM UK APS 2023)

Figures 2.5 and 2.6 takes a closer look at how mobility and ethnicity combine. For nascent entrepreneurs there are no significant differences in new venture creation across the three broad ethnic minority groups although there is for the White sub-group with immigrants significantly more likely to be a nascent entrepreneur than regional migrants and non-migrants. For all early-stage entrepreneurs there are no significant differences across the four ethnic groups on the basis of mobility (Figure 6).

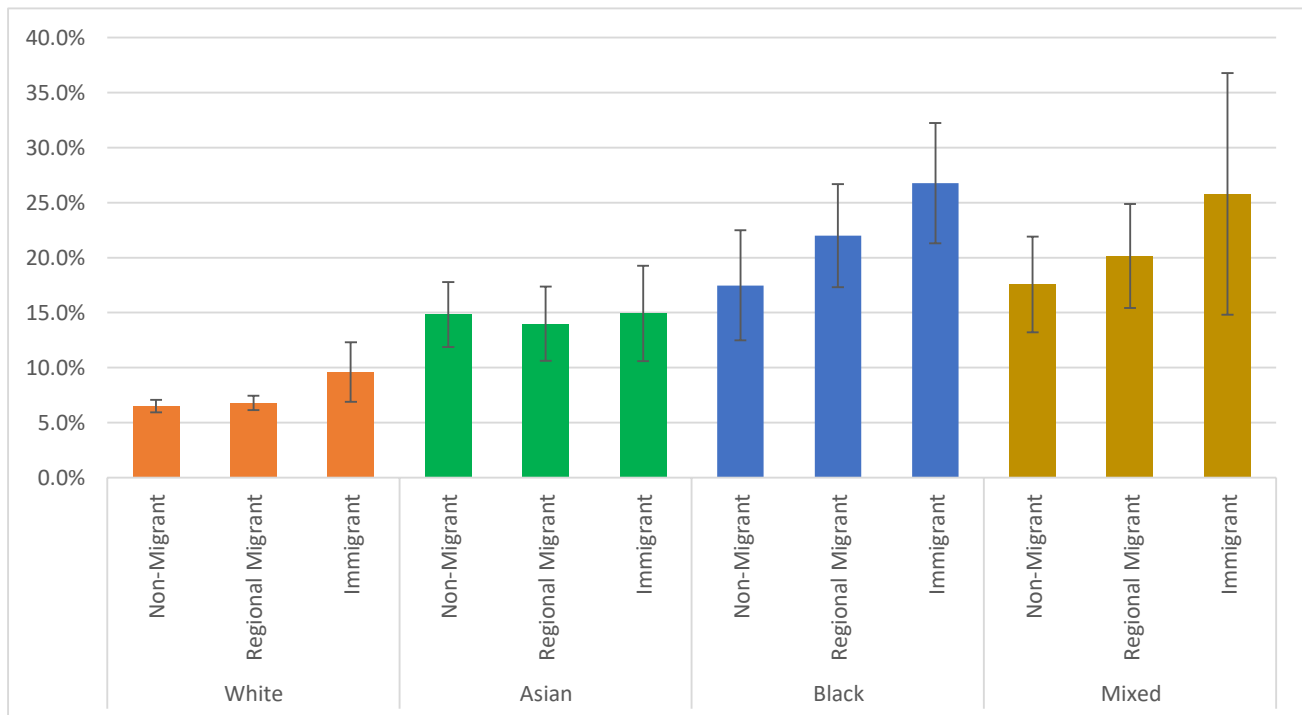


Figure 2.5: Nascent Entrepreneurial Activity Rate by Migrant Status and Ethnicity 2023
(Source: GEM UK APS 2023)

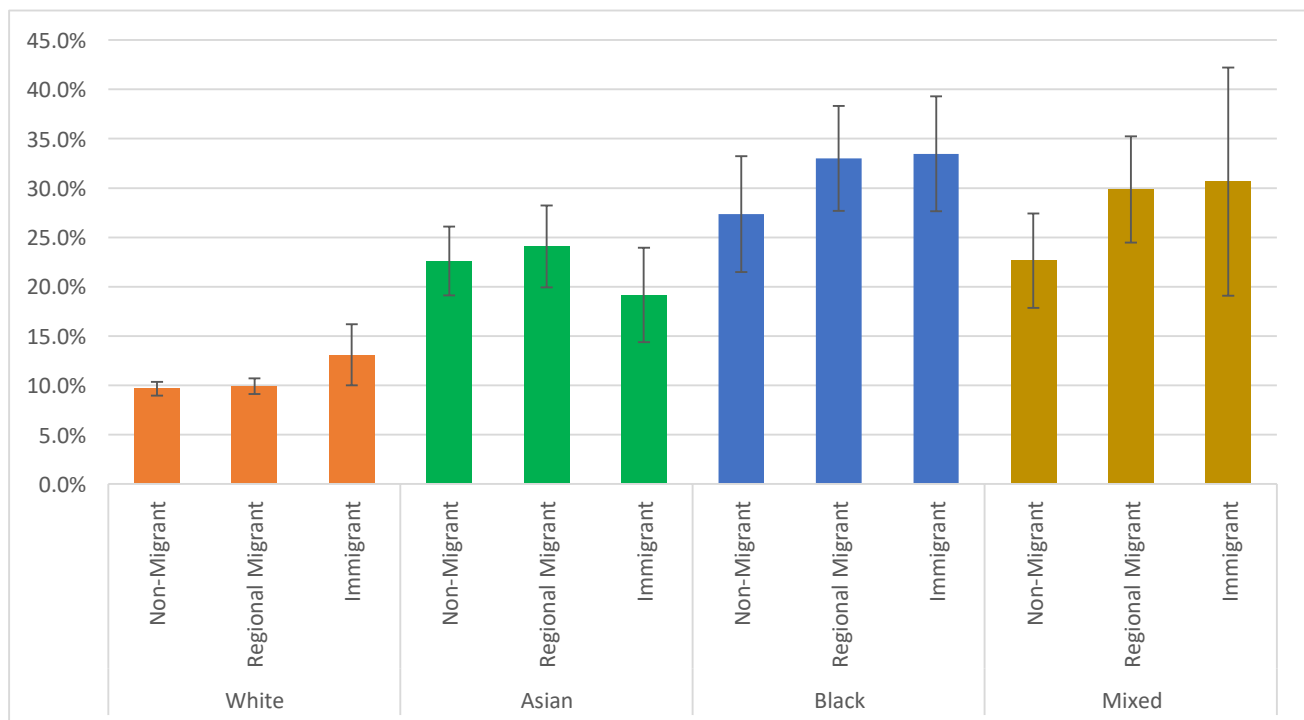


Figure 2.6: Total early-stage Entrepreneurial Activity Rate by Migrant Status and Ethnicity 2023
(Source: GEM UK APS 2023)

Figures 2.7 and 2.8 examine attitudes to entrepreneurship by ethnicity for all early-stage entrepreneurs and nascent entrepreneurs. There are very few significant differences across the ethnic groups, but one does stand out and that is the likelihood that ethnic minority groups are more likely to know other entrepreneurs. Knowing another entrepreneur may imply a greater propensity towards new business creation as they have a 'ready-made' role model in their social network.

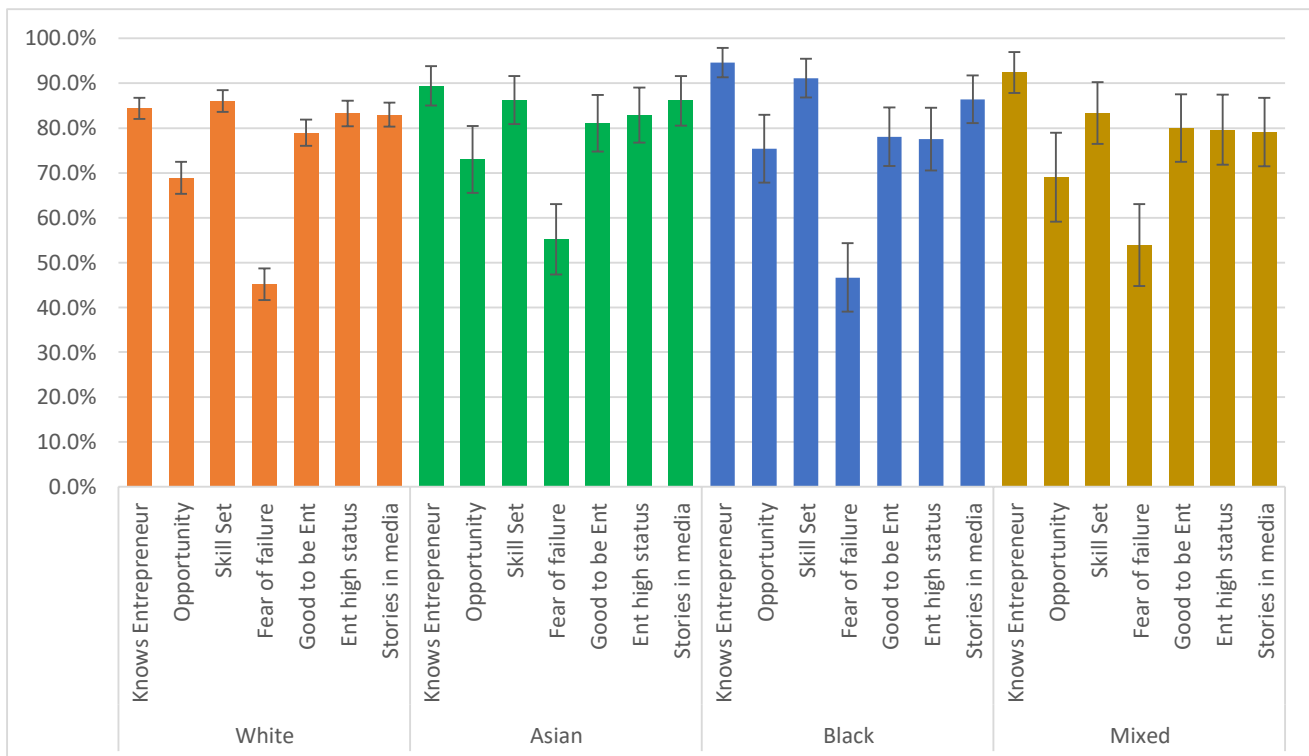


Figure 2.7: Nascent Entrepreneurial Activity Rate by Attitudes towards Entrepreneurship 2023 (Source: GEM UK APS 2023)

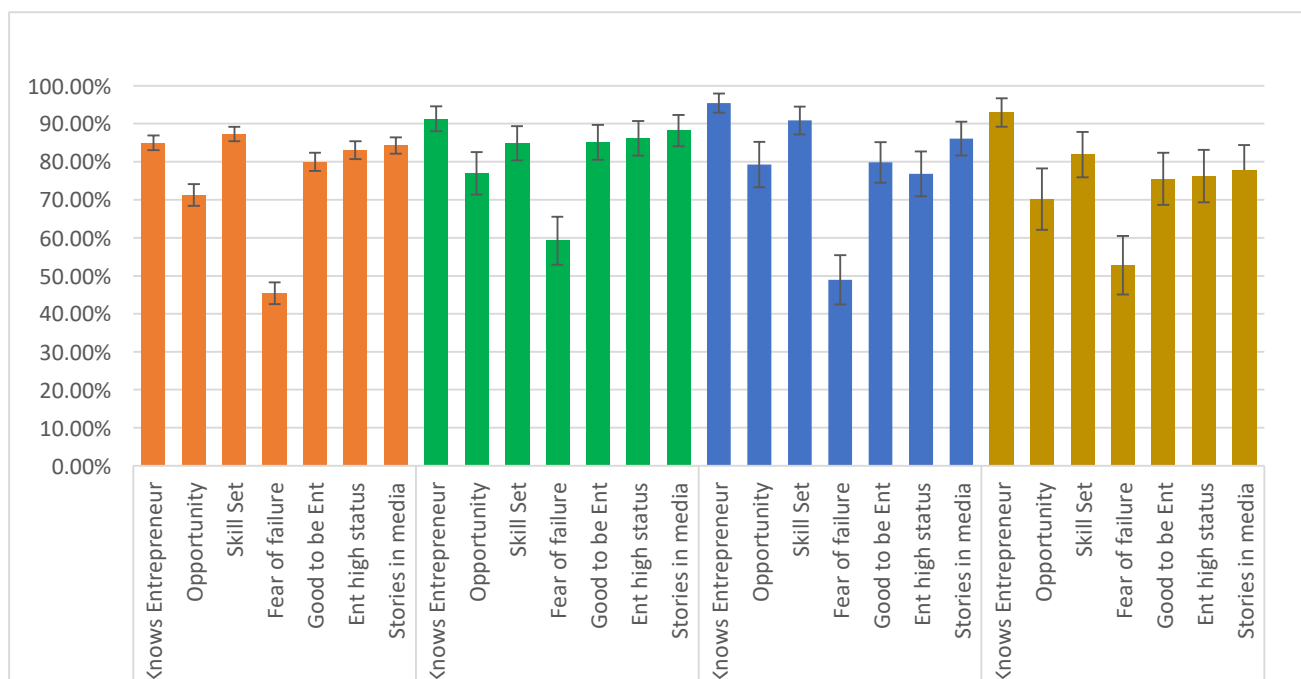


Figure 2.8: Total Early-stage Entrepreneurial Activity Rate by Attitudes towards Entrepreneurship 2023 (Source: GEM UK APS 2023)

3. UK PSED Wave 1

There were two sets of Wave 1 interviews – a 12 month follow-up to identified nascent entrepreneurs in the GEM 2023 APS and a 12 month follow-up to identified nascents in GEM 2024 APS.

3.1 Cohort 2023

3.1.1. Demographic profile of the 1-year follow-up cohort

Out of 832 nascent entrepreneurs identified in 2023 who agreed to be part of the PSED, 192 responded to the follow-up survey conducted in 2024, i.e. 23%. Table 3.1.1 shows the demographic profile of the entrepreneurs followed-up 1-year after the initial APS 2023 survey:

- Just under 49% are women.
- 32% are from ethnic minorities.
- Around 6% are aged 18-24 and 27% are 55+, with the majority of the cohort (67%) are between 25 and 55 years old.
- Just over 4 in 5 (84%) were born in the UK, with 30 respondents (16%) being immigrants.
- 2 in 3 entrepreneurs (58%) are graduates, and another 19% have A-levels or equivalent.
- 63% describe themselves as currently in FT or PT employment, and 20% - as self-employed.

Table 3.1.1: Demographic characteristics of the 1-year follow-up cohort

Variable	Categories	N	%
Ethnicity	white	131	68.23
	non-white	61	31.77
Gender	Male	98	51.31
	Female	93	48.69
Age	18-24	11	5.73
	25-34	39	20.31
	35-44	45	23.44
	45-54	45	23.44
	55-64	33	17.19
	65-80	19	9.9
Country of birth	England	116	60.42
	Wales	18	9.38
	Scotland	20	10.42
	Northern Ireland	7	3.65
	Some other country	30	15.63
	Refused	1	0.52
Education	A Doctorate or equivalent	4	2.08
	Masters Degree or equivalent	39	20.31
	Bachelor Degree or equivalent	69	35.94
	A-level or equivalent	36	18.75
	GCSE/O-level or CSE	23	11.98
	Vocational qualifications	21	10.94

Employment

Full or part time	85	44.27
Part time only	37	19.27
Retired, disabled	11	5.73
Student	5	2.6
Not working	12	6.25
Self-employed	39	20.31
Other	3	1.56

Base: 192 entrepreneurs of the 2023 cohort 1-year follow-up (Source: PSED 2024)

Table 3.1.2 shows that the entrepreneurs from 1-year follow-up cohort, initially (in 2023) highly rated their entrepreneurial knowledge (93% of respondents agree that they have the knowledge, skills and experience required to start a business), the easiness of starting a business in the UK (71%), and the availability of good opportunities for starting a business (68%). However, 32% of respondents say that fear of failure would prevent them starting a business, which is lower than the percentage of the overall population (56%). However, responses vary between entrepreneurs who remain involved in the venture and those who have exited. Similarly, the share of entrepreneurs reporting that they had the appropriate knowledge and skills was substantially higher among those who continued their entrepreneurial journey (96% and 93% in 2024) than among those who dropped out (81%). This may suggest that the early development of confidence and entrepreneurial capabilities plays an important role in increasing the likelihood of business survival and success at later stages.

