

# Determinants of entrepreneurial performance of Return Migrants: A Study of Young Returnees from Gondar city, Ethiopia

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## Research

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# **Abstract**

## **Purpose**

The purpose of this study was to examine determinants that influence entrepreneurial performance of return migrants in Gondar city of Ethiopia, and in turn contribute to the literature of migration and entrepreneurship by adding evidence from Ethiopia on the determinants of entrepreneurial performance of return migrants.

## **Design/methodology/approach:**

The study employed a descriptive case study research design with quantitative research approach. The sample of this study was 195 male and female youth migrant returnees which are selected using multi-stage sampling technique.

## **Findings:**

The findings of this study identified that accessibility of job, labor market policy, access to finance, working premises and government support are significant predictors in explaining entrepreneurial performance of return migrants in one hand. On the other hand, however, saving, education, business environment, sectoral and occupational experiences are found to be insignificant predictors in explaining entrepreneurial performance of return migrants.

## **Research limitations/implications:**

Theoretically, the integration of determinants with returnee's business performance has contributed to the theory of migration and entrepreneurship. The sample used in this study only concentrated on young migrant returnees with age category of 15–29 years old in Gondar city. Any future research will consider all returnees in the city.

## **Practical implications:**

The findings is significantly benefit the field of development and management studies, offices in charge of following and regulating return migrants affairs, policymakers and practitioners at all levels of the government. In general, the findings of this study make meaningful contributions to return migrants by identifying determinants of entrepreneurial performance of returnees which will in turn helps to enhance the performance of their firm.

# Originality/value:

This study contributes to the migration and entrepreneurship literature on the determinants of entrepreneurial performance of return migrants for developing countries. Specifically, in the context of African returnees, as they did not get much scholarly attention through testing predictor variables on the entrepreneurial performance of return migrants using logit model.

## Introduction

In the 21st century, return migration has been increasingly gaining prominence in migration research as well as in migration policies across the world. However, in developing countries, particularly in Ethiopia, the entrepreneurial performance of return migration is little explored despite its significance for the region (Macková & Harmáček, 2019). Recently, many world economic organizations such as World bank, IMF and OECD viewed migration as a key to reduce poverty mainly in developing countries as migrant workers are believed to be use financial and social remittances to create wealth in their home country through entrepreneurial activities (Spitzer, 2016). In this context, temporary migration is often undertaken in support of an enterprise in the home country, such as saving funds for household consumption or for investment in a business. According to Makina (2014), return migration can offer additional impulses to economic development through participation in the self-employment sector, since return migrants are more likely to have businesses with access to new capital, to employ more people in the source country. Bilgili, Kuschminderz, & Siegel (2018) posited that formal business entrepreneurial enterprises employ more than one-third of the world population, contributing around 33 percent of employment in developing countries. In Ethiopia, currently, most of the employment opportunities comes from micro and small enterprises this makes return migrants to engage in this business institution after they return with their skills or financial savings accumulated while abroad (Emiru, Lemie, & Nega, 2017). More specifically, savings can represent an important self-insurance device that helps the entrepreneurs to cope with the vulnerability that characterizes MSEs, enhancing the chances of survival of entrepreneurial activities. This implied return migrants engagement to the formal business sector play significant role in unemployment reduction, equitable income distribution and import substitution and alleviating poverty which in turn could uphold economic development of nation.

In spite of the above mentioned facts, returnee entrepreneurs faces a number of determinants that influence its performance, which in turn ultimately affects its contribution to the national economy in general. Specifically, it potentially affects the production of a lasting employment generation effect in the country of origin. Many previous studies in the global south (Cipta, 2019; Ezennia & Mutambara, 2021; Heslina, Payangan, Taba, & Pabo, 2016; Maria, 2017; Ndege & Park, 2015; Omisakin, Nakhid, Littrell, & Verbitsky, 2016; Sabli, Latiff, & Wahi, 2018) categorize these determinants as educational status, gender, firm initial capital, type of sector, access to finance, business location, absence of BDS, social linkages, marketing problems and absence of proper business plan due to knowledge or other reasons. For example, a study conducted by (Azad et al., 2021) reported that the acquisition of human capital,

financial capital, social network, aspiration and other factors influence the entrepreneurial performance of return migrant.

Moreover, Kamitewoko (2013) and Kamunge, Njeru, & Tirimba (2014) pinpointed that social, economic, cultural, political, legal and technologies as an external factor along with, lack of training opportunities, shortage of entrepreneurial skills, entrepreneurial competencies, lack of financial management skills, and family background as an internal factor are all the constraints that are challenging the entrepreneurial performance of return entrepreneurs in developing countries. A study by Afewerki (2015) on immigrant entrepreneurship towards the realization of immigrants' entrepreneurial performance and success in Norway confirmed that cultural experience, social network, macro-economic condition of the host and source country are among the determinants on entrepreneurship performance. Accordingly, all these studies have been conducted in the context of developing countries with reference to the entrepreneurial performance of returnee entrepreneurs. However, as per the knowledge of the researcher, no study has been conducted on the determinants that influence the entrepreneurial performance of return migrants in Ethiopia. Almost many of the studies that have been conducted in Ethiopia are mainly focused only on the factors that influence the growth and performance of MSEs. This indicated the need to conduct a study on this contemporary issue and/or topic to identify determinants that influence entrepreneurial performances of returnees which in turn helps to understand their growth and development and potential contribution to the national economy.

To identify determinants that influence entrepreneurial performance of return migrants, this study tried to investigate and made systematic review of previous literatures which are conducted in developing countries, particularly in sub-Saharan Africa and Latin America. To this end, Ethiopia is one of the least developing countries that share these determinant factors like other developing countries along with their different impact and magnitude. Therefore, for the purpose of this study determinants such as remittance, savings, labor market policy, accessibility of prevailing job market, policy environment to return migrants business formation, business environment, accessibility of formal credit, bureaucratic process to get support, working area provision, government support for returnees, educational level of return migrants, sectoral and occupational experience brought from abroad, have been identified from the previous studies (Azad et al., 2021; Bensassi & Jabbour, 2017; Emiru et al., 2017; Fufa, 2015; Kamunge et al., 2014; Kourtit, Nijkamp, & Leeuwen, 2013; Marchetta, 2012; Naudé, Siegel, & Marchand, 2017; Wassink & Hagan, 2018) as variables of the study among others.

