

**State Support for Return Migrants Entrepreneurship  
in Tajikistan**

by

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In the name of Allah, most benevolent, ever-merciful

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## Table of Contents

<b>ACKNOWLEDGEMENT .....</b>	<b>2</b>
<b>LIST OF FIGURES .....</b>	<b>5</b>
<b>LIST OF TABLES.....</b>	<b>5</b>
<b>ABSTRACT .....</b>	<b>7</b>
<b>CHAPTER 1 .....</b>	<b>8</b>
<b>INTRODUCTION.....</b>	<b>8</b>
<b>1.1 BACKGROUND OF THE STUDY.....</b>	<b>8</b>
<b>1.1 REMITTANCES.....</b>	<b>10</b>
1.1.1 REMITTANCES AND DEVELOPMENT .....	13
1.1.2 TAJIKISTAN IN CONTEXT.....	15
<b>1.2 STATE SUPPORT OF ENTREPRENEURSHIP .....</b>	<b>16</b>
<b>1.3 STATEMENT OF THE PROBLEM.....</b>	<b>18</b>
<b>1.4 OBJECTIVES OF THE STUDY .....</b>	<b>19</b>
<b>1.5 RESEARCH QUESTIONS .....</b>	<b>19</b>
<b>1.6 SCOPE AND LIMITATIONS OF THE STUDY .....</b>	<b>19</b>
<b>1.7 ORGANIZATION OF THE STUDY .....</b>	<b>20</b>
<b>CHAPTER 2 .....</b>	<b>21</b>
<b>LITERATURE REVIEW .....</b>	<b>21</b>
<b>2.1 INTRODUCTION.....</b>	<b>21</b>
<b>2.2 RETURN MIGRANTS AND ENTREPRENEURSHIP.....</b>	<b>21</b>
<b>2.3 INDIVIDUAL FACTORS .....</b>	<b>22</b>
<b>2.4 FACTORS INVOLVED IN THE MIGRANTS' EXPERIENCES.....</b>	<b>25</b>
<b>2.5 FACTORS RELATED TO GOVERNMENT SUPPORT.....</b>	<b>29</b>
2.5.1 THE PARE 1+1 PROGRAM IN MOLDOVA .....	30
2.5.2 THE "TRES POR UNO" PROGRAM IN MEXICO .....	31
<b>CHAPTER 3 .....</b>	<b>33</b>
<b>SURVEY DATA ON RETURN MIGRANTS .....</b>	<b>33</b>
<b>3.1 INTRODUCTION.....</b>	<b>33</b>
<b>3.2 RESEARCH DESIGN.....</b>	<b>33</b>

<b>3.3</b>	<b>PRIMARY DATA COLLECTION .....</b>	<b>33</b>
<b>3.4</b>	<b>DATA DESCRIPTION .....</b>	<b>35</b>
3.4.1	RETURN MIGRANTS' CHARACTERISTICS.....	35
3.4.2	RETURN MIGRANTS' EARNINGS.....	38
3.4.3	RETURN MIGRANTS' AWARENESS AND BEHAVIOUR.....	41
<b>3.5</b>	<b>DATA ANALYSES.....</b>	<b>43</b>
 <b>CHAPTER 4 .....</b>		 <b>44</b>
 <b>RETURN MIGRATION AND ENTREPRENEURSHIP: COMPARISON WITH NON-ENTREPRENEUR RETURNEES .....</b>		 <b>44</b>
4.1	INTRODUCTION.....	44
 <b>CHAPTER 5 .....</b>		 <b>53</b>
 <b>DETERMINANTS OF ENTREPRENEURSHIP DECISION .....</b>		 <b>53</b>
5.1	INTRODUCTION.....	53
5.2	VARIABLES AND SPECIFICATION.....	53
5.2.1	INDIVIDUAL CHARACTERISTICS.....	53
5.2.2	ENTREPRENEURIAL INVESTMENT.....	55
5.2.3	GOVERNMENT SUPPORT.....	55
5.3	BINARY PROBIT MODEL.....	57
 <b>CHAPTER 6 .....</b>		 <b>60</b>
 <b>EMPIRICAL FINDINGS .....</b>		 <b>60</b>
 <b>CHAPTER 7 .....</b>		 <b>67</b>
7.1	.....	67
<b>CONCLUSION .....</b>		<b>67</b>
7.2	RECOMMENDATION .....	68
 <b>REFERENCES .....</b>		 <b>69</b>

## LIST OF FIGURES

Figure 1.1: Emigration from Tajikistan	9
Figure 1.2: Remittance Flow to Developing Countries 1990–2019	11
Figure 1.3: Top Ten Countries by Remittances Received in 2017	12
Figure 1.4: Top Ten Countries by Share of Remittances in GDP in 2017	13
Figure 1.5: Volume of Remittances and Export and Import Products as a Share of GDP	16
Figure 1.6: Doing Business 2018, Distance to Frontier	17
Figure 4.1: Age	45
Figure 4.2: Education	46
Figure 4.3: Duration of Stay Abroad	47
Figure 4.4: Occupation while Migration	46
Figure 4.5: Entrepreneurial Skills	49
Figure 4.6: Familiarity with Government Support	49
Figure 4.7: Saving	50
Figure 4.8: Average of Amounted Remittances	50
Figure 4.9: Primary Purpose of Sending Money	51
Figure 6.1: The Main Problematic Factors for Doing Business in Tajikistan	65

## LIST OF TABLES

Table 3.1 Return Migrants' Characteristics	37
Table 3.2 Return Migrants Earning	40
Table 3.3 Return Migrants' Awareness and Behavior	42
Table 5.1 Definition of the Explanatory Variables	58
Table 6.1: Probit Model Estimation on the Determinants of Returnees' Entrepreneurial Decisions	63

### **Certification Page**

I, KHABIBOV Farkhod (Student ID 51216605) hereby declare that the contents of this Master's Thesis are original and true, have not been submitted at any other university or educational institution for the award of degree or diploma.

All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

KHABIBOV Farkhod

June 15, 2018

## **ABSTRACT**

This thesis uses primary data of 260 return migrants to Tajikistan in order to determine factors which are highly associated with entrepreneurial decision of returnees. Several potential factors have been estimated with relationship of entrepreneurship and divided into the following groups: individual characteristics, entrepreneurial investment and governmental support. The results suggest that amount of overseas saving, entrepreneurial skill and being familiar with the governmental support are the strongest distinguishing factors effecting entrepreneurial decision of returnees.

# CHAPTER 1

## INTRODUCTION

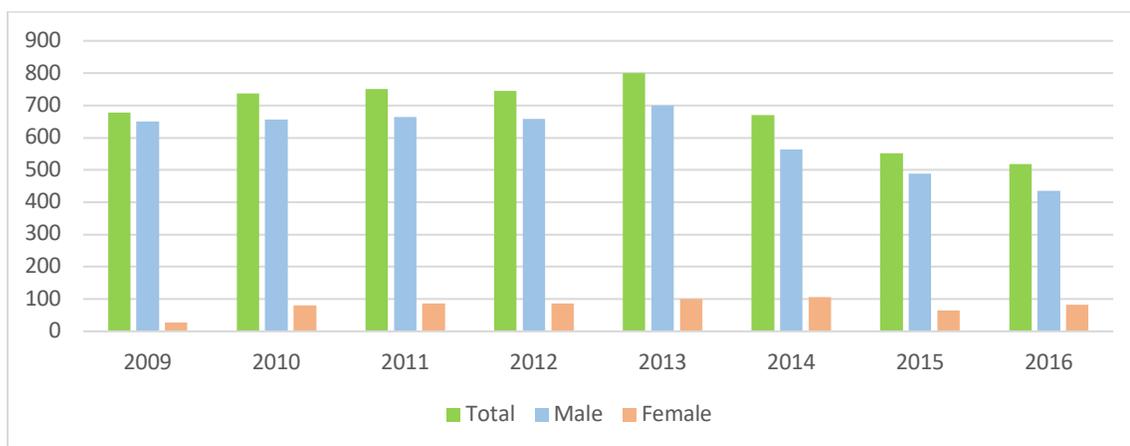
### 1.1 Background of the Study

Since Tajikistan gained its independence from Soviet Union in 1991, the country has experienced a high level of emigration. This migration was motivated by a civil war that began following independence, during which time large industrial enterprises became idle due to a lack of the raw materials that were formerly imported from other countries. The suspension of enterprise led to an increase in unemployment, worsening the socioeconomic situation of the country's population, which resulted in labour migration out of Tajikistan.

Presently, approximately 40,000 people are entering the Tajikistani labour force annually, which the economy is unable match in job creation. Lack of job creation is another factor that has led to increasing emigration (Strokova & Ajwad, 2017). Thus, in the last decade, migration has become a phenomenon affecting various aspects of society and exerting an ambiguous impact on the country's economy. Labour migration possesses a seasonal character, and annually, approximately 600,000 citizens leave Tajikistan to search for jobs in other countries. The majority of these migrants, approximately 97% of the total, go to Russia, and the remaining 3% relocate to the Commonwealth of Independent States, which includes Kazakhstan, Kyrgyzstan, Belarus, and Ukraine.

Currently, uncertain number of migrants are living and working abroad. According to the 2016 Federal Migration Service of the Russian Federation, 1.2 million citizens of Tajikistan were residing in Russia. Most of these migrants are employed in the informal sectors, such as in construction, as well as in the trade services.

Figure 1.1: Emigration from Tajikistan



Source: This figure is the author's original creation based on data from annual reports of the Ministry of Labour, Migration, and Employment of Population of the Republic of Tajikistan.

This high level of emigration weakens the economy of Tajikistan, rendering it vulnerable to external shocks. For instance, in mid-2014 when Russia was challenged with sanctions, a fall in the price of oil, and a weakened currency, the number of Tajik migrant workers in Russia began to fall, reduced in 2016 by 35.4% compared to the 2013 figure, leading to a wave of migrants returning to Tajikistan (see Figure 1.1). This phenomenon increased the level of unemployment in Tajikistan, worsening its socioeconomic situation.

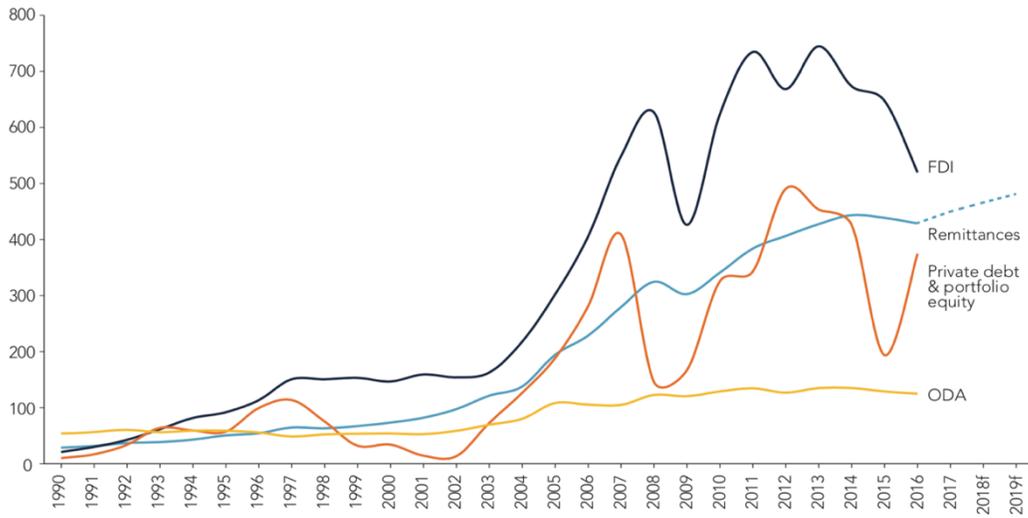
Seasonal emigrant workers tend to return to Tajikistan periodically, to visit families or spend time in their homeland; however, a part of migrants found themselves in different circumstances and were deported from Russia (or else banned from re-entry) for a period of 3 to 10 years. Russia represented the primary destination for emigrants, and by the end of 2015, the group of Tajik migrants banned from entering Russia was estimated around 333,000 people. The government of Tajikistan has failed to develop a clear mechanism either for addressing the reintegration of returnees or for providing support for employment. Thus, most

returnees feel invisible and out of demand to the economy, and they do not see any actions taken to stabilise their lives in their home country.

## 1.1 Remittances

The World Bank (2017) reports that the official amount of remittances sent by international emigrant workers to developing countries increased after two years of decline, currently consisting of around \$450 billion US in 2017, a growth of 4.8% from \$429 billion US in 2016 (see Figure 1.2). The sum of money sent as remittances exceeded the volume of official development aid and followed by foreign direct investment. However, the amount of actual remittances may, in fact, be double the official number since many emigrant workers transfer their income through informal channels or bring it with them upon their return (Meyer & Shera, 2017). Additionally, the official data on migrant remittances may be undervalued because many central banks in developing countries face difficulties separating inflow from emigrant workers from other transactional sectors. In this case, a large part of remittances is recorded as other private transfers (Straubhaar & Vădean, 2005). Thus, a high volume of remittances has become an important financial source for several developing economies (Manyonga & Lubambu, 2014).

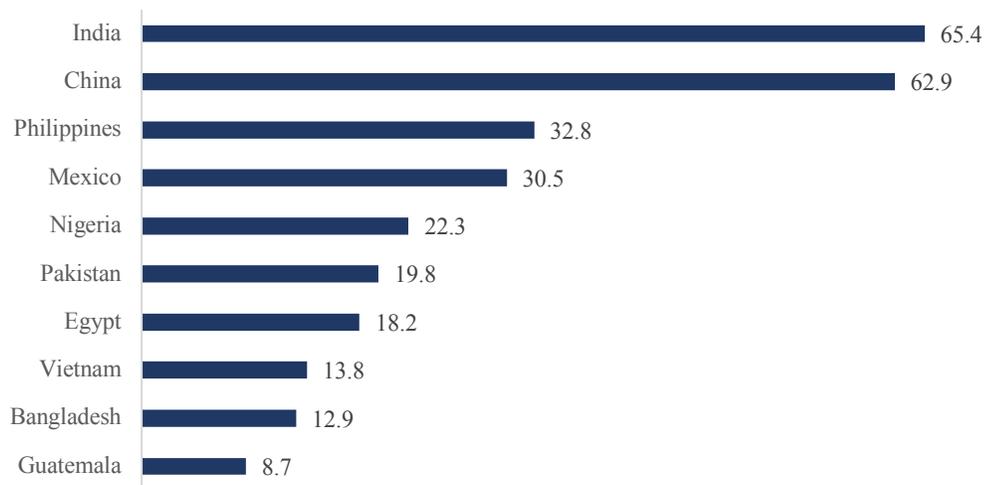
Figure 1.2: Remittance Flow to Developing Countries (Billions of USD), 1990–2019



Source: Figure has been copied from the World Bank Report ‘Migration and Development Brief 28’ (Note: FDI = foreign direct investment; ODA = official development assistance).

