MIGRATION AND INTENTION TO RETURN: ENTREPRENEURIAL INTENTIONS OF THE DIASPORA IN POST-CONFLICT ECONOMIES

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Abstract

This article examines the intentions of the diaspora to return to their homeland and engage in entrepreneurial activity. We focus on post-conflict economies where the development potential of return migration is significant. Our article demonstrates that the entrepreneurial intentions of returning diaspora are affected by their level of trust and perceptions of risk in institutions at home. Through a survey of diaspora returning to Kosovo, the paper finds that business experience has a negative relationship on probability to return, but it has a positive relationship on entrepreneurial intentions. However, those with professional and qualified jobs are more likely to have intentions to return, but less likely to have entrepreneurial intentions. The paper contributes to academic research on the central importance of institutions to post-conflict development, demonstrating that by enhancing the institutional environment investment can be attracted home.

INTRODUCTION

Flows of migration have become an increasing focus of economic research (Dustmann, 2003; Efendic, 2016; Qin, Wright and Gao, 2017). Extant research on return migration provides mixed results, from the positive impact of Silicon Valley entrepreneurs connecting their homeland to California and the impact of return to rural China, to the less positive and mixed results in Europe, for example in Albania and Southern Italy (Hausmann and Nedelkoska, 2018). In this study we focus on diaspora entrepreneurs returning to post-conflict economies, which is a currently under-researched context with the return migration literature. Such countries experience significant migration due to war, as well as ongoing economic and demographic challenges post the cessation of violence (Nielsen and Riddle, 2010; Efendic, 2016). This often leaves them with a large diaspora, defined by the dispersion of ethnic and national groups across international borders and who often maintain a relationship to their home country (Nielsen and Riddle, 2010; Riddle and Brinkerhoff, 2011). The diaspora has the potential to return home with important knowledge and skills acquired in hosting countries to invest in and start entrepreneurial ventures (Hausmann and Nedelkoska, 2018). As Sanders and Weitzel (2012) state, given that entrepreneurship is generally regarded as a productive force for change and innovation in the development of modern economies, this promise also holds for post-conflict economies.

The aim of this paper is to examine diaspora entrepreneurs returning to their post-conflict homeland. The majority of returnee entrepreneurship research has focused on large, fast growing emerging economies (Qin and Estrin, 2015; Qin, Wright and Gao, 2017). Much less is known regarding returning entrepreneurs to smaller and/or post-conflict economies. We contribute to scholarship by filling this research gap. In doing so, we recognise the central importance of institutions to post-conflict economic development, and the enabling/constraining role that the institutional environment plays in entrepreneurial activity.

As entrepreneurship is a multi-dimensional phenomenon (Huggins and Williams, 2009), in this paper we take a broad definition of entrepreneurship which encompasses business start-up activity and investment in existing businesses.

Given their international experience, diaspora entrepreneurs are able to compare the institutional environments of their host country (i.e. the country they migrated to) to their home country (i.e. the country they migrated from) (Brzozowski et al, 2014). Post-conflict economies are often fragile and characterised by weak and underdeveloped institutional environments (Collier and Hoeffler, 2004; Williams, 2018). As such, perceptions of entrepreneurial opportunity at home will be weakened. This has implications for reconstruction and development, as diaspora entrepreneurs are able to contribute to the homeland in a number of ways. First, they can be involved in the direct involvement in the creation of new firms or the management of existing firms; second, they can invest in the entrepreneurial activities of others; and, third, they can act as role models to entrepreneurs in the home country (Mayer, Harima and Freiling, 2015) and for non-diaspora foreign investors (Nielsen and Riddle, 2010). The 'demonstration effect' created by entrepreneurial activity of the diaspora can be powerful in economies with low levels of entrepreneurship (Riddle, Hrivnak and Nielsen, 2010).

As returns to different forms of entrepreneurial activity are sensitive to institutional contexts (Hashi and Krasniqi, 2010; Krasniqi, 2012; Estrin, Mickiewicz and Stephan, 2016) it impacts entrepreneurial activity in the home country but also influences the willingness of entrepreneurs outside the country to invest (Riddle, Hrivnak and Nielsen, 2010). Indeed, the institutional environment in post-conflict economies may prove daunting for even experienced diaspora since the environment is dynamic and marred by institutional deficiencies (Nielsen and Riddle, 2010). This can also lead to negative perceptions among diaspora communities who view the financial risk to investments, lack of support, political fragmentation and weak institutional framework as barriers to investment (Agunias and Newland, 2012). Changing such

perceptions is an important element of institution building if higher levels of diaspora entrepreneurial activity are to be secured.

While there has been important research on intentions and outward migration (Efendic, 2016), there is scant empirical evidence related to intentions and return migration. This article aims to fill this gap. In order to do so, the article examines the intentions of diaspora entrepreneurs to return and start businesses in post-conflict economies. As such our research questions are: 'What role does institutional trust play in driving or preventing diaspora entrepreneurship in post-conflict economies?'; and 'What role does business experience have on probability to return and entrepreneurial intentions in the homeland?'. Answering these questions is important in understanding the potential for entrepreneurship to contribute to post-conflict reconstruction and economic development.