As a result, this study aimed to identify determinants that influence entrepreneurial performance of return migrants in Ethiopia considering Gondar city as a case study. As indicated in this background section, this study is important to fill the existing knowledge gap in the entrepreneurship and migration literature particularly in the context of Ethiopia and sub-Saharan Africa countries. For this reason, the study tried to answer questions of what determinants are influenced the entrepreneurial performance of return migrants in Gondar city using binary logistic regression analysis.

The structure followed in this study would be as follows: following this introduction, Section 2 reviews and discusses the existing empirical literatures. Section 3 discussed the methodology and methods of the study such as description of the study area and samples, the instrument determination, the procedure and the data analysis. Section 4 presents the result and discussion of the study. Finally, Section 5 presents the main conclusions and practical implications, along with the limitations of the study.

## Literature Review

Currently, interest in analyzing the growth and performance of entrepreneurial activities of return migrants has increased considerably (Kourtit et al., 2013), as it is considered to be one of the most important constructs within the entrepreneurship and migration literature. In this context, understanding determinant factors that influence the performance of return migrant entrepreneurs have been important to adopt entrepreneurial strategies to achieve and maintain the success of their business organizations. In this sense, many researchers have been addressed determinants that influence the growth and performance of MSEs in the entrepreneurship literature.

However, very limited previous studies identified different variables that influence entrepreneurial performance of return migrants in the context of developing countries. In this context, a study conducted by Mohamed, Abdul-Talib, & Ramlee (2021) posited that knowledge resources, experience and entrepreneurial orientation (EO) have positive impact on firm performances. Returnee entrepreneurs may make significant contributions to the economic development of their host countries in unique manners, since they bring back advanced technology and human capital from developed countries (Akkurt, 2016). Akkurt (2016) also identified network, ability to adapt new culture, business and management knowledge, satisfaction, and work experience as a success factors of returnee entrepreneurs firm in Turkey. Additionally, a study by Liu, Wright, & Filatotchev (2015) revealed that returnee entrepreneurs' experiential and vicarious learning as well as global networks boost firm performance in China. Returnee entrepreneurs with previous business experience and well-developed global networks contribute significantly to firm performance. This also indicates that returnee entrepreneurs with business experience and information are more likely to be optimistic and confident about their firm performance. In spite of the above facts, returnee entrepreneurs have a positive impact on innovation, job creation and the development of an entrepreneurial culture in their home country (Akkurt, 2016; Daomi et al., 2019; Mohamed et al., 2021). Returnees with vital resources, such as financial capital or business ideas, often engage in innovation and business ventures (Bai, 2017; Qiao, 2019).

Xiaohui, Tianjiao, Jiangyong, & Daomi (2018) posited that oversea business experience, local government support and business infrastructure development have positive and significant impact on returnees firm performance. Besides, Kiyana (2018) reported that monitoring and evaluation, entrepreneurial skill, access to market, training and development, commitment and motivation, size of firm, access to finance, and government support had a great effect on the performance of business firms. Therefore, after critical and detailed review of pervious works of literature, the following conceptual framework has been

developed with detail discussion between dependent variable (returnee entrepreneur's performance) and independent variables (figure 1).

## **Education**

Returnees bring human and financial resources back to their home country (Hagan & Wassink, 2017; Spitzer, 2016). They possess a combination of crucial tangible and intangible resources, such as foreign education, expertise and business skills that can positively contribute to the country of origin and firms in particular (Giambra & McKenzie, 2019). Human capital is essential and positively impacts entrepreneurial success, particularly the migration of resourceful people from one place to another (Xiaohui et al., 2018). The human capital of returnee entrepreneurs, including education, differentiates them from low-skilled non-returnee entrepreneurs (Bai, 2017). They use their familiarity with modern business trends and apply them in their home countries by translating their knowledge into business opportunities (Akkurt, 2016; Liu et al., 2015).

A study by Mohamed et al. (2021) revealed positive and significant link between education and returnee entrepreneurs performance. Previous studies indicated that human capital including educational qualifications, level of experience, and general knowledge have positive influence on the performance of returnee entrepreneurs (Nura et al., 2019; Qiao, 2019). For instance, Li, Zhang, Li, Zhou, & Weiyong (2012) found that educational qualification had positive and significant impact on the entrepreneurial performance of returnees firm in China.

## **Work experience**

Business experiences are important to provide solutions for business uncertainty and risk when these information are incomplete. It is likely that the closer the experience is to the operations of the firm, the more important and useful that experience will be for the firm (Bai, 2017). This study considered sectoral and occupational experience abroad as working experience in the study area. In this sense, Omisakin et al. (2016) indicated returnee entrepreneurs had occupational and sectoral experiences prior to their return to their home countries and starting businesses. Their experience is obtained during their time overseas, generally for working or studying and positively correlates with improved performance (Bai, 2017; Goshu & Mba, 2015). Returnees bring practical managerial skills with their foreign work experiences (Mohamed et al., 2021; Yan et al., 2018), vital for their business success. Moreover, studies found that returnees' experience is positively and significantly linked with firm performance (Akkurt, 2016; Alene, 2020; Liu et al., 2015; Qiao, 2019).

## **Government support**

Micro and small enterprises face difficulties at every stage of their activities, whether it is buying materials for production, organization of production, selling products in the market or sustaining the period between production and marketing. In this sense, government support is vital for the success of small firms. Previous studies found that government support and policy is positively linked with firm

performance (Agarwa & Alemayehu, 2015; Joshi & Mihreteab, 2016; Wei & Liu, 2015). More importantly, according to Agarwa & Alemayehu (2015) under government support given to MSEs and legal issues, lack of appropriate government support in terms of technology transfer, training, creating market linkage, credit facility, working place facility, constancy service from government are constrained MSEs performance. A study by Lemma & Kebede (2018) and Usman & Tahir (2018) revealed government policies and regulation factors also affect the performance of the business to a very great extent through taxation, licenses, through creation of support funds and through liberalization of the economy. This study considered especial favor for returnee's business formation, policy environment to return migrants business formation, bureaucratic process to get support, and criteria of government support for returnees as a government support in the study area. In this sense, a study by Serawitu (2020) revealed lack of accessible information on government regulations that are relevant to the business, the tax levied on the business is not reasonable and long bureaucratic chains, corruption, nepotism in getting service registration and licensing respectively were coined as the leading problems that affect entrepreneurial performance.

