

Entrepreneurial migration and regional opportunities in developing countries

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Abstract. This paper aims to investigate the entrepreneurial migrants' preferences for a location for business activities in developing countries. In the modelling framework six socio-economic and six socio-cultural variables are used in this study to investigate the migrants' propensity to stay at a particular region. The empirical research was carried out in East Nusa Tenggara, Indonesia. It appears that the presence of a supporting informal network is the most critical factor that attracts and keeps the entrepreneurial migrants in a particular region. Socio-cultural variables like experience and education play a less significant role in the migrants' decision to stay in a given region.

JEL classification: M13, O17

1. Introduction

Spatial dynamics finds its origin in differences in socio-economic development in various regions. Decisions of both households and business firms generate region-specific indigenous growth patterns. In the literature an overwhelming amount of interest has been given to the spatial indirect mobility of labour, but far less to the movements of firms.

Obscured behind the interest in labour migration there is the migration of entrepreneurs. Instead of lining up for jobs with local people, these migrant entrepreneurs create their own jobs or even provide employment for local people. The entrepreneurs as migrants are under-represented in the migration literature. This is due to the fact that, although most of the migration movements were primarily motivated by economic considerations, the majority of migrants tend to be job seekers, while only a small number initially move for self-employment.

The intriguing phenomenon of entrepreneurial migration is generally found in the developing countries with a lagged industrial sector. Some migrants are forced into urban areas by negative socio-economic circumstances in rural areas, such as poor land, unequal land distribution, natural

* Kees Gorter passed away in October 2001.

disasters, population pressure and unemployment. They move to urban areas with the initial intention to search for employment (Wood 1981; Guest 1989; Lansing and Mueller 1973; Simon 1986). Because available jobs in the formal sector are not plentiful, some of the migrants are forced to enter self-employment activities, such as petty trading, work as street vendors, or manufacturing household goods. Today, a great deal of self-employment activities in developing countries are found in the informal sector (Rogerson 1988), which has been considered a safety valve for unemployed in many developing countries.

An important question is how to distinguish between the migration of entrepreneurs and the migration of labour. The two types of migration may be considered to be identical. Entrepreneurial migration is only a *variant* of labour migration. The entrepreneurs are indeed self-employed and are bound by the rules which apply to workers in general. As long as the entrepreneurs run their own business and hire themselves without employing other people, their function is largely comparable with workers in general. The entrepreneurs as migrants are motivated by the same basic drive as labour migrants: to improve their economic circumstances upon arriving at their target destination. They were attracted by the expected income from migration (Harris and Todaro 1970). The workers expect higher wages and the entrepreneurs expect higher profits. Therefore, entrepreneurial migration and labour migration are very similar and it is not necessary to distinguish between them or to find separate explanations.

Another point of view is to distinguish between entrepreneurial migration and labour migration. The basic source of entrepreneurial activities is management skills; whereas for labour migrants it is technical skills. Entrepreneurs search for the best place that offers the best opportunity for profit. Labour migration, on the other hand, depends on the availability of jobs in a particular region and an adequate pay scale. The entrepreneurs ease the tensions in the labour market by generating jobs for local people, but casual migrants aggravate these tensions by competing in the labour market. Regarding risk, entrepreneurs face higher risk than labour migrants. The entrepreneurs operate at two extremes: at one extreme, if they succeed in business, they can earn big profits, but, at the other, they fail, they lose the money they have invested. The risk for labour migrants occurs when they cannot find jobs in their destination area, but once a job is secured their income becomes more stabilized.

The aim of the present paper is to develop a model for behaviour of entrepreneurial migrants that takes into account both economic variables (e.g., market opportunities) and social variables (for example, local tolerance with respect to newcomers). We begin with a concise review of approaches addressing entrepreneurial migration (*viz.*, the structural and cultural approach; see Mavratsas 1997), followed by a short overview of issues that are of particular relevance for developing countries. Based on these, a socio-economic model for entrepreneurial behaviour is formulated with a view to the analysis of the factors impacting the decision to stay or to migrate. An empirical application is offered for Indonesia, based on field research among entrepreneurial migrants in the peripheral province of East Nusa Tenggara.