Table 3.1.2: Attitudes

Agree that...	2023 cohort 1-year follow-up, overall	Still involved in the business	Still involved in the business, but it is delayed	No more involved in the business
Fear of failure would prevent them starting a business	32%	33%	23%	42%
Easy to start a business in the UK	71%	80%	51%	68%
Have the knowledge, skill and experience required to start a business	93%	96%	93%	81%
Good opportunities for starting a business in next 6 months	68%	68%	69%	65%
Know at least one entrepreneur	83%	90%	77%	72%

Base: 192 entrepreneurs of the 2023 cohort 1-year follow-up (Source: PSED 2024)

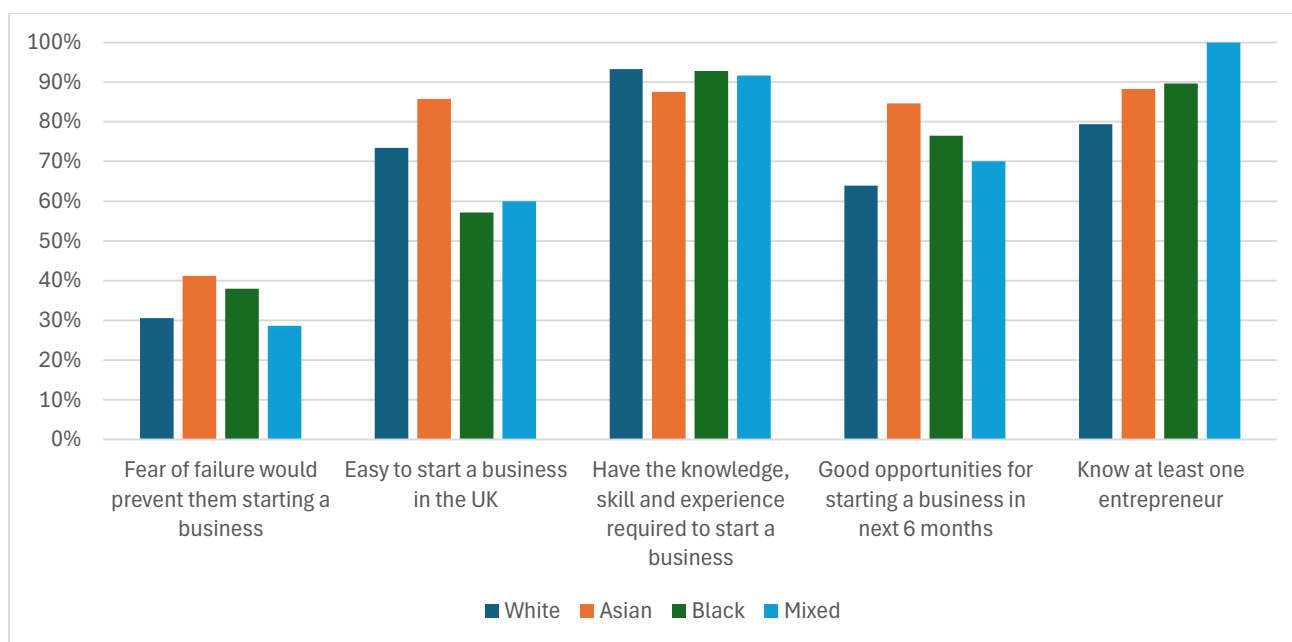


Figure 3.1.1 Attitudes towards entrepreneurship of the Cohort 2023 1-year follow-up by ethnicity

Base: 192 entrepreneurs of the 2023 cohort 1-year follow-up (Source: PSED 2024).

There were some variations in entrepreneurial attitudes across different ethnic groups. Asian entrepreneurs in the 1-year follow-up cohort were more likely to identify good start-up opportunities and to agree that it is easy to start a business in the UK. Entrepreneurs from ethnic minority backgrounds were also, on average, more likely to report knowing other entrepreneurs compared to those from a White background.

3.1.2. How many continue the entrepreneurial journey 1 year on?

- **Out of 192 nascent entrepreneurs in 2023, 109 (57%) continue with the business venture one year later.** 47 (24%) said that they are still involved, although it has been delayed. 36 entrepreneurs (19%) said that they are not involved in the business venture they were starting up in 2023 anymore (Fig. 3.1.2).
- Women were more likely to report the delay with the business venture (31%) compared to men (18%) (Fig. 3.1.3).
- **Ethnic minorities were more likely to report both the delay (36%) and exit (23%) compared to white (19% and 17% respectively).** The percentage of entrepreneurs who continue with the business venture 1 year later is significantly higher among white entrepreneurs (64%) compared to non-white (41%) (Fig.3.1.4).

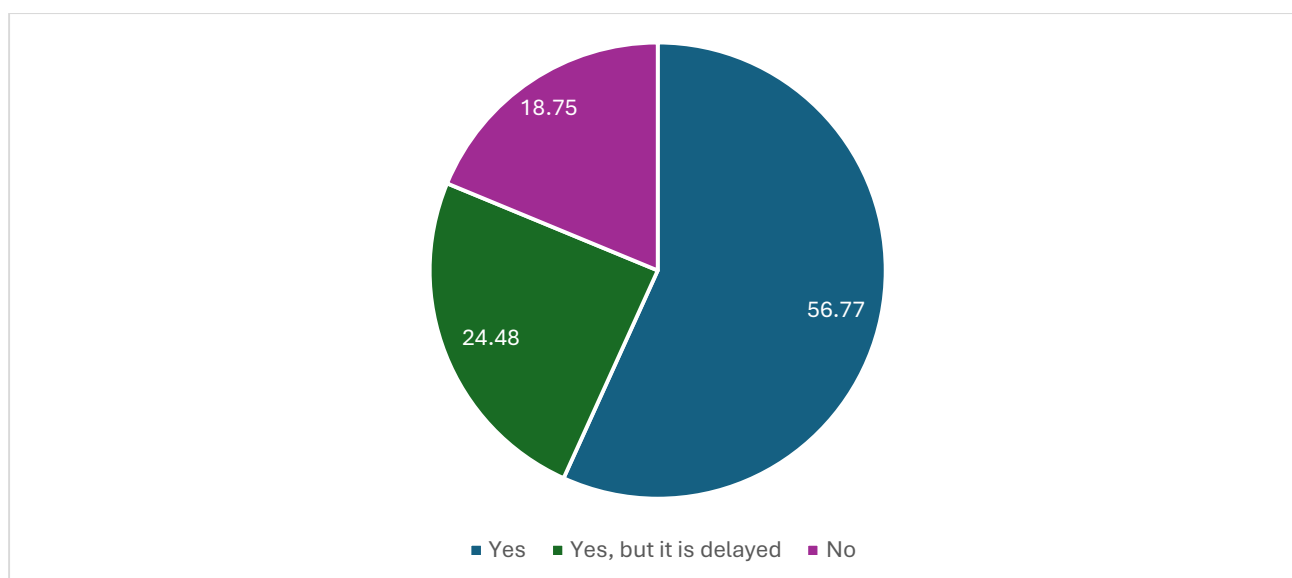


Figure 3.1.2 Percentage of nascent entrepreneurs still involved with the business venture in 1 year

192 entrepreneurs of the 2023 cohort 1-year follow-up (Source: PSED 2024).

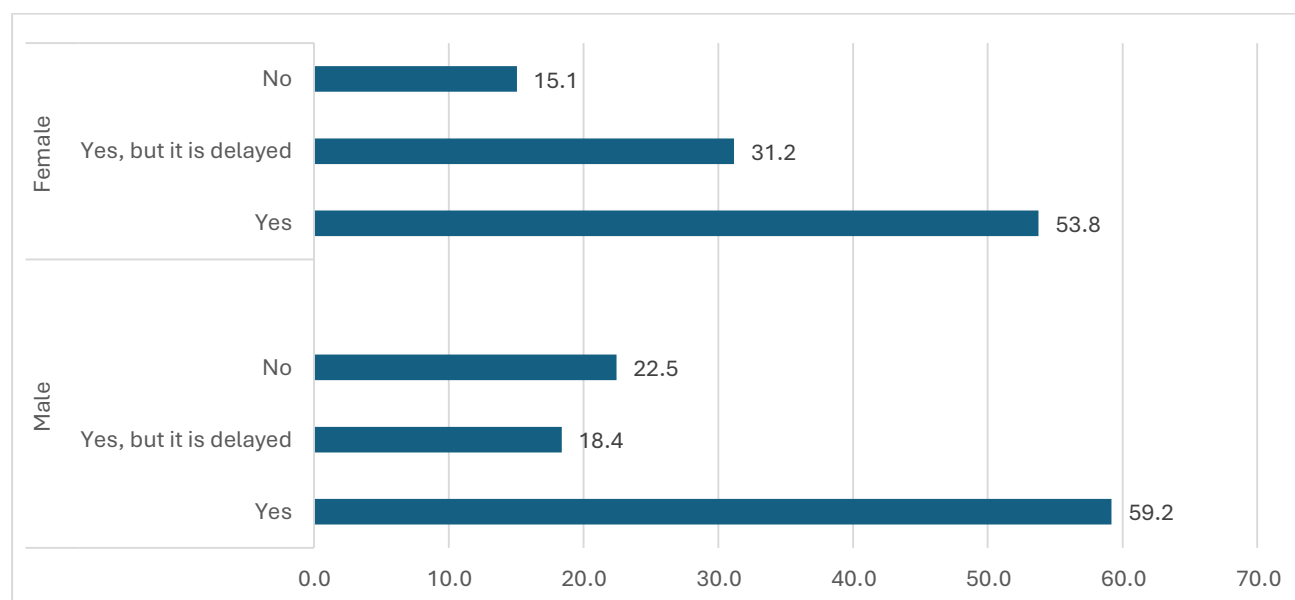


Figure 3.1.3. Percentage of nascent entrepreneurs still involved with the business venture in 1 year by gender

Base: 192 entrepreneurs of the 2023 cohort 1-year follow-up (Source: PSED 2024).

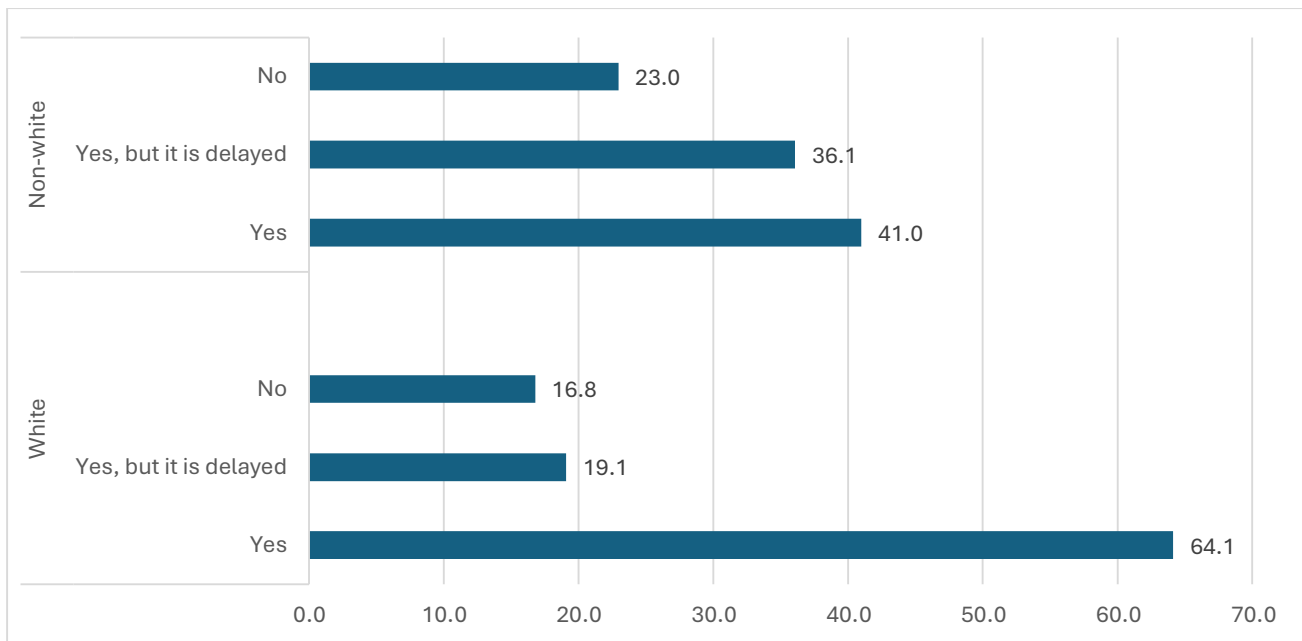


Figure 3.1.4. Percentage of nascent entrepreneurs still involved with the business venture in 1 year by ethnicity

Base: 192 entrepreneurs of the 2023 cohort 1-year follow-up (Source: PSED 2024).

Economic activity across business ventures varies considerably (Table 3.1.3). Around 40% of entrepreneurs who remain involved in their businesses report operating in retail and e-commerce, including activities such as selling books, toys, second-hand goods, and gadgets. A further 20% of the cohort are engaged in skilled trades, technical, and specialised services, while 17% operate in personal and household services.

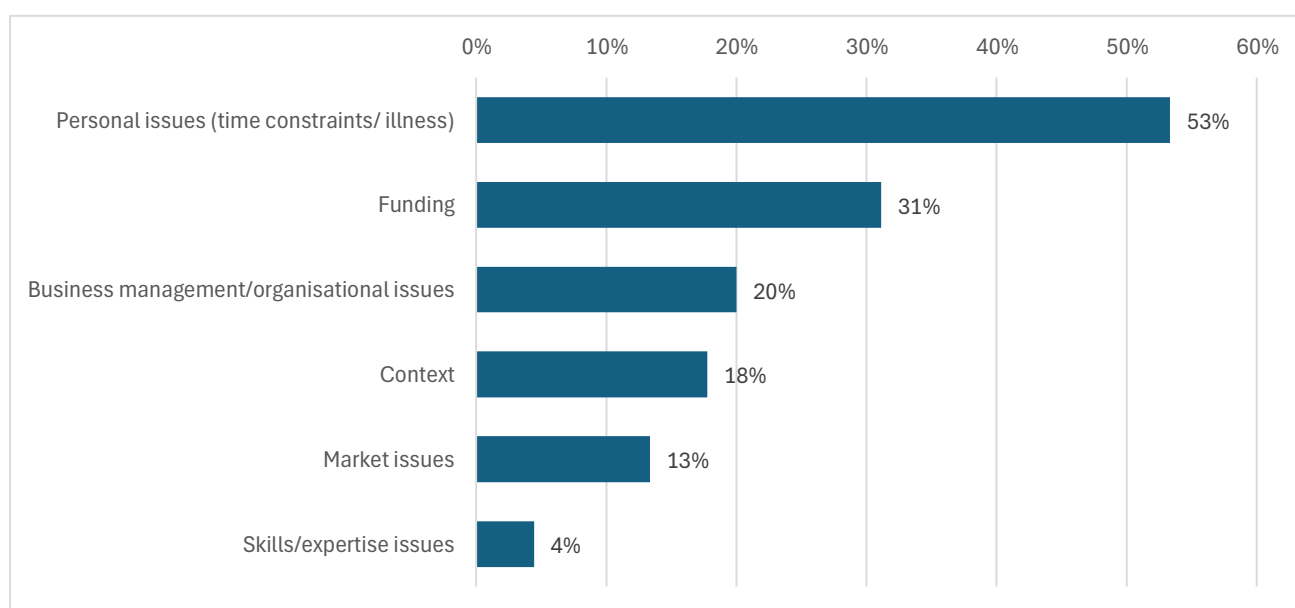
Table 3.1.3. Type of economic activity

Category	Examples	%
Retail & E-commerce	Clothes, toys, books, gadgets, household goods	40%
Food & Beverage Production	Shelling cakes, coffee, chutney, organic energy balls	6%
Professional Services & Consultancy	Legal, management, IT, marketing, interpreting	11%
Property & Real Estate & Tourism	Renting property, property let for tourism	6%
Personal and household services		17%
Health, Beauty & Wellness	Beauty salon, holistic health, skin care	3%
Care & Personal Services	Elderly care, pet care, home help	7%
Education & Coaching	Tutoring, coaching, pottery courses, sports coaching	8%
Skilled trades, technical and specialised services		20%
Trades & Technical Services	Plumbing, electrical, construction, repairs	6%
Creative & Media Services	Photography, writing, podcasting, drone footage, crafts, bespoke signage, garden advice	13%
Transport & Logistics	Courier services	1%

Base: 104 entrepreneurs of the cohort 2023 1-year follow-up who were still involved in their business venture and who replied to the question on what business sell (Source: PSED 2024).

3.1.3. What are the reasons for the delay with starting-up the business and for business exit?

- The reasons for the delay vary and, in most cases, there is more than one reason involved (Fig 3.1.5).
- **The reasons are mainly personal** and are related to time constraints, and often health issues (e.g. 'I have long covid and house bills to pay, like house repairs' or 'I got pregnant and working full time and have no time').
- Insufficient funding is the second most often cited reason for the delay (31% of respondents).

**Figure 3.1.5. Reasons for the delay**

Base: 45 entrepreneurs who reported the delay and answered the question; Coded from an open-ended question; multiple responses allowed (Source: PSED 2024).