### **Access to finance**

Most of the micro and small enterprises depend on external finance or non-institution. Financial assistance by the various agencies, like financial corporations and commercial bank, often falls much short of their requirements. Previous studies found that access to finance have positive influence on the performance of business firms (Agarwa & Alemayehu, 2015; Padiaychee, 2016; Serawitu, 2020; Sidek et al., 2016). Like most developing countries, in Ethiopia, the main sources of startup and expansion finance or funds for most MSEs are personal savings followed by iqub/idir, family and friends/relatives. The formal financial institutions have not been able to meet the credit needs of the MSEs. Since there is high interest rate and collateral requirement, most MSEs have been forced to use the informal institutions for credit (Abera, 2012).

### **Business environment**

Generally, business environment refers to forces, factors, or institutions which influence business activities and performance. It is divided into two, namely internal environment and external environment. While the internal environment is controllable, the external environment is uncontrollable. Although the internal environment is important in business planning and decision-making processes, but of more importance is the external environment which organizations and managers cannot control. External environment refers to forces outside the organization which exert uncontrollable influences on business activities and performance (Otachea & Mahmoodb, 2015). Previous studies found that business environment is positive and significant impact on the performance of entrepreneur's firm performance (Alkali & Isa, 2012; Denga et al., 2012; Otachea & Mahmoodb, 2015). On the comparison, a study by Shehu & Mahmood (2014) revealed that no relationship between the business environment and firm performance. It is also supported by Aziz & Mahmood (2011) who reported that external environment

(market technology turbulence and competitive intensity) was not a moderator of the relationship between market orientation and firm performance.

### **Working premises**

Working places are related to access to land and associated time and cost of land related transactions have been identified as one of the key constraints to growth by both the formal and informal components of the private sector. Working place factors were absence of own premises unsuitability of current working and selling place, high cost of renting houses (Abera, 2012; Agarwa & Alemayehu, 2015). In this sense, previous studies found that power interruptions, interrupted water supply, working premises, and poor transportation service were the major infrastructural challenges affecting the growth and performance of MSEs (Abebe & Gemed, 2020; Lemma & Kebede, 2018; Serawitu, 2020). Moreover, working premise factors were the first most significant influential factors affecting the performance of the enterprises (Abdissa & Fitwi, 2016; Abera, 2012; Alene, 2020).

### **Accessibility of Job and Labor Market policy**

Previous studies indicated that saving and abroad occupational experience alone are not sufficient to enhance the performance of entrepreneurial activities. However, the level of labor market accessibility has an impact on the choice of return migrant to become self-employed in their home country (Bensassi & Jabbour, 2021). Studies argued that migrants often face discrimination in formal labor markets, which then drives them into (necessity) self-employment. For instance, Naudé et al. (2015) found that if there would be no discrimination against migrants in urban China, the number of self-employed migrants would fall by 16 percent, a significant proportion. This implies that when they have a choice, migrants may often prefer wage employment to being self-employed. Furthermore, studies conducted by Chen & Hu (2021) and Martin & Radu (2012) argued that inaccessibility of labor market for return migrants could lead to an entrepreneur or self-employed. They further stated that labor market policy have an impact on the performance of return migrant entrepreneurs firm. On the other hand, entering into entrepreneurship is a decision adopted after all others labor market opportunities have been found unsatisfactory or if employment options were unavailable for particular individuals. In this regard, previous proved argued that accessibility of job has an impact on the firm performance of returnee entrepreneurs. For example, Croitoru (2019 and 2020) found that acquiring formal qualifications abroad decreased individuals' propensity towards self-employment while learning new skills abroad increased young individuals' chances of entering self-employment upon return. The study concluded that young individuals who acquire formal qualifications abroad can have better job prospects as wage employees in the origin country.

### **Remittance and saving**

It is obvious that saving is the key determinant of investment to start-up a business. in this sense, Black & Castaldo (2009) argues that those who accumulated a greater amount of savings are more likely to return to self-employment. Previous studies found that saving in abroad have positive link with firm



performance (Mesnard, 2004; Wahba, 2014). A study by (Black & Castaldo, 2009) revealed a positive correlation between the accumulation of savings and investment in entrepreneurial activity. This is to mean that those who invest after their return have saved more while abroad. In a similar sense, remittances can contribute to poverty reduction, consumption smoothing and household expenditure in low-income countries. It is also helps to raise household spending on education and health services (Naudé et al., 2017). Previous studies on the effectiveness of remittances to encourage entrepreneurship in migrant sending countries is, however, also mixed (Ratha et al., 2011; Siddique et al., 2016; Vasco, 2013). For instance, Amuedo-Dorantes & Pozo (2004) show that in the case of the Latin American and Caribbean countries receiving remittances does not lead to an increased likelihood of owning a business, but rather the opposite. Remittance receipt is associated with a reduced likelihood of business operations. It has also been observed that households, who already operate a business, are more likely to receive remittances from abroad. On the contrary, a study by Vasco (2013) revealed migration and remittances in the case of rural Ecuador finds that 'neither migration nor remittances have any effect on the odds of a household owning a rural business'. In the case of Mexico, on the other hand, remittances have been found to be a significant source of capital for micro-enterprises (López-Córdova & Olmedo, 2006).