2. Structural approach

The so-called *structural approach* offers a general analysis framework for business migration and argues that the economic situation in the receiving society

is the prime cause for migrants engaging in entrepreneurial activities. Different regional socio-economic structures offer different ranges of opportunities for migrants (Cole 1959). The migrants' choice depends on the opportunity structure that they encounter in the receiving society. The notion of "opportunity structure" relates to the social, political and economic circumstances that offer migrants opportunities to start their businesses. Different factors, such as market conditions, ethnic and social networks, degree of accessibility, demand density, government regulation and social convention, facilitate interaction among social groups and in some way impact ethnic entrepreneurship (Mulligan and Reeves 1983; Gouch 1984; Timmermans 1986). The migrants might initially have planned to enter the labour market when they decided to migrate, but changed their minds when they saw a clear opportunity in the entrepreneurial sector. One advantage of self-employment is that migrants can do without others for their supervision and rely on themselves for decision-making. In other words, the entrepreneurs always want to be their own boss. Migrants have confidence within the entrepreneurial sector because they believe that this sector offers them the possibility to achieve substantial economic advancement without jeopardising their social relations with the native population (Razin 1991; Marger 1989).

One critical aspect of the opportunity portfolio in the destination area is formed by market conditions, including the degree of market competition and market accessibility. Competition occurs when migrants have to compete with other migrants or with local entrepreneurs in a similar market. Accessibility in a market is dependent on the types of consumers that the migrants serve. The migrants may take advantage of a new opportunity in an ethnic product (Waldinger et al. 1990). The concentration of an ethnic group in great numbers within a receiving region increases the demand for an ethnic product. This is due to the fact that cultural events and emotional attachment to the home region allows that ethnic goods could be supplied by ethnic groups. Moreover, the new migrants may see an opportunity to make a business out of cooking ethnic dishes which demand special preparation and cannot necessarily be produced by other ethnic groups (Van Delft et al. 2000).

The migrants would not restrict themselves on building a business based on ethnic products, but also seek the opportunities for serving the open market (Waldinger et al. 1990). They may cater for a general audience beyond their own ethnic background. Exotic products and foods from their home regions are popular with general consumers and are in high demand. Ethnic products become public consumption and can only be provided by the migrants themselves. The Minang restaurants, for example, can be found everywhere in Indonesia and Malaysia serving the general public. These restaurants are very popular and are closely linked with ethnicity. Other examples of ethnic products are wood carvings, paintings and crafts that are often identified with a particular cultural heritage.

Other possibilities are in underserved markets or in markets that have been abandoned by previous entrepreneurs (Waldinger et al. 1990). Some entrepreneurs may have moved to other sectors or to other places and thus leave an opportunity for new migrants. In this situation, the new migrants grasp the opportunities when they find that the demand in the receiving regions is still open and not yet filled by local entrepreneurs. The entrepreneurs move toward products that are in demand; they do not confine themselves to ethnic products, but instead may also serve the general public with a variety of goods.

The moves into entrepreneurship might have been triggered by unfavourable conditions in the destination area, the most common of which is economic dislocation. As the migrants encounter unfavourable situations, such as job discrimination and other hardships in the receiving region, they switch to self-employment as a safety measure. This often happens to migrants with limited education or limited skills. This is not a voluntary decision, but it reflects a no-choice, dead-end alternative after job-search failure.

This line of argument is in accord with the *block mobility theory*, in which it is argued that migrants and local-born workers encounter similar labour market circumstances (Light and Rosenstein 1995). Ideally, the selection criteria should be based largely on education, merit, and transparent rules, but in practice there are hidden rules, where ethnicity and place of birth are taken into account in labour recruitment, which prevent migrants' from being accepted in the formal sector. Even the available work is usually in low-paying jobs, but for these the migrants still have to compete with local-born workers. The implication is that migrants are forced into entrepreneurial activities, which is not what they have actively chosen to do.

The migrants forge social ties among fellow ethnic groups in seeking opportunities outside the labour market, thus developing an *ethnic enclave*. An ethnic enclave can be established in the receiving region, when the number of entrepreneurs increases; the enclave is characterised by a concentration of migrants in particular sections of a city or town, and by tight business and social networks. The enclave is maintained to provide new migrants with the ethnic flavour of the home region. The ethnic enclave is also institutionalised in order to incorporate new migrants into the host community. It serves as a development centre for promoting the ethnic skills of new migrants, which ultimately gives them the possibility for upward social mobility. Skills nurtured within the enclave are associated with ethnic capital.

The progress of the migrants' enterprise is also sensitive to institutional responses in the host society. A policy of encouraging the informal sector in developing countries will help to instigate the flow of migration. In a community where there is discrimination in access to credit for migrants, the migrants are naturally less willing to remain in that place. Access to credit is important for permanent migrants who seek business expansion in the receiving society.