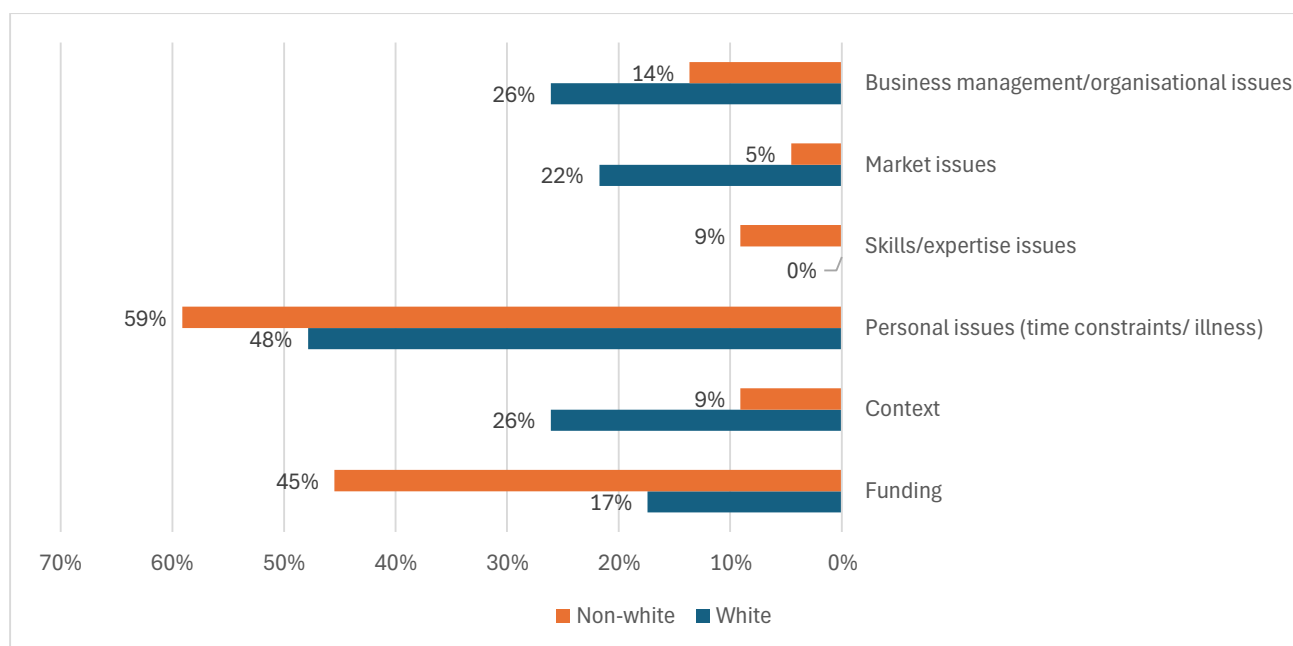


Figure 3.1.6. Reasons for the delay by ethnicity

Base: 45 entrepreneurs who reported the delay and answered the question; Coded from an open-ended question; multiple responses allowed (Source: PSED 2024).

Figure 3.1.6. shows differences in the reported reasons for delaying activities related to the start-up between white entrepreneurs and those from all other ethnic groups. Personal issues, such as time constraints or illness, are the most commonly cited reason for delay across both groups, reported by around half of white entrepreneurs (48%) and a higher share of non-white entrepreneurs (59%). Funding constraints are also notably more prominent among non-white entrepreneurs (45%) compared with white entrepreneurs (17%). In contrast, white entrepreneurs are more likely to report business management/ organisational issues (26%), market-related barriers (22%), and contextual factors (26%) than entrepreneurs from other ethnic backgrounds. Overall, the findings suggest that financial and personal constraints play a particularly important role in delaying business activity among ethnic minority entrepreneurs.

- Personal and family are also the most often cited reason for quitting the business (33%) (Fig. 3.1.7).
- 1 in 4 reported a new job opportunity as the reason to business exit.
- 'The cost of set up was too high', 'could not get sufficient finance' and 'takes too much time and effort' were equally frequently cited (22%).

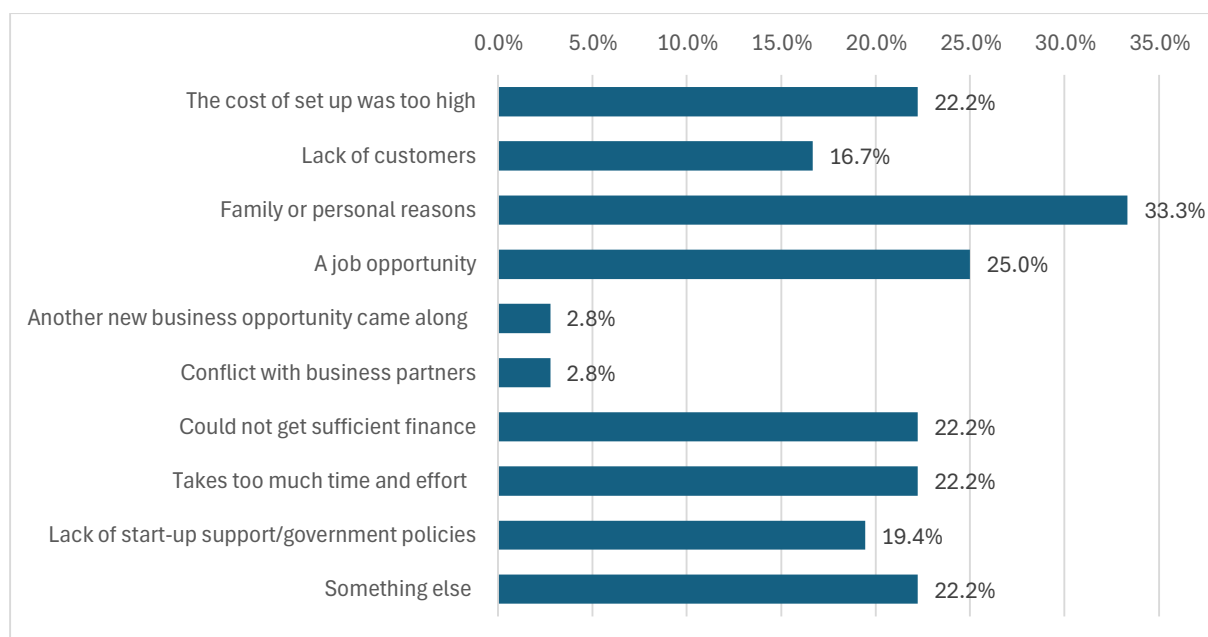


Figure 3.1.7. Reasons for quitting the business

Base: 36 entrepreneurs who reported business exit, Cohort 2023 1-year follow-up (Source: PSED 2024).

Figure 3.1.8 shows how the reasons for quitting a business venture differ by ethnicity, comparing white entrepreneurs with those from all other ethnic groups. Among white entrepreneurs, the most commonly reported reasons relate to family or personal circumstances, as well as practical barriers such as the cost of set-up, lack of customers, and difficulties in obtaining sufficient finance. White entrepreneurs are also more likely to cite factors such as the venture taking too much time and effort, or challenges linked to lack of start-up support and government policies.

In contrast, non-white entrepreneurs are much more likely to report quitting due to a job opportunity, which stands out as the dominant reason in this group. Overall, the results suggest that while white entrepreneurs more often exit due to financial, market, and resource-related constraints, non-white entrepreneurs may be more likely to discontinue their venture when alternative employment opportunities arise.

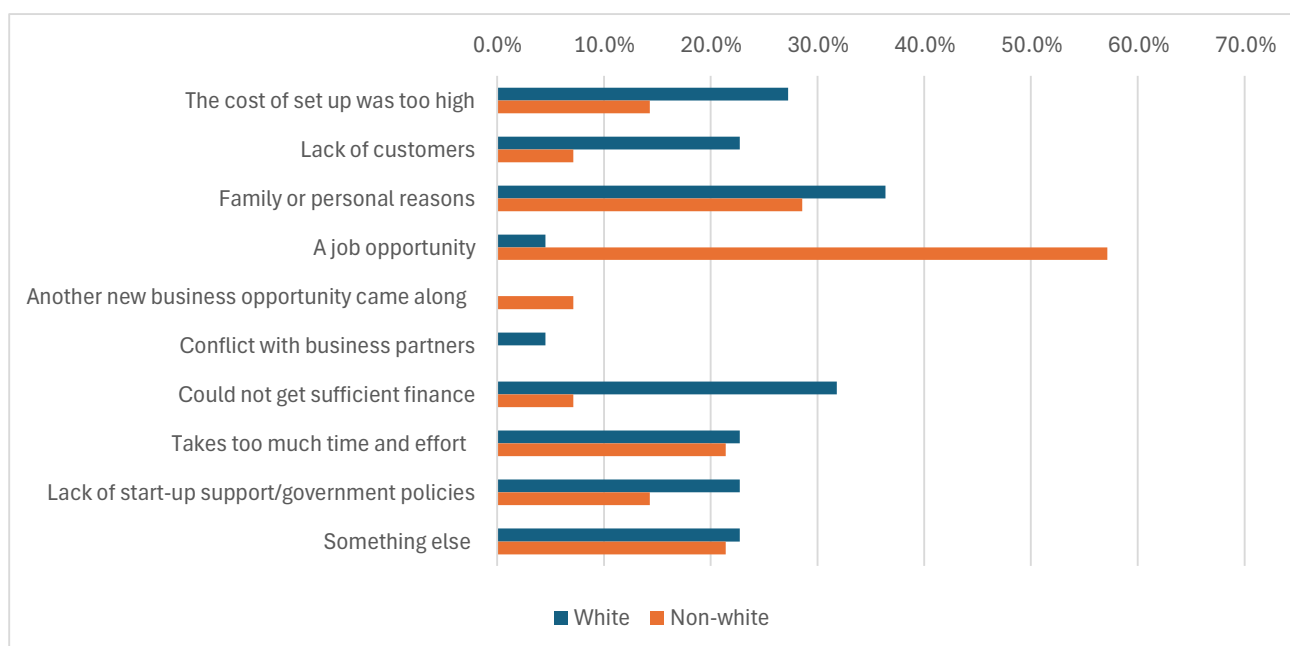


Figure 3.1.8. Reasons for quitting the business by ethnicity

Base: 36 entrepreneurs who reported business exit. Cohort 2023 1-year follow-up (Source: PSED 2024).

3.1.4. How does the idea to start a business emerge and develop?

- **The business idea typically comes first**, stimulating the decision to start a business for 2 out of 5 nascent entrepreneurs in our sample. Often, it is a bulb moment where the business idea and the decision to start a new venture occur simultaneously (38.5% of respondents). However, **for 18% of the entrepreneurs, the decision to start a business pre-empts the emergence of business idea**, indicating that it is a life-style choice (Figure 3.1.9).
- Typically, there is one main source of inspiration for business idea development. In more than half of the cases, it is related to a hobby or recreational pastime (Figure 3.1.10). For 2 in 5 entrepreneurs in the cohort, it is a personal idea or idea of another start-up member.

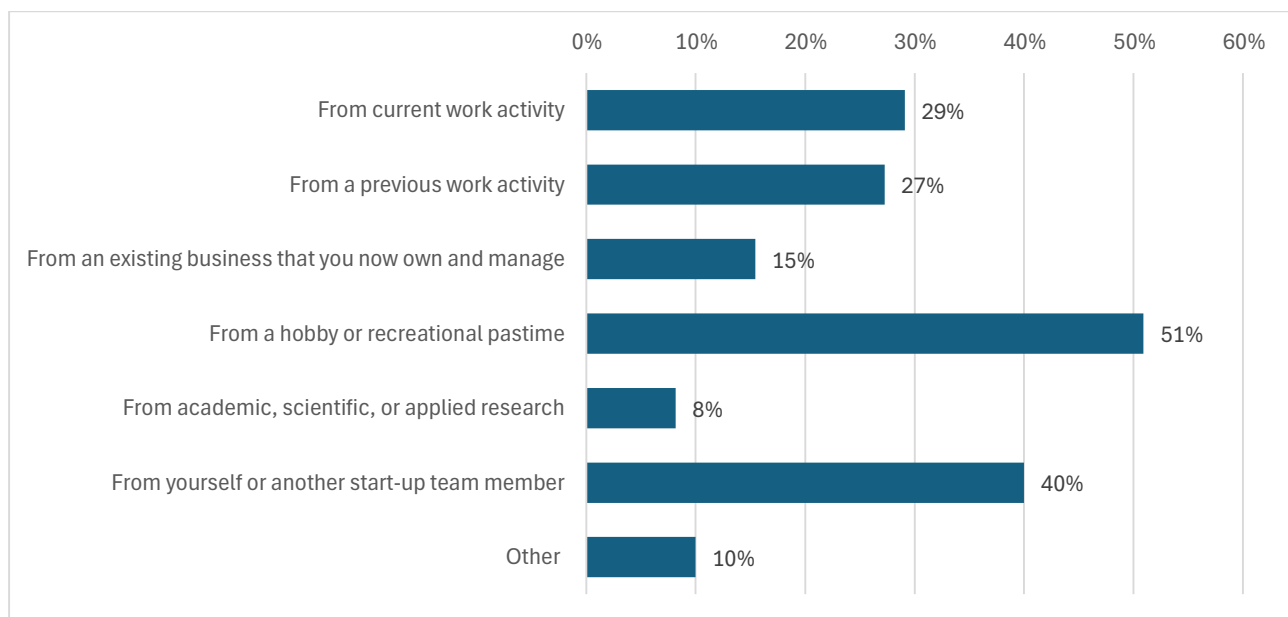


Figure 3.1.9. Business idea emergence and decision to start a business timing, %

Base: 192 entrepreneurs of the 2023 cohort 1-year follow-up (Source: PSED 2024)

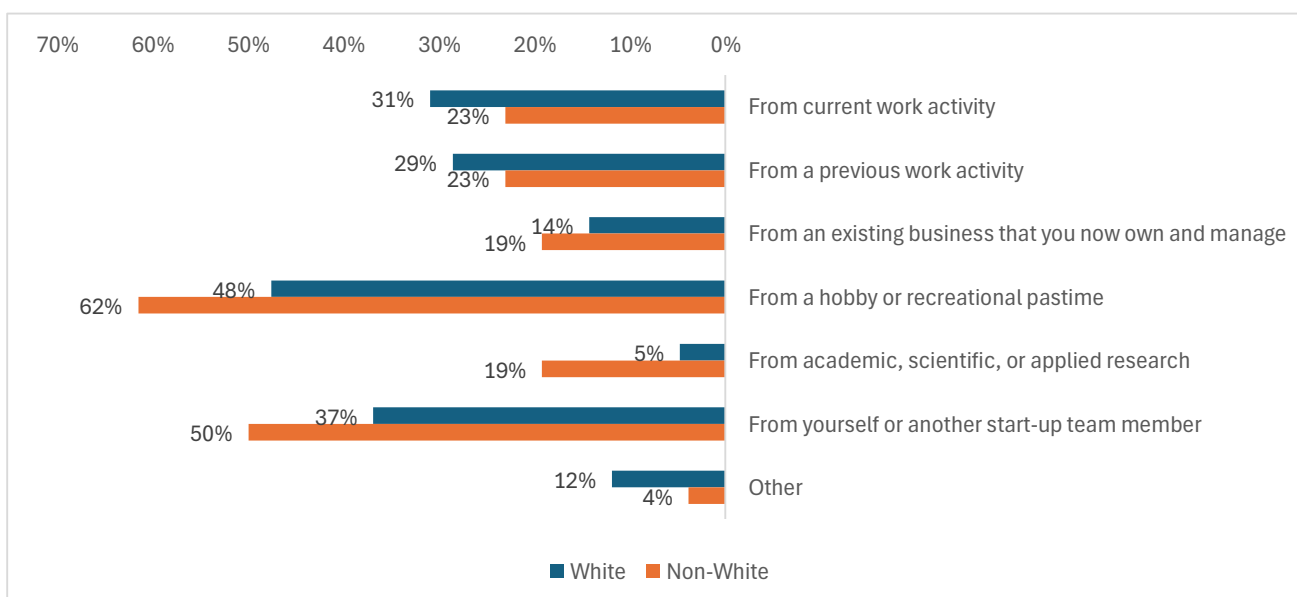


Figure 3.1.10. Sources of business idea inspiration

Base: 110 entrepreneurs of the 2023 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2024)

- However, for 2 in 5 entrepreneurs, the business idea develops through the combination of knowledge and experience related to different activities. For example, an entrepreneur starting up a business selling customised parts for shooting rifles developed the idea based on previous work experience and a hobby.
- The sources of business inspiration vary by ethnicity, comparing white entrepreneurs with those from all other ethnic groups. Across both groups, a common source of inspiration is **a hobby or recreational pastime**, although this is more frequently reported among non-white entrepreneurs (62%) than white entrepreneurs (48%). White entrepreneurs are more likely to draw inspiration from their **current (31%)** or **previous work activity (29%)**, suggesting a stronger link between entrepreneurship and prior employment experience. They are also slightly more likely to build on an **existing business they already own or manage**. In contrast, non-white entrepreneurs more often cite inspiration coming from **themselves or another start-up team member (50%)**, compared with 37% among white entrepreneurs), indicating a more self-driven or team-based origin of business ideas. Non-white entrepreneurs are also more likely to report inspiration from **academic, scientific, or applied research (19%)**, compared with 5% among white entrepreneurs). Overall, these patterns suggest that while white entrepreneurs more frequently develop business ideas from employment-based experience, non-white entrepreneurs are more likely to draw on personal initiative, hobbies, and research-based sources.
- To develop the idea into business venture, one third of respondents in our sample involved others, with the majority starting the business on their own (Figure 3.1.12).
- **4 in 5 of entrepreneurs in the cohort describe their business as an independent new business** (Figure 3.1.13). Around 7% describe their business as a new business sponsored by an existing business.