It is important to note that the countries receiving the greatest amounts in remittances are also the most populous, foremost among them being India (65.4 billion USD) followed by China (62.9 billion USD). Other developing countries are also among this group, such as the Philippines (32.8 billion USD), Mexico (30.5 billion USD), Nigeria (22.3 billion USD) and Pakistan (19.8 billion USD). These six economies received more than half (51.9%) of all remittances flowing into the developing nations of the world in 2017 (see Figure 1.3). However, it should be noted that the massive financial inflow into their economies is insignificant. For instance, in 2017, remittances equalled approximately 0.3% and 2.1% of GDP for China and India, respectively.

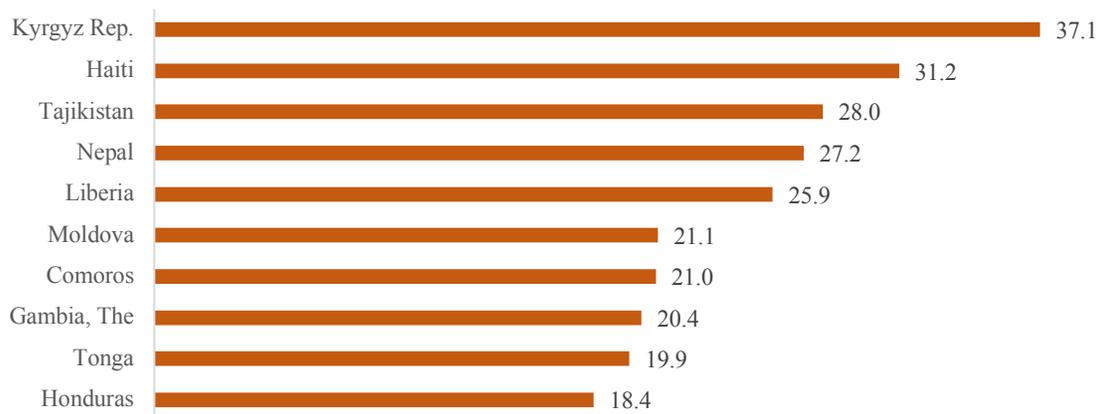
Figure 1.3: Top Ten Countries by Remittances Received in 2017 (Billions of USD)



Source: Figure is the author's original creation using data from the World Bank Report 'Migration and Development Brief 28.'

In 2017, among the top remittance-dependent countries, Kyrgyzstan, a post-Soviet nation 37.1% of the cumulated GDP coming from remittances, represents the most dependent remittances. Tajikistan (at 28.0% GDP from remittances), and Moldova (21.1%), also post-Soviet countries, took the third and sixth places, as reported in Figure 1.4. Thus, data from the World Bank indicates that it is mostly small, low-income countries that become dependent on remittances in comparison to other developing nations. Moreover, amount inflow remittances also consist a significant portion of their imports products.

Figure 1.4: Top Ten Countries by Share of Remittances in GDP in 2017 (percent)



Source: Figure is the author's original creation using data from the World Bank Report 'Migration and Development Brief 28.'

### 1.1.1 Remittances and Development

Despite the importance of remittance income to developing countries, their effectiveness with respect to development is controversial. On the one hand, migrant income inflow has a positive impact on poverty reduction (Adam & Page, 2005), educational attainment (Acosta, Fajnzylber, Lopez, 2007), spending on health care (Mansuri, 2007), investing in business (Woodruff & Zenteno, 2006), and on the economic development of the recipient countries as a whole (Stojanov & Strielkowski, 2013). Remittances also serve as a financial instrument for improving credit constraints and for developing monetary policies in low- and middle-income countries (Giuliano and Ruiz-Arranz, 2009).

On the other hand, however, remittances hurt economic growth through their negative impact on labour force participation (Chami et al., 2003), appreciation of the exchange rate (Straubhaar & Vădean, 2005), and reduction of competitiveness. Massive remittance inflow, for instance, may cause to the appearance of 'Dutch Disease' in recipient countries. Originally, the term Dutch Disease, first invented by *The Economist* in 1977, was associated with the disclosure of natural resources. However, it can be the consequence of any massive financial inflow to a country,

such as through foreign direct investment, foreign aid, and the increasing inflow of remittances. Thus, while Dutch Disease is occurring, remittances generate higher demand for tradable products in a country where production capacity is low. This may lead to the appreciation of exchange rates where the price of domestic tradable goods is overvalued. Consequently, the productivity of local industries faces a decline, and as a result, this phenomenon exerts pressure on the balance of payments, slows down the job creation rate, and raises the individual incentives to migrate overseas (Straubhaar & Vădean, 2005).

Remittances also incentivise recipient households to reduce their presence in the labour market. As households become heavily dependent on remittances, they no longer participate in the labour market, which creates the problem of moral hazard between senders and receivers, a phenomenon that decreases economic activity (Chami et al., 2003).

Overall, remittances acting as private monetary inflow have different consequences for developing economies, depending on how they are spent or invested. If remittances increase the ability of households to purchase products and to invest, they stabilise the country's economy as a whole. However, once the remittances decline, the result is an economic recession, especially in a country that is heavily dependent on them. Also, remittances lead to a reduction of the labour force in the local market. When individuals within families see the possibility of earning money overseas and emigrate, their absence may negatively affect agricultural activities and lead to a reduction in overall productivity. Thus, the only way that remittances can lead to long-term economic growth is if the financial inflow is invested in entrepreneurial activity.

### 1.1.2 Tajikistan in Context

The massive inflow of remittances by Tajikistani emigrant workers is also linked to the beginning of the civil war in 1991. Remittances aided the majority of the population in compensating for their loss of capital and boosted the economy during the transition period. Moreover, they eased both general social tension and pressure on the government.

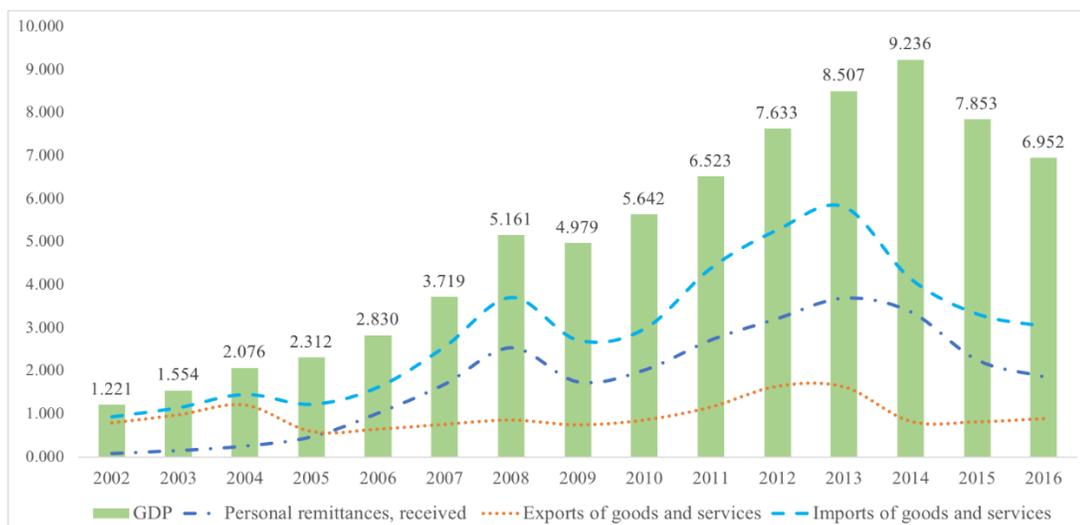
In 2013, before the economic crisis, the amount of money flowing into the economy of Tajikistan from emigrant workers is estimated at \$3.698 billion USD, equal to 43.4% of share GDP (World Bank Indicators, 2018), making Tajikistan the country most dependent on remittances in the world in 2013 (Factbook, 2016). However, due to economic embargo of the Russia Federation, money transacted by emigrant workers in 2016 was reduced by 34.8% compare to in 2013 (The World Bank Indicators, 2018).

Nowadays, many scholars, international organizations, and local governments acknowledge that remittances have led to social and economic changes in Tajikistan. On the one hand, remittances raised the profitability of households, which in turn improves access to food, education, and healthcare; however, on the other hand, the absence of the head of the household and other family members adversely affected the social and psychological aspects of families and, above all, of children. Thus, remittance inflow caused heavy dependence not only on the part of households but also of the national economy as a whole.

In fact, the high level of remittances in the economy of Tajikistan has increased domestic demand of consumption. However, upon examining the dynamics of remittances, net imports and GDP, almost 82% of remittances are directed on imported goods (see Figure 1.5). That is to say, due to the slow productivity of enterprises in Tajikistan, imported products represent an outflow of remittances overseas through local companies. Consequently, the contribution of the

monetary inflows by emigrant workers remains limited in its capacity to facilitate the development of national economy.

Figure 1.5: Volume of Remittances and Export and Import Products as a Share of GDP (Billions of USD)



Source: Figure is the author’s own creation using data from the World Bank Indicators, 2017

## 1.2 State Support of Entrepreneurship

State support of entrepreneurship is a means of achieving the economic and social objectives of both current and future stages of development. The encouragement of entrepreneurship, particularly by improving the investment and business climate, is a priority in the macroeconomic policy of the government of Tajikistan. Currently, the share of the private sector in the country's GDP is almost 68%. Moreover, the private sector provides 67% of the population with work and 80% of tax revenues to the national budget.

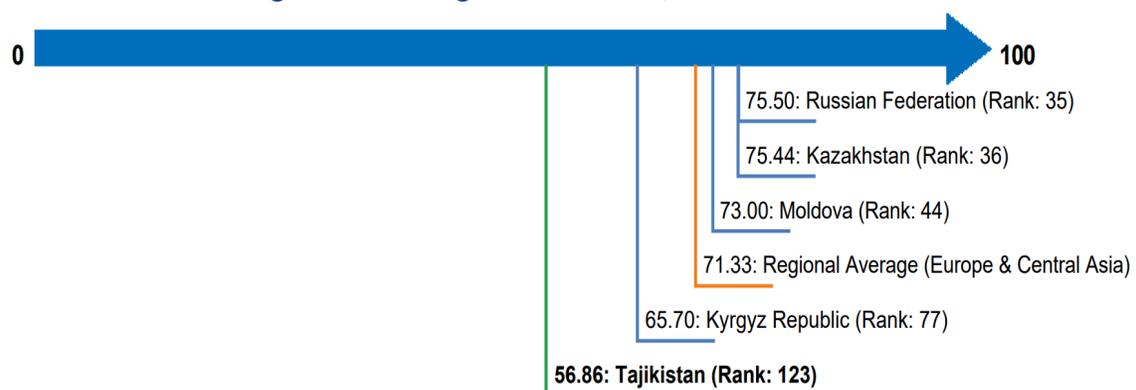
The development of entrepreneurship in Tajikistan is associated with the creation of regulatory, financial and legal conditions. The primary regulation of entrepreneurial activity is performed by the Civil Code of the Republic of Tajikistan and by the legislative acts which specify its main provisions.

In 2002, the government of Tajikistan adopted the law ‘On state protection and business support in the Republic of Tajikistan’, in which general principles and forms and directions of policy at the state level are formulated. Functionally, on a national scale, the entire system of measures for state support of small business development is classified into the following areas:

- a) Formation of the regulatory and legal framework for support and the development of small business;
- b) Financial, credit and investment support;
- c) Production and innovatory support and the creation of new work places;
- d) Information support;
- e) Formation of infrastructure for the support and development of small entrepreneurship;
- f) Social security and safety in a small entrepreneurship;
- g) Establishment of a system of state and public support.

Despite the fact that supporting entrepreneurship is declared to be a priority for economic reform, the establishment of a sound environment for sustained entrepreneurial activities remains underdeveloped. For instance, according to a World Bank estimation, in 2018 Tajikistan took 123<sup>rd</sup> place among 190 countries on the ‘ease of doing business’ ranking (see Figure 1.6).

Figure 1.6: Doing Business 2018, Distance to Frontier



Source: Figure has been copied from the ‘Doing Business 2018’ indicators, pp. 4.

Thus, the World Bank claim that in Tajikistan entrepreneurship is faced with numerous challenges, such as high taxes rates, access to finance, a lack of highly qualified personnel, the complexity of registration, and numerous unlawful encroachments on property and the right to operate. These barriers hinder the establishment and development of entrepreneurship as a complete sector of the national economy.

### 1.3 Statement of the Problem

To address above mentioned problems, many scholars and international organizations claim that supporting returned migrants for entrepreneurial activities is the most important, relevant, and necessary strategy for economic development. As entrepreneurs are supposed to make the economy of Tajikistan independent from other countries, especially Russian, because entrepreneurs might be generated new work places for regional residents. Thus, government interventions are very important for the development of entrepreneurial activities. It is impossible to ensure the encouragement of entrepreneurship without providing direct state protection, deduction of tax pressures, granting of preferential loans, training, creating informational infrastructures, and ensuring legal protection of entrepreneurs from bureaucratic arbitrariness and crime. Thus, this study aims to determine the factors that are highly associated with return migrants' decisions to be entrepreneurs. Moreover, the results of this study will set forth the fundamentals for implementing the reform of government-undertaken policy on labor migration and establishing businesses.

## 1.4 Objectives of the Study

- To identify the benefits which influenced returnees being entrepreneurs in the past by comparing migration history;
- To determine and investigate the factors which could attract return migrants' decision to engage in entrepreneurial activities;

## 1.5 Research Questions

This study focuses on the following research questions:

- What benefits returnees gained from past migration history which influenced to become entrepreneurs?
- What factors are behind return migrants' decision more likely to become entrepreneurs?