Our study focuses on Kosovo, which has seen experienced significant emigration to other parts of the world, particularly as a result of the war of the 1998/99, the consequent break-up of the former Yugoslavia and declaration of independence in 2008 (Vorley and Williams, 2016; Kotorri, 2017). This forced migration has left Kosovo with a sizable diaspora community spread around the world, but also with the challenge of developing a relatively weak economy. Through a dataset of returning diasporans during the major migrant flows to Kosovo in Summer 2008 and January 2009, immediately after the country declared independence, we contribute to scholarship related to post-conflict economies. As in other similar studies focusing on countries affected by conflict (Collier and Duponchel, 2013; Efendic, 2016), we acknowledge that there are data limitations associated with post-conflict research particularly with regards to challenges of collecting data, and also the age of the data we use. However, the specific conflict context calls for further investigation to allow for robust conclusions regarding the driving factors which influence return and entrepreneurial intentions in post conflict economies to be developed, and the data is used to answer new research questions (Doolan and

Froelicher, 2009; Saunders, Lewis, Thornhill and Wilson, 2009). Our analysis finds that business experience has a negative relationship on probability to return, however those with professional and qualified jobs are more likely to have intentions to return, but less likely to have entrepreneurial intentions. Harnessing the entrepreneurial intentions of the diaspora represents a key method for future development as post-conflict economies seek growth.

The remainder of the article is structured as follows. First, the literature on the role of diaspora entrepreneurship in their home country is set out. Next, the importance of the institutional environment in harnessing investment in post-conflict economies is discussed, with particular reference to diaspora entrepreneurship. We then set out the empirical focus of the study, along with the methodology used, before the findings of the data are analysed. The article concludes by reflecting on the analysis and makes a number of contributions to scholarship on returning diaspora entrepreneurship in post-conflict reconstruction and development.

LITERATURE REVIEW

The role of diaspora entrepreneurship in homeland development

Diaspora entrepreneurship can benefit the home country through the sharing of capital, technical knowledge, expectations of how business should be conducted, direct investment, and the harnessing of further entrepreneurial activity (Williams, 2018). Diaspora entrepreneurs can be involved in direct investment in the creation of new firms or the management of existing firms; investing in the entrepreneurial activities of others; or by acting as a role model and inspiration to entrepreneurs in the home country (Mayer, Harima and Freiling, 2015). The role model "demonstration effect", whereby residents in the diaspora's country of origin are encouraged into economic activity as a result of the increased investment from abroad, can be significant in countries with low levels of entrepreneurship (Riddle, Hrivnak and Nielsen,

2010). As such, diaspora entrepreneurship has the potential to contribute to broader development.

Within the country of origin, diaspora entrepreneurs often utilise networks (Fransen, 2015) in two key ways: first, to access resources that are unavailable or more expensive to acquire from other sources; and second, to provide access to markets for goods and services (Smallbone, Kitching and Athayde, 2010). Networks offer diaspora entrepreneurs invaluable and unique competitive advantages, making them fundamental to the growth and success of their own businesses, and a potential resource for harnessing entrepreneurship in their country of origin. Migrants who operate abroad often gain knowledge and skills that are lacking in the country of origin (Nielsen and Riddle, 2010). While working abroad migrants acquire human capital in countries that are more technologically advanced than their home countries and are likely to work in more complex organisational structures (Hausmann and Nedelkoska, 2018). When they return to invest or start a new business, they remit this acquired human capital back to the origin country, thereby turning ''brain drain'' into ''brain gain'' (Dustmann, Fadlon and Weiss, 2011).

Diaspora entrepreneurs can also contribute through the sending of remittances to their home country (Dustmann and Mestres, 2010; Blouchoutzi and Nikas, 2010). Remittances can improve macroeconomic stability, reduce poverty rates by enabling their family members to meet consumption needs, and facilitate human capital formation by enabling higher expenditure on education and health, as well as supporting entrepreneurial activity (Gillespie, Riddle, Sayre and Sturges, 1999; Duval and Wolff, 2010). Remittances commonly go towards supporting friends and family and are an example of the diaspora communities feeling of moral responsibility to benefit the development of their home country created by their emotional ties and connections (Vaaler, 2013; Martinez, Cummings and Vaaler, 2015). However, despite the often large volumes of remittances, their benefit for reconstruction has been called into

question (Brinkerhoff, 2011). Remittances are primarily household transfers, providing income that is often essential to sustenance but could be applied for a variety of purposes, including conspicuous consumption (Brinkerhoff, 2016). As such, there is a need to think beyond remittances, so that the institutional environment can support and encourage more productive forms of investment.

Institutional trust in post-conflict economies

As Bruck, Naude and Verwimp (2013) state, understanding how institutions can shape the incentives of individuals to engage in entrepreneurial activities is of critical importance in conflict and post-conflict economies. We move beyond the prevailing analysis of how institutions impact on activity of indigenous entrepreneurs who have stayed within their home country despite conflict (see for example, Collier and Duponchel, 2013; Sanders and Weitzel, 2013). Instead, we offer new contributions to the literature through our focus on diaspora entrepreneurs who have been forced to migrate due to conflict and are now returning home to invest.

In order to ensure that diaspora entrepreneurs are mobilised and willing to invest in their home countries, it is important that the institutional environment is supportive and stable. Institutions refer to the constraints designed by people to structure interactions (North, 1990) and these constraints can shape incentives for market actors, such as by shaping predicted rewards and risks (Krasniqi and Desai, 2016; Williams, Vorley and Williams, 2017). Post-conflict economies are often characterised by weak formal institutions and informal institutions which are unsupportive of entrepreneurial activity. Where formal institutions, which consist of rules and regulations governing economic activity, reduce risks and ensure stability, they will generate trust (Busenitz, Gomez and Spencer, 2000). Such regulations assign property rights (Spencer and Gomez 2004) and where these are poorly defined or not enforced the risk of

expropriation of entrepreneurial returns is increased (Estrin, Mickiewicz and Stephan, 2016). Where such expropriation exists, productive entrepreneurs can see assets liquidated, their venture terminated and proceeds consumed by others (Desai, Acs and Weitzel, 2013). As a result, trust in institutions will decline.