## **Material And Methods**

### **Study area**

Gondar is one of the emerging and rapidly urbanized city of Ethiopia. The city has divided into six administrative sub-cities namely Maraki, Azezo tseada, Arada, Jantekel, Zoble, and Fasil. Unemployment in the city remains high especially amongst the youth, including those with a university degree and migrants returned from abroad (Tegenu et al., 2021). Besides unemployed graduates, illegal temporary migration is one of the threats in Gondar city due to the reason that being the hot spots of the country's rout of migration via Ethio-Sudan borders of Metema and Humera and accompanied it as the home of returnees (Gebremariam et al., 2018). In the city, high unemployment rates lead to a perpetuated dream of global migration. One of the largest current global migration flows is Ethiopian women traveling to the Middle East as domestic workers, which also often occurs through trafficking by brokers who connect to people through facilitations (Bigsten et al., 2013) which has also been observed in Gondar city. In this sense, currently illegal temporary migration is a worldwide phenomenon that is rising in scope, complexity, and impact. It is therefore a threat to Ethiopia in general and Gondar city in particular as being one of the hot spots of the country's rout of migration via Ethio-Sudan that youths are migrating in the way Ethio-Sudan through Yemen to Saudi Arabia (Gebremariam et al., 2018). There was a fairly equitable distribution of male and female return migrants at 55.33 percent of returnees in the city from the Middle East (Kuschminder, 2014). Based on the above mentioned facts the study area (Gondar city) has been used as a case study for this study.

### **Research design and data type**

It is obvious that research design can be applied by researchers based on the nature of the study objectives and questions to address the objective. To this end, this study adopted descriptive case study research design (Cresswell, 2014). This design allows to describe the state of affairs as it exists at present and demonstrate the relationships between things. Thus, this study describes and critically assesses the determinants that influence entrepreneurial performance of return migrants in Gondar city. With regards to data type, the current study used quantitative data that is found from primary and secondary data types. The primary data was collected by structured questionnaire from study participants and secondary data of this study were gathered from previous literatures and government as well as non-government reports.

### **Sample size and sampling techniques**

For the purpose of this study, both temporary and circular migrant individuals who are living in Gondar city for collecting information about the case was participated. Specifically, Saudi Arabia returnees were the targeted participants because most Arab migrants are temporary migrants in nature due to the legal environment in these countries and visa schemes sponsored, standards set by the Ministry of Human Resources and Emiratization usually for 1, 2, or 3 years for temporary labor (Valenta, 2020). In this sense, to identify the exact participants of the study, eligibility or inclusion criteria would be set earlier to categorize who the study respondents are and who are not. This is similar to the matter of setting boundaries in the case study which is, we should know first who our cases are and who our cases are not.

Accordingly, the researcher set the following inclusion criteria which put the researcher away from questions that are too broad and to ensure the study is reasonable in scope with regard to sampling. The study area selected for this cross-sectional research was Gondar city where a large number of youth returnees are coming from Saudi Arabia every year and the targets were young men and women of year ranges between 15-29 years old who have been living in Arabs for more than a year and returned to Gondar City and supported by the government. As it is stated in the description of the study area, Gondar city is divided into six sub-cities, returnees who are living in all six sub-cities are sampled. Therefore, one of the inclusion criteria was participants' current place of residence.

The study also employed multi-stage sampling technique to select the sample participants in the study area. Accordingly, first, based on purposive sampling, Gondar city labors and social affairs and technical and vocational offices were selected. Because these offices are the nearest responsible office for returnee's support and returnee's data are registered when they come from abroad. Second, all the six sub-cities are included to take a more representative sample. Third, the individuals were stratified based on their sub-cities. Stratification is assumed to be best for this study because respondents are supposed to be homogeneous due to inclusion and exclusion criteria. Since each stratum is more homogeneous than the total population, the researcher was able to get more precise estimates for each stratum and by estimating more accurately each of the component parts and will get a better estimate of the whole (Kothari, 2004).

According to Gondar city labor and social affairs report (2020), there are 195 individuals in the city who satisfy the inclusion criteria stated above. Since the respondents are less than 200 the sampling strategy was Census to use the entire population as the sample. A census is attractive for small populations (e.g., 200 or less) (Taherdoost, 2017). In order to eliminate sampling error and provides data on all the individuals in the population, the study used census. In addition, some costs such as questionnaire design were the same that is, all the questionnaires were the same for all samples of 195, and the census sampling strategy for this research was affordable. Finally, nearly the entire population have been sampled since they are small populations, to achieve a desirable level of precision.

### **Survey Instrument determination**

For the purpose of this study, the data were collected through closed-ended tools. The questionnaire are structured to collect data on education, work experience, government support, access to finance, business environment, working premises, market policy, and remittance and saving using a Likert scale. Questions that are structured by Likert scale was divided into five categories: strongly agree, agree, neutral, disagree and strongly disagree for different statements that represent knowledge, practice and experience components. The researcher further grouped the five Likert scale categories into two categories such as positive and negative. In doing so, the responses given as strongly agree, agree and neutral grouped as a positive category. On the contrary, the responses given as disagree and strongly grouped as a negative category. Finally, based on the two categories, measures are developed by coding a value of '1' if the participants answered positively to two or three of the categories and a value of '0' if the participants answered negatively one or two of the categories. Most of the predictor variables are measured on a nominal scale while other were measured on an ordinal scale. Education, work experience, remittance sent, saving and working premises were measured on a nominal scale as categorical data. Information on government support, access to finance, business environment, and market policy were measured on an ordinal scale. Firm performance commonly measured in terms of financial and non-financial dimensions. In this sense, for the purpose of this study, returnee entrepreneur's performance measured in terms of financial performance. More specifically, the study used profit as a performance measure of returnee's firm performance. Financial performance is a firm's ability to accomplish planned financial outcomes (Mohamed et al., 2021), which is usually measured by return on investment, sales growth, profits or productivity. Therefore, the dependent variable (i.e. returnee entrepreneur's performance) was measured as a categorical variable.

### **Variables and model specification**

The independent variables were grouped into two main categories such as socio-economic factors (education, sectoral experience, occupational experience, access to formal credit, remittance, saving, accessibility of job market and working premises) and institutional factors (policy environment to return migrants business formation, bureaucratic process to get support, government support for returnees, labor market policy, business environment). In total 13 variables that determine the performance of

returnee entrepreneurs were used in this study. Along with this, returnee entrepreneur's performance (profitability) is the dependent variable for this study (Table 1).