## 1.6 Scope and Limitations of the Study

This study will mainly focus on the factors that may influence return migrants' decisions about starting up their businesses. Based on available information, we divided factors by three groups: personal characteristics, migration history, and government support. However, existing literature on state support of migrant entrepreneurship in origin countries remains limited despite an increasing interest in the issue. With regards to Tajikistan, the author could not determine the current literature on the issue. Moreover, information on supporting return migrants for entrepreneurship was not available on official public websites. In this regard, the author provided an online interview with public authorities in order to understand and determine implemented policies on attracting migrants to entrepreneurship; however, there has not been any source that could connect return migrants to entrepreneurship. Unfortunately, the author also could not access the remittance data recorded by the National Bank of Tajikistan because of secured sources on the

subject. However, observed remittances on absolute and economic term data have been used in World Bank indicators.

### 1.7 Organization of the study

This thesis consists of seven chapters. The first chapter introduces the objectives, and significance of the study. The second chapter reviews the literature related the factors which are behind entrepreneurial decision of returnees, while the third chapter describes primary data on return migrants. Chapter four is involve comparison between return migrants who have experienced on entrepreneurship with those who never involved. Chapter five is about determinants of entrepreneurship decision of returnees. Chapter six presents empirical findings which were applied in Binary Probit Model. Chapter seven is represent conclusion and recommendation of this study.

## CHAPTER 2

### Literature Review

#### 2.1 Introduction

This chapter reviews the current literature on the factors behind the return migrants' decisions to become entrepreneurs. It seeks to determine their individual characteristics; migration experiences and the government support they receive. Therefore, the first part briefly describes the efficiency of encouraging returned migrants to enter into entrepreneurship. The second part reviews the impact of age and education on the entrepreneurial decisions of returnees. The third part reviews the duration of their stay, their remittances and their saving habits as factors that influence the return migrants' decisions relating to entrepreneurship. The last sections review the governmental support received by the migrants, including the experiences of Moldova and Mexico and the programs they implemented to engage migrants' human and financial capital in development.

#### 2.2 Return Migrants and Entrepreneurship

Various studies have focused on the relationship between migration and entrepreneurship and have largely investigated whether returned migrants are able to engage in entrepreneurial activities (Silverio & Jessica, 2015; Wahba & Zenou, 2012; DeMurger & Xu, 2011; Piracha & Vadean, 2010; Lianos & Pseiridis, 2009; Mesnard, 2004; Dustmann & Kirchkamp, 2002; Arif & Irfan, 1997; Ilahi, 1999). Most of these studies were conducted in low and middle-income countries, where people decide to work outside the country in order to supplement their income. They found that when the migrants returned home, most of them preferred to be

independent and self-employed, rather than to continue working as government employees. A review of various empirical studies, such as Wahba and Zenou (2012) and Piracha and Vadean (2010), demonstrated that return migrants in Egypt and Albania were more likely to become self-employed upon their return. Gmelch (1980) explains this decision by arguing that if return migrants engage in entrepreneurship, they will have more opportunities for achieving a comfortable standard of living in their home countries. However, encouraging return migrants to engage in entrepreneurship has several other advantages for their home countries. It improves the employment rate (Sergio & Weintraub, 1991) and contributes to innovation, productivity (Ndoen, et al., 2002) and poverty alleviation (Landes, 1998).

However, the returnees' decisions to become entrepreneurs are dependent on the opportunities available in their home countries (Ndoen et al., 2002). This study therefore seeks to determine the factors that influence the migrants' decisions to engage in entrepreneurial activities upon their return. Most of the existing literature claims that the main factors influencing the entrepreneurial drive of return migrants are (i) individual factors, (ii) past migration experiences, and (iii) governmental support.

### 2.3 Individual Factors

Several empirical studies have stressed the importance of human capital (age and education) as determinants of migrants' decisions to engage in entrepreneurship. For instance, Piracha et al. (2013) found that age indirectly increased the propensity of return migrants to become entrepreneurs due to the financial and human capital they had accumulated. Similarly, Hisrich and Brush (1988) found that engaging in entrepreneurial activities influences age as it enables individuals to accumulate human capital. Alarcón and Ordóñez (2015) reached the same conclusion in the case of Loja, Ecuador by representing a non-linear relationship. They discovered that the probability of becoming entrepreneurs was mostly associated with a young age

under 40 years old. Likewise, Murger and Xu (2011) found this relationship in the case of rural to urban in China. However, McCormick and Wahba (2001) found that age did not have much effect on the likelihood of returnees becoming entrepreneurs in Egypt. They explained this by the fact that ten additional years in the age of emigrant workers resulted in less than half proportion on the likelihood of owning a business and barely less probability of investing in a project. In addition, Devkota (2016) analyzed the data for Nepal and found that the age structure was not significantly involved in entrepreneurship.

Overall, these studies indicate that age is admittedly an important factor that influences migrants' decisions to become entrepreneurs. This is because the younger generation is more entrepreneurial since they are more talented, professional and innovative. In addition, they are less disinclined to hazards and are eager to try various alternatives. Young people investigate entrepreneurial courses, as they experience few challenges in entering the formal labor market due to their accumulated work experience.

Another factor that is thought to influence return migrants' decisions to become entrepreneurs is that of education. However, the literature on the effect of education on the returnees' decisions to become entrepreneurs is slightly mixed. On the one hand, various studies found that education did not influence entrepreneurship. For instance, Ilahi (1999), Dijst and Kempen (1991) discovered that migrants more often engaged in entrepreneurship due to their limited education and lower skills, which prevented them from entering the formal labor market. They found that engagement in entrepreneurial activities did not require a high educational background, but only entrepreneurial experiences. In this respect, Mesnard (2004) examined data for Tunisia and concluded that the lack of education among returnees was a positive influence on the probability of their becoming entrepreneurs.

On the other hand, education was also found to have a positive impact on migrant entrepreneurship. In the case of Nepal, Devkota (2016) found that the more educated return migrants were more likely to become entrepreneurs than the less educated ones. There were three factors involved in this phenomenon. Firstly, the more educated migrants may have been earning higher wages in overseas companies, which enabled them to save more in order to invest. Secondly, the educated migrants were better placed to establish networks with their friends or relatives. Likewise, they could use the internet to become more familiar with the socioeconomic positions of their home countries. These networks played a crucial role in the migrants' entrepreneurial activities. Finally, the better-educated individuals had more effective managerial skills in comparison to those who were less educated. Dustmann and Kirchkamp (2002) found that the level of education raised the likelihood of becoming self-employed in the case of return emigrant workers in Turkey. Likewise, Radu and Epstein (2007) reached the same conclusion in the case of Romania.

These findings suggest that return migrants with lower educational levels engage in entrepreneurial activities due to an unfavorable situation, such as having no alternative after failing to find jobs. However, the researcher found no literature on whether returnees with a limited education or limited skills would be successful in entrepreneurial activities. By contrast, the better-educated migrants probably have a higher income abroad, which reduces their financial constraints in starting a business. Moreover, they are more financially literate and are able to make sound decisions regarding the use of remittances. They are also more likely to have remained familiar with the economic circumstances of their home countries while abroad by their use of various networks.

## 2.4 Factors Involved in the Migrants' Experiences

When individuals emigrate temporarily, they are able to gain skills and to save, and these help them to become entrepreneurs in their home countries. For instance, Wahba and Zenou (2012) developed a model that examined the factors affecting the decisions of Egyptian returnees regarding entrepreneurship. They found that migration experiences influenced the return migrants' decisions to become entrepreneurs, enabling them to take advantage of their individual experiences and the financial capital they had acquired overseas. Similar evidence was found by DeMurger and Xu (2011), who analyzed data in cases of return migration from urban to rural areas in China. Going further, Arif and Irfan (1997) investigated the case of Pakistan and found that the engagement of return migrants in entrepreneurship was strongly correlated with the duration of their stay overseas. Likewise, Piracha and Vadean (2010) studied the impact of return migrants on the economy of Albania, and found that past migration experiences had an essential effect on entrepreneurship. Conversely, individuals who had not migrated overseas were less likely to become entrepreneurs.

By contrast, a group of studies suggests that migration experiences can negatively affect entrepreneurship. As Gmelch (1980) explains, returnees who were employed in unskilled jobs abroad did not have any opportunities to gain training, or else failed to invest their accumulated savings for development. A recent study conducted by Naudé et al. (2017) discovered that migrants who settled overseas lost contact with their countries of origin, and subsequently encountered a devaluation of their social capital, which led to difficulties in setting up a business on their return. Mughal (2007) reported that the length of stay overseas was contrarily correlated with remittances, as the connection to the origin nation became feeble and migrants started to develop a stake in the host nation.

These findings show that migrants acquire skills and savings while overseas, which can provide them with good opportunities for entrepreneurship. However, migrants who are employed in unskilled job overseas acquire less knowledge and have less access to the social networks of their origin nations. Moreover, when they stay longer, they gradually lose interest in sending money back home.

Many migrants who work abroad remit a large part of their income to their home countries. Their purpose in sending money is not only to support their family members who are left behind, but there is also some self-interest involved, such as investing for entrepreneurial purposes. Thus, while some entrepreneurial activities were established by emigrant workers when they returned to their origin countries, others were managed by the recipient households and funded by remittances (Sergio & Weintraub, 1991). However, some surveys conducted in several developing countries that received remittances show that only a small share of the international financial inflows were used for productive investment, and that the most significant proportion was spent on consumption. For instance, Nepalian emigrants invested a small percentage of their remittance income (4%) in business activities (Devkota, 2016), while Egyptian emigrants invested 10% (Marchetta, 2012). Therefore, the contribution to viable entrepreneurial activities are thought to be very limited, although they may provide a vital development resource.

However, the empirical evidence regarding the efficiency of remittances for starting or maintaining entrepreneurial activities in the migrants' home countries is controversial. On one hand, some studies found that financial inflows did not have a strong influence on entrepreneurship. For example, in the case of Ecuador, Vasco (2013) examined data from the survey conducted on the Living Standard Measurement in 2005-2006 and found that remittances had little impact on the probability of households becoming rural entrepreneurs. He provided several reasons that explained this result, including a lack of literacy and training, a lack of

familiarity with market opportunities, insufficient access to finance to start a business and weak infrastructure. Likewise, Amuedo-Dorantes and Pozo (2006) studied the interrelationship between remittances and business ownership in the case of the Dominican Republic. They found that monetary inflows reduced the likelihood of owning a business, however, those households who operated businesses, they were more likely to receive financial inflows from overseas. The authors explained these results by pointing out that when remittances increased the income of the recipient households, a higher income led to increases in daily consumption, healthcare and educational attainment, rather than to investment. However, when recipient households already had their own businesses, the emigrants were motivated to transfer more money as they viewed this as an asset that was saved in the household business and would return to them after their return home. Ang et al. (2009) studied the case of the Philippines and found that monetary inflow impacted neither investment nor productivity.

On the other hand, however, some scholars have provided contrasting evidence in other countries. For instance, Woodruff and Zenteno (2006) used enterprise investment data from Mexico and found that both the amount of savings and the remittances received from the migrant members of the family influenced decisions to start a business. Likewise, in the case of Nicaragua, Funkhouser (1992) found evidence that the amount of financial inflow led to increased self-employment among males, but that it did not have any additional effect on females. Piracha et al. (2013) found similar evidence with regard to Tajikistan. They studied the effectiveness of remittances on the occupational outcomes of the households of those who remained in the country and found that the financial inflow increased the likelihood that men would become engaged in a family business, but that it did not have any correlation on the occupational choice of women. Therefore, the authors concluded that emigration and its accompanying monetary inflow can support the

growth of local economies, but that it is not used as capital for new activities. Remittances only play a crucial role in development if the public authorities eliminate constraints, such as corruption, a weak business environment, financial constraint and a vulnerable infrastructure.

As can be seen, remittance is recognized as significant for substantial financial development and credit constraints in several low and middle-income countries. However, their efficiency as an investment for enhancing entrepreneurship remains limited due to a weak business environment in some recipient countries, where investing remittances in entrepreneurship, it would be unfavorable.

In the case of lower income families, migrants often accumulate savings overseas from their remittances in order to invest in entrepreneurial activities when they return to their home countries (Yang, 2006). Thus, according to several studies, overseas saving is one of the crucial factors that influences the return migrants' decisions to become entrepreneurs. For instance, Wahba and McCormick (2001) developed a model for the probability of entrepreneurial activity among Egyptian returnees. They demonstrated that the total amount of their overseas savings positively affected the likelihood of the returnees becoming self-employed. Similarly, Ilahi (1999) used cross-sectional data from Pakistan and found evidence that high amounts of saving while abroad increased the probability of the migrants becoming entrepreneurs upon their return. In the case of Tunisia, Mesnard (2001) examined the decisions of temporary migrants who were credit constrained. She found that those who accumulated higher savings overseas were more likely to return and engage in entrepreneurial activities. Dustmann and Kirchkamp (2002) used unique survey data of migrants who had returned to Turkey, and discovered that half of the returnees used their overseas savings to finance entrepreneurial activities.

All the above studies suggest that higher savings while overseas will resolve the financial constraint of return migrants who desire to run businesses. However,

their accumulated overseas savings are not always sufficient for investing in entrepreneurial activities (OECD, 2015), and the returnees usually face challenges in accessing credit from financial institutions such as banks (Banerjee & Newman, 1993). The main reasons for such difficulties include not having a credit history with the banks and lacking the knowledge required to build profitable business plans to gain credit. In order to respond to such obstacles, the policymakers of some developing countries have collaborated with international organizations to implement support schemes and provide profitable loans and training for migrant entrepreneurship.

## 2.5 Factors Related to Government Support

Supportive government policies are an important factor in facilitating entrepreneurial activities among return migrants. However, studies focusing on government support have been rather limited. Studies conducted by Bobeva (2005) and Eken (2005) discovered that financial support and sound macroeconomic conditions are the main support mechanisms that can attract migrants to entrepreneurship.

In term of financial support, several developing countries have developed policies and programs for attracting migrants to entrepreneurial activities. These programs mainly provide migrants with loans and subsidized interest rates. In this context, the OECD (2015) considers remittances as financial capital for the development of entrepreneurship. It has introduced two types of financial support, namely, “grant-based” and “credit-based” supports schemes for attaching remittances into entrepreneurship. These two schemes have been implemented in Moldova and Mexico, respectively.