The role of contextual conditions in the development of entrepreneurial activities has been proposed by Dijst and Van Kempen (1991). According to these authors, socio-cultural approaches ignore the fact that different contextual conditions offer different results in relation to entrepreneurial activities. In their view, economic, societal, and socio-spatial contexts, affect migrants' entrepreneurial drive. In other words, migrants respond differently to different socio-spatial conditions. Newly-arrived migrants in regions with high job competition prefer self-employed activities in order to avoid conflict with local people; but, in labour markets where there is a low degree of competition, the migrants may choose to work for a company rather than enter entrepreneurial activities. Dijst and Van Kempen also agree that it is more likely that migrants with a lower level of education and fewer skills are forced into entrepreneurial activities because they cannot meet the requirements set by the firms. Entrepreneurial activities usually do not require strong academic qualifications, but they do require experience in business activities. These authors consider the labour market to be the prime target of migration. But they

ignore the fact that there are migrants who initially move into entrepreneurial activities because of “innate” business acumen.

Besides the socio-spatial context, the political economic situation is also seen as having an effect on the rise of business activities among ethnic entrepreneurs in developing countries. Dijkstra and Van Kempen indicate that economic policies which rely on imported raw materials hinder the development of small and medium industries, which employ many people, including migrants. The collapse of these industries forces migrants into entrepreneurial activities. This argument has usually been used in dependency theory, which treats the structure of the international economic system as the major impediment to the domestic economy of developing nations.

3. The cultural approach

Another analytical framework is offered by the so-called Cultural school. According to the Cultural approach, values and cultural elements are the essential determinants of entrepreneurial activity. This approach refutes the idea of an opportunity structure within the receiving society. It is believed that each migrant has brought with him/her an entrepreneurial skill that has been ingrained from an early age, or that there are value-laden groups whose skills are cultivated within the family or within the community. These skills are also known as ethnic resources. The family is the primary institution for grooming entrepreneurial skills (Borjas 1993). Consequently, ethnic resources are regarded as fundamental to ethnic identity. The Jews in Europe, and the Chinese in Southeast Asia are identified with business, since the majority of them engage in business activities.

The Cultural approach also regards entrepreneurial activities as part of an ideology that can be taught, proselytised, and inculcated into children as a way of life. In this sense entrepreneurial activities are seen as an expression of one's faith. There are religious institutions, which positively encourage their congregations to take up entrepreneurial activities, for example, the Mennonites in the United States. Most of their congregations engage in entrepreneurial activities because this way of life is inculcated by the church (Redekop et al. 1995). Besides that, there is also the argument that thriving entrepreneurial activities reflect the nationalist spirit of a country's citizens. Research on Japanese entrepreneurs during the Meiji Restoration (Hirschmeier 1971) and the Koreans during the Modernisation period (Byung-Nak Song 1997) illustrate this tendency, whereby the state attempts to encourage some of its people to engage in entrepreneurial activities by providing them with credit facilities. At the same time, the state fosters the patriotic sentiment that the efforts of the entrepreneurs will give rise to a greater nation.

In the culturalist group we include the *middleman minority theory* (Turner and Bonacich 1980). Minority status is seen as a determinant of entrepreneurial activities. The migrants are only small groups, who have been banned from social and political roles in mainstream society due to their minority status. To compensate for this, most minority groups engage in entrepreneurial activities, which gives them social recognition in the receiving society. The overseas Chinese in Southeast Asia are a good example: ethnic Chinese are banned from activities in politics, which therefore compels them to seek opportunities in business. The business skill is then passed on from one gen-

eration to the next, and because it is maintained within the community, it is regarded as ethnic capital.

The idea that a cultural and religious practice prevents some groups from engaging in entrepreneurial activities is known as the *cultural block theory*. The absence of local entrepreneurs due to local cultural and religious practices offers migrants opportunities in business activities. The shortage of local entrepreneurs is very common in many developing countries, since business activities are sometime regarded as undignified, and it is considered a disgrace to engage in entrepreneurial activities. However, this negative attitude becomes transformed into a business opportunity for the migrants when they encounter such a community, and they can enter this sector without having to worry about competition from local entrepreneurs. In the past, the traditional Javanese society regarded business as a dishonourable activity and thus allowed the Chinese to enter this sector. As a consequence, Indonesia had a shortage of business leaders after the nationalisation of the Dutch companies in the late 1950s. To secure the policies of entrepreneurial formation, the government implemented a “*benteng*” (fortress) programme to protect the indigenous businesses (Robison 1986). This policy failed: very few “indigenous” entrepreneurs succeeded in their business. The Chinese entrepreneurs eventually took over these businesses and made a good profit.