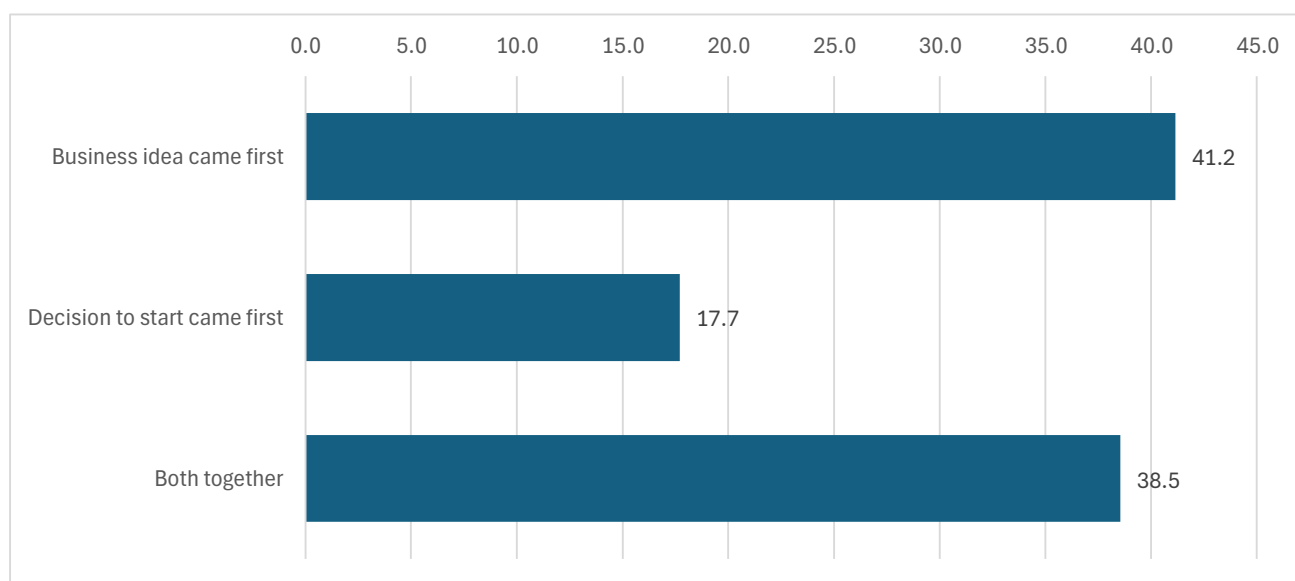


Figure 3.1.11. Sources of business idea inspiration by ethnicity

Base: 110 entrepreneurs of the 2023 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2024).

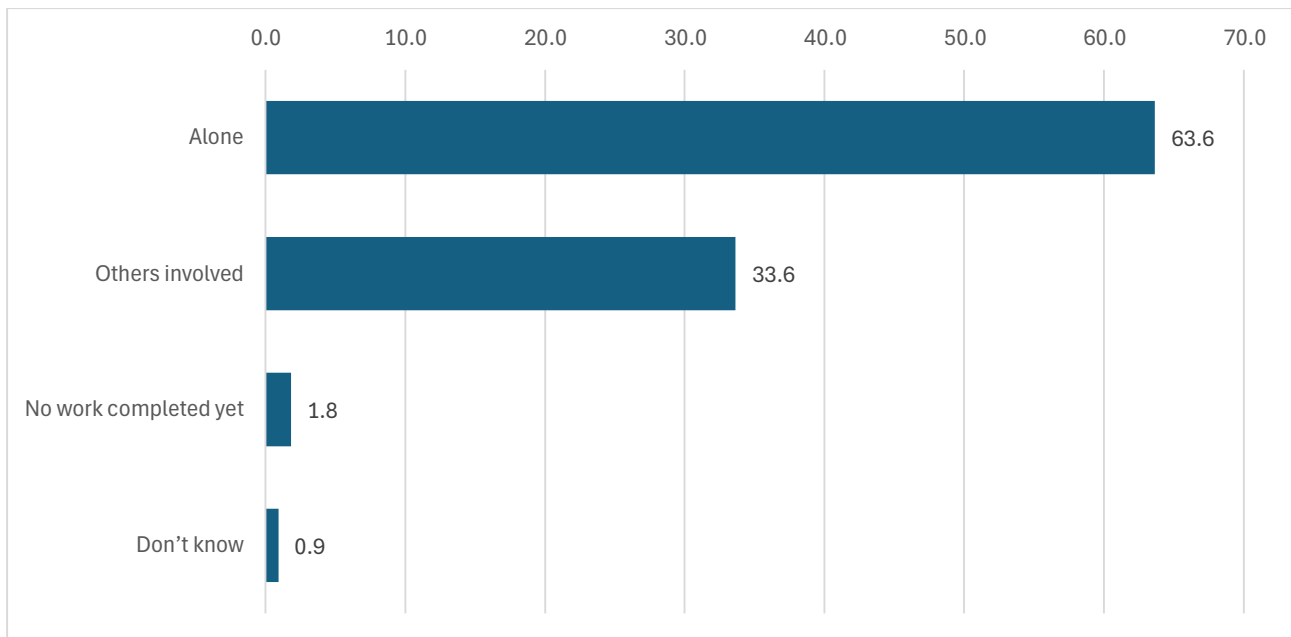


Figure 3.1.12. Number of people involved in start-up

Base: 110 entrepreneurs of the 2023 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2024).

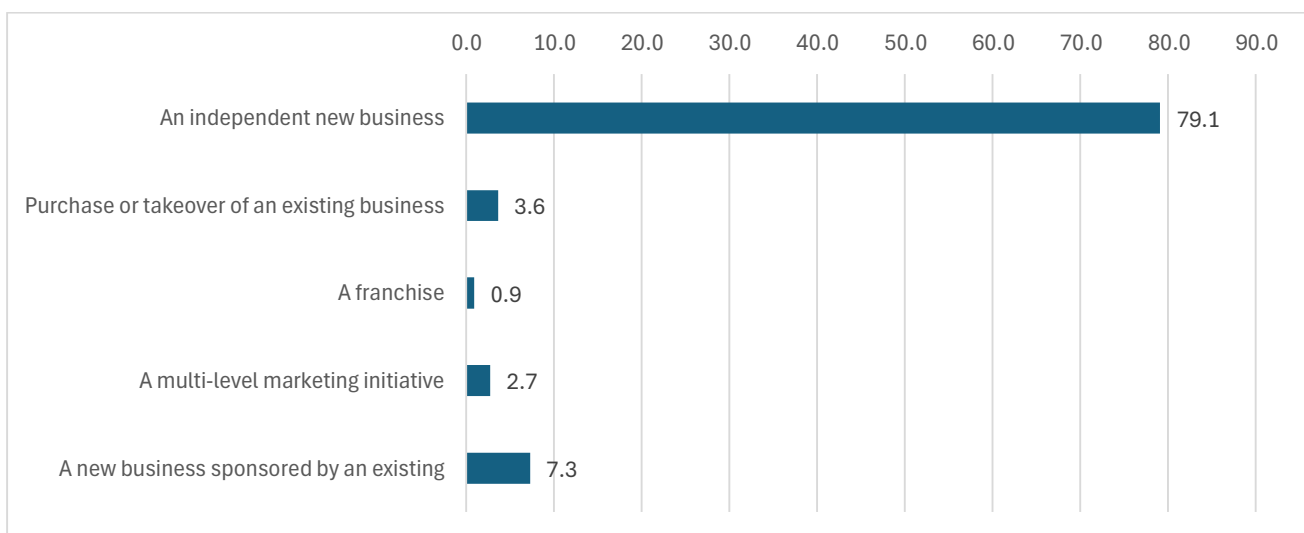


Figure 3.1.13. Type of venture

Base: 110 entrepreneurs of the 2023 cohort 1-year follow-up cohort who are still involved in the business or found another business opportunity (Source: PSED 2024).

3.1.5. What action gets taken in these early stages?

In 2023, all respondents starting-up a business were asked what type of actions they undertook.

- Two-thirds of business leaders save funds when they have a business idea to help with its development.
- Half looked for equipment and a third had tried to identify a business location
- Those who are still involved with business venture in 2024, were more likely to look for the equipment compared to those who experienced delay or exited.

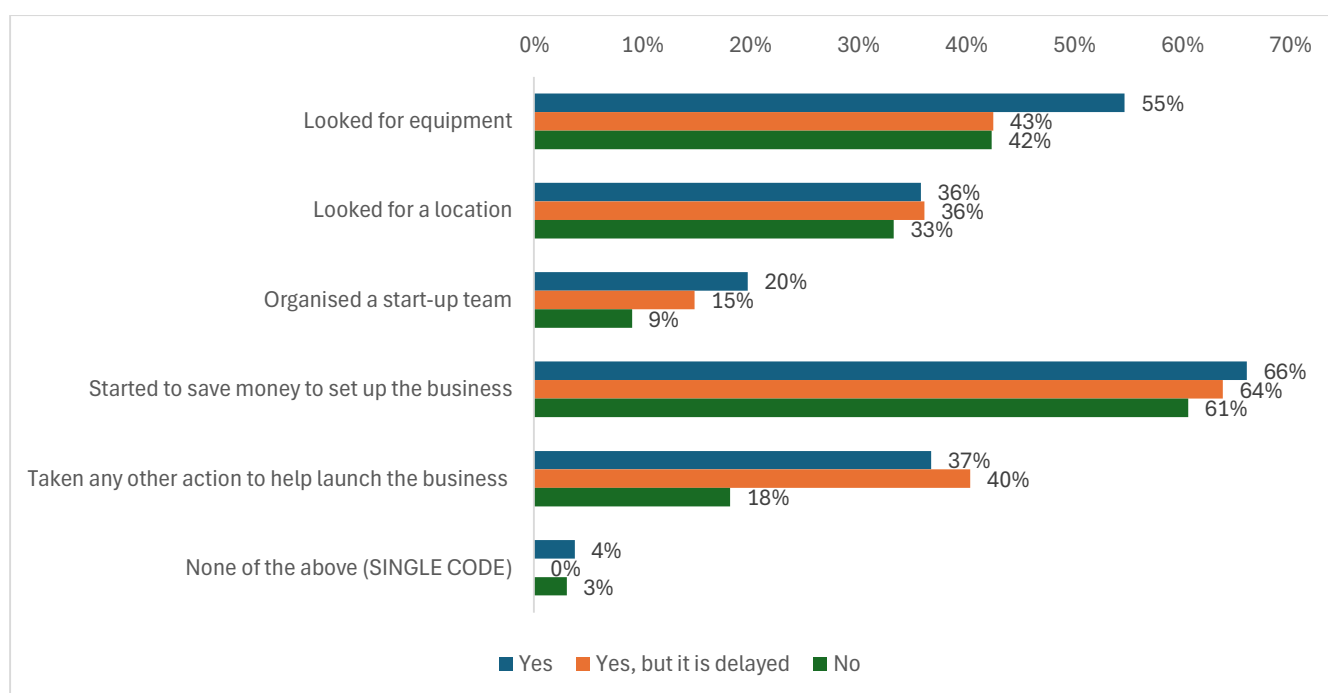


Figure 3.1.14. Action taken

Base: 186 entrepreneurs of the 2023 cohort 1-year follow-up who replied to the question in 2023 (Source: PSED 2024).

The 'other actions' category (Figure 3.1.15) show a wide range of practical and developmental actions, spanning idea formation, marketing, operational preparation, and formal business set-up. Thus, entrepreneurs who are still involved in business in 2024, also mentioned the following activities in 2023:

- The most frequently reported activities relate to **Operations and Set-up** (11%). This includes highly practical steps such as acquiring equipment or premises, trialling operations on a small scale, gathering stock, or setting up payment infrastructure. Examples from the coded responses include *"acquired equipment and location, trialled on a small scale," "bought a new computer,"* and *"getting bank accounts and card readers."*
- Two other prominent categories are **Research and Idea Development** (8%) and **Marketing, Branding and Online Presence** (8%). Entrepreneurs often continue refining their business concept through market research and early testing, for instance *"bit of market research on some products," "getting ideas and the business model down,"* or *"to check if it is worth buying."* At the same time, many are actively building visibility and customer engagement through online tools, such as *"setting up a website," "advertised to clients,"* or *"Facebook page and a shop on Etsy."*
- Activities linked to **Networking and Advice Seeking** also represent a meaningful share (7%). Entrepreneurs reported reaching out to personal and professional contacts, attending local forums, or seeking external guidance, for example *"got in touch with a local economic forum," "spoken to professionals,"* and *"speaking to Business Wales."*
- Smaller but still important proportions of entrepreneurs engage in **Planning and Finance** (5%) and **Training, Skills and Mentoring** (4%). This includes actions such as developing business plans, budgeting, or working with mentors (*"developed a business plan with a business mentor"*), as well as building sector-specific skills (*"gaining qualifications relating to the business sector"* or *"studying techniques on the internet"*).
- Finally, **Legal, Administrative and Registration** activities account for a smaller share (2%), but remain essential steps in venture development. Examples include *"registered it, acquiring clients"* or *"signed a contract for publishing my novel."*

- Overall, the figure suggests that entrepreneurs who remain active in their ventures undertake a broad portfolio of actions, with a particular emphasis on operational implementation, marketing visibility, and ongoing idea refinement.

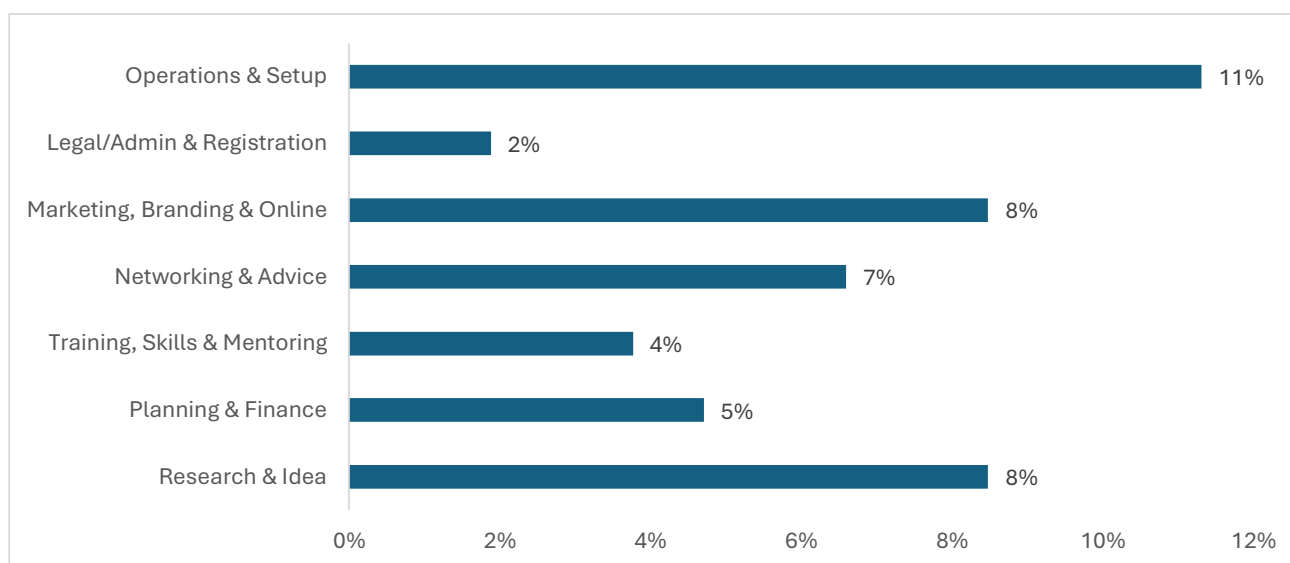


Figure 3.1.15. Other actions to help launch the business

Base: 106 entrepreneurs of the 2023 cohort 1-year follow-up who are still involved in the business (Source: PSED 2024).

3.1.6 Is it difficult to start a business?

- More than 45% of the entrepreneurs in the cohort find that starting a business is (much more or somewhat) more difficult compared to one year ago (Figure 3.1.16).
- Perceptions of the difficulty of starting a business vary across ethnic groups (Figure 3.1.17), although a broadly challenging environment is reported by both. Among White entrepreneurs, the most common response is that starting a business is “as difficult as a year ago” (37%), followed by “much more difficult” (26%). In contrast, non-White entrepreneurs are more likely to report that starting a business has become “somewhat more difficult” (33%), and less likely to perceive no change (20%).
- A minority in both groups report that starting a business has become easier, although this is somewhat more pronounced among non-White entrepreneurs, with 10% indicating it is “much less difficult,” compared to negligible responses among White entrepreneurs.
- Overall, while both groups perceive increasing or sustained difficulty in starting a business, non-White entrepreneurs appear to report greater variation in experiences. Given the relatively small sample size, these differences should be interpreted with caution.