### 2.5.1 The PARE 1+1 Program in Moldova

In 2010, the government of Moldova implemented the “PARE 1+1” Program with the assistance of the UN. The main aim of the program was to engage the human and financial resources of emigrant workers in sustainable economic development in order to start or encourage existing businesses in the Republic of Moldova. The program was developed on the basis of “1 + 1” rule. This meant that individuals who invested one euro from their remittances in entrepreneurial activities would receive a second euro from the government’s Program grant. The beneficiaries of the awards were intended to be Moldovan emigrant workers and their closest relatives, such as spouses, children and even parents who received remittances. The program consisted of the following four components: I - Information and Communication; II - Training and Entrepreneurship Support; III - Business Financing / Rule 1 + 1; and IV - Post-Financing Monitoring and Evaluation of the Pilot Program.

The program attracted considerable interest among migrants and their relatives, and they invested their remittances in the creation and development of their businesses. According the NOI.md website, 44 applications for program grants were filed by emigrant workers or their closest relatives in 2018. The majority of the applicants (31) invested in agriculture, including the cultivation of grains and grapes, together with vegetables, livestock and beekeeping. This was followed (9) by investment in the provision of services in entertainment, construction, health and social assistance, grain grinding and car repair. Another group (4) concentrated their activities in the processing industry and the agro-food sector, such as textiles, clothing, wood processing, fuel pellets, leather works and cookie production. Thus, during the period from 2011 to 2017, about 1,100 business projects were financed under the PARE 1 + 1 program, and approximately 10 million euros in remittances were invested. Moreover, an additional 34 million euros in the form of grants were invested, which created around 3,000 new jobs (NOI.md).

### 2.5.2 The “Tres por Uno” Program in Mexico

The history of the Tres Por Uno (“3 x 1”) program can be traced to 1993, when it was called “1x1”, as the government of Zacatecas allocated one peso for every peso invested by the migrants. The conditions of the program gradually changed, and it became known as “2x1” as the state and the municipal government both funded one peso for every peso invested by the migrants. In 2002, the Mexican federal government, states and municipalities started to implement the “Tres por Uno” (“3 x 1”) program. According to the rules, for each peso received in the form of money transferred by the immigrants, three pesos were contributed from the state budget. In 2004, the program succeeded in mobilizing \$70 million, which were then used to finance regional infrastructure and community development projects. In 2005, the program received the new name of the “3x1 Program for Migrants”. The objectives of this new project remained the same, but proposals had to be submitted by organized associations or federations of migrants working overseas, mainly in the United States.

From its first stage, the program was intended to involve migrants in the development of their local communities in their country of origin. According to the available data, the program currently provides for the implementation of projects in several Mexican states. Many streets, sewerage and water supply systems, central squares and churches have already been built in rural areas throughout the country within the framework of the program. One of the best examples for illustrating the usefulness of the program is the experience of Zacatecas state. The municipality of Nochistlan in this state works with 30 associations of migrants in the US, mainly in Southern California. For every two citizens residing in Mexico, there is one migrant living in the United States. The associations of migrants have made a significant contribution to the social and economic development of Nochistlán and the entire

surrounding region. Thanks to the “3x1 program”, 27 infrastructure projects were implemented in the municipality of Nochistlán in 2005 alone.

In addition, the attraction of migrants and their remittances for development purposes is dependent on the macroeconomic policy environment in the emigrants’ home countries. Bobeva (2005) explains that governments lose both the money transferred by the migrants and public money when they do not have a proper remittance policy environment or adopted it in disastrous policies, and their confidence in each instance. Therefore, many Asian governments in migrant sending countries have designed combined efforts and have implemented policies that encourage overseas migrants to transfer their incomes through formal channels, such as the banking system. Such policies have maximized the leverage benefits of the remittances and have increased the migrants’ interest so that they become investors in entrepreneurial activities. In this context, Stahl and Arnold (1986) noted that South Korea required overseas migrants to remit 80% of their income directly into their bank accounts located in Korea, and this amount was deposited by the organizations that employed them. Similarly, the Philippines has also required its emigrant workers to remit 50-70% of their monthly earnings, although the directive has not been strictly enforced. However, it is entirely different in Bangladesh, where overseas migrants are legally required to send home at least 25% of their income. Moreover, various stimulus plans have been presented in this country, such as the installation premium trade rates for monetary inflows and the sanctioning of out of state currency accounts (Stahl & Arnold 1986).

## CHAPTER 3

### Survey Data on Return Migrants

#### 3.1 Introduction

This chapter gives detailed illustration about methodology of this study, primary data collection and data description.

#### 3.2 Research Design

This study articulates both a qualitative and quantitative research methods approach. By using a mixed method, we intend to explore the factors that are highly associated with the entrepreneurial decisions of return migrants. To do so, first we compare a history of return migrants and individual characteristics of those who have an experience in startup businesses in Tajikistan with those returnees who never got involved in such economic activity. Thus, a comparison will allow us to determine what factors from the past migration history and individual characteristics were significant that resulted in making them entrepreneurs after return (Silverio & Jessica, 2015; De'Murger & Xu, 2011; McCormick & Wahba, 2001). Next, we apply Binary Probit regression to estimate the determinants of the decision of returnees to become entrepreneurs in the home country (Black & Castaldo, 2009; De'Murger & Xu, 2011). These analyses employ primary data from the conducted survey which covers whole pictures of return migrants and entrepreneurship.

#### 3.3 Primary Data Collection

In this study, Airport Survey is the main data source of our analysis which conducted in Kulob city, Khatlon Province. The location is chosen for our sample because of its long migration history as well as its economic condition. Thus, according to the statistical data, around 43% of job-seekers who emigrate overseas are from this province. Moreover, the "International Airport of Kulob," where we conducted the survey, is the only airport that provides services to more than ten cities

and districts in the area, and Russian immigrants represent the essential part of its users.

Based on the studies conducted on characteristics of emigrant workers and barriers behind entrepreneurial activities in Tajikistan (OECD, 2015; Beary, 2014), we designed a questionnaire in three pages. The questionnaire was distributed randomly in the airport, asking individuals who just returned from migration to complete them. Besides this, the same questionnaire was also filled out by those who had at least six months of experience working overseas, and upon return, have launched a business. It should be noted that all our participants were male because traditionally, men provide for their households and frequently migrate overseas in high proportions from Khatlon province. Whereas by returned migrants, we characterise two types of returnees in this study: first, voluntarily returns, including emigrant workers returning home after accumulating financial stability or seasonal work; second, forced returns, including emigrant workers who returned due to deportation, illegal completion of contracts, and sickness.

The data collected was during October and November, 2017. We selected this time because according to the statistical data, the beginning of winter is when most seasonal emigrant workers return home from the Russian Federation. Overall, the survey was completed by 274 returnees, and the final number of respondents was 260 once invalid responses were removed.

The questionnaire consisted of 23 close-ended questions, 6 of which were based on a five-point Likert-type scale, and included the following three sections:

i) Return migrants' characteristics, including age, marital status and level of education, occupation position before and while migration, motivation to migrate and return, as well as duration of stay on migration and the issues that returnees faced overseas during migration;

- ii) Return migrants' earnings, including the amount of income and remitted, channels which returnees used to remit, the primary purpose of transferring money to their households, amount spent and saved overseas in Russian ruble;
- iii) Return migrants' awareness and behaviour, including the desire of returnee to start up business in the home country, entrepreneurial skills and experience, as well as essential barriers encountered by returnees regarding running a business, returnees' familiarity with state policies to support entrepreneurship, and implementation of expected policy measures related to returnees' startup businesses.

### 3.4 Data Description

#### 3.4.1 Return Migrants' Characteristics

Table 3.1 reports statistical information on characteristics of returned emigrant workers (in percentage points). The structure of age demonstrates that most of the returnees (around 78%) are young, under 44 years old, and the rest over 45 years old (21.9%). The majority of the respondents are married (73.1%). As regards the level of education, a significant group of respondents has completed only secondary education (40.4%), followed by university graduates (19.7%). The percentage of respondents who completed specialized courses in particular fields were the same as those who completed elementary school (18.5%). A small percentage of respondents did not attend any school (2.7%).

In term of activities before migration, 36.9% of the respondents were occupied in paid employment in the home country, such as in construction, and 34.6% were unemployed or looking for a job. Nevertheless, 15.4% of returnees were students before migration and, because of financial problems, were forced to leave their studies. Moreover, some respondents stopped being entrepreneurs and emigrated (8.9%), which was an unexpected rate. The reason for this decision, as respondents said, was several barriers they faced in entrepreneurship, which will be discussed in

the upcoming section. Respondents who used to work in government services, such as policemen or teachers, comprised 4.2%.

The motivations to migrate vary, but most important motivation is economic circumstances. Thus, low salary motivated two-twenties of respondents to relocate overseas (40.0%), and others failed to find a decent job in their home country (34.6%). Enrolling in not-on-demand specialties for the labor market in Tajikistan is considered another reason for emigrating (12.3%). The labour market of Tajikistan has a high demand for the specialities in energy, technology, geology, industry, medicine, and transport. However, the young generations more often prefer to study in the field of law, diplomacy, economy, and international relations. Usually, lack of demand in these disciplines fails them to find a decent job in their home country, and consequently, this phenomenon increases their incentive to migrate overseas.

After leaving Tajikistan, just over half of the respondents were involved in unskilled jobs like construction (55.4%), other talented group in manufacturing (25.8%), and in transport companies as drivers (7.7%) while in households as gardeners (3.5%), in catering (1.5%), and in business activities overseas (0.8%) were less prominently occupied.

Often, when individuals migrate riskily, they are faced with some challenges overseas, which may have consequences for their employment, income, and developing skills. Thus, the survey asked respondents to indicate the challenges that they usually face while working abroad. Despite, the most considerable portion (28.1%) of respondents indicated that they did not collide with any challenges; there were also some others who ranked difficulties, such as ignorance of the immigration law (19.6%) and confessed in illegal employment (16.5%), which according to the respondents, consequences of these two phenomena mostly led to their deportation or ban from their country of destination. The language barrier and the lack of qualifications were reported by 14.2% of the returnees. However, a small group of

returnees (7.4%) indicated that their living conditions were quite complicated, mostly during the winter season.

In terms of the duration of their stay abroad, the highest proportion had experienced working overseas for a period of between one and two years (35.4%), while another essential group of respondents experienced more than two, but less three years (23.5%), followed by those who migrated for over four years (19.2%). Another significant group of respondents (12.3%) had between three and four years' experience. However, only a small group of respondents (9.6%) had less than one years' experience.

Respondents were asked to indicate what their reasons were for returning home. A significant number said that it was for family reasons (45.4%), while others were deported or banned their entry to the country of destination (17.3%). Another critical group (15.0%) indicated that they returned to their home country, for a limited time, as temporary workers or season-based migrant workers. The reason given by other returnees said that the reason it was because they failed to find a decent job abroad (10.8%) that could cover their expends, and simultaneously their savings or remittances. This is normal, due to the low demand for migrants without qualifications, because it does not allow them to be employed in high-income jobs. However, the number of respondents who returned because of the illness was also prominent (5.4%). But the only a small percentage of participants indicated the reasons for establishing business and enrolling in or completing education. These two specifications are ranked at the same rate (3.1%).

**Table 3.1 Return Migrants' Characteristics (in %)**

Age (years)				
less than 24	25 - 34	35 - 44	45 - 54	55 and over
19.2	36.5	22.3	17.7	4.2
Marital status				

Single		Married			Divorced	
20.4		73.1			6.5	
Education level						
Didn't attend any school	Elementary Education	Completed Secondary	Vocational Degree	Bachelor's Degree	Master's Degree	
2.7	18.5	40.4	18.5	6.2	13.5	
Occupation before migrating						
Unemployed	Student	Paid employment		Self-employed	Social services	
34.6	15.4	36.9		8.9	4.2	
Motivation to migrate						
Low salary	Failed to find job		Lack of demand specialty		Welfare	
40.0	34.6		12.3		13.1	
Occupation while migration						
Manufacturing	Transport	Construction	Retail sales	Catering	Household	Business
25.8	7.7	55.4	5.4	1.5	3.5	0.8
Duration of stay abroad						
Less than 1 year	1 - 2 years	2 – 3 years		3 – 4 years	Over 4 years	
9.6	35.4	23.5		12.3	19.2	
Challenges during migration						
None	Illegal employment	No qualifications	Ignorance of the law	Ignorance of the language	Living conditions	
28.1	16.5	14.2	19.6	14.2	7.4	
Return reasons						
Family reasons	Temporary work	Couldn't find a decent job	Deported or Banned	Establish a business	Health problem	Studying
45.4	15.0	10.8	17.3	3.1	5.4	3.1

### 3.4.2 Return Migrants' Earnings

Table 3.2 reports the average monthly income spent and saved overseas, as well as the amount of remittance and its frequency to their families. Respondents earned 32000 RUB on average, and at the same time transferred on average 22000

RUB to their household, which means 10000 RUB went to self-interest spending and saving overseas.

In term of amount of spending abroad, a substantial group of respondents indicated amount between 3000 - 5999 (26.9%), while the same census shows for the returnees who spent less than 2999, which most of the expenditure of this group of respondents covered by those companies who occupied them in overseas. But another group of respondents spent by 6000 - 8999 (26.5%) per month, which according to the returnees, they mostly donated money for the expenditure of legal documents to employ and stay. With respect of the amount of saved overseas, the highest percentage of respondents were unable to save their income (73.5%), followed by a group of returnees who could save the amount of 5000 to 7999 RUB (11.2%) per month.

Regarding remittance frequency, a majority of respondents remitted their income every month (79.1%), while another group used to remit every quarter (14.0%), but there also exist a group of respondents who never remitted (5.0%) to their household and others remitted once a year (1.9%).

In general, respondents indicated that they remitted earnings through formal channels to their households (93.5%), while a small group of returnees (4.6%) transferred it in cash to their relatives or friends, and others brought it with them upon return (1.9%).

Several studies recognised that the amount of remittances affects various sectors, including economic and social spheres. In our case, the consequences of financial inflow seem more visible to the economic aspects because the highest percentage of respondents (41.0%) indicated that they send money for living expenditure purposes, like food or clothes, as well as the education of their children (17.3%), while another considerable group of respondents (12.3%) rated their transfer purpose for construction or buying land. However, respondents who

remitted for health care expenditures and those who funded their marriage or supported family members' marriage and funeral are found in the same percentage (8.6%). There is a group of returnees who transferred a substantial part (7.9%) of their income to refund formal or informal loans made before migration. However, only a small group of respondents (2.6%) invested their income in establishing a business, followed by young returnees who sent money for buying vehicles (1.8%).