Where entrepreneurs are subject to uncertainty, in the form of changing regulations, the bureaucracy and the cost of compliance can impose increased operational and transaction costs, and increase the risks associated with entrepreneurial activity (Tonoyan, Strohmeyer, Habib, and Perlitz, 2010). In environments with frequent changes in laws, rules and regulations, uncertainty is created, meaning that entrepreneurs are less able to plan for the future, the costs of compliance increase, thereby redirecting resources which could be invested in growth activities (Williams and Vorley, 2015). Volatility in the formal institutional environment can be hostile to firm growth and increase the risks associated with activity as anticipations of future profits are affected (Krasniqi and Desai, 2016). This is especially salient in developing economies, where institutional change can be faster and less predictable than in mature market economies, and also in post-conflict economies were formal institutions are being established (Nielsen and Riddle, 2010). In addition, given that diaspora entrepreneurs have significant international experience they are able to compare the relative stability of the institutional environment in their host country with the instability of their home country.

Although diaspora entrepreneurs are often the first mover foreign investors into uncertain political and economic climates (Gillespie, Sayre and Riddle, 2001), such activity may be stymied where there is a lack of trust. Where the social fabric has been damaged, the level of trust is low and people may be unwilling to share knowledge, which can hold back entrepreneurial endeavours (Efendic, Mickiewicz and Rebmann, 2015). Institutional trust is a critical element in fostering productive entrepreneurial activity (Anokhin and Schulze, 2009) and entrepreneurial intentions (Lajqi and Krasniqi, 2017) and we posit that where trust is

lacking international migrants can simply chose to remain abroad. In countries undergoing significant change, such as post-conflict economies, trust in institutions is not likely to be immediate and will take time to develop (Krasniqi and Desai, 2016).

Overcoming a lack of trust is key element in harnessing entrepreneurial intentions towards the homeland. Intentions are the first step in a typically long-term process of starting a new business (Krueger, 1993; Thompson, 2009). Understanding what drives entrepreneurial intentions in adverse conditions, for example post-conflict economies, can assist in the design of (more) effective institutions to support entrepreneurial endeavour (Bullough, Renko and Myatt, 2014). To launch a venture even in a stable and supportive environment individuals require self-efficacy, which is associated with opportunity recognition and risk-taking (Krueger, Reilly and Carsrud, 2000). In post-conflict economies self-efficacy can support entrepreneurial intentions, but if these are to be realised they must overcome the perceptions of risk. As such, institutions must lead to improved trust and perceptions of risk.

Navigating institutional frameworks is always challenging but particularly so for diasporans who may never have lived in the home country, have lived abroad for a number of years, or who know relatively few people in the country (Nielsen and Riddle, 2010). However, diaspora entrepreneurs are often the first mover foreign investors into uncertain political and economic climates (Gillespie, Sayre and Riddle, 2001). Yet little is currently known about diaspora entrepreneurs and their perceptions of risk in post-conflict economies.

EMPIRICAL FOCUS

The paper focuses on the case of Kosovo, which remains an underdeveloped economy with a significant diaspora population (Williams, 2018). The context has a number of potential implications for other conflict affected and/or turbulent economic environments. Migration is a key transnational economic challenge (Brzozowski et al, 2014; World Bank, 2016), and

understanding forced migration in times of conflict, as well as entrepreneurial development in post-conflict economies, are emerging within the entrepreneurship literature (Sanders and Weitzel, 2012; Desai, Acs and Weitzel, 2013; Cheung and Kwong, 2017). Furthermore, given that previous studies have mainly focused on large emerging economies there are important lessons to be gained through a focus on smaller economies.

The Balkans wars of the 1990s marked the end of Yugoslavia and the creation of a number of newly independent states (Korovilas, 2010). The end of the Kosovo war in 1999 saw the cessation of violence, albeit with continued political and ethnic tensions, and the country unilaterally declared its independence in 2008 (Williams and Vorley, 2017). Typical of other post-conflict environments, Kosovo faces numerous obstacles to economic and social development. New born states are characterised by high levels of insecurity (Hoxha, 2009). In addition, Kosovo has high unemployment, low levels of growth, high levels of poverty, and poor infrastructure (Krasniqi, 2007). The extent of the economic challenges facing Kosovo are also reflected in economic growth and income per capita figures which are among the lowest in the Balkans (IMF, 2011, 2012) and which have contributed to further migration, with individuals responding to higher wages abroad as well as dissatisfaction with economic conditions at home (Kotorri, 2010). Furthermore, Kosovo has significant levels of corruption, ranking 95th out of 176, lower than neighbours Serbia (72nd), Montenegro (64th), Albania (83rd) and Macedonia (90th) (Transparency International, 2016).

Kosovo's migrant population living abroad is estimated at approximately 700,000 people, equivalent to 40% of the resident population (UNDP, 2014). During the conflict, remittances to Kosovo from emigrants accounted for 45 percent of annual domestic revenues (Demmers, 2007), and was in part used to support the war effort, with the Kosovo Liberation Army establishing an international 'Homeland Calling' fund (Adamson, 2006). Also, a '3% fund' was used so that migrants contributed not only to the war, but also to supporting

government, schools and hospitals (Hockenos, 2003). However, the contribution to peace-building, reconstruction and post-conflict development is less understood (Brinkerhoff, 2011). In the aftermath of the conflict, Kosovo became partially dependent on the international aid and remittances from the Kosovar diaspora (Korovilas, 2010). Around a quarter of Kosovo Albanian households receive remittances from the diaspora (Kosovo Agency for Statistics, 2013), totalling approximately 17% of GDP and making Kosovo one of the top 15 recipients of remittances worldwide relative to the size of the domestic economy (UNDP, 2012). Substantial amounts of money are also poured into the economy each year through diaspora tourism, estimated at €270 million in 2012 (Kosovo Agency for Statistics, 2013).