In short, migrants in the Structuralist perspective are like a completely blank piece of paper when they first arrive. Through their experiences in a receiving region, the migrants decide what kind of marks they wish to inscribe on that paper. In this respect, the only practical choice for migrants is in entrepreneurial activities. In the Structuralist view, entrepreneurial skills can be established through training and experience. Conversely, the Cultural view, contends that the migrants bring entrepreneurial skill with them from their home region. In other words, these migrants are like a piece of paper which is already full of marks. In this view, entrepreneurial skill has to be born with the individual migrant. However, it appears that over the years the Structural approach has gained more support among scholars (Waldinger 1990; Cole 1959; Forbes 1979). This does not mean that the Culturalist approach is without merit, but that structural factors, such as competition, access to market, access to capital, local tolerance, supporting networks, and niche concentration (see Fig. 1), more obviously play a critical role in entrepreneurial activities in developing countries.

4. The formation of entrepreneurs in developing countries

Entrepreneurial migration is a phenomenon one can easily find in most developing countries. There are a few explanations for this, one of which comes from *modernisation failure theory* (Okpara 1986:70). According to this theory, industrialisation processes in developing countries fail to provide jobs for migrants from the rural areas, thus forcing these people into entrepreneurial activities. Upon arriving in the urban areas migrants encounter a scarcity of employment. They enter entrepreneurial activities as a survival strategy.

Studies in the developing countries demonstrate that the majority of migrants enter the informal sector for entrepreneurial activities (Rogerson

1988; Forbes 1979). This sector is regarded as a trash-bin for those who fail to secure jobs in the formal sector; that is why the informal sector is regarded as marginal. Migrants from rural areas prefer the formal sector, since jobs there are considered to be prestigious, and they provide a fixed income, regardless of whether the work is long term or short term. But it is also true that entrepreneurial migrants are a common phenomenon in developing countries. Entrepreneurial migrants are characterised by having small and medium sized businesses; they rely more on co-ethnic or family members for labour recruitment; they exercise control over a particular line of business; they have a tendency to live among fellow migrants; and their contact with other groups is restricted to business activities.

It is common for entrepreneurs in developing countries to be dominated by a few ethnic groups. Skills are passed from one generation to another, from fellow migrants to each other; the skills are restricted within the group and in the future become the property of the group. Entrepreneurial skills are kept within the group and eventually become ethnic capital. All members are required to keep quiet about the secrets of their business success as much as possible, and those who break that hidden rule are prone to social exclusion. Skill transformations are made within the family and community. Each child in an entrepreneurial family may be made to assist his parents as he grows up, and the entrepreneurial children are well prepared to run their own business when they reach adulthood. The involvement of children in family business can be seen as institutionalised training for future generations to develop the required skills (Borjas 1993).

The ties with the home region encourage the migrants to look for the opportunity to invite their kin group to migrate too (Boyd 1989; Gurack and Cases 1992; Hugo 1981). The reason they invite other fellow migrants is to protect a particular line of product or particular business activities from other groups. In other words, they want to protect a *niche* in the market. However, since the niche becomes the centre for ethnic business at their destination, it easily becomes saturated with fellow migrants. Earlier migrants became pioneers in a certain line of business, and subsequent generations follow the path of their predecessors until the entire niche is fully controlled.

When it is fully controlled by a particular ethnic group, the niche becomes the symbol of an ethnic group. All enterprises within a niche boundary are ethnic enterprises. Each ethnic member is required to promote and maintain these ethnic enterprises. When the niche is totally saturated with migrants of a similar ethnic group, new migrants must build a new niche, which is usually close to the product line of previous migrants. The whole process develops into an enclave economy in the receiving region.

The *niche concentration* provides jobs for family members and other relatives. At first, the migrants are alone in the receiving region, but they eventually bring their wives and children to settle with them. As the family becomes established economically, they invite other family members to join them. The new migrants begin work in the ethnic enterprises, and later establish their own businesses but also within the boundary of the ethnic enclave. This process may be repeated several times until it eventually develops into chain migration. The first generation encourages the second and the second encourages the third, and so forth, in order to reinforce the ethnic enclave in the receiving region (Zoomers 1986; Okpara 1986). This model essentially maps out a social 'lock in' activity pattern.

5. Potential conflict with local residents in the area of destination

Discord between migrants and the local people has become a major problem in developing countries. In one sense, the niche can save the migrants by separating them from the local people, but it can be a source of potential conflict as well. Conflict arises because migrants are seen as potential contenders in the local job market. Job opportunities are in short supply in several regions and the presence of migrants increases labour stress in the receiving region. Local people view the migrants as strangers who have no right to participate in the local labour market. Such conflict can be detected in the work place whenever there are multi-ethnic co-workers.

Even if the migrants engage in entrepreneurial activities, it does not guarantee freedom from potential conflict. Local people consider the migrants as robber-aliens who arrive to steal local wealth and then return to their home regions. The minorities who are involved in entrepreneurial activities are usually better-off than the local people in general. This situation aggravates social prejudice among the local people, which occasionally leads to rampant social riots. Local people express xenophobic attitudes, since the migrants' apparently aggressive character threatens their socio-economic position.