As indicated from in the survey instrument determination section, many empirical studies provided different variables for returnee's firm performance. Among these, return to investment, sales growth, employment size, profit, market share, and productivity are mostly the common once (Mohamed et al., 2021). These measures depend upon the ease of availability of the data and good judgment of the researcher. In this sense, profit is mostly used in MSEs' performance literature globally (Agarwa & Alemayehu, 2015; Alene, 2020; Mohamed et al., 2021). Consequently, this study considered profit as best fitted measure of returnee entrepreneur's performance.

Studies on the entrepreneurial performance of return migrants are very limited globally. In this sense, these limited studies on returnee's firm performance have been employed both logit and probit models. For instance, Xiaohui et al. (2018) used ordinal probit model in their studies, while Li et al. (2012); Liu et al. (2015); Qiao (2019); and Yan et al. (2018) were used binary logistic regression (logit) model in their respective studies. In this context, both probit and logit model could be used in firm performance related studies globally. However, ordinal probit model could be applied if the dependent variable in a given study taken as an ordered measure. On the other side, logit model could be used when the dependent variable is measured in categorical level. Taking this into account, the current study used logit (binary logistic regression) model similarly with Li et al. (2012); Liu et al. (2015); Qiao (2019); and Yan et al. (2018) since entrepreneurial performance in this study is considered as categorical variable.

Accordingly, different literatures claim that the following assumption of logistic regression model/logit model needs to be tested. In this sense, tests were made to see if the data set met the assumption of no perfect Multicollinearity, and the test result confirmed that Multicollinearity was not a concern. This is to mean that multicollinearity exists when there is a strong correlation between two or more predictors in a regression model. Taking this into account, multicollinearity test is checked using SPSS with the results, variance inflation factor < 5 and tolerance > 0.1 for all predictor variables, thus none of the predictors are correlated and removed (see Table 3). Variance inflation factor greater than 5 and tolerance less than 0.1 indicates serious collinearity problem and needs removal of highly correlated predictors (Field, 2009).

The binary responses of entrepreneurial business performance of return migrants,  $Y_i = 1$ , the business is profitable and  $Y_i = 0$ , business is not profitable, given the values of the explanatory variables, then the function has been as follow:

$p_i = \sum (y = 1 / X_i) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \dots + \beta_i x_i$  where  $Y=1$  means the business is profitable

$$p_i = \sum (y = 1 / x_i) = \frac{1}{1 + e^{-(\beta_0 + \sum \beta_i x_i)}} = \frac{e^{(\beta_0 + \sum \beta_i x_i)}}{1 + e^{(\beta_0 + \sum \beta_i x_i)}} \dots \dots \dots \text{(Eq. 1)}$$

In which X s' are explanatory variables of this study. If  $P_i$  is the probability of being profitable then  $(1-P_i)$  would be the probability of not profitable.

$$1 - p = \frac{1}{1 + e^{\beta_0 + \sum \beta_i x_i}} \dots\dots\dots (Eq. 2)$$

Therefore we can write  $\frac{p_i}{1 - p} = \frac{1 + e^{z_i}}{1 + e^{-z_i}} = e^{z_i} \dots\dots\dots (Eq. 3)$

Where  $z_i = \beta_0 + \beta_{1x_1} + \beta_{2x_2} + \beta_{3x_3} + \dots + \beta_{ix_i}$ , then  $\frac{p_i}{1 - p_i}$  are simply the odds in favor of being profitable, the ratio of the probability that profitable to not profitable

The above equation can be written in linear form by taking the natural logarithm, because the coefficients on natural log are directly interpretable as appropriate proportional differences.

$$L_i = \ln \left( \frac{p_i}{1 - p_i} \right) = \ln \left( e^{z_i} \right) = z_i = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \dots + \beta_{ix_i} + E_i \dots\dots\dots (Eq. 4)$$

Where; L is the log of then odds ratio  $\left( \frac{p_i}{1 - p_i} \right)$ , is not only linear in X, but also linear in the parameters.

L is called logit and hence the name logit model for models in the above equation.

$E_i$  = the stochastic term or error term

Furthermore, since the above equation  $z_i = \beta_0 + \beta_{1x_1} + \beta_{2x_2} + \beta_{3x_3} + \dots + \beta_{ix_i} + E_i$  from the above model, let us substitute  $z_i$  as a dummy response with the independent variable in the following form:

$$REP = \beta_0 + \beta_1(\text{remsent}) + \beta_2(\text{savbro}) + \beta_3(\text{lampo}) + \beta_4(\text{espfo}) + \beta_5(\text{polev}) + \beta_6(\text{busev}) + \beta_7(\text{accfn}) + \beta_8(\text{bureapross}) + \beta_9(\text{workpr}) + \beta_{10}(\text{accjob}) + \beta_{11}(\text{govsuppt}) + \beta_{12}(\text{edul}) + \beta_{13}(\text{sectexp}) + \beta_{14}(\text{occuex}) + E_i \dots\dots\dots (Eq. 5)$$

Where, REP = dummy of Returnee entrepreneurial performance;  $\beta_0$  = constant;  $\beta_1$  = coefficients/index variable,  $E_i$  = Error term