Table 3.2 Return Migrants Earning (in %)

Average Monthly Income							
Less than 24999	25000-29999	30000-34999	35000-39999	40000-44999	45000 and over		
20.8	25.8	20.0	13.9	9.6	10.0		
Average Monthly Spent Overseas							
Less than 2999	3000 – 5999	6000 – 8999	9000 – 11999	12000 – 14999	15000 and over		
26.9	26.9	26.5	6.9	6.9	5.8		
Average Monthly Saved Overseas							
Did not save	5000 – 7999	8000 – 10999	11000 – 13999	14000 – 16999	Over 17000		
73.5	11.2	4.2	2.7	4.2	4.2		
Average Monthly Remitted							
Did not remit	5000-9999	10000-14999	15000-19999	20000-24999	25000-29999	30000 and over	
3.1	10.4	25.5	14.3	22.4	17.4	7.0	
Channels used to remit							
Banking system		Relatives or friends			Personally		
93.5		4.6			1.9		
Remitted Frequency							
Never		Once a year		Every quarter		Every month	
5.0		1.9		14.0		79.1	
Primary purpose of sending money							
Education	Living expenses	Health	Marriage or funeral	Buy land/ construction	Refund loan	Vehicles	Business investment
17.3	41.0	8.6	8.6	12.3	7.9	1.8	2.6

Note: one Russian Ruble = .0173 US\$ as October 1, 2017

### 3.4.3 Return Migrants' Awareness and Behaviour

Table 3.3 describes return migrants' awareness of and behaviour regarding entrepreneurship. Thus, it shows that a higher portion of return migrants confirmed having entrepreneurial skills (agreed 39.6% and strongly agreed-6.9%). However, respondents who disagreed of having skills in entrepreneurship took the following portion (strongly disagree-30.0%, disagree-13.1%) while another group of respondents (10.4%) rated that they neither agreed nor disagreed with having entrepreneurship skills.

Similarly, the survey asked whether returnees have experience in conducting entrepreneurship. As the result shows, the highest percentage (36.9%) never experienced or were engaged in entrepreneurial activities while 23.9% experienced "sometimes". Besides, 15.8% of respondents indicated that they always engaged in entrepreneur activities, but others reported "rarely" (13.1%). However, returnees who often conducted in-business activities were just 10.4%.

Respondents also were asked if any necessary policy measures should be implemented to support startup businesses. In general, respondents indicated four necessary policy measures, including financial support (50.8%) followed by simplifying legislation and tax reliefs (28.1%). Another prominent group rated technical support (9.4%). However, some respondents indicated that there was no need for implementing supportive policy measures for engaging in business activities (7.4%). Thus, prevention of corruption or bureaucracy has the lowest percentage (4.4%).

In the same way, the questionnaire asked returnees to select the five most significant barriers that they expect to face or have already been faced when starting up a business. Unsurprisingly, more than twenty-two respondents (41.9%) rated financial constraints as the primary barrier, followed by a high-interest rate on loans from financial institutions (21.5%). However, a relatively substantial proportion of

respondents (14.5%) indicated that they did not have any idea about barriers to entrepreneurship, most of whom should be returnees who never experienced conducting businesses. Another group of respondents (9.3%) pointed out that corruption or bureaucracy were significant barriers that they would face in conducting a business. There also exists a lack of state protection and support of entrepreneurship (7.6%). However, a small group of respondents (5.2%) indicated that their lack of entrepreneurial knowledge would be a barrier to starting a business.

Awareness of returnees regarding government support was surveyed through the concept of "familiarity." Over half of respondents were not aware of government support, rating "not at all familiar" (47.3%), and "slightly familiar" (18.5%). The respondents who were extremely familiar were only 16.5%, while the remaining respondents had an average familiarity, on the middle scale, between "somewhat familiar" (13.1%) and moderately familiar (4.6%). Thus, over the half (57.3) of returnees recognized importance of the government support for entrepreneurship.

One of the questions was whether returnees desired to engage in entrepreneurship if they found a sound environmental business, and a majority of respondents (88.5%) indicated that they would start a business rather than emigrate (strongly agreed 49.6%, agreed 38.9%), and 6.5% of respondents replied they neither agreed or disagreed. Also, only a small percentage of respondents disagreed (3.1%) and strongly disagreed (1.9%).

Table 3.3 Return Migrants' Awareness and Behavior (in %)

Entrepreneur skills				
Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree
30.0	13.1	10.4	39.6	6.9
Experienced in conducting business				
Never	Rarely	Sometimes	Often	Always

36.9	13.1	23.9	10.4	15.8	
Significant barriers in starting up a business					
Don't know	Financial constraints	High-interest rate on loan	Bureaucracy/Corruption	Entrepreneur knowledge	Lack of state protection
14.5	41.9	21.5	9.3	5.2	7.6
Necessarily of government support for setting up business					
None	Financial support	Technical support	Simplifying legislation, tax reliefs	Prevention of corruption/bureaucracy	
7.4	50.8	9.4	28.1	4.4	
Familiarity with Government support for entrepreneurship					
Not at all familiar	Slightly familiar	Somewhat familiar	Moderately familiar	Extremely familiar	
47.3	18.5	13.1	4.6	16.5	
Importance of Government support for entrepreneurship					
Not at all important	Slightly important	Neutral	Moderately important	Extremely important	
10.8	21.5	10.4	24.6	32.7	
Desire to establish a business					
Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree	
1.9	3.1	6.5	38.9	49.6	

### 3.5 Data Analyses

In this study, the data collected from the survey were coded and analysed using Microsoft Excel and SPSS software.

## CHAPTER 4

### **Return Migration and Entrepreneurship: Comparison with Non-Entrepreneur Returnees**

#### 4.1 Introduction

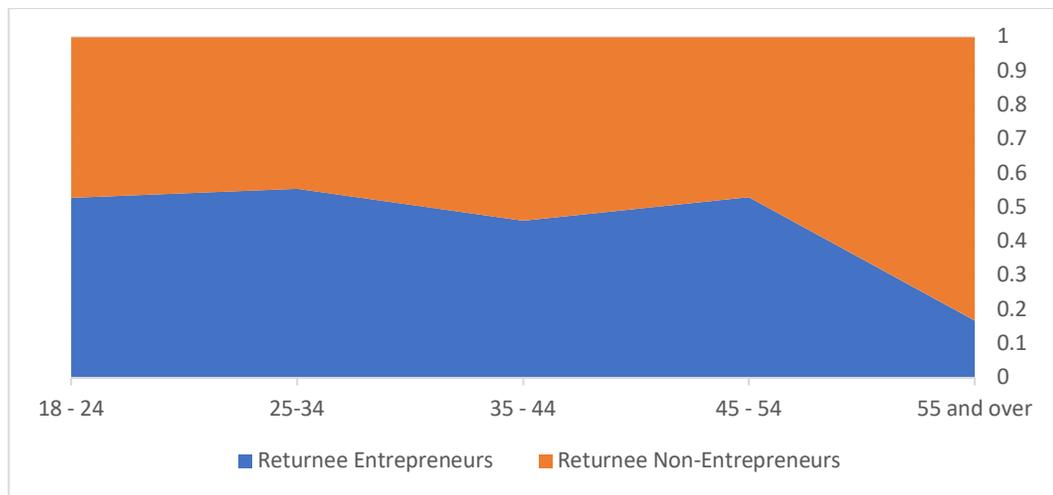
In this chapter, we compare return migrants who have experienced working abroad for at least six months and, only after returning, became entrepreneurs with those returnees who were never involved in entrepreneurship in Tajikistan. Under this approach, we would be able to identify differences between these two groups of returnees and conclude whether any factors from the past migration history and individual characteristics were significant that influenced to engage in entrepreneurship. In order to do this, from each survey section, we have selected those indicators that, according to some studies, have high capacities for choosing entrepreneurship.

For the purpose of this study, returnee entrepreneurs refer to all returnees who have experience in entrepreneurial activities with providing jobs for employees or used to work as self-employed upon return. Following this definition, a considerable percentage (26.2%) of respondents are returnee entrepreneurs while others (73.8%) represent returnee non-entrepreneurs.

In general, the results of our comparison show a significant difference in the age, education, entrepreneurial skill, familiarity with government support, and the length of time working on migration. Thus, returnee entrepreneurs are younger than returnee non-entrepreneurs. This is not surprising because the majority of returned migrants represent young people. As Figure 5.1 indicates, the high portion (39%) of returnee entrepreneurs, aged between 25 and 34 years old, was followed by the younger age group of between 18 and 24 years old (20%), which is 8% and 2%, respectively, higher than returnee non-entrepreneurs of the same age. However,

returnee entrepreneurs of between 35 and 44 years of age, included only 4% of the respondents, and those between the age of 45 and 54 years are 2% higher than the returnee non-entrepreneurs. At the age of 55 and over, the number of returnee entrepreneurs was 2% lower, compared to the 10% of returnee non-entrepreneurs. As can be seen, the younger generation are more likely to be engaged in entrepreneurial activities, and their number shows significant.

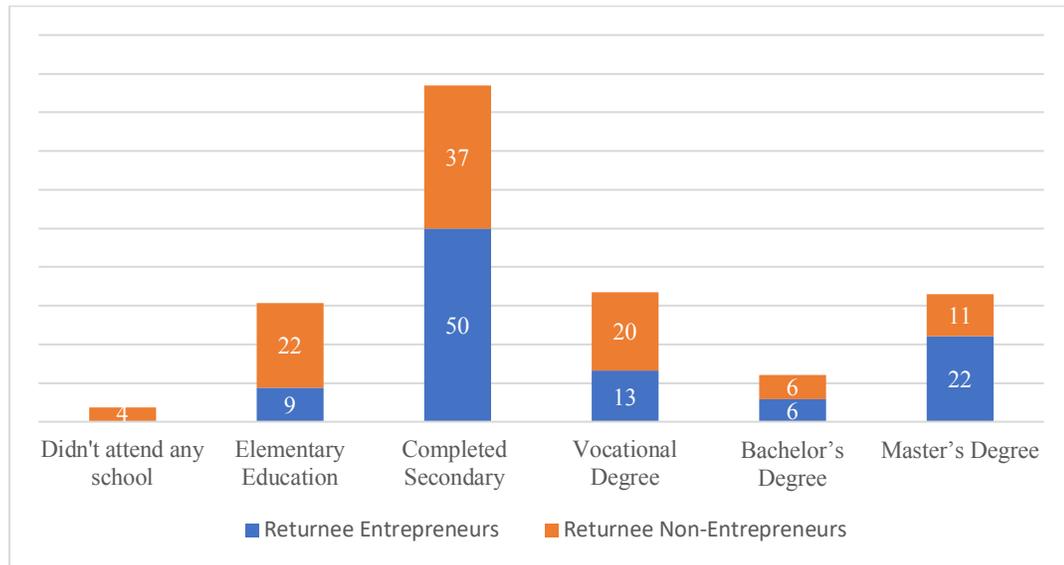
**Figure 4.1: Age**



However, we have found that returnee entrepreneurs are more educated than returnee non-entrepreneurs. As Figure 5.2 indicates, 50% of those who became entrepreneurs had completed their secondary education and another 28% had a university education, and that their level of education was higher by 13% and 11%, respectively, compared to the returnee non-entrepreneurs. Despite this, Figure 5.2 also shows that a notable share (9%) of returnee entrepreneurs had completed their elementary education, but that there was a significant difference (22%) at this level among returnee non-entrepreneurs. However, there was also a level of illiteracy (4%) among the returnee non-entrepreneurs. Regarding a vocational degree, a substantial percentage (13%) of returnee entrepreneurs were educated at this level of schooling, whereas it was a lot higher (20%) for returnee non-entrepreneurs. Thus,

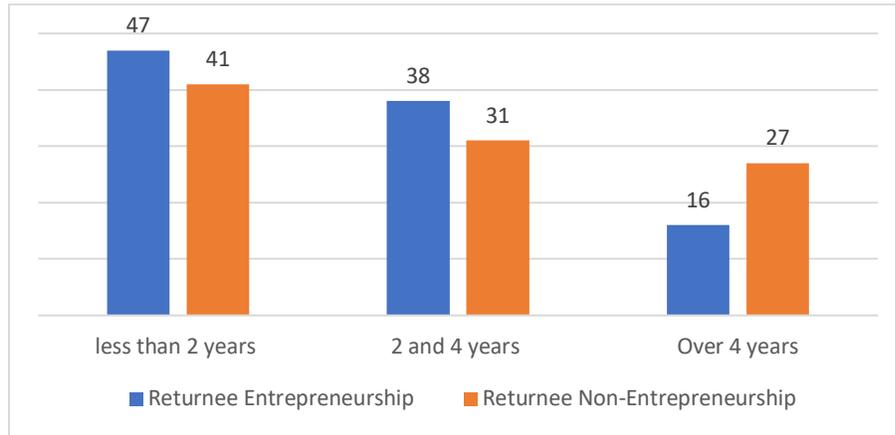
these outcomes are broadly drawn that education has been significant among those who became entrepreneurs.

**Figure 4.2: Education**



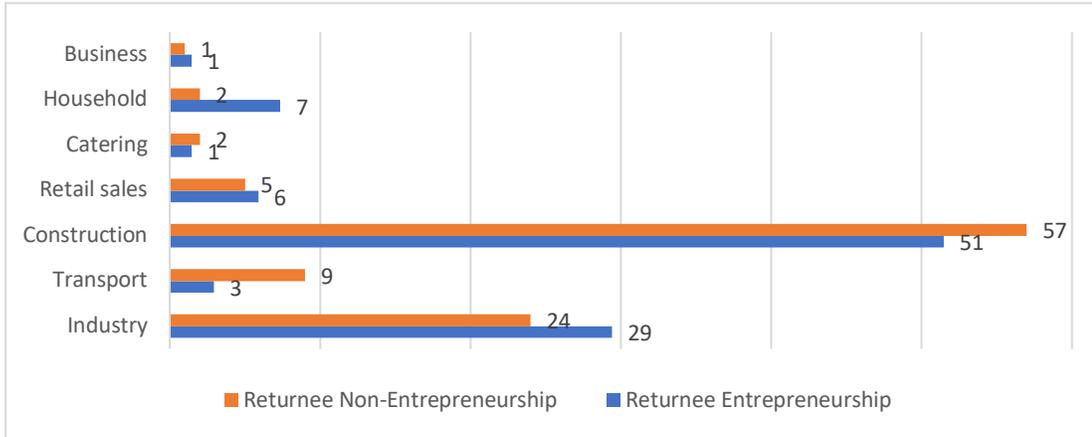
Also, the length of time under four years experienced working abroad is favorable for entrepreneurship. Regarding this, Figure 5.3 indicates that the share of returnee entrepreneurs who have experienced working on migration less than two years is higher by 6% than returnee non-entrepreneurs. Moreover, while returnee entrepreneurs have experienced abroad between two and four years, their share also shows increasing by 7% compared to the returnee non-entrepreneurs. However, when the length of time working abroad raised over four years, the share of returnee entrepreneurs declined to 16% compared to 27% of returnee non-entrepreneurs. Thereby, the result indicates that every additional two years having spent time in overseas decreased the number of returnee entrepreneurs on average by 10.3% and relative to a mean figure for returnee non-entrepreneurs indicates 4.6%. This being said, the length of time stay abroad over four years was insignificant for entrepreneurship to take root and develop.