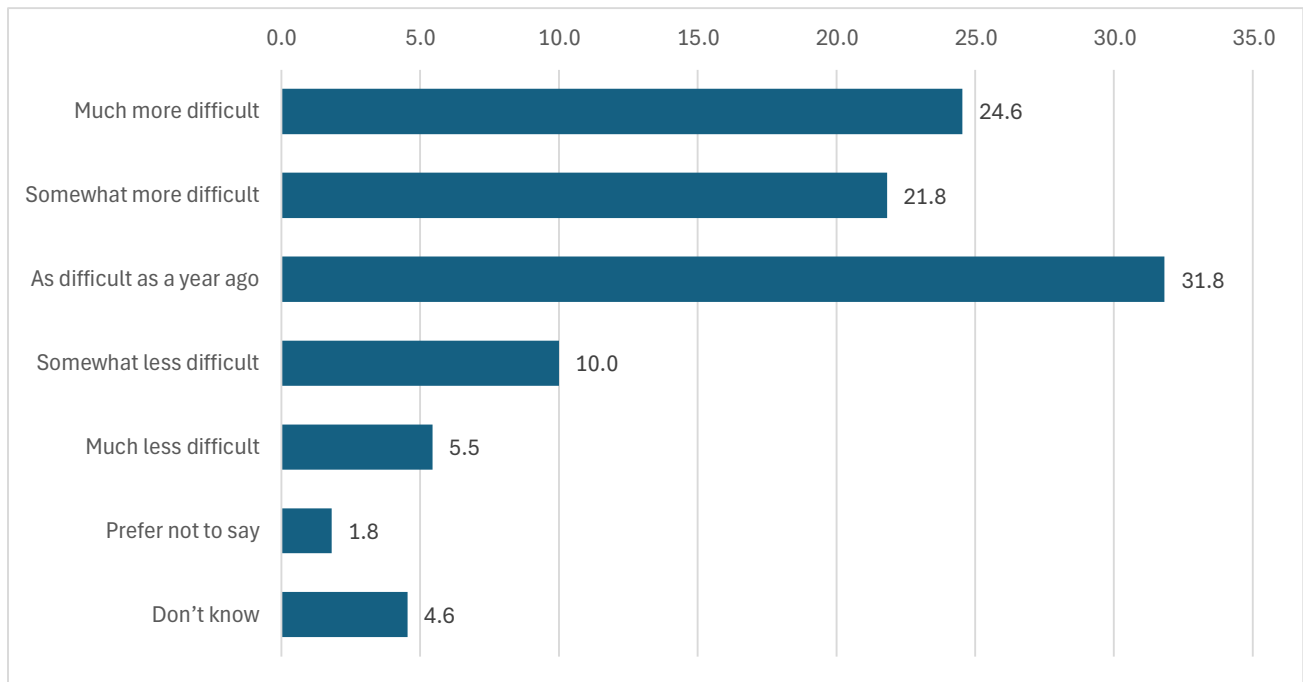


Figure 3.1.16. Difficulty to start a business

Base: 110 entrepreneurs of the 2023 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2024).

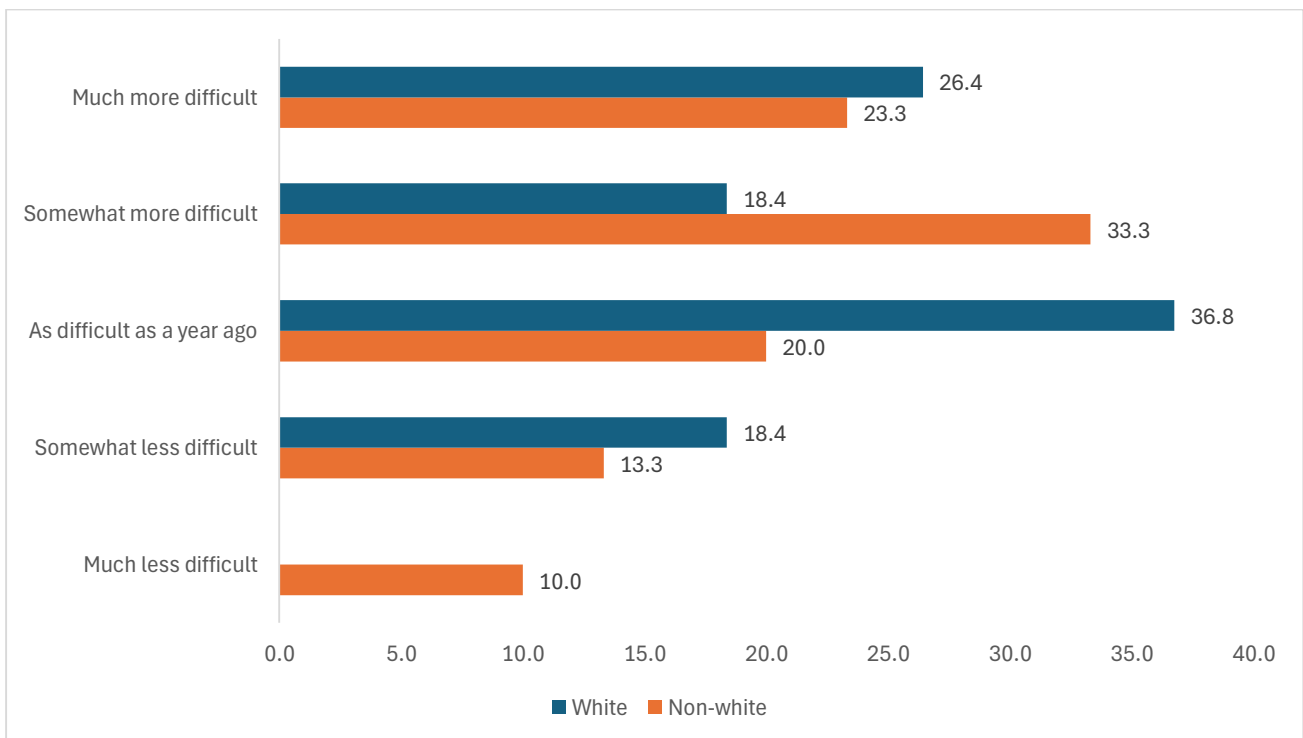


Figure 3.1.17. Difficulty to start a business by ethnicity

110 entrepreneurs of the 2023 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2024).

3.2. Cohort 2024

Out of 481 nascent entrepreneurs identified in 2024 who agreed to participate in the PSED, 93 responded to the follow-up survey conducted in 2025 (19%). Although the attrition rate is relatively high, it is broadly comparable to that observed for the 2023 cohort.

3.2.1. Demographic profile of the 1-year follow-up cohort

Table 3.2.1 presents the demographic profile of the entrepreneurs followed up one year after the initial GEM APS 2024 survey.

- Just under two-thirds (65%) of respondents identify as White, while 35% are from other ethnic backgrounds — a distribution broadly comparable to the 2023 cohort.
- Men account for 56% of the sample and women for 44%, indicating a slightly higher representation of male entrepreneurs compared to the previous cohort, where gender balance was more even.
- The age profile is concentrated in the 25–64 age range (87%), with the largest group aged 35–44 (26%). The proportion of younger entrepreneurs (18–24) remains small (5%), consistent with the 2023 cohort.
- Just over half (53%) were born in England, with around one in five (19%) born outside the UK. The share of entrepreneurs born outside the UK is slightly higher than in the previous cohort. Over half of respondents (57%) hold a university degree (Bachelor's, Master's or Doctorate), while a further 17% have A-level qualifications. This educational profile closely mirrors that observed in Cohort 2023.
- In terms of employment status at the time of the survey, 55% are employed (full- or part-time), and 28% describe themselves as self-employed. Compared with Cohort 2023, there is a somewhat higher proportion of self-employed respondents in this follow-up sample.

Table 3.2.1. Demographic characteristics of the 1-year follow-up cohort 2024

Variable	Categories	N	%
Ethnicity	white	60	65.22
	other	32	34.78
Gender	Male	52	55.91
	Female	41	44.09
Age	18-24	5	5.38
	25-34	19	20.43
	35-44	24	25.81
	45-54	18	19.35
	55-64	20	21.51
	65-80	7	7.53
Born	England	49	52.69
	Wales	6	6.45
	Scotland	11	11.83
	Northern Ireland	5	5.38
	Republic of Ireland	1	1.08

	Some other country	18	19.35
	Refused	3	3.23
Education	A Doctorate or equivalent	2	2.15
	Masters Degree or equivalent	19	20.43
	Bachelor Degree or equivalent	32	34.41
	A-level or equivalent	16	17.2
	GCSE/O-level or CSE	13	13.98
	Vocational qualifications	9	9.68
	Other qualifications	1	1.08
	No formal qualifications	1	1.08
Employment	Employed by others in full-time work	31	33.33
	Employed by others in part-time work	20	21.51
	Self-employed	26	27.96
	Unemployed	8	8.6
	Retired	1	1.08
	Student	2	2.15
	Homemaker	3	3.23
	Not seeking employment	1	1.08
	Carer of family member	1	1.08

Base: 93 entrepreneurs of the 2024 cohort 1-year follow-up (Source: PSED 2025)

Table 3.2.2 shows that entrepreneurs in the Cohort 2024 1-year follow-up survey continue to report high levels of entrepreneurial confidence and opportunity perception, broadly consistent with the patterns observed in Cohort 2023. Overall, 93% of respondents agree that they have the knowledge, skills and experience required to start a business — virtually identical to the previous cohort. Similarly, 71% consider it easy to start a business in the UK, and 81% report knowing at least one other entrepreneur, again closely aligned with the 2023 findings. Fear of failure remains relatively low at 33% overall, which is comparable to Cohort 2023 (32%). As before, responses vary by business status. Entrepreneurs who have exited are more likely to report fear of failure (40%) compared to those still involved (33%) or those whose venture has been delayed (29%), reinforcing the pattern observed in the earlier cohort. By way of comparison fear of failure in the non-entrepreneurial population in 2024 stood at 58% - the highest ever recorded in the UK survey.

One notable difference concerns perceived opportunities. In Cohort 2024, 81% of respondents report that there are good opportunities for starting a business in the next six months, which is higher than in Cohort 2023 (68%). This increase is particularly pronounced among those whose ventures have been delayed (92%) and those who exited (100%), although these subgroup percentages should be interpreted cautiously given the smaller number of observations. Overall, the results suggest a high and stable level of entrepreneurial self-efficacy across cohorts, alongside a potentially more optimistic perception of market opportunities among the 2024 group.

Table 3.2.2. Entrepreneurial Attitudes

	1-year follow up cohort, overall	Still involved in the business	Still involved in the business, but it is delayed	No more involved in the business
Fear of failure would prevent them starting a business	33%	33%	29%	40%
Easy to start a business in the UK	71%	73%	62%	70%
Have the knowledge, skill and experience required to start a business	93%	94%	89%	93%
Good opportunities for starting a business in next 6 months	81%	74%	92%	100%
Know at least one entrepreneur	81%	82%	81%	73%

Base: 93 entrepreneurs of the 2024 cohort 1-year follow-up (Source: PSED 2025)

Given the relatively small sub-group sizes within the Cohort 2024 follow-up sample, a detailed breakdown of attitudes by ethnicity is not presented. Overall, levels of self-assessed entrepreneurial knowledge and skills remain high across groups, and most respondents report knowing at least one other entrepreneur. Although some variation is observed in fear of failure and perceived opportunities, these differences should be interpreted with caution due to the limited number of observations in each subgroup.

3.2.2. How many continue the entrepreneurial journey 1 year on?

- **Out of 93 nascent entrepreneurs in 2024, around 61% remain actively involved in their venture after one year**, 23% report a delay, and 16% have exited — a pattern broadly similar to Cohort 2023, with slightly higher continuation and lower exit rates (Figure 3.2.1).
- **By gender** (Figure 3.2.2): Men are more likely than women to remain actively involved (65% vs 56%), while women show higher exit rates (22% vs 12%), with similar levels of delay across genders. Compared with Cohort 2023, where women were more likely to report delays, the 2024 cohort shows a clearer gender gap in exit rather than delay.
- **By ethnicity** (Figure 3.2.3): White entrepreneurs are more likely to continue (67% vs 53%), whereas non-White entrepreneurs are more likely to report delayed activity (31% vs 18%); exit rates are broadly similar across groups.

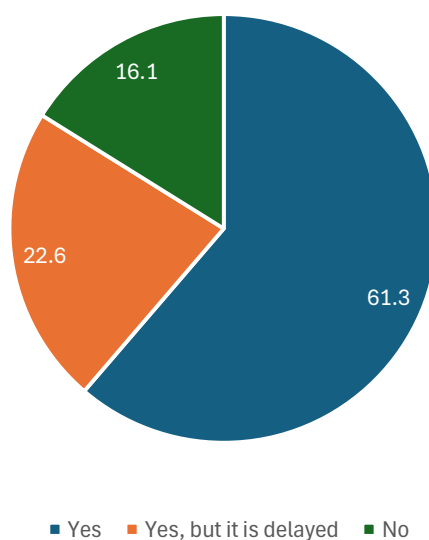


Figure 3.2.1. Percentage of nascent entrepreneurs still involved with the business venture in 1 year

Base: 93 entrepreneurs of the 2024 cohort 1-year follow-up (Source: PSED 2025)

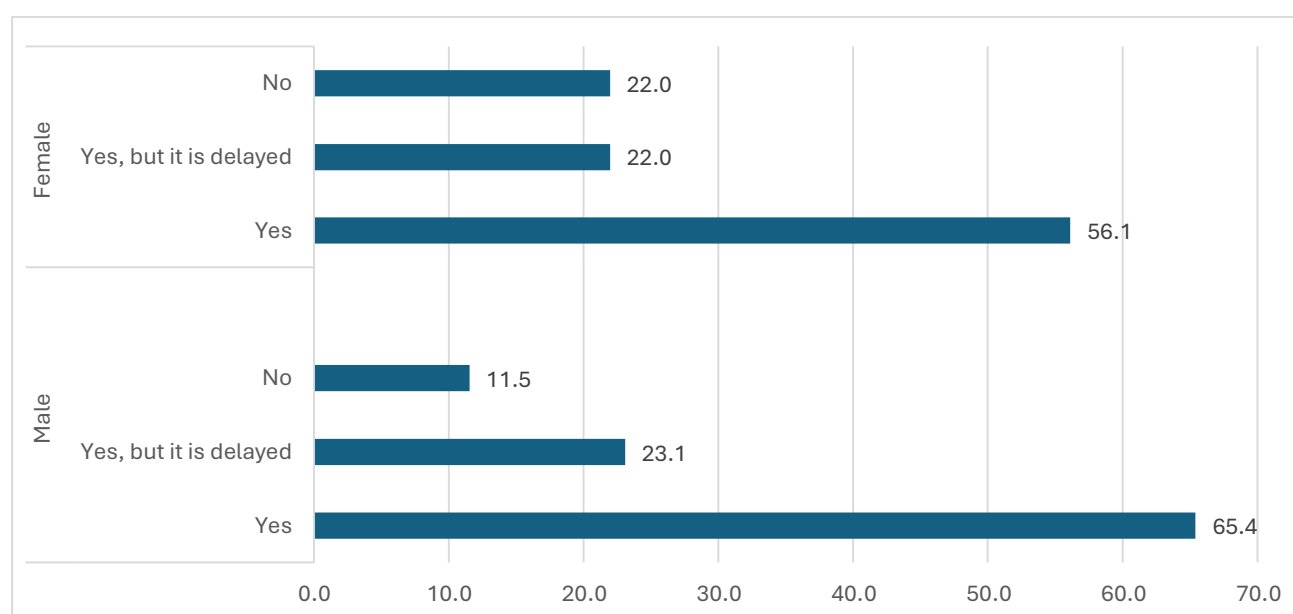


Figure 3.2.2. Percentage of nascent entrepreneurs still involved with the business venture in 1 year by gender

Base: 93 entrepreneurs of the 2024 cohort 1-year follow-up (Source: PSED 2025)

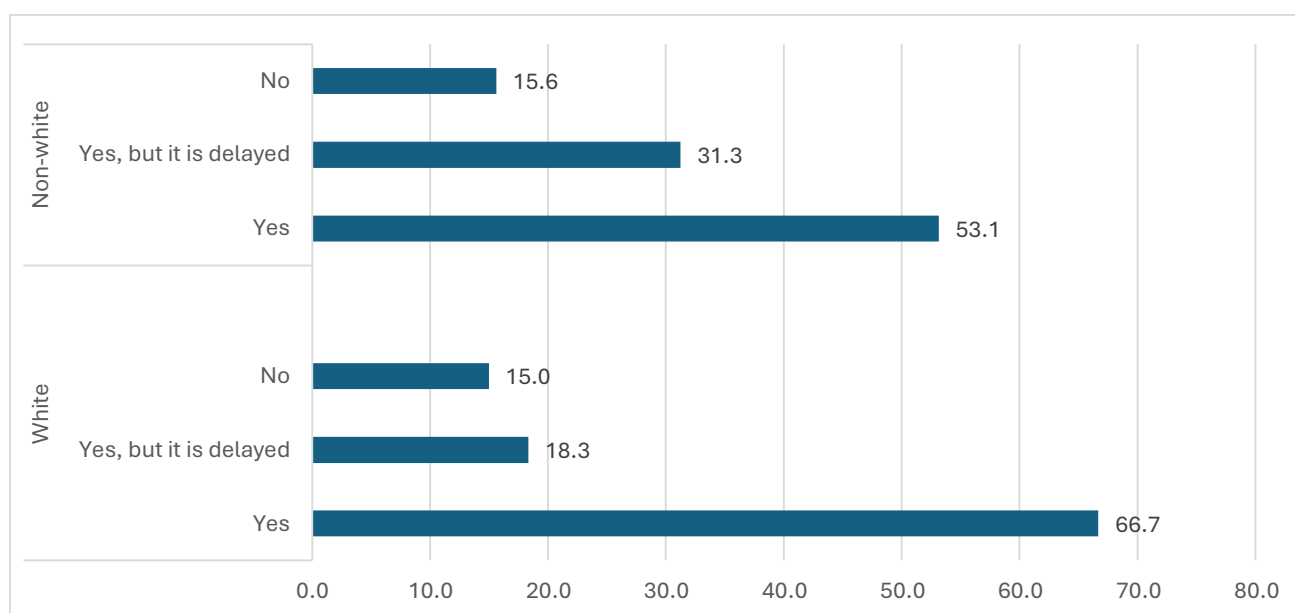


Figure 3.2.3. Percentage of nascent entrepreneurs still involved with the business venture in 1 year by ethnicity

Base: 93 entrepreneurs of the 2024 cohort 1-year follow-up (Source: PSED 2025)

Table 3.2.3 presents the sectoral distribution of business activity among entrepreneurs who remain active one year after initial identification.