Table 1  
Description of dependent and predictor variables

Variable included in the model	Definition of variables in the model	Expected degree of influence
REP (Returnee Entrepreneurial performance: Profit)	REP (profit) was assigned a value of '1' if returnee owned business is profitable and '0' if not	
X <sub>1</sub> REMTS (Remittance Sent)	REMTS was remittance sent. A value of "1" was assigned if return migrants sent remittance and "0" if not	-
X <sub>2</sub> SAVBR (Saving Brought from Abroad)	SAVBR was saving brought from abroad. A value of "1" was assigned if return migrants brought saving from abroad and "0" if not	+
X <sub>3</sub> ACCJOBM (Accessibility of Prevailing Job Market)	ACCCJOBM was accessibility of job market. A value of "1" was assigned if job is accessible for returnees and "0" if not	+
X <sub>4</sub> LABMPO (Labor Market Policy)	LABMPO was labor market policy. A value of "1" was assigned if there is labor market policy for returnees and "0" if not	+
X <sub>5</sub> POLEVRBUSF (Policy Environment for Return migrants Business Formation)	POLEVRBUSF was policy environment for return migrant's business formation. A value of "1" was assigned if there is policy environment for returnees and "0" if not	+
X <sub>6</sub> BUSEV (Business Environment)	BUSEV was business environment. A value of "1" was given if there is favorable business environment for returnees and "0" if not	+
X <sub>7</sub> ACCFN (Accessibility of Credit)	ACCCFN was accessibility of finance. A value of "1" was assigned if finance is accessible for returnees and "0" if not	+
X <sub>8</sub> BURPOSS (Bureaucratic Process to get Support)	BURPOSS was bureaucratic process to get support. A value of "1" was assigned if the returnee believed that the support process is bureaucratic and "0" if not	+
X <sub>9</sub> WORPR (Working Premises)	WORPR was policy environment for return migrant's business formation. A value of "1" was assigned if there is policy environment for returnees and "0" if not	+

Variable included in the model	Definition of variables in the model	Expected degree of Influence
X <sub>10</sub> GOVSUR (Government Support for Returnees)	GOVSUR was government support for returnees. A value of "1" was assigned if there is government support for returnees and "0" if not	+
X <sub>11</sub> EDUL (Educational level of Returnees)	EDUCL was measured using the attainment of grade levels by the returnees. Education helps to raise skill and knowledge about business practice which in turn helps to perform better. A value of "1" was given if the educational status of the returnees was college/ university graduate and "0" otherwise	+
X <sub>12</sub> SECEXP (Sectoral Experience brought from Abroad)	SECEXP was sectoral experience brought from abroad. A value of "1" was assigned if returnees have sectoral experience brought from abroad "0" if not	+
X <sub>13</sub> OCCUEXP (Occupational Experience brought from Abroad)	OCCUEXP was occupational experience brought from abroad. A value of "1" was assigned if returnees have occupational experience brought from abroad "0" if not	+

## Result And Discussion

### Returnee Entrepreneurs characteristics

For the purpose of this study, 195 structured questionnaire were distributed to returnee entrepreneurs and all participants returned a completed questionnaire (100% response rate). Taking into account this, table 2 describes the characteristics of returnee entrepreneurs. Based on the survey, majority (83.6%) of returnee entrepreneurs are female, while the rest are males. In terms of age group, 43.6% of the returnee entrepreneurs are found between 21-25 age groups followed by 26-30 age group. Furthermore, 47.7% of the returnee entrepreneurs are completed their primary school (Grade 1-8) followed by secondary school completers (Grade 9-10). With regards to their marital status, 44.6% of the entrepreneurs are married followed by unmarried once (29.7%).

Table 2: Returnee Entrepreneurs-Characteristics of the Sample (N=195)

Variable	Indicators	N	%
Sex	Male	32	16.4
	Female	163	83.6
Age	15-20	3	1.5
	21-25	85	43.6
	26-30	78	40.0
	30-35	27	13.8
	36 and Above	2	1.0
Educational Level	Illiterate	5	2.6
	Grade 1-8	93	47.7
	Grade 9-10	62	31.8
	Grade 11-12	23	11.8
	College And Above	12	6.15
Marital Status	Single	58	29.7
	Married	87	44.6
	Divorced	42	21.5
	Widowed	8	4.1

Source: Filed survey, 2021

## **Determinants of returnee entrepreneur's performance**

### **Binary logit results and discussions**

Binary logit model has been applied to identify determinant factors that significantly influence the entrepreneurial performance of return migrants. Table 3 and 4 provide the results of Multicollinearity test by Variable Inflation Factor and the binary logistic regressions respectively.

### **Table 3: Multicollinearity test by Variable Inflation Factor (determinant factors that influenced entrepreneurial performance of return migrants)**



Predictor variables		Collinearity Statistics	
		Tolerance	VIF
Model	Remittance sent while abroad	.836	1.197
	Savings brought from abroad	.605	1.653
	Accessibility of prevailing job market	.777	1.287
	Labor market policy	.796	1.256
	Policy environment for return migrant's business formation	.711	1.406
	Business environment	.737	1.358
	Accessibility of finance	.368	2.715
	Bureaucratic process to get support	.595	1.680
	Working premises	.543	1.843
	Government support for returnees	.708	1.413
	Educational level of returnees	.696	1.436
	Sectoral experience brought from abroad	.764	1.309
	Occupational experience brought from abroad	.828	1.207
	a. Dependent Variable: Return migrants entrepreneurial performance		

Source: Filed Survey Result, 2021

The regression result revealed that accessibility of job market does influence the performance of return migrant entrepreneurs since the coefficient of the variable is statistically significant. This result suggests that a positive association between accessibility of job market and return entrepreneurs performance. More precisely, additional inaccessibility of job is associated with a 16.4% of increase of the average net monthly profits of the firm. In other words, having alternative accessibility of job for returnees, is associated with a 16.4 per cent decrease of the monthly average net earnings or profit. In line with this, the current study result is consistent with the findings of Johnson & Kimmelman (2014); Kritikos (2014); Loschmann & Marchand (2021); and Mahe´ (2017) who pinpointed that accessibility of job market had influenced the entrepreneurial performance of return migrant entrepreneurs. Similarly, recently, a study by Croitoru (2019) and Mosbah et al. (2018) found that accessibility of job is one of the main determinants of the firm growth and performance. This implies that the return migrants who are unable to access the prevailing job sustainably perform their business.

Moreover, as it also indicated from table 4, the regression output revealed that labor market policy is found out to have a positive and significant influence on the performance of return migrant entrepreneurs. This implies that inadequacy of labor market and discrimination in the labor market in the

home country could have influence on migrant's choice of an entrepreneur in one hand. On the other hand, being exposed to work abroad increases the propensity of migrants to either not participate in the labor market or to switch into self-employment upon return. As it indicated in table 4, returnees who are not considered the labor market or employment opportunities increases the odds of being successful entrepreneur by 14 percent rather than leaving the business. This findings is consistence with the findings of Chen & Hu (2021); Martin & Radu (2012); and Naudé et al. (2015) who reported that labor market inaccessibility have positive link with return migrant entrepreneurs firm performance. On the other context, this findings is inconsistent with the findings of Alene (2020).