RESEARCH DESIGN AND DATA

The article uses Riinvest Migrant's Survey data collected by the Riinvest Institute for Development Research at the end of 2008 and beginning of 2009. The data is based on a large survey of 715 migrants and contains detailed information about the individual characteristics (e.g., gender, age, education, occupation status, income [if working], and migration history), household characteristics (e.g., household size, marital status, and share of employed family members in). We use intercept point sampling which is also called as location sampling or aggregation point sampling (McKenzie and Mistiaen, 2009) which has been used in other similar migration studies in USA and Mexico (e.g. Wasserman, Bender, Kalsbeek, Suchindran and Mouw, 2005). The intercept point sampling design included interviews with migrants in all border crossing points of Kosovo's borders (Prishtina International Airport, Hani i Elezit, Merdare, Porti i Durrsit in Albania, Gjilan). We chose multiple border locations for better coverage of the population of interest as suggested by McKenzie and Mistiaen (2009). These multiple border crossing points are the main entrance routes to Kosovo for more than 90% of migrants. After choosing multiple border crossing points systematic sampling is employed to

select randomly individuals entering Kosovo at the border at the specific location during the specified time periods during the day. The advantage of our survey is that it was undertaken in 2008 which marks major flow of migrants in Kosovo following the declaration of independence and is a highly unique dataset. The large flow of migrants was sufficient to enable better representation of intercepting migrants by allowing us to survey individuals who are seldom found in Kosovo. This sampling design is appropriate where a standard sampling frame is absent because it is impossible to have list of total number of migrants (McKenzie and Mistiaen, 2009; Gedeshi and De Zwager, 2012). We acknowledge that there are limitations with using older data. However, research suggests that such data is suitable if an existing data set is useful and may be the only way to answer new research questions (Doolan and Froelicher, 2009; Saunders et al. 2009). Existing research can utilise older datasets to respond to such questions, for example Combes et al (2015) use a 2007 Urban Household Survey to investigate migration in China, while Beine, Docquier and Ozden (2011) use data from 1990 to 2000 to investigate international migration to 30 OECD countries. Despite the age of our data, our results and conclusions are coherent with the current situation of migration and entrepreneurial activity abroad, especially in the EU, and are thus comparable to other contexts. Also, while the business and political environment of Kosovo has evolved over the last 10 years, it is still characterised by instability and weak perceptions of opportunity (Williams and Vorley, 2017), meaning our measurement of intentions in the context of institutional complexity is still relevant today. As such, our data is appropriate in seeking to fill a research gap related to return economic migration of entrepreneurs to a post-conflict economy.

Econometric model: Heckman probit model and sample selection bias correction
One problem when estimating the intention to start-up business of migrants with intention to return to the homeland is that they may not be a random sample from the total population of

migrants. The selection bias problem may occur from the fact that the intention to return declared by migrants with respect to entrepreneurial intention might differ from that of migrants with non-intention to return. This is because the migrants with return intentions are a self-selected group with regard to unobservable characteristics. Therefore, the higher likelihood of migrants with intentions to return in Kosovo to also have entrepreneurial intentions may not be random. To take into account this selectivity issue we develop and test an econometric model with sample selection bias.

The survey question *"Are you planning to return in Kosovo in the future?"* differentiates between migrants with return and non-return intentions. However, we can observe whether they have entrepreneurial intentions (question; what are your intentions to do if you seriously think to return forever in Kosovo, one possible answer: "I feel confident to start-up my business in Kosovo") only if they have plans to return in Kosovo. Of the total sample of migrants (715) 343 (48 percent) have return intentions, while 42 of them (nearly 6 percent) feel confident that they will start-up their own business. The figure of 6 percent of total sample with entrepreneurial intentions is similar to the actual rate of entrepreneurship in the same period of study which is an additional robustness check for our data and the reliability of our study. For example, Krasniqi (2009; 2014) study found that 6.4 per cent of overall adult population are engaged in entrepreneurial activity either as self-employed or as business owners. Therefore the focus only on migrants with entrepreneurial intention without considering migrants with return intentions gives rise of sample selection issue.

Considering this limitation, we estimate the probability of migrants having entrepreneurial intentions conditional upon having the intention to return to Kosovo. To correct for sample selection bias we consider a Heckman model (Heckman, 1979) of sample selection bias because the usual probit estimation method is not appropriate (Piracha and Vadean 2010). We follow Wooldridge (2005) to explain the procedure of dealing with such methodological

concerns. Accordingly, we can estimate the binary response model with sample selection if we assume that the latent errors are bivariate normal and independent of the explanatory variables.

$$y_1 = I[x_1\beta_1 + u_1 > 0] \qquad (1)$$

$$y_2 = I[x\delta_2 + u_2 > 0] \qquad (2)$$

The first equation denotes the probability of having entrepreneurial intention while second equation is the sample selection equation and y_1 or the information whether the migrant has return intention or not is observed only if $y_2 = 1$. Using equation 2 leads to an inconsistent estimator of β_1. We assume that error terms in both equations (u_1, u_2) are independent of x and with zero-mean normal distribution and unit variances $u_1 \sim N(0,1)$ and $u_2 \sim N(0,1)$. What we need is the density of y_1 conditional on x and $y_2 = 1$. The correlation between the error terms of both equations is $corr = (u_1, u_2) = \rho$. The probit estimation of the equation 2 produces inconsistent β coefficients if $\rho \neq 0$ suggesting that two errors terms are correlated. According to Wooldridge (2005) a joint distribution of y_1 and y_2 ($y_{entreprenurial\_intention}$ and $y_{return\_intention}$, respectively) given x is needed which in our particular case is expressed as follows:

$$\Pr(y_{entreprenurial\_intention} = 1 | y_{return\_intention} = 1, x) = [P(y_{entreprenurial\_intention} = 1 | x, u_2) | Y_{return\_intention} = 1, x] \qquad (3)$$

where $y_{entrepreneurial\_intention}$ stands for migrants' entrepreneurial intentions, $y_{return\_intention}$ stands for migrants' return intentions; and x is a vector of independent variables. Therefore, δ in equation 2 is estimated by probit of $y_{return\_intention}$ on x while β and ρ is estimated based on equation 1. Specifically x includes a measures of personal migrant's characteristics (gender, migrant's age, duration of migration, marital status, household size) human capital (self-employment experience in migration country, education prior migration, current job status in migration country, specific experience and knowledge in business), and institutional level variables (lack of trust and high risk) (see Table 1 and Table A1 in Appendix for details).

INSERT TABLE 1 ABOUT HERE

To correctly identify how factors affecting the probability of having return intention differ from factors affecting the probability of having entrepreneurial intentions we have included two more instrumental variables in the second equation. This is because the number of explanatory variables included in the second equation should be added to the group of explanatory variables included in first equation. These two selected instrumental variables "Owns property in migration country" and "Foreign origin spouse" are expected to affect the probability of having return intention (selection equation in Table 4) but not the probability of entrepreneurial intentions (main equation in Table 4). We expect that individuals who own house abroad and are married with spouse of destination origin are well integrated economically and culturally and are likely to affect the probability to return and not probability to have entrepreneurial intentions. The evidence supports the view that being married to a native of the country of residence exposes migrants to better access to bridging social capital, and of course may have better legal status as migrants indicating a lower intention of returning when a respondent is married to a foreign spouse as expected (Güngör and Tansel, 2014). We satisfied the criteria that the number of explanatory variables included in selection equation x should be greater than number of explanatory variables included in $x1$ at least by one (Wooldridge, 2005).

FINDINGS

Table 2 presents the findings from Heckman probit model with sample selection. The first column in Model 1 and 2 refers to the 'main equation' where the dependent variable is dichotomous equal to 1 if migrant has intention to start-up business in Kosovo. The second

column refers to the 'selections equation' where the dependent variable is dummy equal to 1 for migrant who has return intention plans in the near future in Kosovo, and 0 otherwise.

INSERT TABLE 2 ABOUT HERE

According to the estimated Likelihood ratio test of indep. eqns. $\rho = 0, \chi^2_{(1)}$, the estimated ρ presented at the bottom of the Table for two models is significantly different from zero suggesting that migrants who have entrepreneurial intentions are not random from the group of individuals that have return intentions. Test for multicollinearity using Variance Inflated Factor (VIF) in STATA suggested that multicollinearity was not a problem in our estimations (see StataCorp, 2003). The correlation matrix, presented in Table A2 in the Appendix, confirms this as the correlations between individual variables are very low. All maximum likelihood models have passed the statistical test for joint statistical significance of explanatory variables (Wooldridge, 2005). The next section discusses the findings for both the main equation and selection equation.

Discussion of results

Two estimated probit regressions with sample selection are presented in Table 2 and show that the main difference between the two equations is that we included family size, accumulated knowledge, experience during migration, and professional and qualified jobs. The two models show a high degree of self-selection among migrants. The instrumental variables "Owns property in migration country" and "Foreign origin spouse" both show a statistically significant negative relationship with return intention. These two variables were critical in the identification of equations. Existing literature suggests that marital status is a good instrument

and can impact whether an individual stays or returns, but should not affect whether an individual becomes an entrepreneur (Hamdouch and Wahba, 2015).

After correction for sample section bias, from the personal characteristics of migrants only variable age is statistically significant suggesting a U-shaped relationship with return intentions, while it has a negative and statistically significant relationship with entrepreneurial intention. Following Hamdouch and Wahba (2015) migration duration can be used as a proxy for savings accumulation suggesting that the longer the duration of stay in the host country the higher is the expected accumulated diaspora savings. Migration duration is maximized conditional on wage differentials, consumption preferences and the relative cost of consumption, as well as the cost of migration (Kottori, 2017). Higher salaries which are linked with age (experience and qualified jobs) may well decrease optimal migration durations (see Dustmann and Kirchkamp, 2002) having a positive impact on both probability to return. However, we did not find evidence that optimal duration which may signal higher savings, may not suggest higher potential for entrepreneurship intentions. However, as Kveder and Flahaux (2013) suggest, self-employment is not necessarily associated with positive migration experiences and well-paid jobs. Our evidence suggests a U-shaped relationship between age and return, suggesting that diasporans need time to accumulate some savings in order to return. In terms of entrepreneurship intentions, rather than a choice self-employment appears to be a "last resort" for individuals who were not able to accumulate capital or prepare their return. Indeed, we find that more time individuals spent in host country the less likely to have entrepreneurial intentions. We did not find any statistical effect of conflict induced migration on probability to return or probability of entrepreneurial intentions.

We tested the importance of institutions on migrants' intention to return and engage in entrepreneurship. The variable measuring importance of lack of trust and high risk associated with institutions is statistically significant. Our analysis finds that migrants who lack trust in

institutions and have high risk perceptions are less likely to have entrepreneurial intentions, while we did not find any effect on probability to return. This suggests that the institutional context is a critical factor in facilitating diaspora entrepreneurial activity in their homeland. This is because navigating institutional frameworks is always challenging but particularly so for diasporans who may never have lived in the home country, or who know relatively few people in the country (Nielsen and Riddle, 2010). This is particularly true for unstable political and economic environment in Kosovo, with frequent changes and weak institutions. Therefore, improving institutions will assist in reducing the risks associated with return and thus foster greater levels of investment (Gamlen, 2014).