**Figure 4.3: Duration of Stay Abroad**



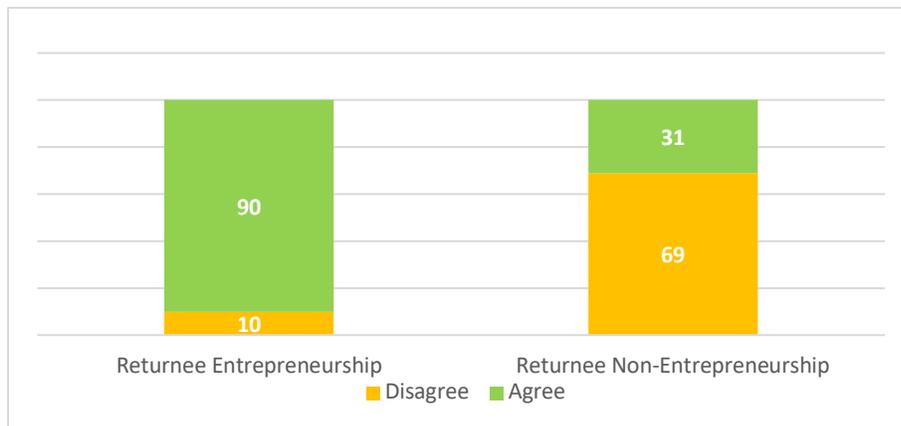
Enrolling skilled jobs in the host country is one of the crucial ways for accumulating new idea or knowledge for entrepreneurial activities. Figure 5.4 describes the returnee entrepreneurs as slightly more likely to be employed in skilled jobs, such as industry, retail sales, and business compared to returnee non-entrepreneurs. Even so, over half of both groups of returnees have been employed in construction overseas; in other words, a great proportion used to work in less skilled jobs that gave them limited opportunities to gain knowledge for entrepreneurial activities. Thus, this is evidence that only a minority of those who acquired knowledge from abroad that were influenced to try entrepreneurship after they return.

**Figure 4.4: Occupation while Migration**



Another influential factor is that we found evidence that entrepreneurial skills positively affected returnees' decision to conduct business. As Figure 5.5 shows, around 90% of those who became entrepreneurs are more likely to have entrepreneurial skills compared to 31% of returnees who did not become entrepreneurs. From this result, we can conclude that entrepreneurial skills played a crucial role for the majority of returnees to begin businesses.

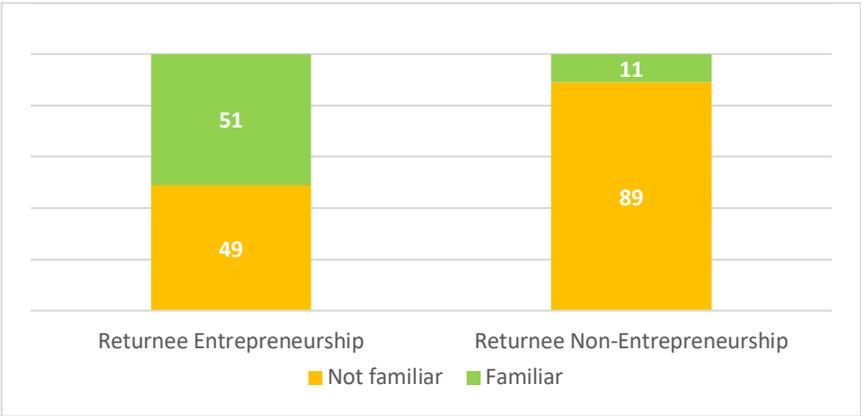
**Figure 4.5: Entrepreneurial Skills**



According to some studies, the length of time spent abroad makes emigrants far from the social and economic circumstances as well as far from the government regulations of the home country, which may probably increase migrants' interest or

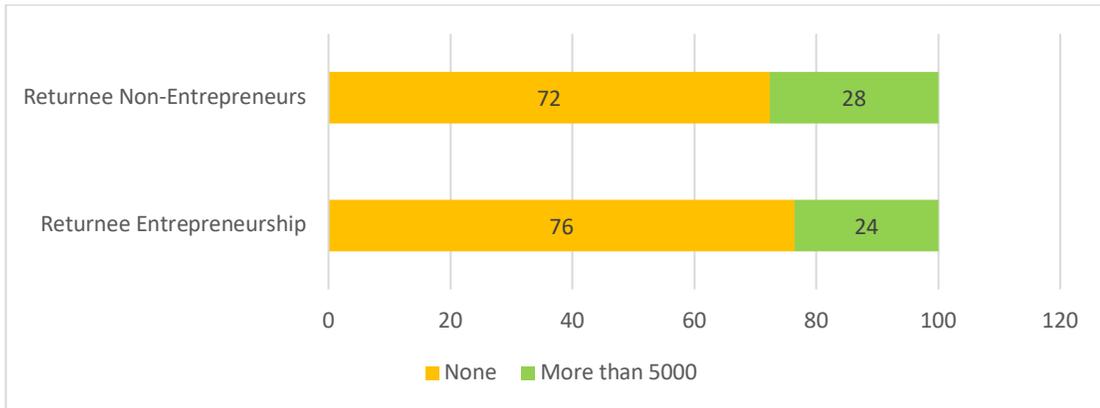
decision to invest their earnings into business activities after they return. Taking this point into consideration, we have compared the level of familiarity of these two group of returnees with the government's support for entrepreneurship. The result indicates that over the half of returnee entrepreneurs were familiar with the government support compared to 11% of returnee non-entrepreneurs. Thus, being familiar with the government support and keep a network with the home country while abroad played a significant role for returnees' entrepreneurship.

**Figure 4.6: Familiarity with Government Support**



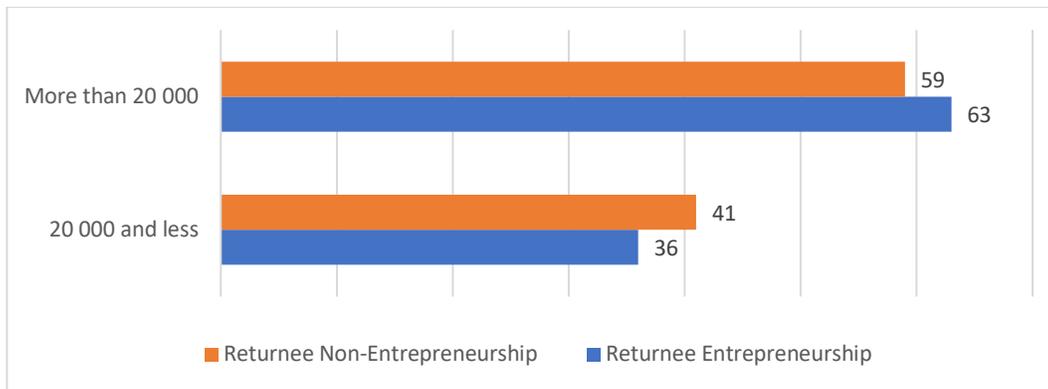
Comparing the amount of savings, Figure 5.7 shows that neither returnee entrepreneurs and non-entrepreneurs could not save a significant portion of their income abroad. However, more than two tenth of returnee entrepreneurs who could save on average over 5000 Russian rubles per month, indicates differences by 4% compared to this category of returnee non-entrepreneurs. Hence, according to this result, it is very controversial to conclude that whether a small amount of saved in overseas was significant for launching a business.

**Figure 4.7: Saving**



Our comparison also shows that returnee entrepreneurs remitted their income back home more than returnee non-entrepreneurs. As Figure 5.8 indicates, over the half of returnee entrepreneurs monthly remitted more than 20 thousand Russian rubles to their household, that their share compared to this category of returnee non-entrepreneurs greater by 4%. With this, remittances were slightly crucial to those who conducted a business.

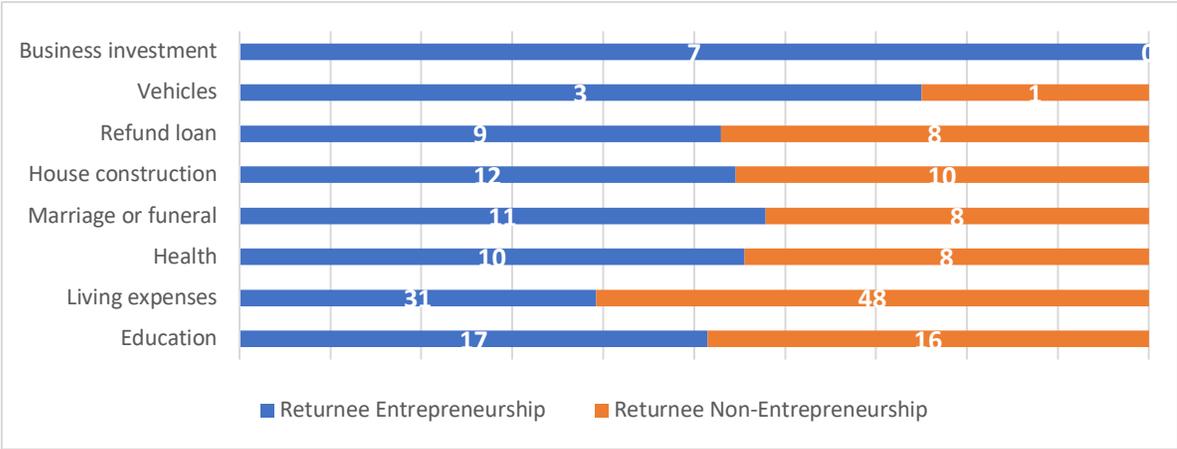
**Figure 4.8: Average of Amounted Remittances**



Besides, we compare primary purpose of transferred money by these two group of returnees and attempt to find evidence concerning the efficiency of remittances on entrepreneurial activities in Tajikistan. As Figure 5.9 indicates,

returnee entrepreneurs were less likely to send their income for consumption (31%) than returnee non-entrepreneurs (41%) and more likely directed it to productive undertakings, such as education (17%), buying land (12%), and even business investment (7%). Also, the result indicates that 3% of returnee entrepreneurs sent money for buying vehicles compared to 1% of returnee non-entrepreneurs. There is evidence that they used the vehicles to encourage businesses activities, carrying commodities among regions. For this purpose, they also remitted more money to refund loans than returnee non-entrepreneurs. From these results, we can conclude that despite the direct and indirect consequences of remittances on the encouragement of entrepreneurship, the efficiency was limited to development because a significant portion of remittances was directed toward consumption.

**Figure 4.9: Primary Purpose of Sending Money**



Overall, our comparison shows that returnee entrepreneurs are younger and much more educated than returnee non-entrepreneurs. Moreover, they are more familiar with the current economic circumstances of the home country, have been employed slightly more often in skilled jobs in a host country, and have far more entrepreneurial skills. A comparison between these two group of returnees also shows that those who were less experienced working overseas remitted a high

portion of their income and tended to become entrepreneurs. Finally, when comparing the primary purposes of transferring money, returnee entrepreneurs illustrate more financial literacy, directing their income for productivity, but remittance had a limited effect on the development of entrepreneurship.

As we stated above, there are greater differences between returnee entrepreneurs and returnee non-entrepreneurs on their history of migration and individual characteristics, influencing as factors on entrepreneurship. Thus, from this section, we apply significant factors into Binary Probit Model to see what determines returnees' decision to become entrepreneurs.

## CHAPTER 5

### Determinants of Entrepreneurship Decision

#### 5.1 Introduction

Based on our dataset, we have grouped variables into three blocks. The first block refers to the individual characteristics, such as age, marital status, education, entrepreneurial skill, and duration of stay. The second block involves investment in entrepreneurship, such as savings and remittances. The third block includes government support, such as familiarity with state support, financial support, tax reliefs, and prevention of corruption. In each of these blocks, we include those variables which according to our comparison have more significant differences between returnee entrepreneurs and returnee non-entrepreneurs. Although, some previous empirical literature admitted them as essential factors for generating entrepreneurship. Thus, a specification of the variables and their expected effect on the entrepreneurial decision are presented below.

#### 5.2 Variables and Specification

##### 5.2.1 Individual Characteristics

**Age:** as we stated above a majority of return migrants are a young generation (see Table 4.1). Also, it reviewed in the literature section, several of the related studies found a positive relationship between young people and entrepreneurship due to their creativity and accumulated human and financial capital (Piracha et al., 2013; Hisrich & Brush, 1998; Alarcón & Ordóñez, 2015). Including this variable, we expect that young returnees are more entrepreneurial since they have necessary skills and opportunities to contribute to the enhancing of entrepreneurship in Tajikistan.

**Marital status:** as is shown in table 4.1, the most significant portion of respondents are married, and it is thought that being married influences the decision to start a business.

**Education:** this variable is measured through more well-educated returnees engaged in entrepreneurship compare to less educated (see Figure 4.2). In this regard, some empirical studies have found evidence that educational achievement of returnees has a direct linkage with an opening of businesses and their success (Devkota, 2016; Dustmann & Kirchkamp, 2002; Radu & Epstein, 2007). Thus, returnees with high education levels are expected to have more chances of engaging in entrepreneurial activities.

**Entrepreneurial skill:** this variable is included due to its great differences between returnee entrepreneurs and returnee non-entrepreneurs (see the Figure 4.5). In Tajikistan, several studies generally recognised that having entrepreneurial education and training is crucial for returning migrants' entrepreneurship (Mughal, 2007; OECD, 2015). Worldwide experience has also show that entrepreneurial training is the most efficient, if it is achieved by interactive learning methods that are applied to practical experience (OECD, 2012) Thus, by choosing this variable, it is predicted that returnees with entrepreneurial skills will be more associated with entrepreneurship.