- Retail and e-commerce remains the largest sector (29%), although its share is lower than in Cohort 2023 (40%), suggesting a somewhat more diversified activity profile in the 2024 cohort.
- Professional and consultancy services (16%) and personal and household services (20%) account for a substantial proportion of ventures, reinforcing the strong service orientation of early-stage entrepreneurial activity.
- Skilled trades and technical services represent around one quarter of businesses (25%), broadly comparable to the previous cohort, spanning construction, creative services and logistics-related activities.

Table 3.2.3 Type of economic activity

Category	Examples	%
Retail & E-commerce	Books, clothes, Christmas decorations, garden products, smart watches, home production from local timber	29%
Food & Beverage Production	Waffles, Nigerian/ African food, oils and grains production	9%
Professional Services & Consultancy	Social media consultancy, borrowing advice to businesses, accountancy services, affiliate marketing	16%
Property & Real Estate & Tourism	Holidays	2%
Personal and household services		20%
Health, Beauty & Wellness	Ethical skincare	2%
Care & Personal Services	Cleaning services, childcare, celebrant services	9%
Education & Coaching	Cycling coaching, football coaching, educational workshops	9%
Skilled trades, technical and specialised services		70

Trades & Technical Services	Roof repairs, CCTV installation, painting and decoration, construction	14%
Creative & Media Services	Custom artwork; writing, editing and design services;	9%
Transport & Logistics	Procurement and logistics services	2%

Base: 56 entrepreneurs of the cohort 2024 1-year follow-up who were still involved in their business venture and who replied to the question on what the business sells (Source: PSED 2025)

3.2.3. What are the reasons for the delay with starting-up the business and for business exit?

In Cohort 2024, funding constraints (38%) and personal circumstances such as time constraints or illness (29%) emerge as the two most commonly cited reasons for delaying business activity (Figure 3.2.4). Compared with Cohort 2023, where personal factors were more dominant, the 2024 cohort places relatively greater emphasis on financial barriers as the primary constraint.

Business management and skills-related issues (both 14%), as well as market-related factors (10%), are mentioned less frequently, suggesting that delays are less often attributed to capability or demand-side concerns. However, these findings are based on a relatively small number of entrepreneurs reporting delay (base: 21) and should therefore be interpreted with caution.

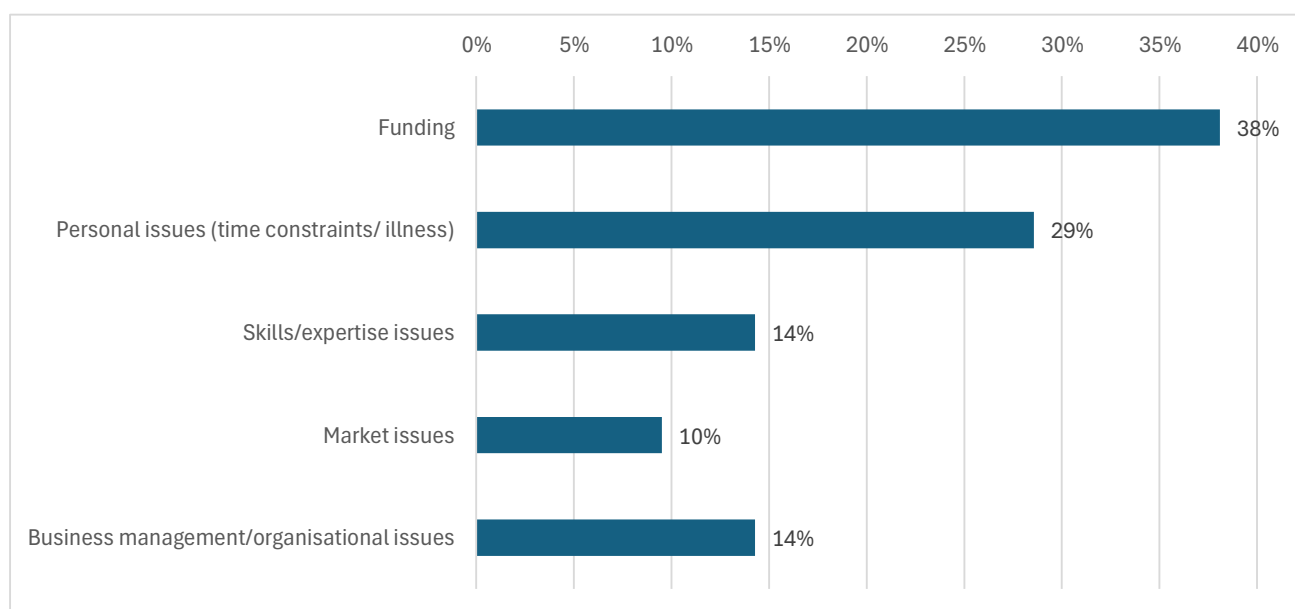


Figure 3.2.4. Reasons for the delay (Cohort 2024)

Base: 21 entrepreneurs who reported the delay and answered the question; the 2024 cohort 1-year follow-up. Coded from an open-ended question; multiple responses allowed (Source: PSED 2025).

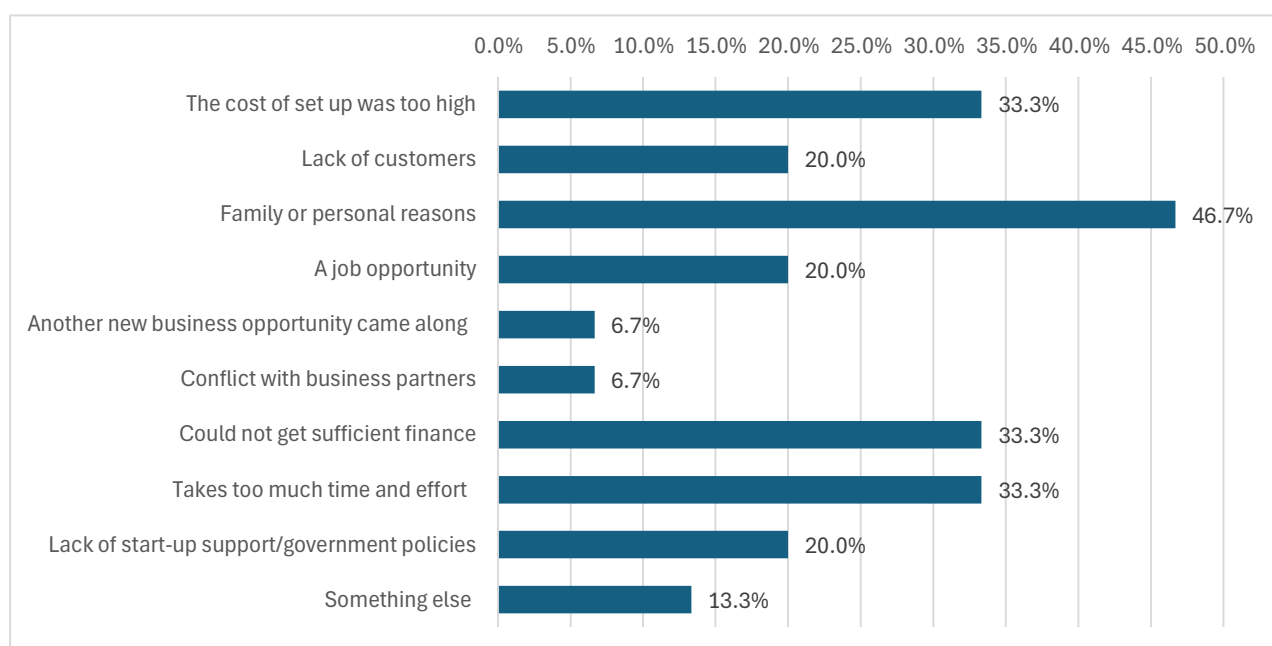


Figure 3.2.5. Reasons for quitting the business (Cohort 2024)

Base: 15 entrepreneurs who reported business exit; the 2024 cohort 1-year follow-up. (Source: PSED 2025).

Among those who discontinued their venture, family or personal reasons were the most frequently cited factor (47%), reinforcing the importance of non-business constraints in early-stage entrepreneurship (Figure 3.2.5). Financial pressures also feature prominently: one third report that the cost of set-up was too high (33%), that they could not obtain sufficient finance (33%), or that the venture required too much time and effort (33%).

Compared with Cohort 2023, where personal reasons and job opportunities were also central drivers of exit, the 2024 cohort shows a similarly strong role for personal circumstances, alongside continued financial constraints. Market-related factors (20%) and lack of start-up support (20%) are mentioned less frequently.

Given the small number of respondents reporting exit (n=15), these findings should be interpreted with caution. Nevertheless, the overall pattern remains broadly consistent across cohorts: early-stage exit appears to be driven more by personal and financial pressures than by fundamental capability or opportunity deficits.

3.2.4 How does the idea to start a business emerge and develop?

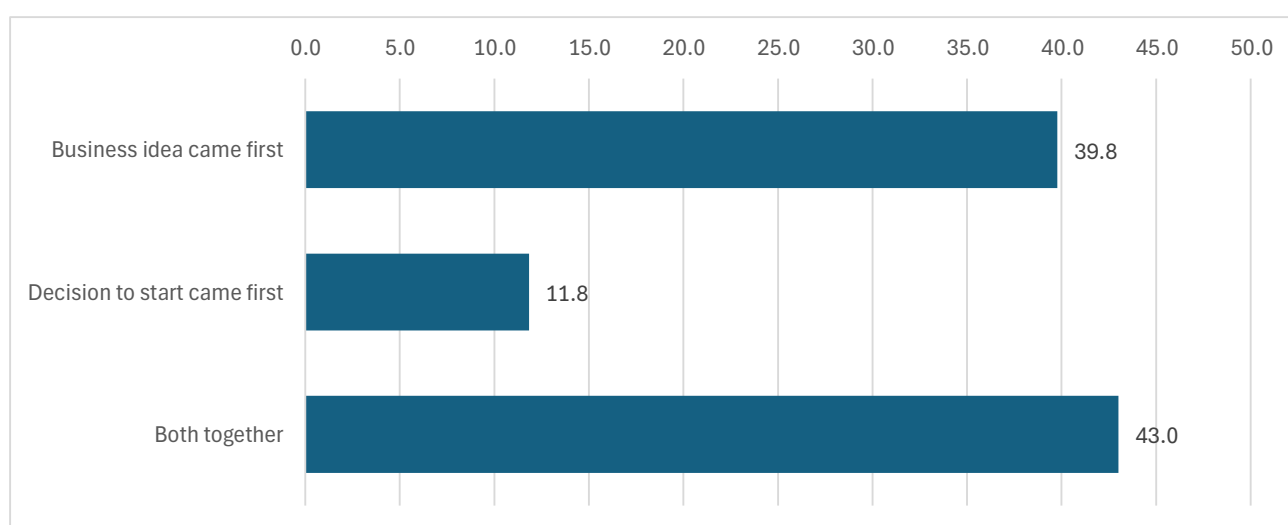


Figure 3.2.6. Business idea emergence and decision to start a business timing, %

Base: 93 entrepreneurs of the 2024 cohort 1-year follow-up (Source: PSED 2025)

In Cohort 2024, the decision to start a business and the emergence of the business idea most commonly occur simultaneously (43%), closely followed by cases where the business idea came first (40%). Only a small minority (12%) report that the decision to start a business preceded the specific idea (Figure 3.2.6)

This pattern is broadly consistent with Cohort 2023, where idea-led or simultaneous emergence also dominated. The relatively small share of respondents indicating that the decision came first suggests that, for most entrepreneurs, venture creation remains primarily opportunity-driven.

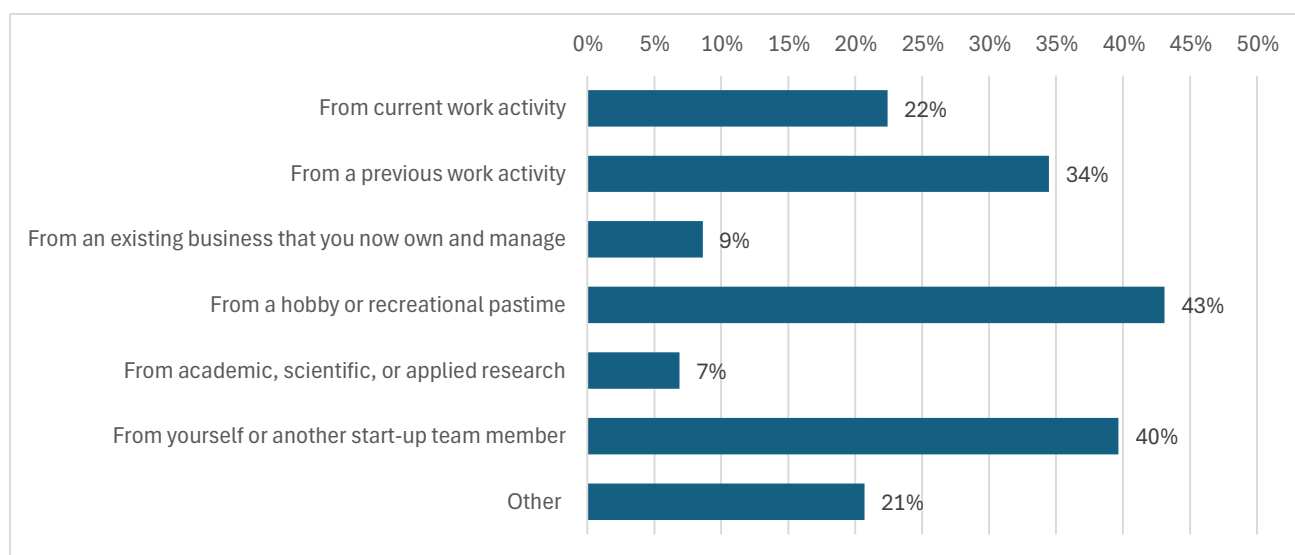


Figure 3.2.7. Sources of business idea inspiration

Base: 58 entrepreneurs of the 2024 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2025).

Figure 3.2.7 shows that business ideas most frequently originate from a hobby or recreational pastime (43%) or from the entrepreneur themselves or another start-up team member (40%). Prior work experience also plays an important role (34%), while current employment (22%) and existing businesses (9%) are less common sources. Academic or research-based inspiration remains relatively limited (7%). Overall, the pattern reinforces the strong role of personal initiative and experiential learning in early-stage venture formation, broadly consistent with Cohort 2023.

While hobbies and personal initiative are important across groups, some variation is evident. Non-White entrepreneurs are more likely to cite hobbies (50%) and self/team-driven ideas (44%), whereas White entrepreneurs more frequently draw on previous work experience (38%) and current employment (20%). Academic or research-based inspiration remains modest across both groups. Given the relatively small subgroup sizes, these differences should be interpreted with caution; however, the findings suggest that work-based experience may play a somewhat stronger role among White entrepreneurs, while hobby- and self-driven origins are more prominent among non-White entrepreneurs (Figure 3.2.8).

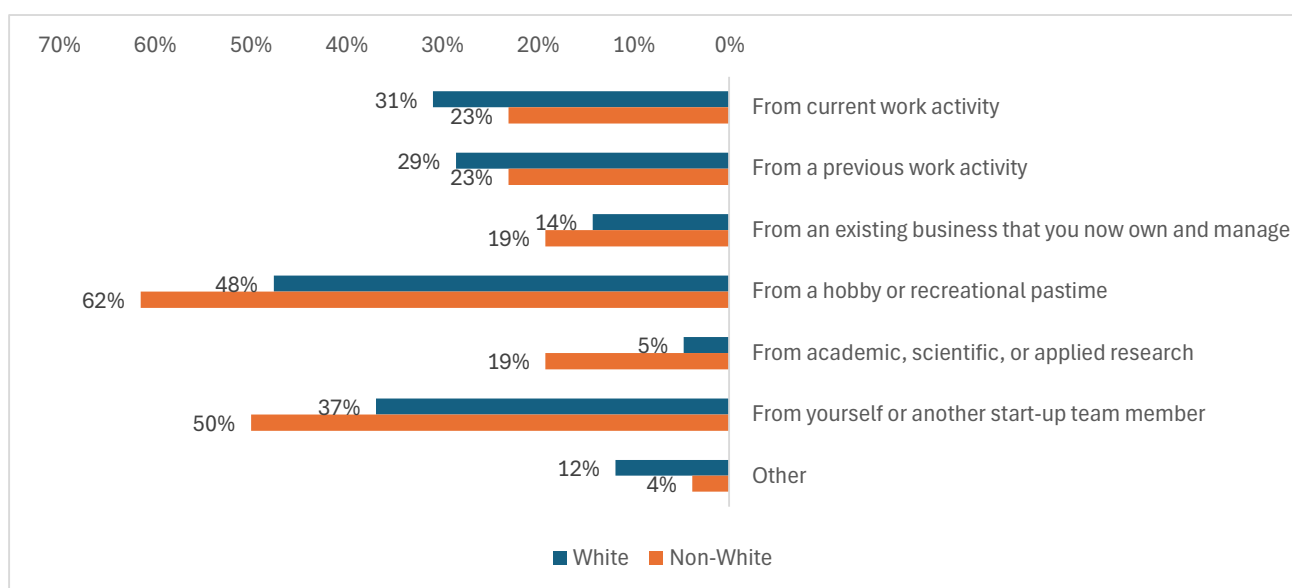


Figure 3.2.8. Sources of business idea inspiration by ethnicity

Base: 58 entrepreneurs of the 2024 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2025).