Existing research has found that the human capital accumulation of migrants in the form of business experience and skills development plays an important role in upgrading the knowledge base of diaspora (see, for example Hamdouch and Wahba, 2015). We find that the migration experience enhances the diasporans' skills or knowledge which enable them to become entrepreneurs. We find that skills, qualifications and professional jobs increase the probability to return, but reduce the likelihood of having entrepreneurship intentions. The migrants who hold "professional and qualified jobs" are more likely to have return intentions, while those are less likely to have entrepreneurial intentions. Migrants holding professional jobs are more likely to return but their choice may be salaried work or not being economically active instead of entrepreneurial career. This type of skilled return migration can be beneficial for the home countries, as returnees bring new skills and competences, increase overall human capital, and enhance productivity and employment (Zaiceva and Zimmermann, 2016). Encouraging this category of returnees will assist reconstruction and development in the home country, for example by increasing the supply of qualified labour which poses a significant problem for the development of private sector in Kosovo (Krasniqi, 2016). As the majority of the Kosovan diaspora is based in EU and USA, this implies that skills and productivity of these

workers may be comparatively higher than workers in Kosovo and can thus make a significant contribution at home. In addition, recent evidence suggests that although the unemployment rate in Kosovo is very high (around 35%), the private sector states that the lack of skilled labour poses severe problems for the development of businesses, and consequently the demand for high level jobs could mean that the labour market may not be able to absorb skilled returnees (World Bank, 2011).

We find that self-employment experience in the host country and accumulated experience in specific industries are both statistically significant, increasing the probability of entrepreneurship intentions. This suggests that the similarity of a returnee's industry or sector background may positively influence entrepreneurship intentions. This may have significant policy implications in terms of investigating the motives to encourage their return in order to boost entrepreneurship by migrants in home country. Policy attention could thus be directed to diasporans with previous self-employment experience in the host country, particularly as individuals who have businesses in host countries are more likely to return (Kotorri, 2017).

Table 3 reports corresponding marginal probabilities of migrants having entrepreneurial intentions conditional upon having the intention to return. Keeping all variables constant, individuals who have the intention to return on average have 8.8 percent probability of having entrepreneurial intentions. Conditional upon having return intentions and keeping all other variables in the model constant at their means or specified at 1 for dummies, the migrants with a lack of trust and high risk perceptions have on average 56.79 percent to have entrepreneurial intentions. This emphasizes the importance of institutions on changing entrepreneurial intentions of Kosovo's diaspora.

INSERT TABLE 3 ABOUT HERE

CONCLUSIONS

The economics of entrepreneurship has been slower to emerge than in other fields (Audretsch, Link, Sauer and Siegel, 2016). While studies of the economics of migration have grown in recent years, return entrepreneurship remains an under-researched topic. This paper has contributed to a research gap in examining the role of diaspora entrepreneurs returning to their post-conflict homeland, and thus contributes to debates regarding the economic contribution of returnees.

Many post-conflict economies are seeking to engage their diaspora in investment as a method for contributing to reconstruction. However, many potential investors are discouraged by unstable institutional environments. This is true for entrepreneurs living within the country's borders, but is magnified for those who are living or have lived outside the country, as they are able to compare the relative stability of their host country to home. Improving institutions is important for securing economic development and is a significant focus of government efforts in post-conflict economies (Williams, 2018). The institutional environment in post-conflict economies may prove daunting for even experienced and well-connected diaspora investors since the environment is changeable (Nielsen and Riddle, 2010). As such, reconstruction through diaspora investment will be stymied.

Over time tackling perceptions of risk and trust in institutions is important if investment is to be secured as they dampen entrepreneurial intentions. Our analysis demonstrates that intentions vary among the diaspora, with business experience having a negative relationship on the probability to return. Aiming to attract experienced diaspora entrepreneurs means that post-conflict environments are in competition with the often more stable institutional environments of the host country. However, we also show that there is a positive relationship between business experience and probability to have entrepreneurial intentions, meaning that this can be tapped into to benefit entrepreneurship in the home country. At the same time, our

analysis shows that those with professional and qualified jobs are more likely to have intentions to return, but are less likely to have entrepreneurial intentions. This contrasts with existing research on returnee entrepreneurs to fast growing economies where international experience can act as an impetus to undertake entrepreneurship at home (Wright, Liu, Buck and Filatotchev, 2008; Qin, Wright and Gao, 2017). In our analysis, international experience acts to temper the potential for entrepreneurial activity at home, reflecting how the knowledge gained is not directly replicable at home due to unstable institutions and different business practices. We also find that individuals owning property in their host country are less likely to return, while those with university level education prior to migration are more likely to return but less likely to have entrepreneurial intentions. This again reflects how post-conflict environments struggle to absorb the benefits of diaspora experience to benefit homeland reconstruction.

As Kotorri (2017) notes, policies should focus on improving on the business environment and business investment promotion to encourage migrants to return. In this regard, general improvements in the institutional environment need to be made to encourage more investment. Beyond this, Kosovo can seek to learn from successful policies elsewhere and transfer them to a new context (Williams, 2018). In particular schemes which link economic actors in the home and host countries to enhance networks and foster inward investment offer potential. The Re-Connect Scheme in Bosnia and Herzegovina which involved the transfer of knowledge and skills from young diaspora to re-engage with their native country (Efendic et al, 2014), and the Transfer of Knowledge through Expatriate Nationals (TOKTEN) programme, which aimed to match migrants with appropriate expertise at home for specific projects and has been undertaken in a number of countries, both offer policy lessons. While the results are patchy, mainly due to short term engagements between home and host individuals (Efendic et al, 2014), such policy levers can be learnt from and applied.