**Duration of stay abroad:** this variable is associated with length of time experienced working overseas. Many studies were suggesting that a longer time working on migration allows accumulated human and financial capital to be engaged in entrepreneurship after return (Wahba & Zenou, 2012; Arif & Irfan, 1997). Including this variable would be identifying whether the length of time spent working abroad influences as a factor for receiving any training and business ideas for entrepreneurship.

### 5.2.2 Entrepreneurial Investment

**Saving:** As indicated in the Figure 4.7, the amount of overseas saving is limited for the funding of entrepreneurship in Tajikistan. However, in some other developing countries, several empirical works have found evidence that high overseas saving plays a crucial role in entrepreneurship (Wahba & McCormick, 2001; Ilahi, 1999; Mesnard, 2001; Dustmann & Kirchkamp, 2002). Thus, saving is recognised as being a critical determinant for opening a business. Using this variable, we would like to determine whether high overseas saving increases the decision of migrants to return and establish a business in Tajikistan.

**Remittances:** Despite a significant portion of the remittances often being used for consumption, they can also be used for investment (OECD, 2015). Thus, it is expected that using this variable will lead to rapid financial inflows and will motivate the entrepreneurial activities of returnees and their households, which will contribute further to reducing their dependence on remittances.

### 5.2.3 Government Support

**Familiar with the Government support:** Public institutions have the responsibility of advising entrepreneurs, as well as individuals who have decided to engage in entrepreneurship, on their policy regulations, as well as on implemented support programs, such as developmental grants and training. As we discussed above, a majority of those who became entrepreneurs were familiar with the mainstream of business-support infrastructure compared with those who did not become entrepreneurs (see Figure 4.6). Thus, including this variable, we expect that being familiar with those economic circumstances, in the face of governmental support, increase returnees' interest in entrepreneurial activities.

**Financial Support:** Return migrants usually face particular obstacles in doing business, mainly when trying to access affordable finance (see Table 4.3). The

banking system in Tajikistan is weak due to lacking capital and providing high-interest rates, between 20% and 30%, for entrepreneurship (OECD, 2015). Moreover, the fund, which is a public institution that provides for returnees' startup, shows limited. For instance, according to the estimation of the Ministry of Labour, Migration, and Employment of Population, in 2016, the amount of 12,1 Tajik million somoni has been issued to 3946 return migrants (unemployment people) for entrepreneurship; this, for one person, equals 3066 Tajik somonis (around \$394 USD in mentioned time). As can be seen, financial institutions are not able to meet the monetary needs for returnees' entrepreneurial activities. We predict that the adequate measures taken by the government will improve returnees' access to finance and would have a developmental effect on their entrepreneurship.

**Prevention of corruption:** Corruptions, as a primary obstacle, negatively influences migrants' decision to become entrepreneurs (Aidis et al., 2012; Bobeva, 2005). Corruption and the high level of government participation in the economy also challenge entrepreneurial activities in Tajikistan (OECD, 2015). In order to eliminate corruption, the Tajik government employed conventional measures (adopted anti-corruption legislation and established institutions to fight against corruption), but the results remain very weak (OECD, 2017). For instance, Transparency International, in terms of level of corruption in the public sector, ranked Tajikistan 161st among 180 countries in 2017, with a score of 21 on a scale between 0 and 100, where 0 indicates that a country is highly corrupt and 100 indicating it is very clean. In the ranking, Tajikistan is close to African countries like Chad and Eritrea; however, from the Central Asian nations, it stands only above Turkmenistan (167). Consistent with these findings, Tajikistan entered in the top twentieth most corrupted nations in the world. Thus, this variable has been taken to see whether prevention of corruption has a possible effect on increasing returning migrants' decisions to invest their income into entrepreneurial activities.

**Tax reliefs:** a high tax rate indicated another essential entry obstacle for returnees' entrepreneurship (see Table 4.3). Regarding this outcome, in 2018, the World Bank published its annual report on "Doing Business", which ranked Tajikistan among lowest in terms of easy taxpaying. Estimated factors included the overall tax rate, the time spent for taxpaying, and the number of payments. Besides, the overall tax rate was admitted as one of the main barriers with a score of 65.2%, which is what small and medium enterprises usually face in Tajikistan, while in the rest of Europe and Central Asia, it is estimated to be 33.1% and 40.1% in the world. According to these numbers, we suggest that tax deduction presents a higher tendency for returning migrants to become entrepreneurs in Tajikistan.

### 5.3 Binary Probit Model

In this study using Binary Probit Model, we attempt to estimate the determinants of the decision of returnees to become entrepreneurs, which briefly explained as follows. The dependent variable,  $Pr^*$  where five points Likert scale responses were transformed into dummy variable, takes value 1 for categories "agree" and "strongly agree", and 0 otherwise, which can be assumed as:

$$Pr = \begin{cases} 1 & \text{if } Pr^* > 0 \\ 0 & \text{otherwise} \end{cases}$$

We express that decision to engage in entrepreneurship is an unobserved variable  $Pr^*$ , in such that:

$$Pr = B_0Age + B_1Mstatus + B_2Edu + B_3EntrSkill + B_4DStay + B_5Saving + B_6Rem + B_7FamGov + B_8GovSup + \varepsilon$$

There are nine explanatory variables were employed in this model, as fellows we briefly describe they definition in the Table 5.1.

Table 5.1 Definition of the Explanatory Variables

<b>Name of Variables</b>	<b>Definition</b>	<b>Previous literature used this variable</b>
<b>Age</b> (Age)	Categorical variable which indicates migrant's age at the time of return in completed years and takes the value one if the returnees was aged less than 24; two if aged between 25 and 34 years; three if aged between 35 and 44; four if aged between 45 and 54 years and five if respondents aged 55 years or more.	Canello (2016) Lianos and Pseiridis (2009)
<b>Mstatus</b> (Merital status)	Dummy variable, indicates marital status of returnees after migration, 1 if married; =0 otherwise.	De'Murger & Xu (2011); Marchetta, (2012)
<b>Edu</b> (Education)	Ordinal variable indicates returnee's education level in years of schooling completed and takes value 3 if returnees did not attend any school; 8 – completed elementary and 11 secondary school; 12 – if returnees have vocational, 15 – bachelor and 17 – master degree.	De'Murger & Xu (2011)
<b>EntrSkill</b> (Entrepreneurial skill)	Categorical variable, were combined two levels: practical skills and experiences of returnees on entrepreneurial manners accumulated before or during migration and takes value from 2 if returnees have the lowest and to 10 have the highest level of entrepreneurial skill.	-
<b>Dstay</b> (Duration of stay)	Interval variable which means the total years of returnees have experienced working on migration and take values one if returnees have experienced less than 1 year; two if have experienced between 1 and 2 years; and three: between 2.1 and 3 years; four: between 3.1 and 4 years; five if returnees have experienced over 4 years.	Devkota (2016)

<b>Save</b> (Saving overseas)	Dummy variable, 1 if returnees' accumulated savings while abroad on average over 5000 Russian Rubles; = 0 otherwise.	Black and Castaldo (2008)
<b>Remit</b> (Remittances)	Continuous variable, indicates average monthly amounted remittances which returnees while they were abroad and sent to their household in Russian Ruble and takes value one if returnees never remitted, two if returnees remitted between 5000-9999; three: 10000-14999; four: 15000-19999; five: 20000-24999; six: 25000-29999; and seven if returnees remitted 30000 and over.	Vasco (2013) Lianos and Pseiridis (2009)
<b>FamGov</b> (Familiar with government support)	Categorical variable, were combined two levels: familiarity and importance of government support on entrepreneurship that returnees ranked and takes value from 2 if returnees have the lowest and to 10 if have the highest level of familiarity.	-
<b>GovSup</b> (Government support)	Dummy variables, indicates three categories of government support which recognized the most important policy and regulation for establishing a business: FinSup (financial support) =1, others =0; TaxRe (tax benefits or simplifying legislation) =1, others=0; Corr (prevention of corruption or bureaucracy) =1, others =0	-
$\varepsilon$ is a normally distributed error term.		

## CHAPTER 6

### Empirical Findings

#### 6.1 Introduction

This chapter gives a consolidated result of our estimation using Binary Probit Model.

Table 6.1 reports the result of our estimation by using a probit model. As can be seen, the pseudo-R-squared coefficient indicates that the explanatory variables are generally significant, predicting 46% of the entrepreneurial decisions of returnees, which is a greater value than those in other studies conducted in this field. For instance, DeMurger and Xu (2011) obtained the pseudo-R-squared value of 0.22 in China's case while Davkota (2016) reported 0.27 for Nepal.

As shown above, the coefficient for age (Age) is positive and significant at a 95% level of significance with its relationship with entrepreneurship. This finding suggests that the decision of returnees to become entrepreneurs increases with age. It supports our idea that young people have more chances to become entrepreneurs due to their accumulated human and financial capital. This outcome is similar to what DeMurger and Xu (2011) found in China's case.

Marital status (Married) is positive, but it does not have a significance level. Apart from this finding, we can confirm that marriage is not associated with returnees' entrepreneurial decisions. Those who are single and divorced are equally as likely to become entrepreneurs as married individuals. This conclusion is the same as what Alarcón and Ordóñez (2015) discovered in Loja Ecuador's case.

The variable of having schooling (Education) has a positive and significant coefficient with a 95% level of significance. The higher the completed level of schooling, the higher the probability for the returnees to own businesses. This can be explained by the fact that educated migrants may have access to high-paid jobs

overseas that give them opportunities to accumulate more savings and, consequently, avoid the financial constraints of entrepreneurship in their home country. Moreover, educated returnees may be more financially literate in managing their income and business. Besides, they may be more entrepreneurial since they know the economic circumstances of their home country. This goes along with the result discovered by Devkota (2016) for Nepalian return migrants, which states that well-educated returnees have more chances to start a business compared to less educated ones.

Concerning entrepreneurial skill, we discovered that returnees with a higher level of skill (accumulated during or before migration) were 99% more engaged in entrepreneurship. This finding is consistent with other studies (McCormick and Wahba, 2001; Gubert and Nordman, 2011; Alarcón and Ordóñez, 2015), which discovered that accumulated entrepreneurial training during migration is an essential factor in the likelihood of returnees being engaged in entrepreneurship. Also, a Hisrich and Brush study (1998) found that accumulated experience and managerial skill affected a successful entrepreneurial outcome.

Regarding duration of stay, those who stayed longer on migration had less probability of becoming entrepreneurs in their home county. It is a surprising result; as those who stayed overseas longer are likely to have accumulated training and business skills. However, quantitative studies do not fully confirm this idea. For instance, Lianos and Pseiridis (2009) examined the factors influencing the occupational decisions of returnees by using data from several developing countries, including Tajikistan. They did not find any significances regarding the duration of stay. An analysis by Alarcón and Ordóñez (2015) of Loja, Ecuador also did not find evidence that duration of migration affects the entrepreneurial decision. McCormick and Wahba (2001) discovered a positive relationship, but only among well-educated Egyptian returnees. A possible explanation for such an outcome could be that those returning migrants may be employed in less skilled jobs in the overseas companies,

and those jobs do not provide them with entrepreneurial knowledge. Besides, the duration of stay abroad may increase the intensity of migrants settling in a country of destination rather than returning home and establishing a business.

We can also see that the accumulated savings of over 5000 Russian rubles per month abroad is statistically significant in its relationship with the dependent variable. This is most probably due to the fact that entrepreneurship heavily relies on self-financing rather than bank financing, and the accumulated amount of savings is readily available once needed to launch a successful startup. This finding is in line with the outcome of Black & Castaldo (2009) who discovered that savings gained abroad is the most significant factor affecting returning migrants' entrepreneurship in sub-Saharan Africa. This result is also supported by other empirical studies. For example, Devkota (2016) found evidence that high overseas saving increases the likelihood of Nepalian returning migrants becoming entrepreneurs. Ilahi (1999) and McCormic and Wahba (2001) found this evidence while studying the cases of Pakistan and Egypt, respectively.

The number of monthly remittances that returnees sent back home while working abroad has a negative coefficient to the entrepreneurial decision. The increase in the number of remittances sent to their households has decreased the probability of their owning businesses. This result does not support our notion that inflow remittances have a positive impact on the motivation of returnees to invest in entrepreneurial activities. A possible explanation is that remittances may be associated with daily consumption rather than investment. In other words, for those returnees whose households are heavily dependent on financial inflows, they may have fewer opportunities to invest in entrepreneurship. This finding contradicts the assessment of Piracha et al. (2013), who argued that there would be no "dependency" impact of remittances in Tajikistan. Thus, financial inflows received by households have a crucial role in entrepreneurship investments. On the other hand, as we stated

above, remittances create an insufficient amount of investment for entrepreneurial activities. Even those who began a business directed only a small portion (7%) of their income to the encouraging of entrepreneurship (see Figure 4.9). This finding is consistent with a study from Lianos and Pseiridis (2009), who discovered that among other factors, the number of remittances is statistically insignificant with regard to entrepreneurial decisions.