The arrival of large numbers of migrants who practice different religions and habits is also seen as a challenge to the cultural status quo of the receiving society and thus induces social stress. Migrants' religious and cultural practices are perceived as destructive to the local culture and should be thwarted. The local inhabitants view these alien cultural practices like bacteria which spoil the milk, and treat them with distaste and opposition. The migrants might, for example, refuse for cultural reasons to participate in ceremonies held by local people. The exclusion of either side from any social occasion taking place in each community increases social tension. This is the uncomfortable attitude that is found in Southeast Asia with its multi-ethnic society (Furnivall 1944).

Hostile social interaction between migrants and the local people brings us to an important issue, the cultural hostility of the receiving society. This is because migrants and the host population have different social expectations. In fact, a hostility structure comes into consideration as soon as the migrants decide upon a destination. Hostility in the receiving area reduces migrants' opportunities in business activities and in turn induces their motivation to move on. Hostility in the receiving society is manifested in the form of boycott, physical destruction, vandalism, and arson.

However, local hostility towards the migrants does not always quell their desire to remain in a particular region. There are those who risk staying as long as possible to earn money through entrepreneurial activities. In such a hostile situation, the ethnic niche can be perceived as a huge tent protecting the migrants from potential conflict with local people in the receiving region. The niche isolates the migrants from local people and contact with them is mostly restricted to market transactions. Since the migrants interact socially more with fellow migrants, physical conflict can be reduced to a minimum.

Social tensions between the migrants and the host population can also be reduced through an assimilation process (Waldorf 1994). This process is sometimes seen as ethnic reconciliation. The notion of assimilation refers to migrants' involvement in social ceremonies and occasions in the receiving society, or it could be related to residential arrangements or spatial dispersion,

in which migrants and the host population live side by side and interact together.

6. A socio-economic model of profit-seeking behaviour

In the light of the previous remarks, it is an intriguing question how a migrants-entrepreneur may survive. To analyse this question, we will develop an explanatory model for the profit-seeking strategies of migrant entrepreneurs. We will introduce a socio-economic model of profit-seeking behaviour that is based on an integrated social-economic framework (see Fig. 1) and that can be applied to the study of entrepreneurial migration in developing countries. Migrants who engage in entrepreneurial activity consider such factors as market competition, market accessibility, niche concentration, capital accessibility, cultural hostility, and support networks before deciding to move. These are factors related to location characteristics, but there are also personal characteristics, such as education, age, entrepreneurial experience, and migration experience, which can all affect the intention to stay. All the factors mentioned earlier are the underlying determinants, and the migration variable of interest is the intention, or propensity, to stay in a particular region. *Intention to stay* refers to the migrants' desire to settle in one particular location after considering its economic and social costs and benefits. From the neo-classical perspective, the selection of a location reflects an optimal decision which represents the migrant's preference for a given location, since it offers the best opportunity for profit maximisation, or it offers an opportunity to minimise transport costs. But in many developing countries location preference reflects the migrants' expectations merely for a satisfactory income.

Another important factor is the length of stay. The length of stay in a particular region refers to the amount of years a migrant lives in a region. The decision to stay in a particular place is dependent upon the migrants' perceptions about the continuing security of their entrepreneurial activities after they have established them. When a place offers very little security the migrants then consider other potential locations. To measure this variable, we will use subjective scores or responses. We also discuss the relation of each variable to the dependent variable in Fig. 1.

Let us now explore in greater depth the variables that affect entrepreneurial migration. The interpretation of these factors takes the Indonesian situation as a frame of reference (see for details also Ndoen 2000).

1. Degree of competition. Degree of competition refers to migrants' perception about the ratio of entrepreneurs to consumers in a specific product line. Competition may occur within the product niche or outside of it. Entrepreneurs avoid higher degrees of competition and choose markets with a lower level of competition. When a market is saturated, the possibility to realise a profit is very low, and migrants therefore turn to other places for their business activities. It is expected that the relation between degree of competition and intention to stay is negative: the lower the degree of competition at a particular place, the stronger the intention to stay.