Table 4 depicts, accessibility of finance has been statistically significant and has positive association with entrepreneurial performance of return migrants. In other words, the model suggests that entrepreneurial performance of return migrants who have access to finance were eight times (odd ratio=7.775,  $p < 0.05$ ) more likely success than those who have no access to finance. This implies that return migrant entrepreneurs perform better in their businesses when they have financial accessibility. It expressed that return migrant enterprises with access to finance have a chance to maximize profit than credit-constrained return migrant enterprises. However, as previous studies proved the main sources of startup and expansion finance or funds for most MSEs in developing countries including Ethiopia are personal savings followed by iqub/idir, family and friends/relatives (Abera, 2012). In line with this, the study results consistent with the findings of (Agarwa & Alemayehu, 2015; Mulugeta, 2014; Padiaychee, 2016; Serawitu, 2020; Sidek et al., 2016). The shortage of source of finance is a critical problem which hindering MSEs Profitability and further expansion. In Ethiopia, the main sources of finance are personal savings and families and more than 75 % of MSEs sources of finance is generated from informal financial institutions (Agarwa & Alemayehu, 2015).

The study confirmed that working area provision has statistically significant influence on the entrepreneurial performance of returnee entrepreneurs. This indicated that return migrant entrepreneurs with available working premise have a chance to maximize profit than migrant entrepreneurs who doesn't access working premises. Moreover, enterprises having convenient display room and selling premises have a chance of increasing firm profit than enterprises who doesn't access it. In this sense, the current study results consistent with the findings of (Abdissa & Fitwi, 2016; Abera, 2012; Agarwa & Alemayehu, 2015; Alene, 2020; Serawitu, 2020).

Furthermore, table 4 depicts, government support to return migrants has statistically significant influence on return migrant entrepreneur's performance. This implies that return migrant enterprises that have access to government support packages such as legal issues, lack of appropriate government support in terms of technology transfer, training, creating market linkage, credit facility, working place facility, consultancy service from government have performed better than the one who have not get support from government. In line with this, this study result is consistent with the study findings of (Alene, 2020; Joshi & Mihreteab, 2016; Lemma & Kebede, 2018; Serawitu, 2020; Usman & Tahir, 2018; Wei & Liu, 2015). This studies asserted that lack of accessible information on government regulations that are relevant to the business, the tax levied on the business is not reasonable and long bureaucratic chains, corruption,

nepotism in getting service registration and licensing respectively were coined as the leading problems that affect entrepreneurial performance.

As it is indicated from table 4, on the other hand, however, the results of logit model output indicates the absence of statistically significant effect of saving, education, business environment, sector and occupational experience on the performance of return migrant entrepreneurs though the study conceptualized their influence based on previous studies.

**Table 4: Results of the logit (entry method) model showing determinants that influence return migrant entrepreneurs' performance (N = 195) in Gondar City**

Predictors	B	S. E	Wald	Sig	Odds ratio
REMTS	1.226	.988	1.538	.215	3.407
SAVBR	-1.687	1.001	2.842	.092	.185
ACCJOBM	2.795	1.210	5.337	.021**	16.365
LABMPO	2.644	1.012	6.821	.009*	14.062
POLEVRBUSF	-.284	.343	.684	.408	.753
BUSEV	-.718	.387	3.432	.064	.488
ACCFN	2.051	1.379	6.217	.013**	7.775
BURPOSS	.346	.404	.733	.392	1.413
WORPR	.651	.300	4.701	.030**	.522
GOVSUR	.701	.345	4.121	.042**	.496
EDUL	-.219	.467	.220	.639	.803
SECEXP	-1.051	1.362	.595	.440	.350
OCCUEXP	2.284	1.528	2.233	.135	9.812
Constant	9.036	2.674	11.417	.001	8403.840

Variable(s) entered on step 1: REMTS, SAVBR, ACCJOBM, LABMPO, POLEVRBUSF, BUSEV, ACCFN, BURPOSS, WORPR, CRIGOVSUR, EDUL, SECEXP, and OCCUEXP

- 2 log likelihood function = 98.030;  $\chi^2 = 57.572$ ; d.f = 12; constant = - 1.483; Cox and Snell R Square = 0.274; Nagelkerke R square = 0.473

Source: Field Survey Result, 2021

\*p < 0.01

\*\*p < 0.05

## **Implications and Limitation of the study**

This study contributes to the existing migration and entrepreneurship literature by adding evidence from Ethiopia on determinants of entrepreneurial performance of return migrants. Theoretically, the integration of determinants with returnee's business performance has contributed to the theory of migration and entrepreneurship. Moreover, the findings could have policy implications for Ethiopian social and labor affairs office as it suggests a strategy towards increasing the performance of return migrant entrepreneurs through identifying the influencing factors of entrepreneurship activities.

The findings will significantly benefit the field of development and management studies, offices in charge of following and regulating return migrants affairs, policymakers and practitioners at all levels of the government. In addition, it serves as a reference material to future researches. On the other hand, the findings of this study will broaden the scope of returnee's knowledge which will, in turn helps to improve the performance of their firms. In general, the findings of this study will also make meaningful contributions to return migrants by identifying determinants of entrepreneurial performance of returnees which will in turn helps to enhance the performance of their firm.

This study is restricted by some limitations. In this regard, the sample used in this study only concentrated on young migrant returnees with age category of 15-29 years old in Gondar city. Any future research will consider all returnees in the city. In addition, this study is in the form of a cross-section which entails the sourcing of data from one distinct unit. Therefore, future studies will conduct using longitudinal data to find out if the determinants will differ from the findings of this study.