We acknowledge that the article contains some inherent limitations. Our study took place in 2008/2009 and focused on migrants returning to Kosovo. This limits the generalisability of our findings, as it does not consider migrants in within their host country. While the article focuses on the single country context of Kosovo, which again limits generalisability, it nonetheless provides lessons for other countries where conflict has seen forced migration and the diaspora are now returning. This is particularly true for European Union countries who are receiving large numbers of forced migrants, for example as a result of conflicts in Syria and Ukraine (World Bank, 2016). As a result the findings of our study provide evidence for stakeholders working on integration and repatriation programmes. Future research is needed to examine how these waves of migration can be reversed by attracting productive entrepreneurs home following the end of violence so that they can contribute to reconstruction and development. Future research could focus on fine grained analysis (Davidsson and Wiklund, 2001) of different institutional conditions, in particular to tease out the differential effects of reforms to both formal and informal institutions across post-conflict economies with different growth paths. Future research could also attempt to unpack the significance of a range of institutional factors and their influence on diasporans intentions to return and their entrepreneurial intentions, in order to identity the key institutional conditions that will attract forced migrants to return as well as those moving for opportunity.

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Tables

Table 1: Variable description

VARIABLES	Meaning	Measurement
Dependent variables		
Entrepreneurship intention (1=yes)	Entrepreneurship intention of migrants to start-up business in home country	Takes value of 1 if migrant has plans to invest in Kosovo in the near future, 0 otherwise
Return Intention (1=yes)	Intention of migrant to return in home country	Takes value of 1 if migrant has plans to return to Kosovo in the near future, 0 otherwise
Independent variables		
Gender (male=1)	Gender of migrant	Takes value of 1 if migrant is female, 0 otherwise
Migrant's Age	Age of migrant at the interviewing time	Number of years
Migrant's age squared	Age of migrant at the interviewing time	Number of years squared
Migration duration (years)	Number of years since the migrant is abroad	Number of years abroad since emigrated for Kosovo
Marital status (Married=1)	Civil status of the migrant	Takes value of 1 if married, 0 otherwise (single, engaged, divorced, widowed)
Employed family members	Employment of family members and risk sharing	Number of family members who are above 18 and are employed
Self-employment experience abroad	Self-employment and entrepreneurial experience of migrant in migrant's country	Takes value of 1 if migrant has been or involved in any business activity
Forced migration (Kosovo War, 1999=1)	Conflict/War induced Diaspora	Takes value of 1 if migrant has left Kosovo because of War in 1999, 0 otherwise
Lack of trust in institutions (1=lack of trust and high risk to open bank account in Kosovo)	Lack of trust on institutions and perception of Kosovo as high risk to open an bank account	Takes value of 1 if respondent answered 1 of these answers to a question "why you don't have an bank account in Kosovo); 1- lack of Trust, 2-Very high risk
University education prior migration	Educational attainment of migrant prior to their migration	Takes value of 1 if migrant has completed university education prior his/her emigration, 0-otherwise
Owns property in migration country	Ownership status of migrant	Takes value of 1 if migrant owns property in migration country, 0-otherwise
Foreign Spouse	Marriage with foreign spouse	Takes value of 1 if migrant is married with foreign origin spouse, 0-otherwise
Family size	Number of family members living together	Number of family members

Accumulated knowledge and experience in migration	Knowledge and experience accumulated during the migration period	Takes value of 1 if respondent answered Yes to this question: I think that my accumulated knowledge and experience abroad is important for my decision to invest in business. 0- No.
Professional and qualified jobs	Stock of skills level	Takes value of 1 if respondent has one of the following jobs: professional, qualified worker, managerial position, 0-otherwise.

Table 2: Heckman Probit model with sample selection for migrant's entrepreneurial intention: *the dependent variable in main equation equals 1 if migrant has return intention and entrepreneurial intention. The dependent variable in selection equation equals 1 if migrant has return intention*

VARIABLES	(Model 1)		(Model 2)	
	Main equation	Selection equation	Main equation	Selection equation
Gender (male=1)	-0.0477	0.0649	-0.0861	0.0183
	(0.215)	(0.145)	(0.163)	(0.151)
Migrant's Age	-0.00495	-0.0552	0.0561	-0.0884**
	(0.0572)	(0.0369)	(0.0402)	(0.0381)
Migrant's age squared	-0.000136	0.000784*	-0.000827*	0.00114**
	(0.000655)	(0.000446)	(0.000477)	(0.000468)
Migration duration (years)	0.0375**	0.0194**	0.00224	0.00397
	(0.0155)	(0.00952)	(0.0114)	(0.0108)
Marital status (Married=1)	-0.215	-0.0728	0.129	-0.115
	(0.233)	(0.138)	(0.163)	(0.150)
Employed family members	-0.00103	0.000169		
	(0.00600)	(0.000895)		
Self-employment experience abroad	0.117	0.0337	0.361*	-0.325*
	(0.293)	(0.179)	(0.192)	(0.189)
Forced migration (Kosovo War, 1999=1)	0.247	0.0242	0.0624	0.00480
	(0.285)	(0.165)	(0.123)	(0.0974)
Lack of trust in institutions (1=lack of trust and high risk to open bank account in Kosovo)	-1.355***	-0.00239	-0.842***	0.0930
	(0.133)	(0.129)	(0.184)	(0.171)
University education prior migration	0.331	0.294*	-0.0321	0.137
	(0.266)	(0.165)	(0.129)	(0.130)
Owns property in migration country		-0.454***		-0.281
		(0.134)		(0.196)
Foreign Spouse		0.114		-0.250**
		(0.146)		(0.0996)
Family size			-0.0602	0.0583
			(0.0393)	(0.0387)
Accumulated knowledge and experience in migration			0.000817***	-0.00106***
			(0.000143)	(0.000144)
Professional and qualified jobs			-0.363***	0.459***
			(0.121)	(0.108)
Constant	-0.497	0.587	-0.0339	1.643**