2. Market accessibility. Market accessibility refers to the migrants' perception of the degree of access to the market or consumers. The degree of accessibility is dependent on local government regulation concerned with access to strate-

Economic Factors:

Socio-Cultural Factors:

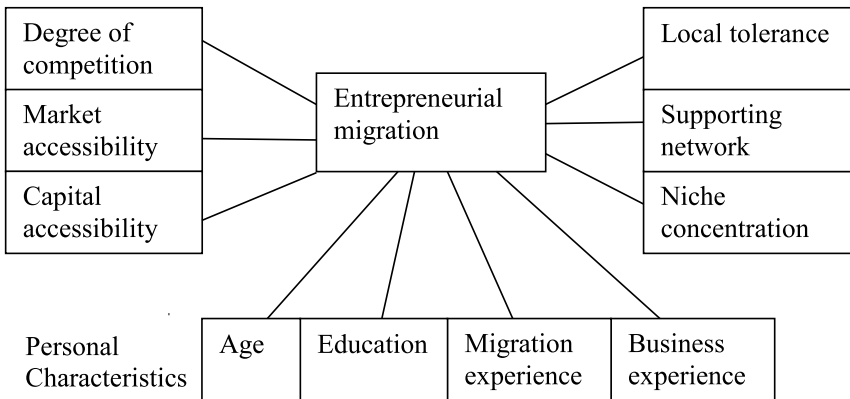


Fig. 1. Factors that determine entrepreneurial migration

gic locations. A market with easy access is obviously preferable to one with problematic access. In many instances, access to a particular location is sealed off by previous migrants as a strategy to maintain business security. The recent migrants are forced to seek other markets. Market accessibility has a positive relation with the intention to stay: the higher the degree of access to a particular market, the stronger the intention to stay.

3. *Niche concentration.* Market niche refers to the line of product controlled by a particular group at the current location. The concentration is measured by the concentration of people from a particular ethnic group in a certain product line. The more people from a particular group are engaged in selling this product, the stronger the concentration of the niche. The majority of small and medium entrepreneurs are engaged in the distribution rather than the production sector. The variable niche concentration is thought to have a positive relation with the intention to stay: the greater the concentration of a product in a particular market, the stronger the intention to stay.

4. *Capital accessibility.* Capital accessibility refers to the migrants' perception of the chances to acquire credit at the current place. Access to credit institutions is essential for business expansion in the future. Access is different from one region to another due to different bureaucratic and social settings. There are also places where access to credit is very costly because of corruption. The variable capital accessibility has a positive impact on the intention to stay: the higher the access to a capital institution, the stronger the intention to stay at the current place.

5. *Local tolerance.* Local tolerance refers to the social response toward migrants by the receiving society. Local tolerance can be expressed in various forms, from a subtle response, such as allowing the migrants to reside side-by-side with the local community, or other responses, such as allowing the migrants to participate in local social activities. Contact with earlier migrants

determines the local response to the new migrants. When the initial contact is not good, local residents may build up a negative attitude towards the new migrants. Although there could be physical assault, but if it occurs, it is the expression of a long period of mounting frustration among the local people. A softer hostile response can occur in an everyday form of resistance, by the exclusion of migrants from local social activities. Cultural hostility of this type leads to open conflict as it intensifies. The intensity of cultural tolerance has a positive relation with the intention to stay. We expect that the higher the intensity of tolerance, the stronger the intention to stay.

6. *Support network.* A support network refers to migrants' relations with their close family, kin group, or friends in the receiving region. These people provide information or facilities during the process of settlement. Migrants who have close family members or kin in a receiving region may have less probability of moving from the current place to elsewhere. Since the migrants prefer to stay close to other family members or kin group, the larger the concentration of family and kin in a particular place, the greater is the likelihood that the new migrants will remain in that place. The variable support network has a positive impact on the intention to stay: the stronger the support from the network, the stronger the propensity to stay.

7. *Education.* The effect of education depends on the transferability of skills acquired during the years of schooling (Hay 1980; Robinson and Tomes 1982). In this regard, migrants with a vocational background in commerce may have a better ability to assess preferable locations in the first instance and have less of a tendency to repeat migration. Less-educated migrants are more prone to repeat migration than educated ones (Davanzo 1983). The educated migrants prefer to remain at a certain place for quite a period of time before moving again. Education has a positive impact on the intention to stay. It is thought that the higher the level of education, the stronger the propensity for the migrant to stay.

8. *Age.* Age refers to the age of the migrants at the time the survey was conducted. Migration research consistently demonstrates a strong correlation between age and migration (Miller 1977). Younger persons are more likely to undergo repeat migration if they discover that the current place is unsuitable for entrepreneurial activities. They are also likely to travel and want to experience more of the world before settling in a particular destination. In contrast, older migrants usually have family with them, which reduces the probability to migrate again. The variable age has a positive impact on the intention to stay: the higher the age, the stronger the propensity to stay.