The majority of entrepreneurs (74%) report starting their venture alone, while around one quarter (24%) involve others in the start-up process (Figure 3.2.9). Very few respondents (2%) indicate that no work has yet been completed. This pattern is consistent with Cohort 2023, confirming the predominantly solo nature of early-stage entrepreneurial activity.

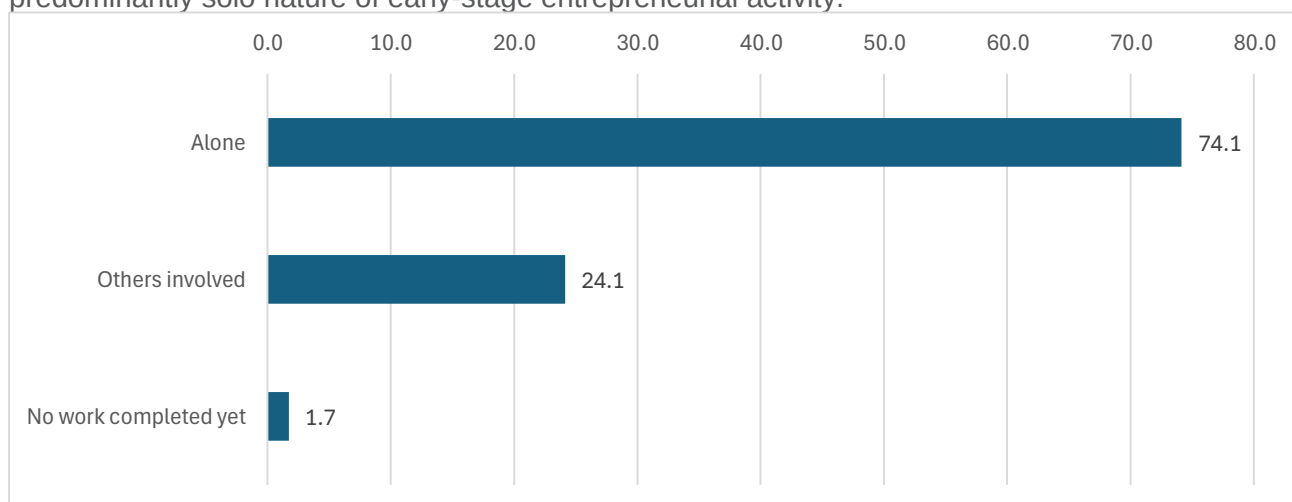


Figure 3.2.9. Number of people involved in start-up

Base: 58 entrepreneurs of the 2024 cohort 1-year follow-up who are still involved in the business or found another business opportunity (Source: PSED 2025).

The majority of entrepreneurs (74%) report starting their venture alone, while around one quarter (24%) involve others in the start-up process. Very few respondents (2%) indicate that no work has yet been completed. This pattern is consistent with Cohort 2023, confirming the predominantly solo nature of early-stage entrepreneurial activity.

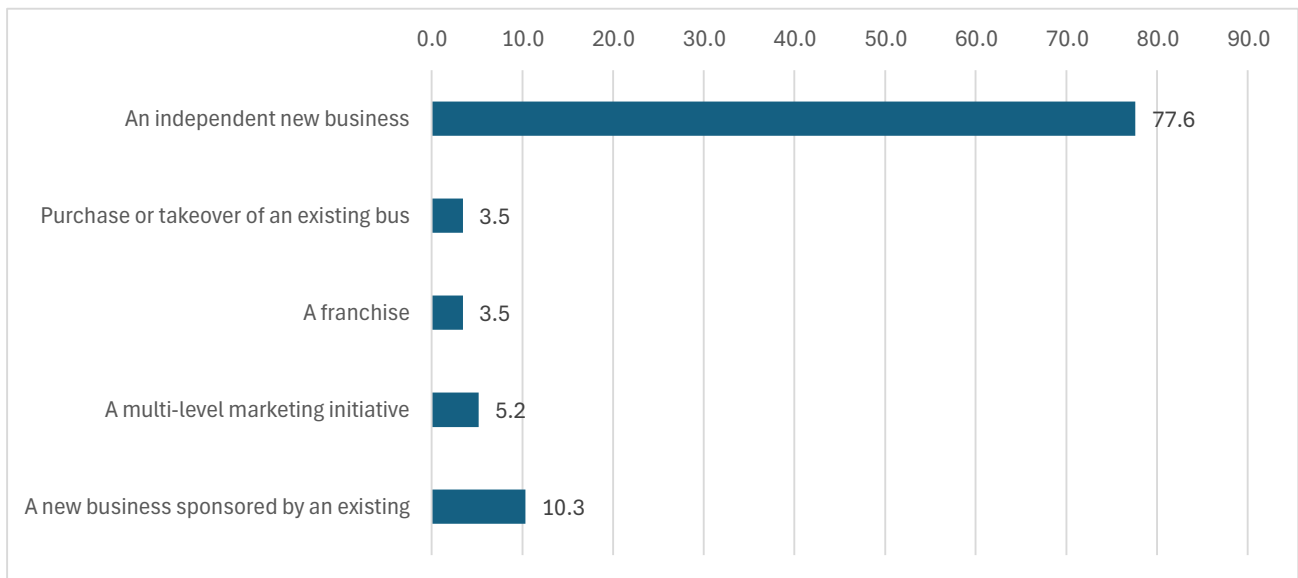


Figure 3.2.10. Type of venture

Base: 58 entrepreneurs of the 2024 cohort 1-year follow-up cohort who are still involved in the business or found another business opportunity (Source: PSED 2025).

The majority of entrepreneurs (78%) establish their venture as an independent new business. A smaller share report that their business is sponsored by an existing organisation (10%), while alternative entry modes — such as purchasing an existing business (4%), franchising (4%), or engaging in multi-level marketing (5%) — are relatively uncommon. Overall, the results indicate that early-stage entrepreneurship in this cohort is predominantly characterised by independent venture creation rather than acquisition- or partnership-based models, consistent with the pattern observed in Cohort 2023.

4. UK PSED Wave 2 - Cohort 2023

In 2025, a second wave of follow-up interviews was conducted. Out of 192 respondents to the 2023 cohort 1-year follow-up survey, 56 could be recontacted and replied to the 2-year follow-up questions. The results are summarized below.

4.1 How many continue the entrepreneurial journey 2 year on?

- Among 56 entrepreneurs who replied to the 2-year follow-up survey, 44 (79%) continue to be involved with the business, with 12 (21%) not being involved any more.
- The proportion of entrepreneurs who quit the business is higher among women (30%) compared to men (15%) (Figure 4.1).
- Higher percentage of 'white' ethnic group remained in business (81%) compared to 'non-white' ethnic group (67%) (Figure 4.2).

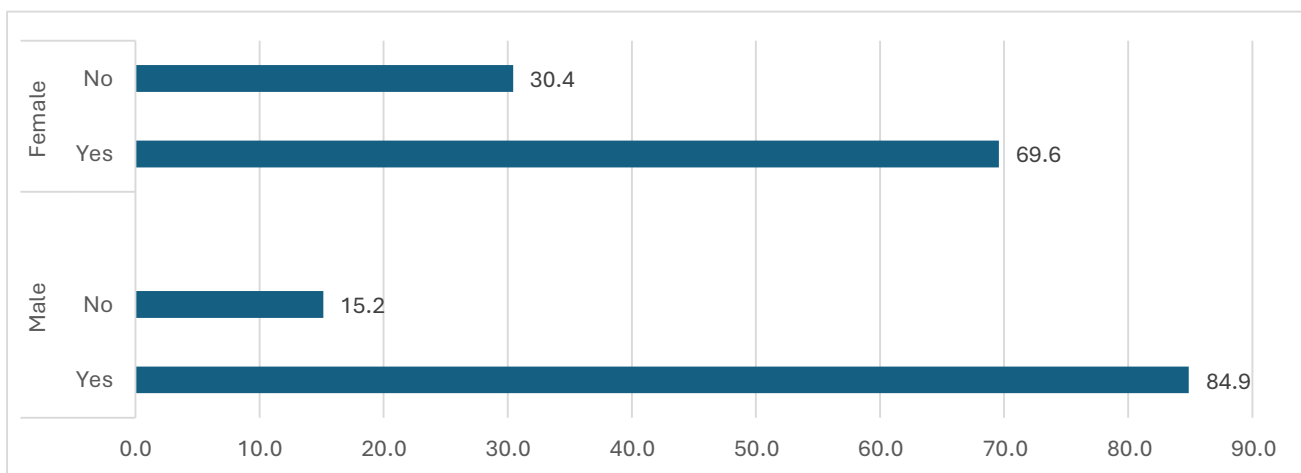


Figure 4.1. Percentage of nascent entrepreneurs still involved with the business venture in 2 years by gender

Source: PSED UK 2025; Base: 56 entrepreneurs of year-2 follow-up cohort

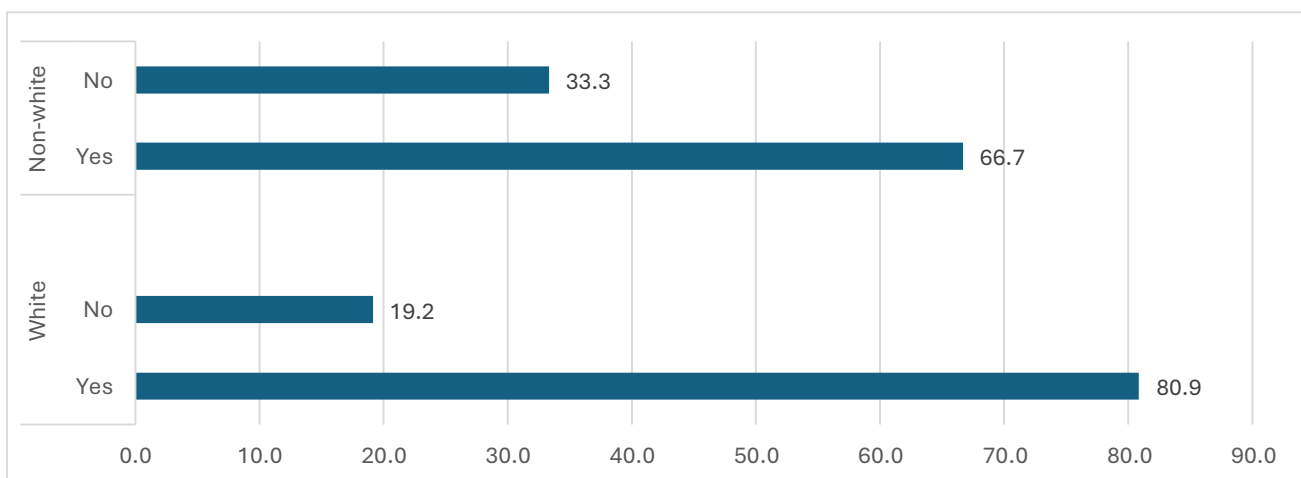


Figure 4.2. Percentage of nascent entrepreneurs still involved with the business venture in 2 years by ethnicity

Source: PSED UK 2025; Base: 56 entrepreneurs of year-2 follow-up cohort

4.2 What are the reasons for quitting the business?

- The two most often cited reasons for quitting the business in year-2 were 'lack of customers' and 'it takes too much time and effort' (4 entrepreneurs among 12 quitting the business cited these reasons). These are closely followed by personal issues and high cost of set up (Figure 4.3).

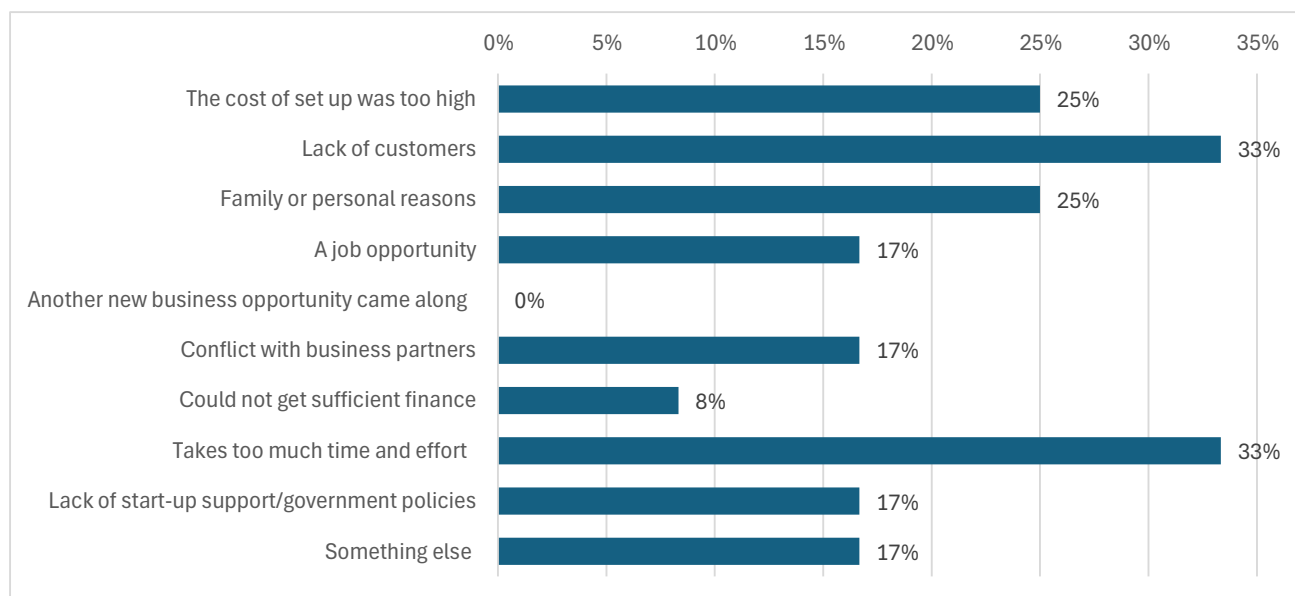


Figure 4.3. Reasons for quitting the business (year-2)

Source: PSED UK 2025; Base: 12 entrepreneurs who reported business exit in year-2.

4.3 Running the business

- On average, entrepreneurs continuing with the business venture devoted 23.4 hours per week to run the business (ranging from 0 to 70 hours). **Typically, entrepreneurs in the Y2 cohort spent 20 hours per week running the business.**
- Out of 44 entrepreneurs still involved with business venture, 23 (52%) are not registered with HMRC (i.e., PAYE and or VAT). Only 1 in 5 entrepreneurs reported that the business was registered for both PAYE and VAT (Figure 4.4).
- The core of the customer base is local** (entrepreneurs reported that on average 53% of their customers are located locally). However, it is not limited to the local market only, and often the customer base is represented by a mix of local, regional, national, and sometimes international customers (Figure 4.5).
- Over a half of respondents said that their business did not use any financial support over the past 12 months** (Figure 4.6). When finance was used, it was most likely to be a personal loan from the entrepreneur to the business, an overdraft, personal loan from friends and family, or credit card loan.
- Competition in the market was the major barrier to success** encountered by entrepreneurs in Y2 (Figure 4.7). Regulations/red-tape, level of energy prices and obtaining finance were also frequently mentioned. Interestingly, 1 in 5 entrepreneurs did not report any major obstacles.
- Internet resources, including .GOV website, were the main sources of information and advice used by entrepreneurs** during Y2 (Figure 4.8). Other informal sources, such as advice from family and friends and work colleagues, were also cited. Among formal business advice providers, business networks/trade associations were the most often cited (16%) followed by advice provided by accountants and Local Council/Authority.

1 in 5 entrepreneurs did not seek any information or advice over the past 12 months.

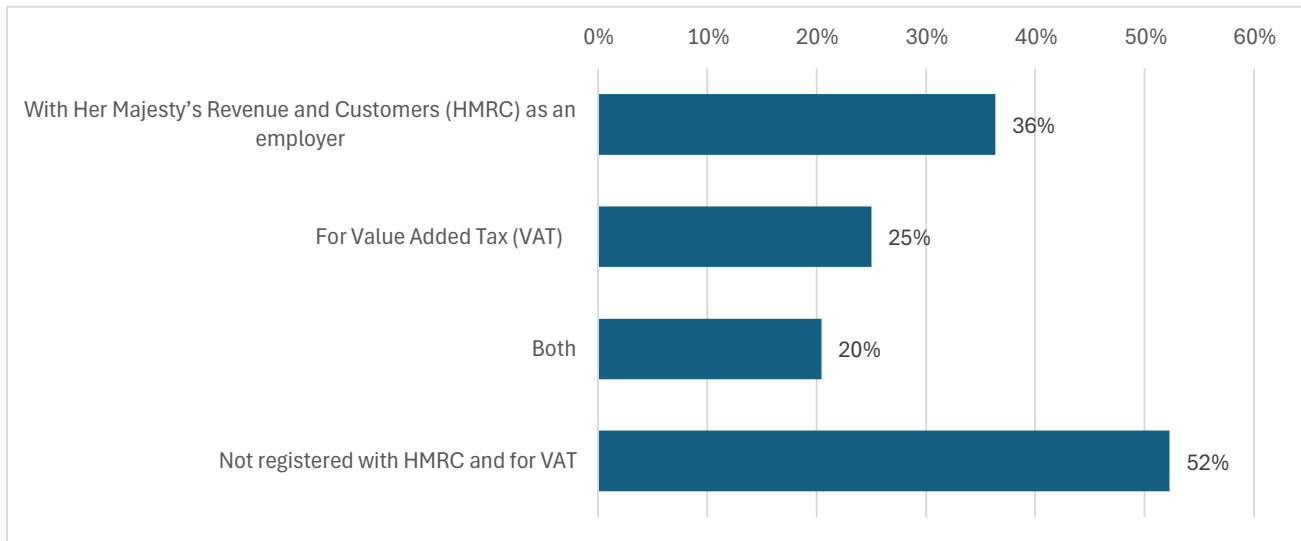


Figure 4.4. Percentage of businesses registered with HMRC and/or for VAT

Source: PSED UK 2025; Base: 44 entrepreneurs continuing to be involved in business venture in Y2.