Table 6.1: Probit Model Estimation on the Determinants of Returnees' Entrepreneurial Decisions

Entrepreneurial Decision = 1	Coef.	Std. Err.	z	P>z	[95 % Conf.	Inte rval]
<b>Individual characteristics</b>						
Age	0.468**	0.169	2.770	0.006	0.137	0.799
Married	0.432	0.356	1.210	0.225	-0.265	1.129
Education (years)	0.163**	0.060	2.710	0.007	0.045	0.281
Entrepreneurial Skill	0.306***	0.092	3.310	0.001	0.125	0.487
Duration of stay (years)	-0.202*	0.099	-2.040	0.042	-0.396	-0.008
<b>Entrepreneurial investment</b>						
Saving	2.237***	0.664	3.370	0.001	0.936	3.539
Remittances	-0.029	0.092	-0.310	0.753	-0.209	0.151
<b>Government support</b>						
Familiar with sate support	0.301***	0.091	3.330	0.001	0.124	0.479
Financial Support	1.100**	0.336	3.270	0.001	0.441	1.758
Tax Reliefs	1.433**	0.483	2.970	0.003	0.487	2.379
Corruption	0.806	0.635	1.270	0.204	-0.439	2.051
<b>_cons</b>	-4.887	1.083	-4.510	0.000	-7.009	-2.764

Number of observation	260
LR chi <sup>2</sup> (11)	91.35
Prob > chi <sup>2</sup>	0.0000
Pseudo R <sup>2</sup>	0.4617

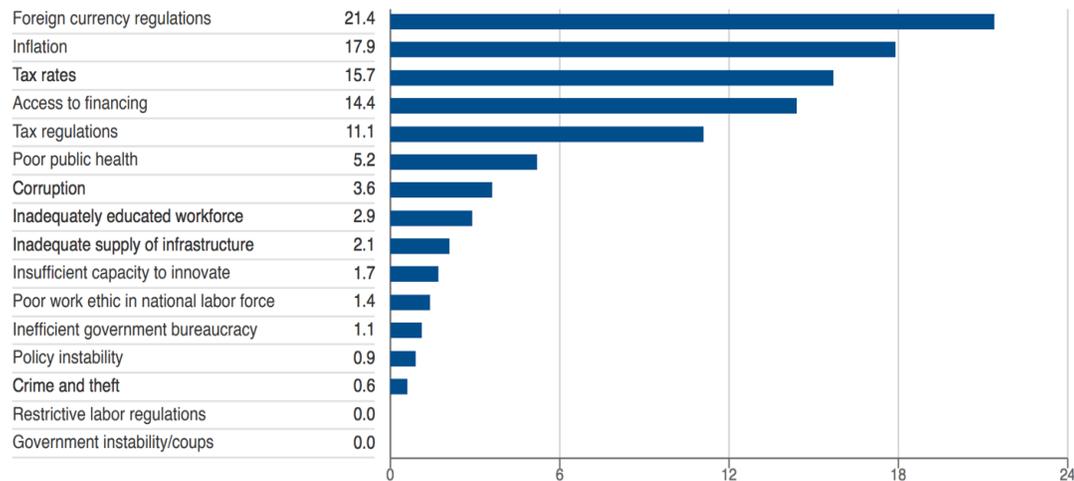
Notes: Standard errors in parentheses \*\*\*, \*\* and \* denote statistical significance at the 1%, 5% and 10% level, respectively.

The variable of being familiar with government support is positive and significant at a 99% level of confidence. This finding suggests that the higher the level of familiarity with government support on entrepreneurship, the higher the

probability that returnees will own businesses. It is not surprising to us, as over half of returnees did not have knowledge of government support upon return, which might increase their interest in entrepreneurship (see Table 4.3). In this respect, more recent studies demonstrate the unfamiliarity of migrants with government support and its regulations that are associated with language barriers. As such, many of them represent an obstacle to doing business in a host country (Desiderio, 2014; OECD, 2010). However, our study has found that this phenomenon may also appear in a country of origin due to the existence of temporary migration. That is to say, when migrants emigrate temporarily, their interest in the economic networks of the home country is consequently reduced because they choose a country of destination as their main source of income. Apart from this result, it may be argued that if returnees have knowledge about government supplementary sources of support, it is probably better to have a positive influence on their decision to become entrepreneurs.

Our estimation also shows that financial support and tax relief variables is statistically significant at a 95% confidence level. This is not surprising, as we discussed above, because access to finance and high tax rates are the most significant barriers to doing business in Tajikistan. Removing these obstacles may increase returnees' interest in entrepreneurship. However, the risk of corruption for the entrepreneurial decisions of returnees is positive but did not reach a significant level. One possible explanation for such an outcome is that those who intend to start a business may not face constraints on corruption but only within entrepreneurial activities. This finding is in line with results of the World Economic Forum (2016), which conducted an executive opinion survey that estimated factors that are challenging the business environment in Tajikistan (see Figure 6.1). The estimation shows that high tax rates and access to finance occupied third and fourth places among the top 16 significant barriers to entrepreneurship. However, the risk of corruption took seventh place with the minority proportion (3.6).

Figure 6.1: The Main Problematic Factors for Doing Business in Tajikistan



Source: The graph has been copied from “The Global Competitiveness Report 2017–2018” page 282. (Note: From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings).

Overall, our estimation shows that younger Tajik returnees have a higher chance to be engaged in entrepreneurial activities compared to those older than 45 years. However, marital status is not associated with entrepreneurship. Concerning the association of being entrepreneurs upon return with education, it describes that Tajik returnees with a higher level of education have a higher probability to be self-employed after return in comparison with a lower level of education. Thus, having entrepreneurial skills also shows increasing propensity of being engaged in entrepreneurship. However, the time spending overseas shows negative with regard of migrants’ decision to be entrepreneurs after return to home country. We think that such outcomes could be explained with less skilled jobs of Tajik migrants in overseas companies and losing their qualifications there.

Regarding amount of saving overseas, our estimation indicates that those who accumulate over 5000 Russian rubles per month abroad have more chance to be

entrepreneurs upon return compare to those who remit their income frequently to home country. We assume that these findings associated with dependency of migrants' household on remittances. In this context, accumulate saving overseas and bring them back to home can attract intention of returnees to be engaged in entrepreneurship, as well savings presents an important self-insurance device that helps the entrepreneurship to manage with the vulnerability.

And finally, results show that government supports also may be as important for returnees' entrepreneurial decision. We assume that those who have higher level of familiarity with government support have a better chance to develop and implement their business ideas in Tajikistan. Thus, access to starting financial capital and tax reliefs shows more importance to entrepreneurial decision of returnees than corruption factor.

## CHAPTER 7

### 7.1 Conclusion

The aim of this paper was to explore the factors that are highly associated with entrepreneurial decision of return migrants in Tajikistan. In order to become with this outcome, we conducted survey in International Airport of Kulob that included 260 return emigrants and our survey data describes demographic and professional background of Tajik returnees and their entrepreneurial activities. Concerning the descriptive statistics, we found that majority of the returnees are young and married. However, return migrants were found to be less educated and more involved in other than construction industries in host and origin countries.

- What benefits returnees gained from past migration history which influenced to become entrepreneurs? In order to respond to this question, we compared the migration history and individual characteristics of those who has experienced in entrepreneurial activities with those who never involved in the home country. The result of our comparison confirms empirical evidence from other developing countries that returnee entrepreneurs are younger and much more educated than returnee non-entrepreneurs. Moreover, they are more familiar with the current economic circumstances of the home country, have been employed slightly more often in skilled jobs in a host country, and have far more entrepreneurial skills.

- What factors are behind return migrants' decision more likely to become entrepreneurs? In our empirical approach, we applied in Binary Probit Model to investigate the determinants of the decision of returnees to become entrepreneurs in the home country. The result show that the amount of overseas saving, entrepreneurial skill and being familiar with the governmental support are the strongest distinguishing factors effecting entrepreneurial decision of returnees.

To summarize, we see that a large part of the estimation is significant for our returnees and our results would be a good start in estimating potential adjustments to the policies related to return migrants and encouraging returning to Tajikistan and setting-up their own activities there.

## 7.2 Recommendation

Emigration and their financial inflows will continue to perform an important function in Tajikistan and the officials should to implement policies to put these sources to their best use. Thus, the following policies are proposed:

- Public institutions should implement a long-run policy of stimulation of emigrants saving and support for the domestic production of goods and services.
- Government should increase its efforts to improve essential financial and entrepreneurial skills of returnees as well as their familiarity on economic circulation of the country.
- Returnees face barriers to business creation which enhancing business environment would promote the use of financial inflows for productive investment.

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## QUESTIONNEIR

I am a student at Ritsumeikan Asia Pacific University, Japan, and currently I am conducting my research on the topic “State Support of Return Migrant Entrepreneurship” with the aim to understand factors behind return migrants’ decision on entrepreneurship”. I will ask you various of questions about your past migration history, awareness and behavior on state support and entrepreneurship, as well as question related barriers behind entrepreneurial activities. I intend to protect your anonymity and the confidentiality of your responses.

<p><b>1. What is your age?</b></p> <ul style="list-style-type: none"> <li>a) Less than 24 years</li> <li>b) 25 - 34 years</li> <li>c) 35 - 44 years</li> <li>d) 45 - 54 years</li> <li>e) 55 and over</li> </ul>	<p><b>2. What is your marital status?</b></p> <ul style="list-style-type: none"> <li>a) Single</li> <li>b) Married</li> <li>c) Divorced</li> </ul>
<p><b>3. What is the highest level of schooling you have completed?</b></p> <ul style="list-style-type: none"> <li>a) Didn't attend any school</li> <li>b) Elementary Education</li> <li>c) Completed Secondary</li> <li>d) Vocational Degree</li> <li>e) Bachelor’s Degree</li> <li>f) Master’s Degree</li> </ul>	<p><b>4. What was your last work while migrating abroad?</b></p> <ul style="list-style-type: none"> <li>a) Unemployed, looking for job</li> <li>b) Student</li> <li>c) Paid employment</li> <li>d) Self-employed</li> <li>e) Social services</li> </ul>
<p><b>5. What was that main issue, which took you migrate?</b></p> <ul style="list-style-type: none"> <li>a) Low salary</li> <li>b) Failed to find job</li> <li>c) Lack of demand specialty</li> <li>d) Welfare</li> </ul>	<p><b>6. How long have you been working away from your country?</b></p> <ul style="list-style-type: none"> <li>a) Less than 1 year</li> <li>b) 1 - 2 years</li> <li>c) 2.1 - 3 years</li> <li>d) 3.1 - 4 years</li> <li>e) Over 4 years</li> </ul>
<p><b>7. Which sectors have you used work on migration?</b></p> <ul style="list-style-type: none"> <li>a) Manufacturing</li> <li>b) Transport</li> <li>c) Construction</li> <li>d) Retail sales</li> <li>e) Catering</li> <li>f) Household</li> <li>g) Business</li> </ul>	<p><b>8. Have you experienced any challenges while working abroad?</b></p> <ul style="list-style-type: none"> <li>a) None</li> <li>b) Illegal employment</li> <li>c) No qualifications</li> <li>d) Ignorance of the law</li> <li>e) Ignorance of the language</li> <li>f) living conditions</li> </ul>

<p><b>9. What was your current wage per month in Russian ruble?</b></p> <ul style="list-style-type: none"> <li>a) Less than 24999</li> <li>b) 25000-29999</li> <li>c) 30000-34999</li> <li>d) 35000-39999</li> <li>e) 40000-44999</li> <li>f) 45000 and over</li> </ul>	<p><b>10. How much money did you spend to live abroad the country per month in Russian ruble?</b></p> <ul style="list-style-type: none"> <li>a) Less than 2999</li> <li>b) 3000 – 5999</li> <li>c) 6000 – 8999</li> <li>d) 9000 – 11999</li> <li>e) 12000 – 14999</li> <li>f) 15000 and over</li> </ul>
<p><b>11. What was the portion of your income that you saved per month in Russian ruble?</b></p> <ul style="list-style-type: none"> <li>a) Could not save</li> <li>b) 5000 – 7999</li> <li>c) 8000 – 10999</li> <li>d) 11000 – 13999</li> <li>e) 14000 – 16999</li> <li>f) Over 17000</li> </ul>	<p><b>12. How much money did you send to your household on average in Russian ruble?</b></p> <ul style="list-style-type: none"> <li>a) Did not remit</li> <li>b) 5000-9999</li> <li>c) 10000-14999</li> <li>d) 15000-19999</li> <li>e) 20000-24999</li> <li>f) 25000-29999</li> <li>g) 30000 and over</li> </ul>
<p><b>13. How often did you send money to your household?</b></p> <ul style="list-style-type: none"> <li>a) Never</li> <li>b) Once a year</li> <li>c) Every quarter</li> <li>d) Every month</li> </ul>	<p><b>14. How usually did you send money?</b></p> <ul style="list-style-type: none"> <li>a) Banking system</li> <li>b) Relatives or friends</li> <li>c) Personally</li> </ul>
<p><b>15. What was the primary purpose of sending money to your household?</b></p> <ul style="list-style-type: none"> <li>a) Education fee</li> <li>b) Living expenses (food, clothes)</li> <li>c) Health expenses</li> <li>d) Marriage or funeral expenses</li> <li>e) Buy land construction</li> <li>f) Refund loan</li> <li>g) Buy car or truck</li> <li>h) Business investment</li> </ul>	<p><b>16. Do you have entrepreneur skills on setting up businesses?</b></p> <ul style="list-style-type: none"> <li>a) Strongly disagree</li> <li>b) Disagree</li> <li>c) Neither agree or disagree</li> <li>d) Agree</li> <li>e) Strongly agree</li> </ul>

<p><b>17. Have you ever experienced in conducting business?</b></p> <ul style="list-style-type: none"> <li>a) Never</li> <li>b) Rarely</li> <li>c) Sometimes</li> <li>d) Often</li> <li>e) Always</li> </ul>	<p><b>18. In your opinion, what is the most significant barriers would you face in starting up a business?</b></p> <ul style="list-style-type: none"> <li>a) I don't know</li> <li>b) Financial constraints</li> <li>c) High-interest rate on loan</li> <li>d) Corruption or bureaucracy</li> <li>e) Entrepreneurial knowledge</li> <li>f) Lack of state protection</li> </ul>
<p><b>19. Is the government support important for migrants to launch businesses?</b></p> <ul style="list-style-type: none"> <li>a) Not at all important</li> <li>b) Slightly important</li> <li>c) Neutral</li> <li>d) Moderately important</li> <li>e) Extremely important</li> </ul>	<p><b>20. In your opinion, what kind of government support necessarily for setting up businesses?</b></p> <ul style="list-style-type: none"> <li>a) None</li> <li>b) Financial support</li> <li>c) Technical support</li> <li>d) Simplifying legislation, tax reliefs</li> <li>e) Prevention of corruption/ bureaucracy</li> </ul>
<p><b>21. Are you familiar with the state support on entrepreneurship?</b></p> <ul style="list-style-type: none"> <li>a) Not at all familiar</li> <li>b) Slightly familiar</li> <li>c) Somewhat familiar</li> <li>d) Moderately familiar</li> <li>e) Extremely familiar</li> </ul>	<p><b>22. Would desired to engage in entrepreneurship if you found a sound environmental business?</b></p> <ul style="list-style-type: none"> <li>a) Strongly disagree</li> <li>b) Disagree</li> <li>c) Neither agree or disagree</li> <li>d) Agree</li> <li>e) Strongly agree</li> </ul>
<p><b>23. What is the main reason to return from migration?</b></p> <ul style="list-style-type: none"> <li>a) Family reason (marriage or funeral)</li> <li>b) Temporary work</li> <li>c) Couldn't find a decent job</li> <li>d) Deported or Banned</li> <li>e) To establish a business</li> <li>f) Health problem</li> <li>g) Studying</li> </ul>	