9. *Business experience.* Business experience refers to the length of time the migrants have engaged in entrepreneurial activities at the time of our survey. Migrants with more experience have a better understanding of the type of location for their businesses. Experienced migrants prefer to stay at a particular place and are compelled to leave only when extreme circumstances occur, such as ethnic disorder or riots. People with entrepreneurial experience are more aware of socio-economic circumstances than those with less entrepreneurial experience. Those with greater experience are less likely to conduct repeat migration so they can ostensibly reduce transportation costs. This

variable, *entrepreneurial experience*, has a positive impact on the intention to stay: the greater the experience in entrepreneurial activities, the stronger the intention to settle.

10. Migration experience. Migration experience refers to the number of years involved in migration before the migrants settle in the current location. The total number of trips made by migrants from one place to another after the age of eighteen can also be used as an indicator of migration experience. It is expected that migrants who have experienced multiple moves are more likely to move again than those with less experience (Massey et al. 1993). People from families with migration experience may also be more likely to move than those whose families have no migration experience. Migration experience has a negative impact on the intention to stay: the more the migration experience, the weaker the intention to settle in a particular place.

11. Duration of residence is defined as the number of years the migrant has stayed in the current region at the time the research was conducted. It is expected that the longer migrants live in the current place the greater their propensity to stay.

12. Origin is the migrants' place of origin. This a dummy variable where migrants from South Sulawesi = 1 and others = 0.

The above conceptual framework can be incorporated into a regression model which can be formulated as follows:

$$Y_i = \alpha + \sum_{k=1}^{12} \beta_k X_{ik} + \varepsilon_i$$

With Y = Propensity to Stay; $X1$ = Weak competition; $X2$ = Local Tolerance; $X3$ = Market Accessibility; $X4$ = Niche Concentration; $X5$ = Capital Accessibility; $X6$ = Supporting Network; $X7$ = Duration of Residence; $X8$ = Age; $X9$ = Education; $X10$ = Migration Experience; $X11$ = Business Experience; $X12$ = Place of Origin; ε = Error Term.

7. Results of the regression analysis and interpretation

All the economic and socio-cultural independent variables ($X1, \dots, X6$) and the dependent variable from the above regression model are measured on the basis of extensive field work in Indonesia (in particular in the region of East Nusa Tenggara) using structured interviews with 334 migrants and coding their opinions on a measurement scale of 1 (least favourable) to 10 (most favourable). Duration of residence, age, education, migration experience and business experience are measured at their face value in terms of years. Only place of origin is treated as a dummy variable, where 1 indicates the migrant is from South Sulawesi, and 0, otherwise. The dependent variable is defined as the migrant's propensity to stay in the current region for the next two years. It is measured on a 10 point scale from 1 (least favourable) to 10 (most favourable). The model is estimated by using a Probit form of regression. Table 1 presents the results of an Ordered Probit Regression of economic and

Table 1. Ordered probit regression of economic and social variables in East Nusa Tenggara

Variable	Coefficient	Std. error	Z-statistic	Prob.
Weak competition	0.13	0.03	3.92	0.0001
Local tolerance	0.21	0.06	3.55	0.0004
Market accessibility	0.23	0.03	8.04	0.0000
Niche concentration	0.11	0.03	3.74	0.0002
Capital accessibility	0.08	0.03	2.74	0.0061
Supporting network	0.27	0.03	9.09	0.0000
Duration of residence	-0.01	0.02	-0.57	0.5678
Age	0.00	0.01	0.55	0.5790
Education	0.01	0.02	0.56	0.5771
Migration experience	0.02	0.02	0.91	0.3626
Business experience	-0.04	0.03	-1.65	0.0981
Origin (South Sulawesi = 1)	0.43	0.14	3.15	0.0016
Business experience Squared	0.002	0.00	2.39	0.0167
Akaike info criterion	3.03	Schwarz criterion		3.28
Log likelihood	-483.851	Hannan-Quinn criterion		3.13
Restr. log likelihood	-656.943	Avg. log likelihood		-1.45
LR statistic (13 df)	346.184	LR index (Pseudo-R2)		0.26
Probability LR (stat)	0.00			

social factors in East Nusa Tenggara.¹ From this Table 1, we see that all economic and socio-cultural variables are significantly related to the dependent variable, migrants' propensity to stay, at the 0.01 significance level.

The variable *supporting network* is the strongest explanatory variable in maintaining the migrants in East Nusa Tenggara. It has a relatively strong positive relation to propensity to stay, indicating that migrants have an increased propensity to stay in their current place when support from relatives and fellow migrants increases. The majority of the migrants believe that they had substantial support from their fellow migrants. Even though the migrants were willing to support their fellow migrants, the majority do not agree that the new arrivals should live with previous migrants and neither agreed that the previous migrants have any moral obligation to look after the newcomers. Most of the respondents thought they do not need to help their fellow migrants financially at a time of crisis. However, the migrants help as long as the fellow migrants can pay off loans, even if without interest (Ndoen 2000).