## **Conclusion**

Recently, interest in analyzing the growth and performance of entrepreneurial activities of return migrants has increased considerably (Kourtit et al., 2013), as it is considered to be one of the most important constructs within the entrepreneurship and migration literature. In this context, understanding determinant factors that influence the performance of return migrant entrepreneurs have been important to adopt entrepreneurial strategies to achieve and maintain the success of their business organizations. This study, therefore, provides new empirical evidence on determinants that influence return migrants entrepreneurs' performance based on the data acquired from 195 return migrant entrepreneurs in Gondar city, Northwest Ethiopia, using logit (binary logistic regression) model analysis. As a result, the regression output revealed that five predictor variables are statistically significant in determining the performance of return migrant entrepreneurs. In this regard, accessibility of job market, labour market policy, access to finance, working area premises and government support were significant. However, the other predictor variables was not found to be statistically insignificant.

Therefore, the study identified accessibility of job and labor market policy have determine the entrepreneurial performance of return migrant entrepreneurs. It proved that inability of the returnees to

access the prevailing job market or the mismatched with the quality of returnee's skill and labor market have helps the returnees to become entrepreneur. It in turn helps to improve the performance of their firms. Moreover, access to finance and working premises have also an impact on the entrepreneurial performance of return migrants. In addition, criteria of government support for return migrants has an influence on the entrepreneurial performance of return migrants. This indicated that return migrant enterprises that have access to government support packages such as legal issues, lack of appropriate government support in terms of technology transfer, training, creating market linkage, credit facility, working place facility, consultancy service from government have performed better than the one who have not get support from government.

## **Abbreviations**

IMF-International Monetary Fund; OECD-Organization for Economic Cooperation and Development; MSEs- Micro and Small Enterprises; BDS-Business Development Services

## **Declarations**

### **Authors' contributions**

I have carried out all the whole works of the study. I designed the study research design, carried out the field work, document analysis, literature work, manuscript draft and editorial

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### **Competing interests**

The author declare that there is no competing interests.

### **Availability of the data and materials**

The data is included in the manuscript.

### **Ethics approval and consent to participate**

Not applicable since this research did not involve human subject.

## Consent for publication

I have agreed to submit for Journal of Innovation and Entrepreneurship and approved the manuscript for submission.

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## Figures

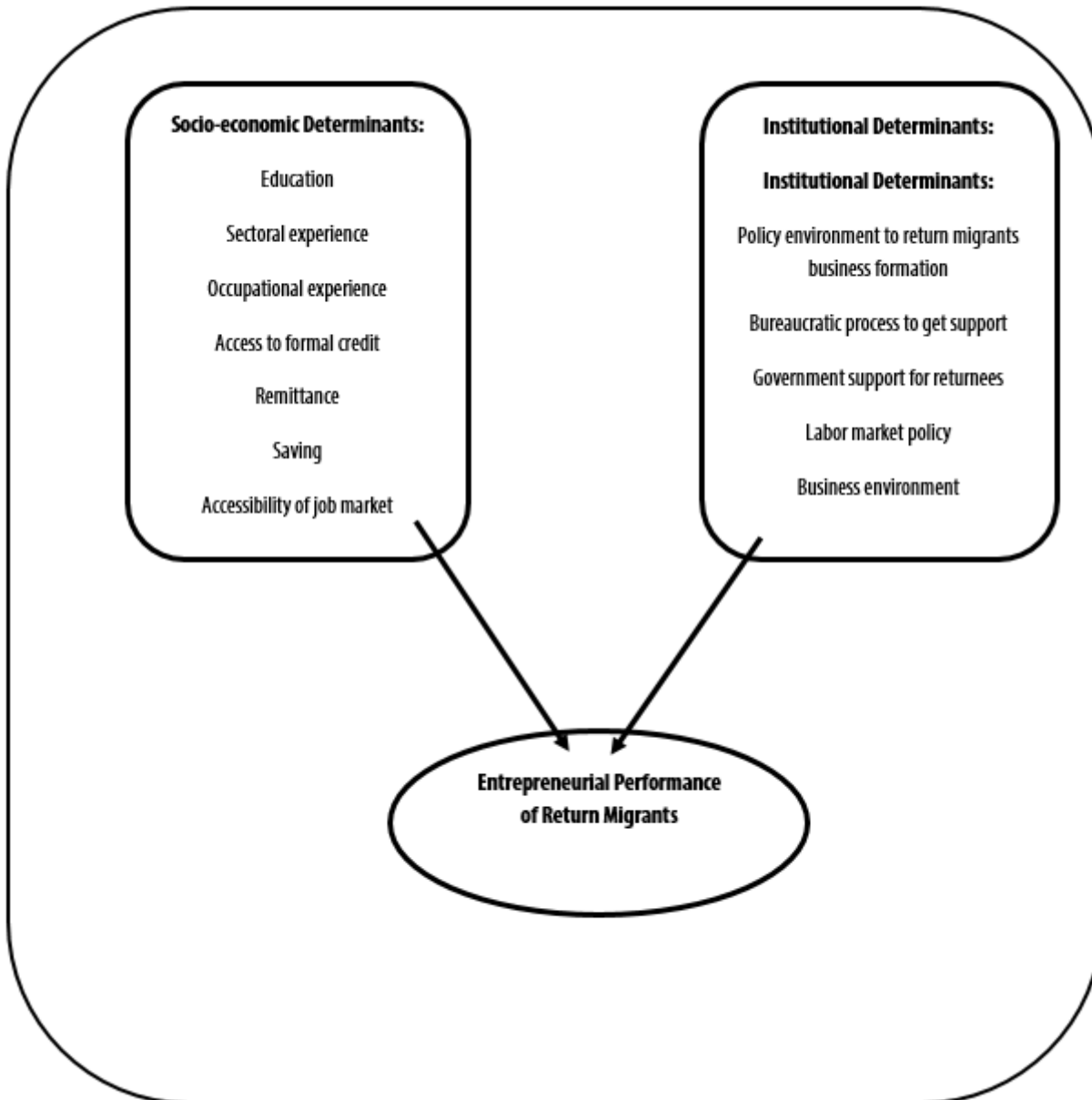


Figure 1

Conceptual framework developed by the author based on empirical literature discussed above