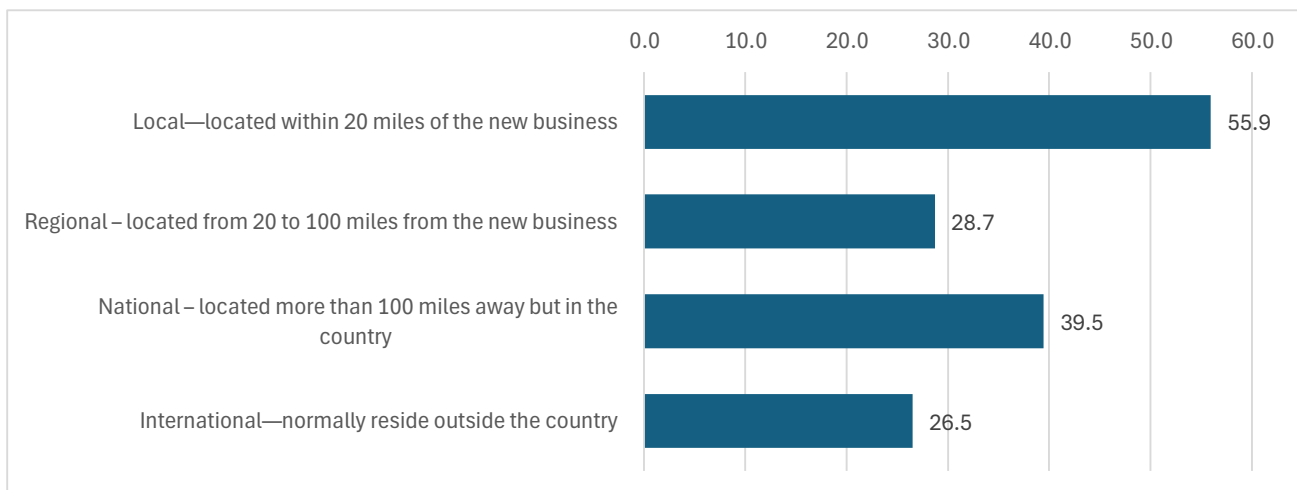


Figure 4.5. Percentage of customers located locally, regionally, nationally and internationally, average

Source: PSED UK 2025; Base: 44 entrepreneurs continuing to be involved in business venture in Y2 who replied to this question.

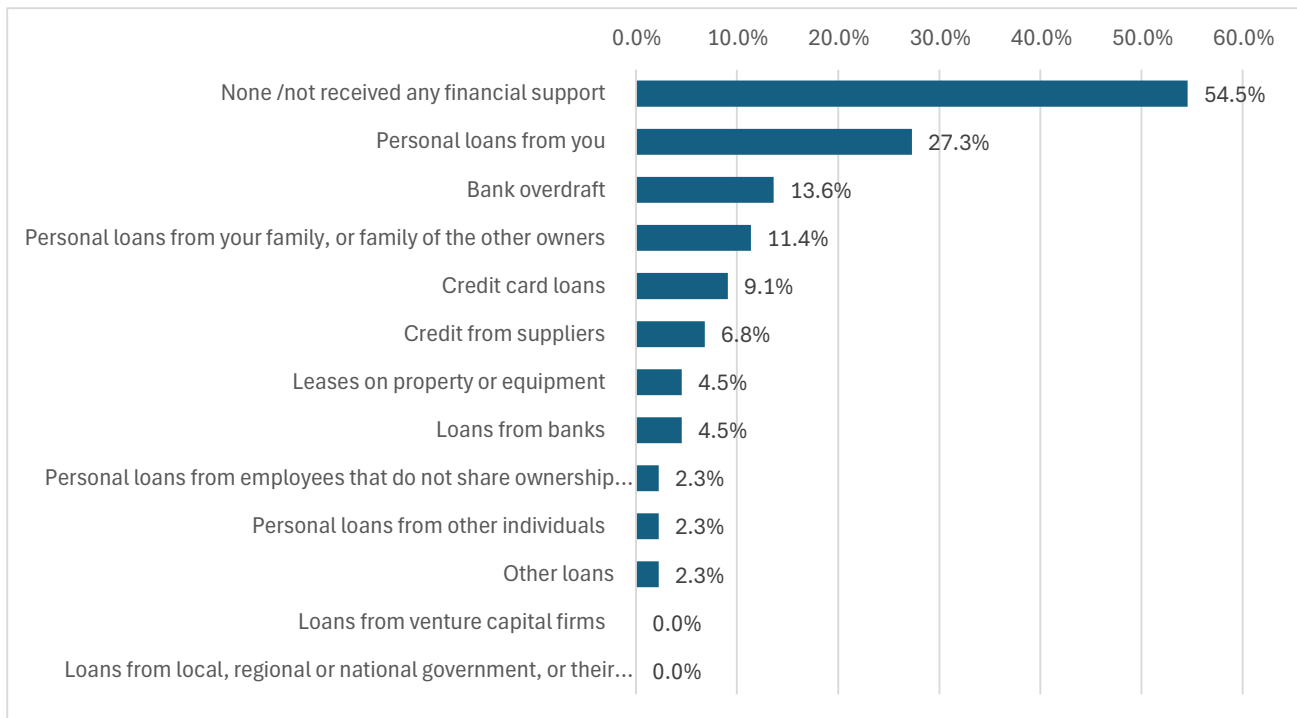


Figure 4.6. Sources of finance used in the past 12 months

Source: PSED UK 2025; Base: 44 entrepreneurs continuing to be involved in business venture in Y2.

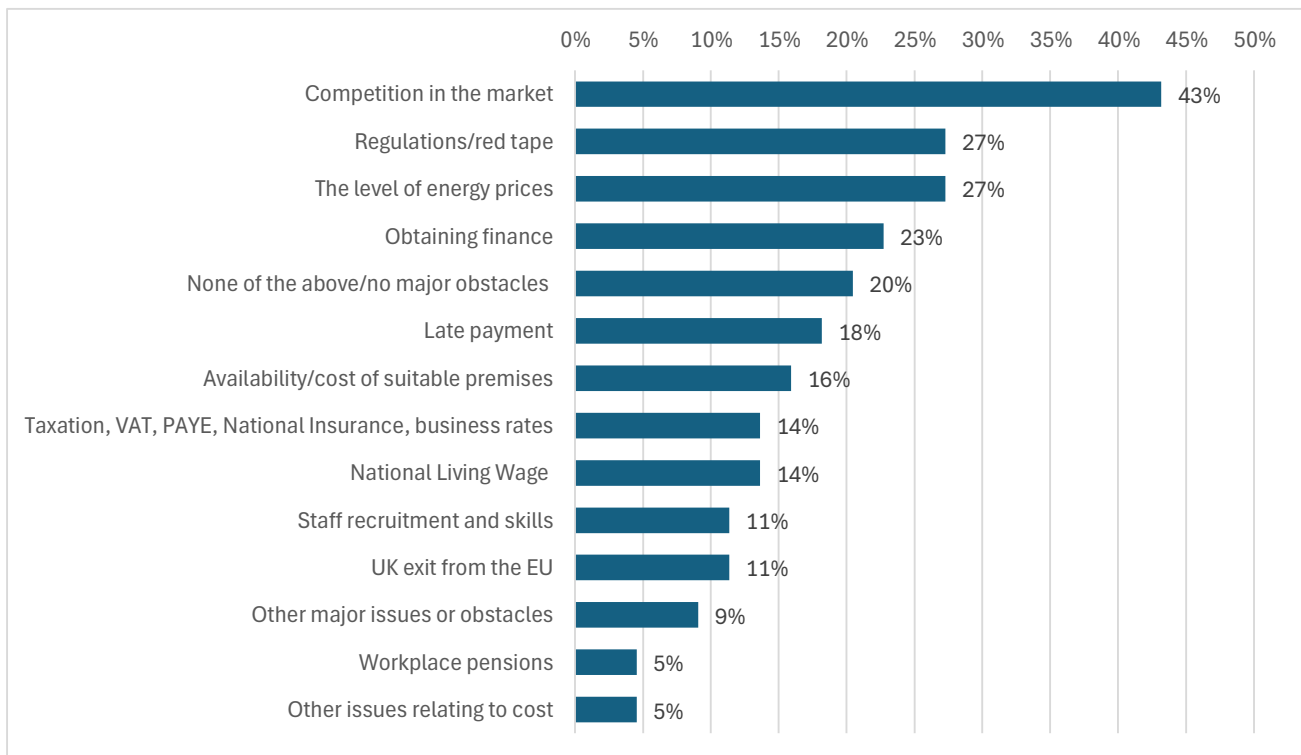


Figure 4.7. Major obstacles to the success of the business in the past 12 months

Source: PSED UK 2025; Base: 44 entrepreneurs continuing to be involved in business venture in Y2.

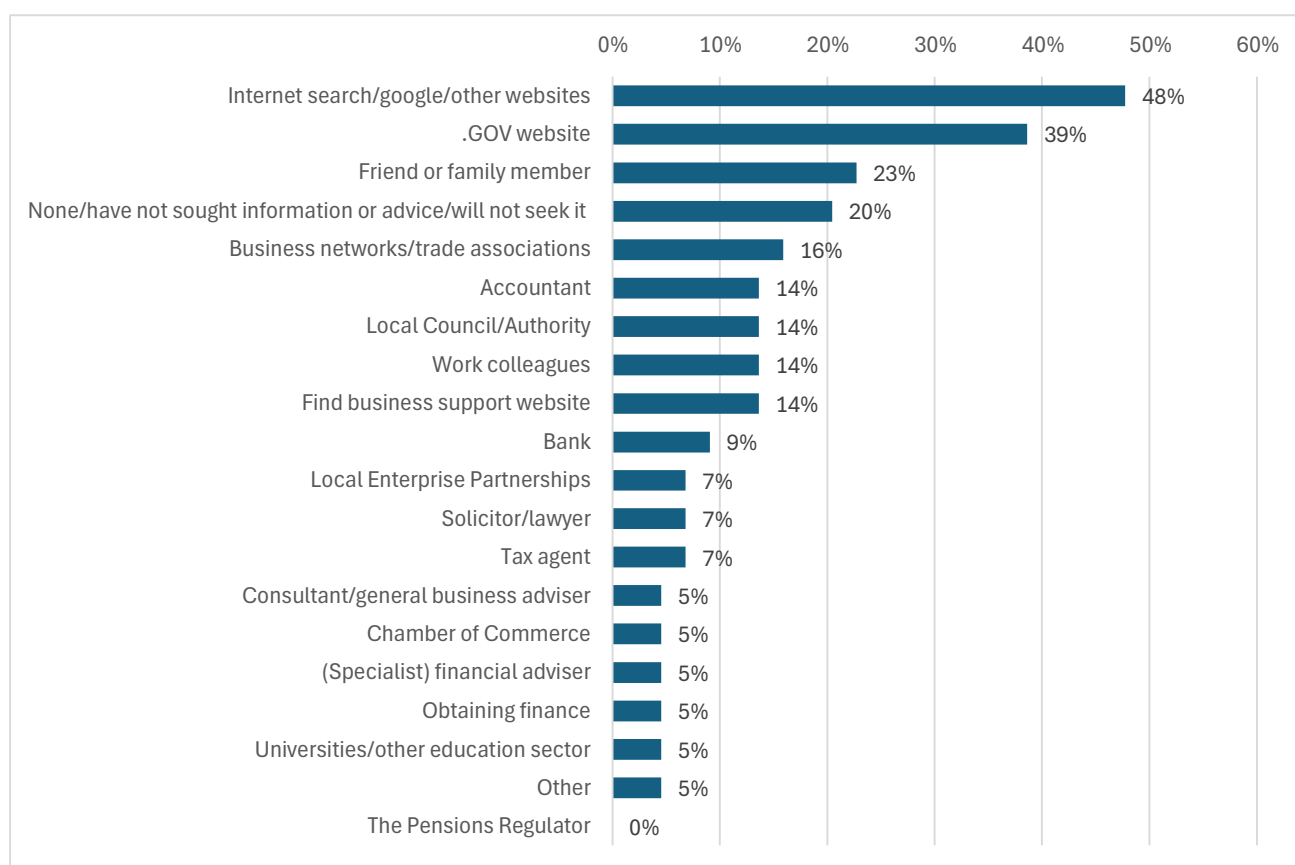


Figure 4.8. Sources of advice on the running of the business in the past 12 months

Source: PSED UK 2025; Base: 44 entrepreneurs continuing to be involved in business venture in Y2.

5. Conclusions and Recommendations

5.1 What have we learnt?

The analysis of the PSED Wave 1 and 2 surveys provides insights into the early-stage trajectories of nascent entrepreneurs over the first 24 months of venture development, with a particular focus on differences across demographic groups. Several key patterns emerge:

- **Higher early attrition among underrepresented groups:** Female-led and ethnic minority-led ventures are more likely to experience early discontinuation or delay. While some convergence is observed across cohorts, these differences remain evident in the first year of business activity.
- **Persistent role of financial and time constraints:** Funding constraints and time pressures are the most commonly cited barriers in the early stages of venture creation. These challenges often reflect broader structural constraints, including caring responsibilities and limited access to appropriate finance.
- **Evolving constraints over time:** While financial and personal constraints dominate in the first year, challenges related to customer demand become more prominent as ventures develop. This suggests that difficulties shift from resource mobilisation to market validation as businesses progress.
- **Reliance on personal finance:** Many entrepreneurs continue to rely on personal sources of finance rather than business-oriented financial products. This reflects both access barriers and behavioural factors, including risk aversion and discouraged borrowing, indicating that longstanding gaps in the financing ecosystem persist.
- **Non-linear entrepreneurial pathways:** For a significant share of respondents, entry into employment is a key reason for discontinuing business activity. This highlights the non-linear nature of entrepreneurial journeys, where individuals may move between employment and venture creation as they balance income stability and business development.
- **Gap between confidence and execution:** Despite high levels of initial confidence — with a majority perceiving business start-up as relatively easy — many entrepreneurs find the process difficult to sustain alongside other commitments. This points to a gap between perceived feasibility and the practical realities of venture creation.

Overall Conclusion

Overall, the findings suggest that early-stage entrepreneurship is characterised by high initial engagement but also by significant structural, financial, and capability-related barriers that affect progression and survival

5.2 Policy implications

Immigrant and ethnic minorities are consistently the most entrepreneurial groups in UK society since the start of the new millennium. Immigration policy needs an urgent reset to ensure we can return to a society that welcomes individuals to enhance our entrepreneurial stock. Nothing seems to have changed under the new Labour Government in the last 12 months (GEM, 2025).

The report identifies several key policy recommendations aimed at supporting **underrepresented groups**, particularly **EMBs**, **women**, and **immigrants**, who often face higher dropout rates and unique structural challenges. These can be summarised as follows:

1. **Structural and Infrastructure Improvements:** to address higher dropout rates among women and EMBs—often caused by personal and caring responsibilities—the report suggests:
 - a. **Improvements in social and care infrastructure** and stronger NHS provision to reduce the personal burdens on entrepreneurs.
 - b. **Enhanced seed-stage support** specifically designed for fledgling ventures to help them survive the critical first 24 months.
2. **Innovation in Finance:** recognising that funding is a major barrier and that many entrepreneurs from underrepresented groups rely on personal financing due to access criteria or fear of debt, the report recommends **bridging the gap between personal and business finance products**. Specific suggestions include:
 - a. Offering **smaller loan amounts** with a more streamlined and easier application process.
 - b. Implementing **variable repayment charges** and flexible term periods.
 - c. Providing **finance alongside mentoring** to increase the likelihood of success for nascent ventures.

At the same time, addressing behavioural barriers — such as fear of debt and low trust in financial institutions — remains essential, particularly among ethnic minority entrepreneurs.
3. **Pre-start Support and Expectation Management:** many entrepreneurs report that the process of starting a business becomes "too much" once they begin, despite initial confidence. Policy recommendations include:
 - a. Providing more support to help nascent entrepreneurs **initially understand the sheer volume of work involved**.
 - b. Offering upfront support focused specifically on **business planning and market testing** to mitigate the high rate of exits (one-third in the first year) caused by a lack of customers.
 - c. Promoting "test-and-learn" approaches that enable entrepreneurs to refine ideas early and reduce the risk of later-stage failure.

Given the wide range of existing support programmes, the priority may be less about increasing provision and more about improving visibility, accessibility, and trust — particularly among groups less likely to engage with formal support networks.

4. **Targeted support for high-activity groups:** Evidence from the wider GEM data shows that immigrant and ethnic minority populations continue to exhibit high levels of entrepreneurial activity in the UK. Ensuring that support mechanisms effectively reach and engage these groups is therefore critical for sustaining and enhancing the UK's entrepreneurial base.

Overall, improving early-stage business survival will depend not only on encouraging entrepreneurial entry, but on addressing the structural and practical barriers that shape outcomes during the critical transition from intention to sustained business activity.



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