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	(1.089)	(0.717)	(0.771)	(0.734)
Diagnostics				
Likelihood ratio test of indep. eqns. $\rho = 0, \chi^2_{(1)}$	2.72*		6.35**	
Log likelihood	-573.5562		-529.508	
Censored observation	372		370	
Uncensored observation	343		342	

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: Marginal effects after probit with sample selection

y = Pr(entrepreneurial intention =1|return intention=1) (predict, pcond) = .08836286

Variables	dy/dx	Std. Err.	z	P>|z|	[95%	C.I.]	X
Gender (male=1)	-0.057	0.084	-0.670	0.500	-0.222	0.108	0.875
Migrant's Age	-0.021	0.025	-0.830	0.405	-0.070	0.028	38.278
Migrant's age squared	0.000	0.000	0.630	0.532	0.000	0.001	1550.560
Migration duration (years)	0.005	0.008	0.610	0.542	-0.011	0.020	12.302
Marital status (Married=1)	0.019	0.082	0.230	0.821	-0.142	0.180	0.803
Family size	-0.005	0.024	-0.220	0.828	-0.053	0.042	3.579
Self-employment experience abroad	0.056	0.099	0.570	0.571	-0.138	0.251	0.079
University education prior migration	0.071	0.065	1.090	0.275	-0.056	0.198	0.100
Accumulated knowledge and experience in migration	0.000	0.000	-1.540	0.123	0.000	0.000	563.253
Profesional and qualified jobs	0.058	0.071	0.820	0.412	-0.081	0.198	0.681
Forced migration (Kosovo War, 1999=1)	0.054	0.081	0.670	0.502	-0.104	0.212	0.091
Lack of trust and high risk perception in institutions (1=lack of trust and high risk to open bank account in Kosovo)	-0.568	0.092	-6.190	0.000	-0.748	-0.388	0.906
Owns property in migration country	-0.099	0.026	-3.840	0.000	-0.150	-0.049	0.052
Foreign Spouse	-0.110	0.025	-4.380	0.000	-0.159	-0.061	0.117

dy/dx is for discrete change of dummy variable from 0 to 1

Appendix

Table A1. Summary statistics for explanatory variables

Variables	Obs	Mean	Std. Dev.	Min	Max
Entrepreneurship intention (1=yes)	715	0.06	0.24	0	1
Return Intention (1=yes)	715	0.48	0.50	0	1
Gender (male=1)	715	0.87	0.33	0	1
Migrant's Age	715	38.28	9.23	18	70
Migrant's age squared	715	1,550.32	755.12	289	4900
Migration duration (years)	715	12.30	6.61	1	39
Marital status (Married=1)	715	0.80	0.40	0	1
Family size	715	3.58	1.65	0	12
Employed family members	715	2.03	0.92	0	7
Self-employment experience abroad	715	0.08	0.27	0	1
Accumulated knowledge and experience in migration	712	0.15	0.35	0	1
Profesional and qualified jobs	715	0.68	0.47	0	1
Forced migration (Kosovo War, 1999=1)	715	0.09	0.29	0	1
Lack of trust and high risk perception in institutions (1=lack of trust and high risk to open bank account in Kosovo)	715	0.91	0.29	0	1
University education prior migration	715	0.10	0.30	0	1
Owns property in migration country	715	0.05	0.22	0	1
Foreign Spouse	715	0.12	0.32	0	1

Table A2: Correlation matrix of explanatory variables

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Gender (male=1)	1														
2	Migrant's Age	0.1847	1													
3	Migrant's age squared	0.172	0.9885	1												
4	Migration duration (years)	0.0641	0.6338	0.6426	1											
5	Marital status (Married=1)	0.0908	0.3569	0.3167	0.1464	1										
6	Family size	0.009	0.3937	0.374	0.2797	0.5104	1									
7	Employed family members	0.0345	0.3556	0.3679	0.2934	0.2867	0.6408	1								
8	Self-employment experience abroad	0.0631	0.1301	0.1231	0.034	0.0133	0.0051	0.0137	1							
9	Accumulated knowledge and experience in migration	0.0601	0.1451	0.1488	0.0809	0.0545	0.0937	0.1381	0.2189	1						
10	Profesional and qualified jobs	0.0513	0.11	0.1034	0.2489	-0.0124	-0.0524	0.0567	0.1439	0.1379	1					
11	Forced migration (Kosovo War, 1999=1)	0.0313	-0.0354	-0.0427	-0.1102	-0.0272	0.0011	-0.0255	0.0523	-0.0068	-0.0238	1				
12	Lack of trust and high risk perception in institutions (1=lack of trust and high risk to open bank account in Kosovo)	0.0236	0.0071	-0.0104	-0.0493	0.0584	0.0314	-0.011	-0.0309	0.0107	-0.0966	0.0353	1			
13	University education prior migration	-0.1293	-0.1511	-0.1439	-0.205	-0.0241	-0.077	-0.0659	-0.0276	0.0084	0.1472	0.0247	0.0109	1		
14	Owns property in migration country	-0.0837	-0.0146	-0.0229	0.0343	0.0681	0.0291	0.0203	0.0256	0.0107	0.1059	-0.0303	-0.0546	-0.0146	1	
15	Foreign Spouse	0.0182	-0.0792	-0.0907	-0.082	0.1797	0.0105	-0.0063	0.154	0.0976	0.1546	0.0216	-0.0478	0.1128	0.1713	1