From Table 1, *market accessibility* is significantly positively related to the propensity to stay, indicating that as access to the current market increases, the migrants' propensity to stay also increases. The regression coefficient of 0.23 strongly suggests that entrepreneurs give heavy weight to access to the market in their current location compared to alternatives in other places. Migrants state that the opportunity in their current location is to some extent related to local's lack of interest in entering the migrants' line of business. The only problem they have is dealing with the bureaucracy (Ndoen 2000).

Local tolerance also is positively related to propensity to stay, indicating that as tolerance increases migrants are more inclined to remain. Migrants thought the tolerance in the current region was high and they believed that

¹ We tried other non-linear specifications of the duration variables, but this did not improve the statistical "fit" of the model.

local people were pleased to accept them. Also they felt safe in their current place. Although the majority of the migrants asserted that they have no problems with locals, some of them complain about mischief they have experienced from some young locals (Ndoen 2000). There is a potential conflict between entrepreneurial migrants and the local entrepreneurs due to competition for space in the market. The migrants' stores (mostly from South Sulawesi) occupy a major space in the market and control the level of imported goods and wares. In contrast, local traders concentrate on local products and are only allowed to sell in the front of the stores as street vendors. Moreover, local entrepreneurs report that store rent is too expensive for them to afford (Ndoen 2000).

Weak competition is the next variable of interest. It is positively related to propensity to stay, indicating that migrants are more likely to stay in East Nusa Tenggara, the weaker the competition. Or, putting it another way, as competition becomes more intense, the migrants' propensity to stay in their current location decreases. A large proportion of the migrants think that the number of sellers is low in this region, so there is still a high probability of making a profit. Besides, the majority of migrants believe that the rate of increase of new sellers is still low, so competition is not so strong (Ndoen 2000). Given the fact that they enter limited business types and the concentration of all business is in a limited market, there appears to be a potential for intra-ethnic competition.

This relation again occurs with *niche concentration*, which has a positive relationship to the dependent variable, indicating that as niche concentration intensifies, the propensity to stay also increases. The majority of migrants perceive niche concentration in the current region as rather high. Only a small number think that the number of new migrants in the businesses of previous migrants is low. These migrants believe that the new migrants are not likely to enter a business dealing in the same market as the previous migrants. One of the reasons is that they want to avoid competition within the group (Ndoen 2000).

Capital accessibility is also positively related to the *variable propensity to stay*, but the estimated coefficient is small, which indicates that this variable is not so important in explaining the "propensity to stay" in the local region. The rather small effect is due to the fact that most of these migrants have almost nothing to do with formal banks. Some migrants are not interested in access to local banks, as they have already borrowed money from the banks at home (because they are able to meet collateral required by the banks in their home region). They always can pay back the money from the proceeds of their business in the current place. There are some migrants who borrow the money from relatives at a modest interest rate and will be paid back later (Spaan 1999). Also there are some devout Muslims who prefer not to borrow from banks because they perceive that charging interest is against *Sharia* (Muslim Law).

From the small number who borrow from local banks it was discovered that they have low obstacles to borrowing and they do not need to have an "under-the-table" arrangement with bank officials (Ndoen 2000). They also thought that borrowing money from the bank did not require forging special connections with a bank officer. In that sense, we conclude that the banking sector is reliable in the eyes of the migrants, even though only a small number have, or even want to have access to banks.

In Table 1, we include the variable *business experience squared*, which

turns out to be significant at a 0.01 level, indicating that as the period of migrants' experience in business activities increases, their inclination to stay in their current location increases more rapidly. The variable *place of origin* appears to be positively related to the "propensity to stay" indicating that migrants from South Sulawesi have a higher propensity to stay in their current region than migrants from other regions.

8. Conclusion

This paper analysed migration motives and impediments of small scale entrepreneurs in the region of destination. As ethnic entrepreneurship is increasingly considered to be a major source of new employment, it is important to investigate in greater depth the success conditions of entrepreneurs in their new local setting. In the paper, the situation in developing countries – in particular Indonesia – is taken as the frame of reference.

After review of various explanatory factors, a multivariate system of key variables was selected and statistically tested for one of the East-Indonesian regions. The model provided fairly satisfactory results, based on an Ordered Probit regression analysis.

It is noteworthy that socio-cultural variables did not play a major role. It is the socio-economic structure that generates success conditions for small-scale businessmen. Informal supporting networks, market accessibility and local tolerance may be seen as relevant policy levers. But the overall conclusion is that the self-organising capacity of the local and regional population is the main driving force for successful business migration in developing regions. There is need to replicate this study to determine the stability of these findings across other cultural and social contexts.

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